

SECURITIES AND EXCHANGE COMMISSION

FORM S-3

Registration statement for specified transactions by certain issuers

Filing Date: **1995-02-22**
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FILER

PACIFICARE HEALTH SYSTEMS INC

CIK: **766456** | IRS No.: **330064895** | State of Incorporation: **DE** | Fiscal Year End: **0930**
Type: **S-3** | Act: **33** | File No.: **033-57783** | Film No.: **95514166**
SIC: **6324** Hospital & medical service plans

Mailing Address
5995 PLAZA DRIVE
CYPRESS CA 90630

Business Address
5995 PLAZA DR
CYPRESS CA 90630
7149521121

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PACIFICARE HEALTH SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

<TABLE>		
<S>	<C>	
	DELAWARE	33-0064895
	(State of Incorporation)	(I.R.S. Employer Identification Number)

</TABLE>

5995 PLAZA DRIVE
CYPRESS, CALIFORNIA 90630-5028
(714) 952-1121
(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

ALAN HOOPS
PACIFICARE HEALTH SYSTEMS, INC.
5995 PLAZA DRIVE
CYPRESS, CALIFORNIA 90630-5028
(714) 952-1121
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

IT IS REQUESTED THAT COPIES OF COMMUNICATIONS BE SENT TO:

<TABLE>		
<S>	<C>	
	RICHARD A. GOLDBERG, ESQ. Shereff, Friedman, Hoffman & Goodman, LLP 919 Third Avenue New York, New York 10022 (212) 758-9500	ERIC H. SCHUNK, ESQ. Milbank, Tweed, Hadley & McCloy 601 South Figueroa, 30th Floor Los Angeles, California 90017 (213) 892-4000

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. / /

CALCULATION OF REGISTRATION FEE

<TABLE>				
<CAPTION>				
	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>	<C>
TITLE OF SECURITIES TO BE REGISTERED				

Class B Common Stock, par value \$0.01
per share..... 5,175,000 (2) \$69.75 \$360,956,250 \$124,468

- <FN>
- (1) Estimated solely for the purpose of calculating the registration fee, pursuant to Rule 457 under the Securities Act of 1933, on the basis of the average of the high and low prices of the registrant's Class B Common Stock as quoted on the Nasdaq National Market on a date within five days of the filing hereof.
 - (2) Includes 675,000 shares of Class B Common Stock which the Underwriters have an option to purchase to cover over-allotments, if any.

</TABLE>

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

PACIFICARE HEALTH SYSTEMS, INC.
CROSS REFERENCE SHEET

<TABLE>
<CAPTION>
FORM S-3 ITEM NO. AND CAPTION

CAPTION OR LOCATION IN PROSPECTUS

<C>	<S>	<C>
1.	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Facing Sheet; Cross Reference Sheet; Outside Front Cover Page
2.	Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front Cover Page; Available Information; Outside Back Cover Page
3.	Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; Available Information
4.	Use of Proceeds.....	Prospectus Summary; Use of Proceeds
5.	Determination of Offering Price.....	*
6.	Dilution.....	*
7.	Selling Security Holders.....	Principal and Selling Stockholder
8.	Plan of Distribution.....	Front Cover Page; Underwriting
9.	Description of Securities to be Registered.....	Front Cover Page; Prospectus Summary; Description of Capital Stock
10.	Interests of Named Experts and Counsel.....	Legal Matters; Experts
11.	Material Changes.....	*
12.	Incorporation of Certain Documents by Reference.....	Incorporation of Certain Documents by Reference
13.	Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	*

<FN>

*Not Applicable
</TABLE>

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION
DATED FEBRUARY 22, 1995
4,500,000 SHARES

CLASS B COMMON STOCK

OF THE 4,500,000 SHARES OF CLASS B COMMON STOCK BEING OFFERED (THE "SHARES"), 3,000,000 SHARES WILL BE SOLD BY PACIFICARE HEALTH SYSTEMS, INC. ("PACIFICARE" OR THE "COMPANY") AND 1,500,000 SHARES WILL BE SOLD BY UNIHEALTH, INC., A CALIFORNIA NON-PROFIT PUBLIC BENEFIT COMPANY (THE "SELLING STOCKHOLDER"). SEE "PRINCIPAL AND SELLING STOCKHOLDER." THE COMPANY WILL NOT RECEIVE ANY OF THE PROCEEDS FROM THE SALE OF SHARES BY THE SELLING STOCKHOLDER.

THE CLASS B COMMON STOCK IS QUOTED ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL PHSYB. ON FEBRUARY 21, 1995, THE LAST REPORTED SALE PRICE OF THE CLASS B COMMON STOCK WAS \$70.75 PER SHARE. SEE "PRICE RANGE OF COMMON STOCK."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS (1)	PROCEEDS TO COMPANY (2)	PROCEEDS TO SELLING STOCKHOLDER (2)
<S>	<C>	<C>	<C>	<C>
PER SHARE	\$	\$	\$	\$
TOTAL (3)	\$	\$	\$	\$

<FN>

(1) THE COMPANY AND THE SELLING STOCKHOLDER HAVE AGREED TO INDEMNIFY THE SEVERAL UNDERWRITERS AGAINST CERTAIN LIABILITIES, INCLUDING LIABILITIES UNDER THE SECURITIES ACT OF 1933. SEE "UNDERWRITING."

(2) BEFORE DEDUCTING EXPENSES ESTIMATED AT \$ PAYABLE BY THE COMPANY AND \$ PAYABLE BY THE SELLING STOCKHOLDER.

(3) THE SELLING STOCKHOLDER HAS GRANTED TO THE SEVERAL UNDERWRITERS A 30-DAY OPTION TO PURCHASE UP TO AN ADDITIONAL 675,000 SHARES OF CLASS B COMMON STOCK TO COVER OVER-ALLOTMENTS, IF ANY. IF ALL SUCH SHARES ARE PURCHASED, THE TOTAL PRICE TO PUBLIC, UNDERWRITING DISCOUNTS AND COMMISSIONS AND PROCEEDS TO THE SELLING STOCKHOLDER WILL BE \$, \$ AND \$, RESPECTIVELY.

</TABLE>

THE SHARES ARE OFFERED BY THE SEVERAL UNDERWRITERS NAMED HEREIN WHEN, AS AND IF RECEIVED AND ACCEPTED BY THEM, SUBJECT TO THEIR RIGHT TO REJECT ORDERS IN WHOLE OR IN PART AND SUBJECT TO CERTAIN OTHER CONDITIONS. IT IS EXPECTED THAT DELIVERY OF THE SHARES WILL BE MADE IN NEW YORK, NEW YORK ON OR ABOUT , 1995.

DEAN WITTER REYNOLDS INC.

SALOMON BROTHERS INC
DILLON, READ & CO. INC.
LEHMAN BROTHERS

ROBERTSON, STEPHENS & COMPANY

, 1995.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSIONER OF INSURANCE FOR THE STATE OF NORTH CAROLINA NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THE PROSPECTUS.

IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET IN ACCORDANCE WITH RULE 10B-6A UNDER THE SECURITIES EXCHANGE ACT OF 1934. SEE "UNDERWRITING."

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements, information statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements, information statements and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the Commission at the principal offices of the Commission, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices located at Suite 1400, Citicorp Center, 500 West Madison Street, Chicago, Illinois 60661-2511, and at Suite 1300, 7 World Trade Center, New York, New York 10048. Copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates.

The Company has filed with the Commission a Registration Statement on Form S-3 (herein together with all amendments thereto called the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"), with respect to the securities offered by this Prospectus. This Prospectus does not contain all the information set forth or incorporated by reference in the Registration Statement and the exhibits and schedules relating thereto, certain portions of which have been omitted as permitted by the rules and regulations of the Commission. For further information with respect to the Company and the securities offered by this Prospectus, reference is made to the Registration Statement and the exhibits and schedules thereto which are on file at the offices of the Commission and may be obtained upon payment of the fee prescribed by the Commission, or may be examined without charge at the offices of the Commission. Statements contained in this Prospectus as to the contents of any contract or other documents referred to are not necessarily complete, and are qualified in all respects by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed with the Commission are hereby incorporated by reference into this Prospectus:

1. The Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1994.
2. The Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1994, as amended February 8, 1995.
3. The description of the Class B Common Stock of the Company contained in its Registration Statement on Form 8-A (File No. 0-14181), dated May 20, 1992.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of this offering shall be deemed to be incorporated by reference in

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this Prospectus and to be a part of this Prospectus from the date of filing thereof. Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company hereby undertakes to provide without charge to each person to whom a copy of this Prospectus has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Prospectus by reference (other than exhibits). Requests for such copies should be directed to: PacifiCare Health Systems, Inc., 5995 Plaza Drive, Cypress, California, 90630-5028, Attention: Investor Relations, telephone (714) 952-1121.

Unless the context indicates otherwise, all references herein to "PacifiCare" or the "Company" refer to PacifiCare Health Systems, Inc., its subsidiaries and its non-profit predecessor.

Unless the context indicates otherwise, all references herein to "UniHealth" or the "Selling Stockholder" refer to UniHealth, Inc.

The Company's principal executive offices are located at 5995 Plaza Drive, Cypress, California, 90630-5028, telephone (714) 952-1121.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION AND REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING STOCKHOLDER OR THE UNDERWRITERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE REGISTERED SECURITIES TO WHICH IT RELATES. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

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PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS AND IN THE DOCUMENTS INCORPORATED IN THIS PROSPECTUS BY REFERENCE. THE CLASS A AND CLASS B COMMON STOCK ARE SOMETIMES REFERRED TO COLLECTIVELY IN THIS PROSPECTUS AS THE "COMMON STOCK." UNLESS OTHERWISE INDICATED, THE INFORMATION IN THIS PROSPECTUS ASSUMES THE UNDERWRITERS' OVER-ALLOTMENT OPTION IS NOT EXERCISED.

THE COMPANY

PacifiCare-Registered Trademark- is one of the nation's leading managed health care services companies serving approximately 1.5 million commercial, Medicare and Medicaid members and is a leader in the management, development and marketing of diversified health maintenance organization ("HMO") products and related services. The Company operates HMOs in California, Florida, Oklahoma, Oregon, Texas and Washington. Through internal growth and strategic acquisitions, the Company believes it has built a strong competitive position in California and has expanded operations into new geographic markets.

Since fiscal 1990, the Company has achieved 42 percent compound annual earnings per share growth and 19 percent compound annual membership growth. The Company believes that future earnings and enrollment growth will result primarily from (i) expanding its Secure Horizons Medicare programs, (ii) marketing a broader range of managed care products and services, (iii) capitalizing on its experience in developing long-term relationships with health care providers and (iv) selectively expanding into new markets in order to develop its multi-regional servicing capabilities.

The Company serves more than 1,040,000 commercial HMO members and offers a comprehensive range of products including HMOs, preferred provider organizations and point-of-service plans. The Company has historically focused on the larger employer market, but has recently entered the smaller employer and individual markets. The Company believes that these markets have lower HMO penetration than the larger employer market and represent significant growth opportunities. The Company has enhanced its competitive position by entering into innovative relationships with health care providers which the Company believes will facilitate expansion into new and existing geographic markets.

Through its Secure Horizons-Registered Trademark- programs, the Company operates the largest and one of the fastest growing Medicare risk programs (as measured by membership) with approximately 409,000 members enrolled as of January 31, 1995. The Company believes that its Secure Horizons programs are attractive to Medicare beneficiaries because these programs provide a more comprehensive package of benefits than offered under traditional Medicare, and because these programs substantially reduce the member's administrative responsibilities. In addition, as of January 31, 1995, the Company had enrolled more than 33,000 Medicaid eligibles.

The Company believes that its ability to provide a comprehensive range of products and services through its commercial, Medicare and Medicaid programs, together with its specialty managed care products and services and its long-term relationships with health care providers, are the major factors that will enable PacifiCare to respond effectively to changes and needs in the health care marketplace and continue to be among the nation's leading managed health care services companies.

THE OFFERING

<TABLE>

<S>	<C>
Class B Common Stock Offered by the Company...	3,000,000 shares
Class B Common Stock Offered by the Selling Stockholder(1)	1,500,000 shares
Common Stock Outstanding after the Offering (2):	
Class A Common Stock.....	12,278,783 shares
Class B Common Stock.....	18,384,092 shares

Rights of Common Stock..... The Class B Common Stock offered hereby has no voting rights, other than as required by Delaware law, and the Class A Common Stock has one vote per share. The Class A Common Stock and the Class B Common Stock have equal rights to cash dividends, if any, and upon liquidation. See "Dividend Policy" and "Description of Capital Stock."

Use of Proceeds by the Company..... To repay amounts outstanding under its credit line, to increase working capital and for general corporate purposes, including acquisitions. See "Use of Proceeds."

Nasdaq National Market Symbols:

Class A Common Stock.....	PHSYA
Class B Common Stock.....	PHSYB

<FN>

(1) Currently, the Selling Stockholder owns 5,909,500 shares of Class A Common Stock or 48.1 percent of the outstanding Class A Common Stock and 3,160,000 shares of the Class B Common Stock or 20.5 percent of the outstanding Class B Common Stock. Upon completion of this offering, the Selling Stockholder will own 5,909,500 shares of the Class A Common Stock or 48.1 percent of the outstanding Class A Common Stock and 1,660,000 shares of the Class B Common Stock or 9.0 percent of the outstanding Class B Common Stock. See "Principal and Selling Stockholder."

(2) Based on the number of shares of Class A and Class B Common Stock outstanding as of February 16, 1995 and excluding (i) 409,934 shares of the Class A Common Stock and 1,945,192 shares of the Class B Common Stock issuable upon the exercise of outstanding stock options, of which options to purchase 394,109 shares of the Class A Common Stock and 524,662 shares of the Class B Common Stock are currently exercisable and (ii) 90,000 shares of the Class B Common Stock which certain health care providers are obligated to purchase over a five year period as a result of an offering of shares of Class B Common Stock to certain of the Company's health care providers (the "Provider Offering").

</TABLE>

SUMMARY FINANCIAL INFORMATION

<TABLE>
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	YEARS ENDED SEPTEMBER 30,					THREE MONTHS ENDED DECEMBER 31,	
	1990	1991	1992	1993	1994	1993	1994
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED INCOME STATEMENT DATA:							
Total operating revenue.....	\$ 975,849	\$ 1,242,357	\$ 1,686,314	\$ 2,221,073	\$ 2,893,252	\$ 645,748	\$ 821,614
Operating income (1).....	14,388	29,734	60,549	87,244	120,930	20,337	30,866
Income before income taxes and cumulative effect of a change in accounting principle.....	29,438	44,521	74,852	108,327	145,468	25,940	34,083
Income before cumulative effect of a change in accounting principle (2)...	17,638	25,702	43,590	62,696	84,593	14,739	20,057
Earnings per share before cumulative effect of a change in accounting principle (2).....	\$ 0.74	\$ 1.10	\$ 1.78	\$ 2.25	\$ 3.02	\$ 0.53	\$ 0.71
Weighted average number of shares of common stock and equivalents outstanding.....	23,770	23,346	24,509	27,847	28,004	27,813	28,231
OPERATING STATISTICS:							
Medical loss ratio (3):							
Commercial.....	86.0%	84.0%	80.2%	82.5%	80.5%	83.2%	81.7%
Medicare.....	87.4%	87.1%	86.6%	85.6%	85.2%	85.1%	85.1%
Operating income margin (4).....	1.5%	2.4%	3.6%	3.9%	4.2%	3.1%	3.8%
Period-end HMO membership:							
Commercial.....	546	567	742	807	949	830	971
Medicare (5).....	127	159	214	290	409	319	434
Total.....	673	726	956	1,097	1,358	1,149	1,405

</TABLE>

<TABLE>
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	SEPTEMBER 30,	DECEMBER 31,	AS ADJUSTED DECEMBER 31,
	1994	1994	1994 (6)
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
CONSOLIDATED BALANCE SHEET DATA:			
Working capital.....	\$ 231,242	\$ 233,565	\$ 356,110
Total assets.....	1,105,548	1,158,551	1,281,096
Long-term debt, excluding current maturities.....	101,137	97,590	14,590
Shareholders' equity.....	413,358	429,672	635,217

<FN>

- (1) Certain reclassifications have been made to the 1990 and 1991 amounts to conform to the 1992, 1993 and 1994 presentations.
- (2) Net income after cumulative effect of a change in accounting principle was \$90.3 million or \$3.22 per share for the year ended September 30, 1994 and \$20.4 million or \$0.73 per share for the three months ended December 31, 1993. See "Selected Consolidated Financial Data."
- (3) Health care costs as a percentage of premium revenue. Medicare medical loss ratios include Medicaid premiums and health care costs, which were immaterial to the resulting ratios.
- (4) Operating income as a percentage of total operating revenue.
- (5) Includes Medicaid membership which as of September 30, 1993 and 1994 was 1,597 and 22,010, respectively, and as of December 31, 1993 and 1994 was 1,665 and 30,751, respectively.
- (6) As adjusted to give effect to (i) the sale by the Company of the Class B Common Stock being offered at an assumed price of \$70.75 per share, less assumed underwriting discounts and commissions and offering expenses payable by the Company and (ii) the application of the net proceeds therefrom. See "Use of Proceeds."

</TABLE>

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USE OF PROCEEDS

The net proceeds to be received by the Company from the sale of the 3,000,000 shares of Class B Common Stock offered by the Company, at an assumed offering price of \$70.75 per share, after deducting estimated underwriting discounts and commissions and expenses of the offering payable by the Company, are approximately \$206,000,000. The Company will not receive any of the proceeds from the sale of shares of Class B Common Stock by the Selling Stockholder.

Approximately \$83 million of the net proceeds to the Company of this offering will be used to repay the amount outstanding under its \$250 million revolving line of credit (the "Credit Line") established with Bank of America National Trust and Savings Association and a syndicate of banks. The Credit Line has a five year term ending on November 30, 1999 and may be extended through November 30, 2001. The Credit Line may be increased at the Company's option provided certain debt to equity ratios and other financial covenants are satisfied. Interest is payable at the London Interbank Offered Rate plus a margin ranging from 29 to 48 basis points. As of February 22, 1995, the interest rate on amounts outstanding under the Credit Line was 6.17 percent. The remaining net proceeds of this offering will be used by the Company to increase working capital and for general corporate purposes. Such purposes may include acquisitions, the introduction of new products and services, increased investment in existing operations and expansion of geographic markets, which may include states in which the Company currently does not have a presence. Pending the above-described uses, the net proceeds will be invested in investment-grade, interest bearing securities.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as of December 31, 1994 (i) on an actual basis and (ii) as adjusted to give effect to the sale by the Company of the Class B Common Stock being offered, at an assumed offering price of \$70.75 per share, less estimated underwriting discounts and commissions and offering expenses payable by the Company, and the application of the net proceeds therefrom, as described under "Use of Proceeds."

	DECEMBER 31, 1994	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
<S>	<C>	<C>
Current maturities of long-term debt.....	\$ 8,275	\$ 8,275
Long-term debt, excluding current maturities (1).....	\$ 97,590	\$ 14,590
Shareholders' equity:		
Preferred Shares, par value \$1.00 per share; 10,000,000 shares authorized; none issued.....	--	--
Class A Common Shares, par value \$0.01 per share; 30,000,000 shares authorized; 12,258,000 shares issued and as adjusted (2).....	123	123
Class B Common Shares, par value \$0.01 per share; 60,000,000 shares authorized; 15,335,000 shares issued; and 18,335,000 shares as adjusted (2).....	153	183
Unrealized holding loss on available-for-sale securities net of tax effect of \$3,314.....	(4,872)	(4,872)
Additional paid-in capital.....	143,083	348,598
Retained earnings.....	291,185	291,185
Total shareholders' equity.....	429,672	635,217
Total capitalization.....	\$ 527,262	\$ 649,807

<FN>

(1) Long-term debt as of December 31, 1994 included \$83 million outstanding under the Credit Line and \$14.6 million of long-term capitalized leases and other long-term indebtedness.

(2) Excludes 424,634 shares of the Class A Common Stock and 1,975,254 shares of the Class B Common Stock issuable upon the exercise of outstanding stock options as of December 31, 1994 and 90,000 shares of Class B Common Stock to be issued pursuant to the Provider Offering. See Note 2 on page 5 for information as of a more recent date.

</TABLE>

PRICE RANGE OF COMMON STOCK

The Class A and Class B Common Stock are traded on the Nasdaq National Market under the symbols PHSYA and PHSYB, respectively. The following tables set forth, for the indicated periods, the high and low last reported sale prices per share of the Class A and Class B Common Stock as furnished by Nasdaq.

<TABLE>
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CLASS A

CLASS B

FISCAL PERIOD	COMMON STOCK		COMMON STOCK	
	HIGH	LOW	HIGH	LOW
<S>	<C>	<C>	<C>	<C>
1993				
First Quarter.....	\$51	\$38	\$44 3/4	\$32 1/4
Second Quarter.....	56 3/4	26	49	20 5/8
Third Quarter.....	44	34	40	28 5/8
Fourth Quarter.....	43 3/4	31	40 3/4	29 1/2
1994				
First Quarter.....	42 1/4	31	41 1/2	29 7/8
Second Quarter.....	57	38 1/4	56 3/8	37 3/4
Third Quarter.....	59 3/4	47 1/2	59 1/2	47 1/2
Fourth Quarter.....	79 3/16	47	75	46
1995				
First Quarter.....	77	62	73 3/4	62 1/4
Second Quarter (through February 21, 1995).....	72	62	72 1/2	62 7/8

The last reported sale prices of the Class A and Class B Common Stock as quoted on the Nasdaq National Market on February 21, 1995 were \$69 1/2 and \$70 3/4 per share, respectively. As of February 10, 1995, there were approximately 274 and 249 holders of record of the Class A and Class B Common Stock, respectively. Based upon information available to it, the Company believes that there are approximately 21,000 beneficial holders in the aggregate of the Class A and Class B Common Stock.

DIVIDEND POLICY

The Company has never paid any cash dividends on its Common Stock. The Company currently anticipates that no cash dividends on its Common Stock will be declared in the foreseeable future and that all of its earnings will be retained for the development of the Company's business. Any future dividends would be conditioned upon, among other things, future earnings, the financial condition of the Company and regulatory requirements, which may limit the Company's ability to pay dividends.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following consolidated income statement data and consolidated balance sheet data for each of the five years ended September 30, 1994 are derived from the audited consolidated financial statements of the Company. The following consolidated income statement data and consolidated balance sheet data for the three month periods ended December 31, 1994 and 1993 are derived from the unaudited consolidated financial statements of the Company. The following summary financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," found in the Consolidated Financial Statements and related notes and other financial information which are incorporated herein by reference.

	YEARS ENDED SEPTEMBER 30,					THREE MONTHS ENDED DECEMBER 31,	
	1990	1991	1992	1993	1994	1993	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
(IN THOUSANDS, EXCEPT PER SHARE DATA)							
CONSOLIDATED INCOME STATEMENT DATA:							
Revenue:							
Commercial premiums.....	\$525,113	\$ 657,715	890,330	\$1,046,186	\$1,237,411	\$286,788	\$332,438
Medicare premiums (1).....	444,552	575,069	784,844	1,153,964	1,618,145	348,500	477,595
Other income.....	6,184	9,573	11,140	20,923	37,696	10,460	11,581
Total operating revenue.....	975,849	1,242,357	1,686,314	2,221,073	2,893,252	645,748	821,614
Expenses:							
Health care services:							
Medical services.....	405,204	503,816	675,607	867,157	1,127,785	258,547	322,484
Hospital services.....	352,329	440,244	554,532	766,770	968,605	217,292	279,267
Other services.....	83,001	109,179	163,506	216,542	277,868	59,424	74,548
Total health care services.....	840,534	1,053,239	1,393,645	1,850,469	2,374,258	523,263	676,299
Marketing, general and administrative expenses.....	120,581	158,985	229,881	279,865	394,620	89,382	113,191
Amortization of intangibles.....	346	399	2,239	3,495	3,444	766	1,258
Operating income (2).....	14,388	29,734	60,549	87,244	120,930	20,337	30,866
Interest income.....	13,577	14,960	17,725	23,459	28,588	6,089	4,901
Gain on sale of Austin, Texas operations.....	1,750	--	--	--	--	--	--

Interest expense.....	(277)	(173)	(3,422)	(2,376)	(4,050)	(486)	(1,684)
Income before income taxes and cumulative effect of a change in accounting principle.....	29,438	44,521	74,852	108,327	145,468	25,940	34,083
Provision for income taxes.....	11,800	18,819	31,262	45,631	60,875	11,201	14,026
Income before cumulative effect of a change in accounting principle.....	17,638	25,702	43,590	62,696	84,593	14,739	20,057
Cumulative effect on prior years of a change in accounting principle.....	--	--	--	--	5,658	5,658	--
Net income.....	\$ 17,638	\$ 25,702	\$ 43,590	\$ 62,696	\$ 90,251	\$ 20,397	\$ 20,057
Earnings per share:							
Before cumulative effect of a change in accounting principle.....	\$ 0.74	\$ 1.10	\$ 1.78	\$ 2.25	\$ 3.02	\$ 0.53	\$ 0.71
Cumulative effect on prior years of a change in accounting principle.....	--	--	--	--	0.20	0.20	--
Earnings per share.....	\$ 0.74	\$ 1.10	\$ 1.78	\$ 2.25	\$ 3.22	\$ 0.73	\$ 0.71
Weighted average number of shares of common stock and equivalents outstanding.....	23,770	23,346	24,509	27,847	28,004	27,813	28,231
OPERATING STATISTICS:							
Medical loss ratio (3):							
Commercial.....	86.0%	84.0%	80.2%	82.5%	80.5%	83.2%	81.7%
Medicare.....	87.4%	87.1%	86.6%	85.6%	85.2%	85.1%	85.1%
Operating income margin (4).....	1.5%	2.4%	3.6%	3.9%	4.2%	3.1%	3.8%
Period-end HMO membership:							
Commercial.....	546	567	742	807	949	830	971
Medicare (5).....	127	159	214	290	409	319	434
Total.....	673	726	956	1,097	1,358	1,149	1,405

</TABLE>

<TABLE>

<CAPTION>

	SEPTEMBER 30,					DECEMBER 31,	
	1990	1991	1992	1993	1994	1993	1994
	(IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED BALANCE SHEET DATA:							
Working capital.....	\$ 43,080	\$ 21,837	\$ 49,550	\$162,781	\$ 231,242	\$151,578	\$ 233,565
Total assets.....	231,608	322,328	498,082	693,646	1,105,548	891,482	1,158,551
Long-term debt, excluding current maturities....	305	2,280	18,488	21,821	101,137	21,488	97,590
Shareholders' equity.....	74,550	99,678	198,884	319,294	413,358	340,516	429,672

<FN>

- (1) Medicare premiums include premiums from the Company's Medicaid programs, which premiums were immaterial in amount.
- (2) Certain reclassifications have been made to the 1990 and 1991 amounts to conform to the 1992, 1993 and 1994 presentations.
- (3) Health care costs as a percentage of premium revenue. Medicare medical loss ratios include Medicaid premiums and health care costs, which were immaterial to the resulting ratios.
- (4) Operating income as a percentage of total operating revenue.
- (5) Includes Medicaid membership which as of September 30, 1993 and 1994 was 1,597 and 22,010, respectively, and as of December 31, 1993 and 1994 was 1,665 and 30,751, respectively.

</TABLE>

BUSINESS

PacifiCare-Registered Trademark- is one of the nation's leading managed health care services companies, serving approximately 1.5 million commercial, Medicare and Medicaid members, and is a leader in the management, development and marketing of diversified health maintenance organization ("HMO") products and related services. The Company operates HMOs in California, Florida, Oklahoma, Oregon, Texas and Washington. Through internal growth and strategic acquisitions, the Company believes it has built a strong competitive position in California and has expanded operations into new geographic markets. The Company has historically focused on the larger employer market, but recently has entered the smaller employer and individual markets, which the Company believes represent significant growth opportunities. Since fiscal 1990, the Company has achieved 42 percent compound annual earnings per share growth and 19 percent

compound annual membership growth.

GROWTH STRATEGY

The Company's growth strategy is to solidify its position as one of the leading managed health care services companies by (i) expanding its Secure Horizons Medicare programs, (ii) marketing a broader range of managed care products and services, (iii) capitalizing on its experience in developing long-term relationships with health care providers and (iv) selectively expanding into new markets in order to further develop its multi-regional servicing capabilities.

SECURE HORIZONS MEDICARE PROGRAMS. Through its Secure Horizons programs, PacifiCare operates the largest and one of the fastest growing Medicare risk programs in the United States (as measured by membership). The Company believes the Medicare market offers significant growth opportunities since only approximately seven percent of Medicare beneficiaries are enrolled in at-risk HMO programs such as those offered by the Company. The Company will seek to continue its rapid growth in the Medicare risk arena by entering into new geographic markets with its Secure Horizons programs. In markets where the Company does not currently operate a commercial HMO, it has the ability to develop Medicare risk programs through licensing or other arrangements. See "-- Products and Services -- Specialty Managed Care Products and Services -- Secure Horizons USA, Inc."

COMPREHENSIVE RANGE OF PRODUCTS AND SERVICES. The Company offers a comprehensive range of products and services, including traditional HMOs, preferred provider organizations ("PPOs"), point-of-service plans ("POS plans"), as well as specialty managed care products and services such as prescription pharmacy benefit management, dental and vision care and behavioral health care services. The Company intends to leverage its ability to offer a comprehensive range of products and services by targeting new geographic markets and market segments where it has not historically focused, such as the smaller employer and individual markets.

PROVIDER RELATIONSHIPS. The Company has enhanced its competitive position by entering into innovative relationships with health care providers which the Company believes will facilitate expansion into new and existing geographic markets. For example, the Company has entered into provider service contracts, with terms up to 10 years, which pay providers a percentage of premium revenue. The Company believes that percentage of premium arrangements with providers lessen the risk associated with changes in government reimbursement policies and competitive pricing pressures. The Company has been able to customize its contractual arrangements with health care providers to recognize the unique needs of each market. In addition, the Company has recently completed an equity offering to certain providers aimed at developing more strategic and long-term alliances.

ENTRY INTO NEW MARKETS. During the last 18 months, the Company has entered into new markets, including South Florida, Houston and Dallas, Texas, Seattle, Washington and Central California. The Company has been successful in building its membership through expansion of its existing HMOs into additional geographic markets within the same state. For example, in Texas, the Company utilized its existing HMO in San Antonio to establish HMOs in Houston and Dallas which currently service approximately 20,600 and 1,400 members, respectively. The Company plans to enhance its presence in the Central California market through an agreement to acquire the membership of ValuCare, an HMO

with approximately 61,000 members. The Company believes it can continue to expand its membership through selective acquisitions and by establishing HMOs in new markets. The strategy of growth through acquisitions will be enhanced commencing in December 1995 when, for the first time, the Company will have the ability to use the pooling-of-interests method of accounting in connection with stock-for-stock acquisitions.

PRODUCTS AND SERVICES

The Company's total HMO membership has grown from 615,317 at January 31, 1990 to 1,483,346 at January 31, 1995, a 19 percent compound annual growth rate. The following table provides a breakdown of the Company's membership at January 31, 1995.

<TABLE>
<CAPTION>

	COMMERCIAL	MEDICARE (1)	COMBINED	PERCENT OF TOTAL
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
California.....	689,733	322,817	1,012,550	68.3%
Florida.....	56,466	11,636	68,102	4.6

Oklahoma.....	111,671	12,913	124,584	8.4
Oregon.....	81,047	37,717	118,764	8.0
Texas.....	65,296	39,343	104,639	7.0
Washington.....	37,211	17,496	54,707	3.7
Total Membership.....	1,041,424	441,922	1,483,346	100.0%

(1) Includes Medicaid membership of 11,437 in California, 11,636 in Florida and 9,974 in Oregon.
</TABLE>

COMMERCIAL HMO OPERATIONS

The Company's commercial HMO membership has grown from 506,280 at January 31, 1990 to 1,041,424 at January 31, 1995, a 16 percent compound annual growth rate. Commercial members generally join the Company's HMOs through an employer, which typically offers employees a selection of indemnity insurance and managed health care plans, pays for all or part of the monthly costs thereof and makes payroll deductions for any costs payable by the employee.

The Company has historically focused on the larger employer market, but has recently entered the smaller employer and individual markets. The Company believes that these markets have lower HMO penetration levels than the larger employer market and represent significant growth opportunities. The Company has also developed PPOs and POS plans, which combine the features of an HMO (a defined provider network providing care to members with reduced deductibles and co-payments) with the features of a traditional indemnity insurance product (the option to use any physician, with higher deductibles and co-payments). In addition, the Company also offers specialty managed care products and services, such as prescription drug, dental, vision and behavioral health care services.

SECURE HORIZONS PROGRAMS

Through its Secure Horizons programs, the Company operates the largest and one of the fastest growing Medicare risk programs (as measured by membership). The Company's Medicare membership has grown from 109,037 at January 31, 1990 to 408,875 at January 31, 1995, a 30 percent compound annual growth rate. The Company has provided health care services to Medicare beneficiaries through its Secure Horizons programs pursuant to annual contracts with the Health Care Financing Administration ("HCFA") since 1985.

The Company believes that its Secure Horizons programs are attractive to Medicare beneficiaries because these programs provide a more comprehensive package of benefits than offered under traditional Medicare, and because these programs substantially reduce the member's administrative responsibilities. Members in the Secure Horizons programs are enrolled on an individual basis and may disenroll upon 30 days' notice. The Company believes that its Secure Horizons programs have one of the lowest disenrollment rates relative to other Medicare risk plans.

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In response to employers' needs to provide cost-effective health care coverage for their retired employees who may not yet be currently eligible for Medicare benefits, the Company developed the Secure Horizons retiree product. The retiree product provides the Company with access to individuals who, once familiar with the Company's services and delivery system, may enroll in Secure Horizons programs after they become eligible for Medicare benefits. The premium rate structure and provider networks for this product are similar to the Company's Secure Horizons programs. This product takes advantage of the expertise the Company has developed in its Secure Horizons Medicare risk programs.

Because the use of health care services by Medicare recipients generally exceeds the use of services by those who are under the age of 65, the Company's Medicare contracts provide for substantially larger revenue per member than do the Company's non-Medicare plans. Premium revenue for each Secure Horizons member is generally more than three times that of a commercial member, reflecting, in part, the higher medical and administrative costs of serving a Medicare member. As a result, although members in the Secure Horizons programs represented approximately 28 percent of the Company's membership at December 31, 1994, they accounted for approximately 57 percent of the consolidated premium revenue and a greater percentage of the Company's profits for the three-month period ended December 31, 1994.

MEDICAID HMO OPERATIONS

Since 1993, the Company has arranged for health care services to Medicaid eligibles through its HMO subsidiaries pursuant to annual contracts with the Department of Health and Human Services ("HHS"). The Company's Medicaid membership has grown from 1,597 at September 30, 1993 to 33,047 at January 31, 1995. Currently, the Company arranges for this provision of health care services

to Medicaid eligibles in California, Florida and Oregon and anticipates enrolling Medicaid eligibles in other geographic markets. The Company receives a premium for each Medicaid member comparable to that of a commercial member. The Company believes that its programs are attractive to Medicaid eligibles because these programs provide access to quality health care providers, continuity of medical care and an introduction into mainstream managed care. The Company's Medicaid contracts with HHS are subject to annual renewal.

SPECIALTY MANAGED CARE PRODUCTS AND SERVICES

In addition to its HMO operations, the Company provides a wide range of specialty managed care products and services. These products and services are offered to HMOs, insurers, employers, governmental entities, providers and PPOs through various affiliated operations of the Company.

SECURE HORIZONS-REGISTERED TRADEMARK- USA, INC. ("SHUSA") was formed in March 1993 to take advantage of the Company's expertise in the Medicare risk area. SHUSA is authorized to license the use of the Secure Horizons service mark, trade name and systems, in exchange for license fees, to qualified HMOs that want to engage in Medicare risk contracting. SHUSA provides consulting, marketing, provider contracting, administrative services and other various services in support of the operation of a Medicare risk program by such HMOs. SHUSA is reimbursed for its expenses and receives a percentage of the revenue derived from each program in the form of license fees. SHUSA may also enter into joint ventures related to Medicare risk contracting. In September 1993, SHUSA formed an alliance with Tufts Associated Health Maintenance Organization, Inc. ("Tufts"). Through the alliance, Tufts operates Secure Horizons, Tufts Health Plan for Seniors, under a license from and with the assistance of SHUSA. As of October 1, 1994, Tufts began enrolling Medicare beneficiaries in the Boston area in Secure Horizons, Tufts Health Plan for Seniors which, as of February 1, 1995, had approximately 7,100 members. The Company believes the Secure Horizons, Tufts Health Plan for Seniors will be ultimately offered throughout Massachusetts and other parts of New England.

PACIFICARE LIFE AND HEALTH INSURANCE COMPANY-SM- ("PLHIC"), formerly Columbia General Life Insurance Company, offers employer groups managed health care insurance products which have been integrated with the Company's existing HMO products to form multi-option health benefits programs. PLHIC is a health and life insurance company licensed to operate in 37 states including California, Florida, Oklahoma, Oregon and Texas.

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PRESCRIPTION SOLUTIONS was established in May 1993 to offer pharmacy benefit management services. Clients of Prescription Solutions have access to a pharmacy provider network that features independent and chain pharmacies, as well as a variety of cost and quality management capabilities. In January 1995, Prescription Solutions acquired all of the outstanding capital stock of Preferred Solutions, a San Jose-based pharmacy benefit management company. The acquisition of Preferred Solutions enables Prescription Solutions to provide fully integrated services, including mail order distribution, an extensive network of retail pharmacies, claims processing and sophisticated drug utilization reporting. In addition, the Company believes this acquisition makes Prescription Solutions one of the industry's 10 largest pharmacy benefit management companies covering approximately 3.5 million total lives.

LIFELINK-SM-, INC. ("LIFELINK"), a licensed specialized health care service plan, provides behavioral health care services, including chemical dependency benefit programs, in California directly to corporate customers and indirectly through the Company's California HMO to its commercial members. Outside of California, PacifiCare Behavioral Health, Inc. contracts with various HMOs, insurers and employers to manage their respective mental health and chemical dependency benefit programs.

Other specialty products and services offered by the Company through various affiliated operations include (i) dental and vision services through California Dental Health Plan, Inc., (ii) coordination of managed care products for multi-region employers through Covantage, Inc., (iii) military health care management through PacifiCare-Registered Trademark- Military Health Systems, Inc., (iv) workers' compensation managed care through COMPREMIER-SM-, Inc., and (v) health promotion through PacifiCare Wellness Company.

The Company believes that its wide range of specialty managed care products and services complements its core HMO business and, given increasing market demand for greater choice and flexibility in the design of health care products and funding arrangements, will contribute to the Company's competitive position in the health care services marketplace.

HEALTH CARE PROVIDER RELATIONSHIPS AND CONTROL OF HEALTH CARE COSTS

The Company manages health care costs primarily by entering into contractual

arrangements with health care providers and by sharing the risk of certain health care costs with the Company's contracting physicians or physician groups and hospitals. For the three-month period ended December 31, 1994, fixed fee capitated payments to providers represented 56 percent and 70 percent of total health care costs for the commercial and Medicare programs, respectively.

The Company contracts for hospital services under a variety of arrangements including per diem, percentage of premium or per-member-per-month capitation, discounted fee-for-service, flat fee and fee-for-service arrangements. The loss of contracts with certain physician groups and with certain hospitals could have a material adverse effect on the Company's HMO operations.

The Company's ability to expand is dependent, in part, on competitive premium pricing and its ability to secure cost effective contracts with additional physicians or to ensure that existing physician groups expand their operations to accommodate the Company's new HMO membership. Achieving such objectives with respect to competitive premium pricing and physician contracts is becoming difficult due to increasing competition.

The Company's profitability is dependent, in part, on its ability to maintain effective control over health care costs while providing members with quality care. Factors such as health care reform, levels of utilization of health care services, new technologies, hospital costs, major epidemics, and numerous other external influences may affect the ability of HMOs to control health care costs.

GOVERNMENT REGULATION

The Company's HMOs are licensed and subject to periodic examination by governmental agencies and are subject to state and federal statutes and regulations which extensively regulate the activities and licensing of HMOs. As a result of the continued escalation of health care costs and the inability of many individuals to obtain health care insurance, numerous proposals relating to health care reform have been, and additional proposals may be, introduced in the United States Congress and the legislatures of the states in which the

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Company operates or may seek to operate. The Company cannot predict what effect, if any, such proposals would have on the Company if and when enacted. Although the Company believes that it would benefit from proposals encouraging the use of managed health care, there can be no assurance that the enactment of any of such reforms would not adversely affect the operations, profitability or business prospects of the Company.

The Company's Secure Horizons programs provide services pursuant to contracts with HCFA and are subject to regulation by HCFA and certain state agencies. As a result of HCFA's regulations governing the Company's Medicare fixed-fee-per-member programs, the Company's premiums are determined through formulas established by HCFA for the Company's Medicare contracts in a particular region. If these premiums are reduced, or if premium rate increases in a particular region are lower than the rate of increase in health care service expenses for the Company's Secure Horizons members in such region, the Company's operations, profitability or business prospects could be affected. The Company has mitigated this risk by paying approximately 70 percent of the health care service expenses for the Secure Horizons programs on a percentage of premium basis, and believes that any slowdown in the rate of premium growth may be offset by the effect of proposals encouraging managed health care for Medicare eligibles. The Secure Horizons programs are subject to certain risks relative to commercial programs, such as higher comparative medical costs, higher levels of utilization, and higher marketing and advertising costs associated with selling to individuals rather than to groups.

The Company's Medicare contracts are automatically renewed every 12 months unless the Company or HCFA elects either not to renew or to terminate them. These contracts (a "risk contract") are also subject to periodic unilateral revisions by HCFA based on certain demographic information relating to the Medicare population and the cost of providing health care in a particular geographic area. HCFA may unilaterally terminate the Company's Medicare contracts if the Company fails to continue to meet compliance and eligibility standards. Unilateral termination or failure to renew could have a material adverse effect on the Company.

The Company's Secure Horizons programs are not permitted, under federal regulations, to account for more than one-half of the Company's total HMO members in each of the Company's non-contiguous geographic state markets. This limitation may constrain the Company's rate of growth in markets where the Company is able to add Medicare members at a faster rate than commercial members.

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Of the 4,500,000 shares of the Class B Common Stock being offered, 1,500,000 shares of the Class B Common Stock are being sold by the Selling Stockholder. The following table sets forth, as of the date hereof and as adjusted to reflect the sale of the shares being offered, certain information regarding the ownership of the Class A and Class B Common Stock by the Selling Stockholder:

<TABLE>

<CAPTION>

STOCKHOLDER	CLASS OF COMMON STOCK	BENEFICIAL OWNERSHIP PRIOR TO OFFERING		BENEFICIAL OWNERSHIP AFTER OFFERING	
		NUMBER	PERCENT	NUMBER	PERCENT
		<C>	<C>	<C>	<C>
UniHealth, Inc. 4100 West Alameda Avenue Burbank, California 91505	A	5,909,500	48.1%	5,909,500	48.1 %
	B	3,160,000	20.5%	1,660,000 (1)	9.0 %

<FN>

(1) If the Underwriters' over-allotment option is exercised in full, the Selling Stockholder will own 985,000 shares of the Class B Common Stock or 5.4 percent of the outstanding Class B Common Stock after completion of the offering.

</TABLE>

Currently, the Selling Stockholder owns 5,909,500 shares of the Class A Common Stock, or 48.1 percent of all such shares outstanding, and 3,160,000 shares of the Class B Common Stock, or 20.5 percent of all such shares outstanding. Combined, the Selling Stockholder owns 32.8 percent of the total shares outstanding of the Company. Upon completion of this offering of the Class B Common Stock, the Selling Stockholder will own 5,909,500 shares of the Class A Common Stock, or 48.1 percent of all such shares outstanding, and 1,660,000 shares of the Class B Common Stock, or 9.0 percent of all such shares outstanding. Combined, the Selling Stockholder will own 24.7 percent of the total shares outstanding of the Company.

The Selling Stockholder is a California non-profit public benefit corporation which is the parent corporation of an integrated health care delivery system consisting of 10 non-profit medical centers and various for-profit health care companies, including one company in the HMO business. The Selling Stockholder's HMO, which is not federally qualified, and certain of its operations compete with the Company, primarily in California.

The Company purchases health care services from hospitals owned and managed by the Selling Stockholder on terms the Company believes are at least as favorable to the Company as would be available from unaffiliated third parties. In addition, the Company pays a management fee to the Selling Stockholder for certain services, including certain consulting services, pays a fee to the Selling Stockholder for payroll processing and reimburses the Selling Stockholder for the Company's share of joint insurance purchasing. The Company anticipates paying fees to, and purchasing services from, the Selling Stockholder in the future. Future transactions between the Company and the Selling Stockholder will be on terms no less favorable than could be obtained from unaffiliated third parties.

Terry Hartshorn, President and Chief Executive Officer of the Selling Stockholder, is the Chairman of the Board of PacifiCare. Gary L. Leary, Executive Vice President, Chief Operating Officer and General Counsel, director and Executive Committee member of the Selling Stockholder, David R. Carpenter, director, Chairman of the Board, Chairman of the Compensation, Executive and Nominating Committees of the Selling Stockholder, and Jean Bixby Smith, a director of the Selling Stockholder, are directors of the Company.

In connection with the current offering, the Selling Stockholder and the Company have agreed to contribute to certain liabilities, including liabilities under the Act, in amounts proportionate to the proceeds received by the Selling Stockholder and the Company and in certain circumstances to indemnify the other against certain liabilities, including liabilities under the Act. The Selling Stockholder's liability to the Company under such agreement is limited to the proceeds received by the Selling Stockholder in this offering.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 30 million shares of the Class A Common Stock, par value \$0.01 per share, 60 million shares of the Class B Common Stock, par value \$0.01 per share, and 10 million shares of Preferred Stock, par value \$1.00 per share (the "Preferred Stock"). As of February 16, 1995, there were 12,278,783 shares of the Class A Common Stock

outstanding, 15,384,092 shares of the Class B Common Stock outstanding and no shares of Preferred Stock outstanding.

The Class A Common Stock and the Class B Common Stock are more fully described in the Company's Registration Statement on Form 8-A (File No 0-14181), dated May 20, 1992, incorporated in this Prospectus by reference. The comparison of the Class A Common Stock and the Class B Common Stock set forth below is qualified in its entirety by reference thereto.

COMPARISON OF CLASS A COMMON STOCK AND CLASS B COMMON STOCK

VOTING. Holders of the Class A Common Stock have one vote per share, while holders of the Class B Common Stock have no voting rights other than as required by the Delaware General Corporation Law.

DIVIDENDS, OTHER DISTRIBUTIONS AND MERGERS OR CONSOLIDATIONS. Holders of the Class A Common Stock and Class B Common Stock are entitled to equal per share cash dividends, if any, distributions upon liquidation of the Company and consideration in a merger or consolidation of the Company (whether or not the Company is the surviving corporation). Holders of the Class A Common Stock and Class B Common Stock are entitled to equal per share stock dividends and stock splits, if any, except that if stock dividends in shares of Class A Common Stock are made to holders of Class A Common Stock, holders of Class B Common Stock may receive, on a share-for-share basis, shares of Class B Common Stock.

CLASS B PROTECTION. Certain provisions of the Company's Certificate of Incorporation, as amended (the "Certificate of Incorporation"), suspend the voting rights of any person or group that acquires a beneficial interest of 10 percent or more of the then outstanding shares of the Class A Common Stock (excluding the number of shares beneficially owned by such person or group prior to the reclassification in 1992 of the Certificate of Incorporation, dividing the Company's common stock into the Class A Common Stock and the Class B Common Stock, other than upon issuance or sale by the Company, by operation of law, by will or the laws of descent or distribution, by gift or by foreclosure of a bona fide loan), unless such person or group (a "Significant Shareholder") then owns an equal or greater percentage of all outstanding shares of the Class B Common Stock acquired after the date of reclassification or acquires additional shares of the Class B Common Stock. These provisions will also be triggered if any Significant Shareholder acquires the next higher integral multiple of five percent (e.g., 15%, 20%, 25%, etc.) of the outstanding Class A Common Stock after the date of the reclassification of the Certificate of Incorporation (other than upon issuance or sale by the Company, by operation of law, by will or the laws of descent or distribution, by gift or by foreclosure of a bona fide loan).

PREEMPTIVE RIGHTS. The Class A and Class B Common Stock do not carry any preemptive rights enabling a holder to subscribe for or receive shares of any class of stock of the Company or any other securities convertible into shares of any class of stock of the Company.

UNDERWRITING

The underwriters named below (the "Underwriters"), for whom Dean Witter Reynolds Inc., Salomon Brothers Inc, Dillon, Read & Co. Inc., Lehman Brothers Inc. and Robertson, Stephens & Company, L.P. are acting as Representatives (the "Representatives"), have severally agreed, subject to the terms and conditions set forth in the Underwriting Agreement by and among the Company, the Selling Stockholder and the Underwriters (the "Underwriting Agreement"), to purchase from the Company and the Selling Stockholder, and the Company and the Selling Stockholder have agreed to sell to the Underwriters, the number of shares of Class B Common Stock set forth opposite their names below:

<TABLE> <CAPTION>	NUMBER OF SHARES
UNDERWRITERS	

<S>	<C>
Dean Witter Reynolds Inc.....	
Salomon Brothers Inc.....	
Dillon, Read & Co. Inc.....	
Lehman Brothers Inc.....	
Robertson, Stephens & Company, L.P.....	
Total.....	4,500,000

</TABLE>	

The Underwriters are obligated to purchase all of the Shares offered hereby

if any are purchased.

The Representatives have advised the Company that the Underwriters propose to offer the Shares to the public at the offering price set forth on the cover page of this Prospectus and to certain securities dealers at such price less a concession not in excess of \$ _____ per share and that the Underwriters and such dealers may reallocate a concession not in excess of \$ _____ per share of sales to other dealers, including the Underwriters. After the Shares are released for sale to the public, the public offering price and concessions and discounts may be changed by the Underwriters.

The Company and the Selling Stockholder have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Act, or to contribute to payments which the Underwriters may be required to make in respect thereof.

The Selling Stockholder and the Company have agreed that they will not sell, contract to sell or otherwise dispose of any shares of the Class A or the Class B Common Stock for a period of 90 days after the effective date of this offering, except for the shares of the Class B Common Stock offered hereby, the issuance of shares by the Company pursuant to employee stock options and the issuance of shares or options by the Company pursuant to employee benefit, stock option and compensation plans of the Company, without the prior written consent of Dean Witter Reynolds Inc. The officers and directors of the Company and of the Selling Stockholder have not individually entered into any such agreements.

The Selling Stockholder has granted to the Underwriters an option, exercisable within 30 days from the date of this Prospectus, to purchase up to an additional 675,000 shares of the Class B Common Stock at the same price per share as the 4,500,000 shares of the Class B Common Stock offered hereby, less underwriting

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discounts and commissions. The Underwriters may exercise the option only for the purpose of covering over-allotments, if any, made in connection with the distribution of the shares of the Class B Common Stock to the public.

Pursuant to regulations promulgated by the Securities and Exchange Commission, market makers in the Common Stock who are underwriters and prospective underwriters ("Passive Market Makers") may, subject to certain limitations, make bids for or purchases of Common Stock until the earlier of the time of commencement (the "Commencement Date") of offers or sales of the Common Stock contemplated by this Prospectus or the time at which a stabilizing bid for such Common Stock is made. In general, on and after the date two business days prior to the Commencement Date (i) such market maker's net daily purchase of the Common Stock may not exceed 30% of its average daily trading volume in such Common Stock for the two full consecutive calendar months immediately preceding the filing date of the registration statement of which this Prospectus forms a part, (ii) such market maker may not effect transactions in, or display bids for, the Common Stock at a price that exceeds the highest bid for the Common Stock by persons who are not Passive Market Makers, and (iii) bids made by Passive Market Makers must be identified as such.

LEGAL MATTERS

The validity of the Class B Common Stock offered hereby will be passed upon for the Company by Shereff, Friedman, Hoffman & Goodman, LLP, New York, New York, and for the Underwriters by Milbank, Tweed, Hadley & McCloy, Los Angeles, California. Certain legal matters related to the offering will be passed upon for the Selling Stockholder by O'Melveny & Myers, Los Angeles, California.

EXPERTS

The Consolidated Financial Statements of the Company included in the Company's Annual Report (Form 10-K) for the year ended September 30, 1994 have been audited by Ernst & Young, LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

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PACIFICARE HEALTH
SYSTEMS, INC.

4,500,000 SHARES
CLASS B COMMON STOCK

PROSPECTUS

DEAN WITTER REYNOLDS INC.

SALOMON BROTHERS INC

DILLON, READ & CO. INC.

LEHMAN BROTHERS

ROBERTSON, STEPHENS & COMPANY

, 1995

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

<TABLE>	<S>	<C>
Securities and Exchange Commission Registration Fee.....		\$ 124,468
NASD Fee.....		30,500
NASDAQ Fee.....		17,500
Printing and Engraving.....		90,000
Legal Fees and Expenses (other than Blue Sky).....		200,000
Blue Sky Fees and Expenses.....		20,000
Accounting Fees and Expenses.....		20,000
Transfer Agent Fees.....		600
Travel and Miscellaneous.....		46,932

Total.....		\$ 550,000

</TABLE>

All of the above items except the registration fee, the NASD fee and the NASDAQ fee are estimated.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The indemnification of officers and directors of the Company is governed by Section 145 of the General Corporation Law of the State of Delaware (the "DGCL"). Among other things, the DGCL permits indemnification of a director, officer, employee or agent in civil, criminal, administrative or investigative actions, suits or proceedings (other than an action by or in the right of the corporation) to which such person is a party or is threatened to be made a party by reason of the fact of such relationship with the corporation or the fact that such person is or was serving in a similar capacity with another entity at the request of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if he had no reasonable cause to believe his conduct was unlawful. Indemnification in a suit by or in the right of the corporation is permitted if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, but no indemnification may be made in such suit to any person adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which the action was brought determines that despite the adjudication of liability, such person is under all circumstances, fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. Under the DGCL, to the extent that a director, officer, employee or agent is successful, on the merits or otherwise, in the defense of any action, suit or proceeding or any claim, issue or matter therein (whether or not the suit is brought by or in the right of the corporation), he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him. In all cases in which indemnification is permitted (unless ordered by a court), it may be made by the corporation only as authorized in the specific case upon a determination that the applicable standard of conduct has been met by the party to be indemnified. The determination must be made by a majority vote of a quorum consisting of the directors who were not parties to the action or, if such a quorum is not obtainable, or even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or by the stockholders. The statute authorizes the corporation to pay expenses incurred by an officer or director in advance of a final disposition of a proceeding upon receipt of an undertaking, by or on behalf of the person to whom the advance will be made, to repay the advances if it shall ultimately be determined that he was not entitled to indemnification. The DGCL provides that indemnification and advances of expenses permitted thereunder are not to be exclusive of any rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors, or otherwise. The DGCL also authorizes the corporation to purchase and maintain liability insurance on behalf of its directors, officers, employees and agents regardless of whether the corporation would have the statutory power

to indemnify such persons against the liabilities insured.

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The By-Laws of the Company (the "By-Laws") provide, in effect, that, to the extent and under the circumstances described above, the Company shall indemnify any person who was or is a party or is threatened to be made a party to any action, suit or proceeding of the type described above by reason of the fact that he is or was a director, officer, employee or agent of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The By-Laws also permit the Company to purchase insurance on behalf of such persons against any liability whether or not the Company would have power to indemnify him against such liability pursuant to the By-Laws. The By-Laws further provide that the termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. In addition, indemnification provided by the By-Laws is deemed not to be exclusive of any other rights to which those indemnified may be entitled, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

The Certificate of Incorporation of the Company, as amended (the "Certificate"), provides that no director shall be personally liable to the Company or any stockholder for monetary damages for breach of fiduciary duty as a director, except for any matter in respect of which such director shall be liable under Section 174 of the DGCL or any amendment thereto or successor provision thereto or shall be liable by reason that, in addition to any and all other requirements for such liability, he (i) shall have breached his duty of loyalty to the Company or its stockholders, (ii) shall not have acted in good faith or, in failing to act, shall not have acted in good faith, (iii) shall have acted in a manner involving intentional misconduct or a knowing violation of law or, in failing to act, shall have acted in a manner involving intentional misconduct or a knowing violation of law, or (iv) shall have derived an improper personal benefit. The Certificate further provides that no amendment or repeal of the rights herein referenced, nor the adoption of any provision of the Certificate inconsistent therewith, shall eliminate or reduce the effect of such rights in respect of any matter occurring or any cause of action, suit or claim that, but for the existence of such rights, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

The Company maintains a directors, officers and trustees liability and company reimbursement insurance policy which, among other things, provides for (i) payment on behalf of any of the Company's past, present or future directors, officers, trustees, employees, volunteers or any members of the Company's staff, faculty or any duly constituted committee of the Insured Entity (as defined in the policy) and other Insured Persons (as defined in the policy) against loss (as defined in the policy) stemming from actual or alleged acts or omissions committed by Insured Persons in their capacity as such, or while serving as director or trustee of any other non-profit entities at the express written direction of the Insured Entity, and (ii) payment on behalf of the Insured Entity against such loss for which the Insured Entity has paid as indemnification to or on behalf of the Insured Person. The policy does not cover loss from claims made against Insured Persons arising from, among other things, specified categories of misconduct, including a claim against an Insured Person brought about or contributed to in fact (1) by any dishonest or fraudulent act or omission or any willful violation of any statute, rule of law or by any Insured (defined to include the Insured Entity and any Insured Person) or (2) by any Insured gaining any profit, remuneration or advantage to which such Insured was not entitled.

Reference is made to the Underwriting Agreement filed as Exhibit 1.1 hereto for information regarding indemnification of officers and directors in connection with this offering.

In connection with the current offering, the Selling Stockholder and the Company have agreed to contribute to certain liabilities including liabilities under the Act in amounts proportionate to the proceeds received by the Selling Stockholder and the Company and in certain circumstances to indemnify the other against certain liabilities, including liabilities under the Act. The Selling Stockholder's liability to the Company under such agreement is limited to the proceeds received by the Selling Stockholder in this offering.

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ITEM 16. EXHIBITS

- (a) Exhibits

<TABLE>	
<C>	<S>
1.1	Form of Underwriting Agreement
5.1	Opinion of Shereff, Friedman, Hoffman & Goodman, LLP
10.1	Contribution and Indemnification Agreement, dated as of _____, 1995 between PacificCare Health Systems, Inc. and UniHealth, Inc.
23.1	Consent of Ernst & Young, LLP
23.2	Consent of Shereff, Friedman, Hoffman & Goodman, LLP (included in Exhibit 5.1)
24.2	Power of Attorney (appears on signature page)
</TABLE>	

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Cypress, State of California, on this 21st day of February, 1995.

PACIFICARE HEALTH SYSTEMS, INC.

By: /s/ ALAN R. HOOPS

 Alan R. Hoops
 President and Chief Executive
 Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned whose signature appears below constitutes and appoints Alan R. Hoops and Wayne B. Lowell, and each of them (with full power of each of them to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and on his behalf, and in his name, place and stead, in any and all capacities to execute and sign any and all amendments or post-effective

amendments to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the Registrant hereby confers like authority on its behalf.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

<TABLE>	<CAPTION>	SIGNATURE	TITLE	DATE
<C>	/s/ TERRY O. HARTSHORN ----- Terry O. Hartshorn	<S>	Chairman of the Board	<C>
				February 21, 1995
	/s/ ALAN R. HOOPS ----- Alan R. Hoops		Director, President and Chief Executive Officer (Principal Executive Officer)	February 21, 1995
	/s/ WAYNE B. LOWELL ----- Wayne B. Lowell		Executive Vice President, Chief Administrative Officer and Chief Financial Officer (Principal Financial Officer)	February 21, 1995

</TABLE>

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<TABLE>	<CAPTION>	SIGNATURE	TITLE	DATE
<C>	/s/ FRED V. RYDER ----- Fred V. Ryder	<S>	Senior Vice President and Corporate Controller (Principal Accounting Officer)	<C>
				February 21, 1995
	/s/ DAVID R. CARPENTER ----- David R. Carpenter		Director	February 21, 1995
	/s/ GARY L. LEARY ----- Gary L. Leary		Director	February 21, 1995
	/s/ DAVID A. REED ----- David A. Reed		Director	February 21, 1995
	/s/ WARREN E. PINCKERT II ----- Warren E. Pinckert II		Director	February 21, 1995
	/s/ LLOYD ROSS ----- Lloyd Ross		Director	February 21, 1995
	/s/ JEAN BIXBY SMITH ----- Jean Bixby Smith		Director	February 21, 1995

</TABLE>

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EXHIBIT INDEX

<TABLE>	<CAPTION>	SEQUENTIALLY NUMBERED PAGE
EXHIBIT NO.	DESCRIPTION	
<C>	<S>	<C>

- 1.1 Form of Underwriting Agreement
- 5.1 Opinion of Shereff, Friedman, Hoffman & Goodman, LLP
- 10.1 Contribution and Indemnification Agreement, dated as of _____, 1995, between
PacifiCare Health Systems, Inc. and UniHealth, Inc.
- 23.1 Consent of Ernst & Young, LLP
- 23.2 Consent of Shereff, Friedman, Hoffman & Goodman, LLP (included in Exhibit 5.1)
- 24.1 Power of Attorney (appears on signature page)

</TABLE>

4,500,000 Shares

PACIFICARE HEALTH SYSTEMS, INC.

Class B Common Stock

UNDERWRITING AGREEMENT

____, 1995

DEAN WITTER REYNOLDS INC.
SALOMON BROTHERS INC
DILLON, READ & CO. INC.
LEHMAN BROTHERS INC.
ROBERTSON, STEPHENS & COMPANY, L.P.
As Representatives of the
several Underwriters

c/o Dean Witter Reynolds Inc.
Two World Trade Center
New York, New York 10048

Dear Sirs:

1. INTRODUCTORY. PacifiCare Health Systems, Inc., a Delaware corporation (the "COMPANY"), and the selling stockholder named in SCHEDULE B hereto (the "SELLING STOCKHOLDER") propose to sell, pursuant to the terms of this Agreement, to the several Underwriters named in SCHEDULE A hereto (the "UNDERWRITERS"), an aggregate of 4,500,000 shares of Class B Common Stock, par value \$.01 per share (the "CLASS B COMMON STOCK"), of the Company. The aggregate of 4,500,000 shares so proposed to be sold is herein called the "FIRM STOCK." The Selling Stockholder also proposes to sell severally to the Underwriters, on a pro rata basis, at the option of the Underwriters, an aggregate of not more than 675,000 additional shares of Class B Common Stock as provided in SECTION 3 of this Agreement. The aggregate of 675,000 shares so proposed to be sold is herein called the "OPTIONAL STOCK." The Firm Stock and the Optional Stock are collectively referred to herein as the "STOCK". Dean Witter Reynolds Inc., Salomon Brothers Inc, Dillon, Read & Co. Inc., Lehman Brothers Inc. and Robertson, Stephens & Company, L.P. are acting as representatives of the several Underwriters and in such capacity are hereinafter referred to as the "REPRESENTATIVES."

2. (a) REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to, and agrees with, the several Underwriters that:

(i) The Company meets the requirements for use of Form S-3 and a registration statement (Registration No. 33-____) on Form S-3 relating to the Stock, including a preliminary prospectus and such amendments to such registration statement as may have been required to the date of this Agreement, has been prepared by the Company under the provisions of the Securities Act of 1933, as amended (the "ACT"), and the rules and regulations (collectively referred to as the "RULES AND REGULATIONS") of the Securities and Exchange Commission (the "COMMISSION") thereunder, and has been filed with the Commission. The registration statement contains the form of preliminary prospectus to be used in connection with the offering and sale of the Stock (the "PRELIMINARY PROSPECTUS"). The term "PRELIMINARY PROSPECTUS" as used herein means a preliminary prospectus as contemplated by Rule 430 or Rule 430A ("RULE 430A") of the Rules and Regulations included at any time as part of the registration statement.

Copies of such registration statement, amendments and each preliminary prospectus have been delivered to the Representatives. If such registration statement has not become effective pursuant to the Act, a further amendment to such registration statement, including a form of final prospectus, necessary to permit such registration statement to become so effective will be filed promptly by the Company with the Commission. If such registration statement has become effective, a final prospectus containing information permitted to be omitted at the time of effectiveness by Rule 430A will be filed by the Company with the Commission in accordance with Rule 424(b) of the Rules and Regulations promptly after execution and delivery of this Agreement. The term "REGISTRATION STATEMENT" means the registration statement as amended at the time it becomes or became effective pursuant to the Act (the "EFFECTIVE DATE"), including financial statements and all exhibits and any information deemed to be included by Rule 430A. The term "PROSPECTUS" means, collectively, a prospectus relating to the Stock, in the form it is first filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations or, if no such filing is required, the form of final prospectus included in the Registration Statement at the Effective Date. Any reference herein to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 that were filed under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), on or before the Effective Date or the date of such preliminary prospectus or the Prospectus, as the

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case may be. Any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to refer to and include the filing of any document under the Exchange Act after the Effective Date, or the date of any preliminary prospectus or the Prospectus, as the case may be, and deemed to be incorporated therein by reference.

(ii) On the Effective Date, the date the Prospectus is first filed with the Commission pursuant to Rule 424(b) (if required), and at all times subsequent to the Effective Date through and including the First Closing Date (as defined in Section 3 herein) and, if later, the Option Closing Date (as defined in Section 3 herein), and when any post-effective amendment to the Registration Statement becomes effective or any amendment or supplement to the Prospectus is filed with the Commission, the Registration Statement and the Prospectus (as amended or as supplemented if the Company shall have filed with the Commission any amendment or supplement thereto), including the financial statements included or incorporated by reference in the Prospectus, did or will comply in all material respects with all applicable provisions of the Act, the Exchange Act, the rules and regulations thereunder (the "EXCHANGE ACT RULES AND REGULATIONS") and the Rules and Regulations and will contain all statements required to be stated therein in accordance with the Act, the Exchange Act, the Exchange Act Rules and Regulations and the Rules and Regulations, as the case may be. On the Effective Date and when any post-effective amendment to the Registration Statement becomes effective, no part of the Registration Statement or any such amendment did or will contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading. At the Effective Date, the date the Prospectus or any amendment or supplement to the Prospectus is filed with the Commission and at the First Closing Date and, if later, the Option Closing Date, the Prospectus did not or will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The foregoing representations and warranties in this SECTION 2(a)(ii) do not apply to any statements or omissions made in conformity with information

relating to (i) any Underwriter furnished in writing to the Company by the Underwriters specifically for inclusion in the Registration Statement or the Prospectus or any amendment or supplement thereto or (ii) the Selling Stockholder furnished in writing to the Company by the

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Selling Stockholder specifically for inclusion in the Registration Statement or the Prospectus or any amendment or supplement thereto. For all purposes of this Agreement (including, but not limited to, SECTION 6 hereof), the statements set forth in the last paragraph of the cover page of the Prospectus, the first and third paragraphs on the inside front cover page of the Prospectus and the statements set forth under the heading "Underwriting" in the Prospectus constitute the only information relating to any Underwriter furnished in writing to the Company by the Underwriters specifically for inclusion in the preliminary prospectus, the Registration Statement or the Prospectus. For purposes of this Agreement, the statements referred to in SCHEDULE C constitute the only information relating to the Selling Stockholder furnished in writing to the Company by the Selling Stockholder specifically for inclusion in the preliminary prospectus, the Registration Statement or the Prospectus.

(iii) The documents that are incorporated by reference in the preliminary prospectus and the Prospectus or from which information is so incorporated by reference, when they become effective or were filed with the Commission, as the case may be, complied in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the Exchange Act Rules and Regulations or the Rules and Regulations, as applicable, except as amended and superseded by statements made in the Registration Statement; and any documents so filed and incorporated by reference subsequent to the Effective Date shall, when they are filed with the Commission, conform in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the Exchange Act Rules and Regulations or the Rules and Regulations, as applicable.

(iv) The only subsidiaries (as defined in the Rules and Regulations) of the Company that are material to the operations, business or financial condition of the Company and its subsidiaries taken as a whole are the subsidiaries listed on SCHEDULE D hereto (the "SUBSIDIARIES"). The Company and each of its subsidiaries is, and at each of the First Closing Date and the Option Closing Date, will be, a corporation or partnership, as applicable, duly organized, and in the case of a corporation, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization. The Company and each of its subsidiaries has, and at each of the First Closing Date and the Option Closing Date will have, full corporate or partnership, as applicable, power and authority to own or lease all the assets owned or leased by it and to conduct its activities and business as described in the Registration Statement and the Prospectus. The Company and each of its subsidiaries is, and at each of the First Closing Date and the Option Closing Date will be,

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duly licensed or qualified to do business and in good standing as a foreign corporation or partnership, if applicable, in all jurisdictions in which the nature of the activities conducted by it or the character of the assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified would not have a material adverse effect on the business, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole. None of the Company or any of its subsidiaries has any interest in a joint venture, corporation or partnership which interest

requires disclosure in the Registration Statement that has not been so disclosed. Complete and correct copies of the certificate of incorporation and of the by-laws, or partnership agreement, as applicable, of the Company and each of its subsidiaries and all amendments thereto have been delivered or made available to the Representatives, and no changes therein will be made subsequent to the date hereof and prior to the First Closing Date or, if later, the Option Closing Date, except as otherwise described in the Registration Statement.

(v) The outstanding shares of the Class B Common Stock and the Company's Class A Common Stock, par value \$.01 per share (the "CLASS A COMMON STOCK"), have been, and the Stock to be issued and sold by the Company upon such issuance will be, duly authorized, validly issued, and are fully paid and nonassessable and, when issued and delivered to and paid for by the Underwriters will be free of any pledge, charge, lien, encumbrance, security interest, claim or statutory or contractual preemptive rights, except those which have been waived or created by the actions of the Underwriters. The description of the Class A Common Stock and the Class B Common Stock in the Registration Statement and the Prospectus is, and at each of the First Closing Date and the Option Closing Date will be, complete and accurate in all material respects. Except as described on SCHEDULE D, all of the issued and outstanding shares of capital stock or partnership interests, as applicable, of each of the subsidiaries of the Company are owned by the Company directly or indirectly; all of such shares have been duly authorized and validly issued and are fully paid and nonassessable and such shares and partnership interests, as applicable, are so owned free and clear of any pledge, lien, charge, encumbrance, security interest or other claim, except as described in the Registration Statement. Except as set forth in the Prospectus, neither the Company nor any of its subsidiaries has outstanding, and at the Closing Date will have outstanding, any options to purchase, or any rights or warrants to subscribe for, or any securities or

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obligations convertible into, or any contracts or commitments to issue or sell, any shares of the Class A or Class B Common Stock, any shares of capital stock or partnership interests, as applicable, of any subsidiary or any such warrants, convertible securities or obligations.

(vi) The audited and unaudited financial statements and schedules included or incorporated by reference in the Registration Statement or the Prospectus present fairly the consolidated financial condition of the Company as of the respective dates thereof and the consolidated results of operations and cash flows of the Company for the respective periods covered thereby (subject, in the case of the Company's unaudited financial statements, to normal recurring year end adjustments); such statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the entire period involved, except as otherwise disclosed in the Prospectus. No other financial statements or schedules of the Company are required by the Act, the Exchange Act, the Exchange Act Rules and Regulations or the Rules and Regulations to be included in the Registration Statement or the Prospectus. Ernst & Young (the "ACCOUNTANTS"), who have reported on such financial statements and schedules, are independent accountants with respect to the Company as required by the Act and the Rules and Regulations.

(vii) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus and prior to the First Closing Date, or, if later, the Option Closing Date, except as set forth in or contemplated by the Registration Statement and the Prospectus, there has not been (i) any material and adverse change, financial or otherwise, in the business, properties, regulations or laws affecting the Company and its subsidiaries, results of operations, business prospects or

condition of the Company or any of its subsidiaries, taken as a whole, (ii) any transaction that is material to the Company and its subsidiaries, taken as a whole, (iii) any obligation, contingent or otherwise, directly or indirectly incurred by the Company or any of its subsidiaries, that is material to the Company and its subsidiaries, taken as a whole, or (iv) the payment or declaration of any dividends

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or other distributions of any kind on any class of its capital stock.

(viii) Neither the Company nor any of its subsidiaries is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

(ix) Except as set forth in the Registration Statement and the Prospectus, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries or any of their respective properties, at law or in equity, or before or by any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency that are likely to result in a judgment over and above current reserve levels, decree or order having a material adverse effect on the business, condition (financial or otherwise) or property of the Company and its subsidiaries, taken as a whole.

(x) Except where the effect is not likely to have a material adverse effect on the properties, assets, operations, business or financial condition of the Company and its subsidiaries, taken as a whole, neither the Company nor any of its subsidiaries is in breach of, or in default under (nor has any event occurred which with notice, lapse of time, or both would constitute a breach of, or default under) its respective charter or by-laws, or partnership agreement, as applicable, or in the performance or observance of any obligation, agreement, covenant or condition contained in any license, indenture, mortgage, deed of trust, bank loan or credit agreement or any other agreement or instrument to which the Company or any of its subsidiaries is a party or by which any of them or their respective properties are bound. Each of the Company and its subsidiaries has all governmental licenses, permits, consents, orders, approvals and other authorizations necessary to conduct its business (collectively, "LICENSES"), other than those Licenses the absence of which is not likely to have a material adverse effect on the properties, assets, operations, business or financial condition of the Company and its subsidiaries, taken as a whole. The Company and each of its subsidiaries are in compliance in all material respects with all applicable laws, orders, rules, regulations and directives except where failure to be in compliance is not likely to have a material adverse effect on the properties, assets, operations, business or financial condition of the Company and its subsidiaries, taken as a whole.

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(xi) PacifiCare of California, PacifiCare of Oregon, Inc., PacifiCare of Oklahoma, Inc., and PacifiCare of Texas, Inc. are duly qualified as health maintenance organizations under the Health Maintenance Organization Act of 1973, as amended, and the rules and regulations of the Department of Health and Human Services promulgated thereunder; PacifiCare of California is licensed and authorized to operate a prepaid health care service plan and California Dental Health Plan, Inc. and LifeLink, Inc. are prepaid specialized health care service plans in the State of California

pursuant to the Knox-Keene Health Care Service Plan Act of 1975, as amended; PacifiCare of Florida is licensed as a health maintenance organization in the State of Florida by the Florida Department of Insurance; PacifiCare of Oregon, Inc. has been issued a current certificate of authority by the Oregon Department of Insurance and Finance authorizing it to operate in Oregon as a domestic health care service contractor; PacifiCare of Texas, Inc. is qualified and licensed in the State of Texas as a health maintenance organization; PacifiCare of Oklahoma, Inc. is duly qualified and licensed in the State of Oklahoma as a health maintenance organization under the Oklahoma Health Maintenance Organization Act, Okla. Stat. Tit. 63 Section 2502 ET SEQ.; PacifiCare of Washington, Inc. is qualified and licensed as a health maintenance organization under the Insurance Code of Washington; PacifiCare Life & Health Insurance Company is duly licensed or qualified as a life insurance company in the States of Indiana, California, Texas, Oklahoma, Oregon and Washington; and the statements made in the Registration Statement and the Prospectus under the caption "Business - Government Regulation" are accurate in all material respects.

(xii) No consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required for the consummation by the Company of the transactions on its part contemplated herein, except such as have been or may be obtained under the Act or the Rules and Regulations and such as may be required under state securities or Blue Sky laws or under the laws of any jurisdiction outside of the U.S. or the by-laws and rules of the National Association of Securities Dealers, Inc. (the "NASD") in connection with the purchase and distribution by the Underwriters of the Stock.

(xiii) The Company has full corporate power and authority to enter into this Agreement. This Agreement has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery by the other persons party hereto, constitutes a valid and binding agreement of the Company and is enforceable against

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the Company in accordance with the terms hereof, except as rights to indemnity and contribution hereunder may be limited by federal or state securities laws and except as the enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby do not and will not result in the creation or imposition of any lien, charge or encumbrance upon any of the assets of the Company or any of its subsidiaries pursuant to the terms or provisions of, or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or give any other party a right to terminate any of its obligations under, or result in the acceleration of any obligation under, the certificate of incorporation or by-laws of the Company or any of its subsidiaries, any contract or other agreement to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their respective properties is bound or affected, or violate or conflict with any judgment, ruling, decree, order, statute, rule or regulation of any court or other governmental agency or body applicable to the business or properties of the Company or any of its subsidiaries, except such as are not material to the business of the Company and its subsidiaries, taken as a whole.

(xiv) The Company and each of its subsidiaries has good and marketable title to all properties and assets described in the Prospectus as owned by it, free and clear of all pledges, charges, liens, encumbrances, security interests or other claims, except such as are described in the Prospectus or the Registration Statement or are not material to the

business of the Company and its subsidiaries, taken as a whole.

(xv) There is no document or contract of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement that is not described or filed as required.

(xvi) No holder of securities of the Company has rights to the registration of any securities of the Company because of the filing of the Registration Statement.

(xvii) The Stock is eligible for quotation on the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") National Market System.

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(xviii) Neither the Company nor any of its subsidiaries is involved in any labor dispute nor, to the knowledge of the Company, is any such dispute threatened, in either case, which is material to the Company and its subsidiaries, taken as a whole.

(xix) The Company and its subsidiaries own, or are licensed or otherwise have the full exclusive right to use, all trademarks and trade names that are used in or necessary for the conduct of their respective businesses as described in the Prospectus, except where the failure to so own, license or have the exclusive right to use would not have a material adverse effect on the business of the Company and its subsidiaries, taken as a whole. Neither the Company nor any of its subsidiaries has received any notice of any person respecting the use of any such trademarks or trade names or challenging or questioning the validity or effectiveness of any such trademark or trade name which is likely to result in a material adverse effect on the business of the Company and its subsidiaries, taken as a whole. The use, in connection with the business and operations of the Company and its subsidiaries of such trademarks and trade names does not, to the Company's knowledge, infringe on the rights of any person which infringement is likely to result in a material adverse effect on the business of the Company and its subsidiaries, taken as a whole.

(b) REPRESENTATIONS AND WARRANTIES OF THE SELLING STOCKHOLDER. The Selling Stockholder represents, warrants and covenants to each Underwriter that:

(i) The Selling Stockholder has full power and authority to enter into this Agreement. All authorizations and consents necessary for the execution and delivery by the Selling Stockholder of this Agreement have been given. This Agreement has been duly authorized, executed and delivered by the Selling Stockholder and, assuming due authorization, execution and delivery by the other persons party hereto constitutes a valid and binding agreement of the Selling Stockholder and is enforceable against the Selling Stockholder in accordance with the terms hereof except as rights to indemnity and contribution hereunder may be limited by federal or state securities laws and except as the enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and subject to general principles of equity.

(ii) The Selling Stockholder now has, and at the time of delivery thereof hereunder will have, (i) good title

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to the Stock, free and clear of all pledges, charges, liens, encumbrances,

security interests and claims whatsoever, except those which have been waived in writing or created by the actions of the Underwriters, and (ii) full legal right and power, and all authorizations and approvals required by law, to sell, transfer and deliver the Stock to the Underwriters and to make the representations, warranties and agreements made by the Selling Stockholder herein. Upon the delivery of and payment for such Stock hereunder, the Selling Stockholder will deliver good title thereto, free and clear of all pledges, charges, liens, encumbrances, security interests and claims whatsoever, except those which have been waived in writing or created by the actions of the Underwriters.

(iii) On the First Closing Date and the Option Closing Date, as the case may be, all stock transfer or other taxes (other than income taxes) that are required to be paid in connection with the sale and transfer of the Stock will have been fully paid or provided for by the Selling Stockholder and all laws imposing such taxes will have been fully complied with.

(iv) The performance of this Agreement and the consummation of the transactions contemplated hereby will not result in the creation or imposition of any pledge, charge, lien, encumbrance, security interest or claim upon any of the assets of the Selling Stockholder pursuant to the terms or provisions of, or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the acceleration of any obligation under, the organizational documents of the Selling Stockholder or any contract or other agreement to which the Selling Stockholder is a party or by which the Selling Stockholder or any of its property is bound or affected, or under any ruling, decree, judgment, order, statute, rule or regulation of any court or other governmental agency or body having jurisdiction over the Selling Stockholder or the property of the Selling Stockholder.

(v) No consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required for the consummation by the Selling Stockholder of the transactions on its part contemplated herein, except such as have been or may be obtained under the Act or the Rules and Regulations and such as may be required under state securities or Blue Sky laws or the by-laws and rules of the NASD in connection with the purchase and distribution by the Underwriters of the Stock.

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(vi) The Selling Stockholder has no knowledge of any fact or condition not set forth in the Registration Statement or the Prospectus that has materially and adversely affected, or will materially and adversely affect, the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company, and the sale of the Stock is not prompted by any such knowledge.

(vii) All information with respect to the Selling Stockholder contained in the Registration Statement and the Prospectus (as amended or supplemented, if the Company shall have filed with the Commission any amendment or supplement thereto), which is referred to in SCHEDULE C, does not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(viii) To the best knowledge of the Selling Stockholder, the representations and warranties of the Company contained in SECTION 2(a) hereof are true and correct.

3. PURCHASE BY, AND SALE AND DELIVERY TO, UNDERWRITERS -- CLOSING DATE. The Company and the Selling Stockholder agree, severally and not jointly,

to sell to the Underwriters the Firm Stock, with the number of shares to be sold by the Selling Stockholder being set opposite its name in SCHEDULE B; and on the basis of the representations, warranties, covenants and agreements herein contained, but subject to the terms and conditions herein set forth, the Underwriters agree, severally and not jointly, to purchase the Firm Stock from the Company and the Selling Stockholder, the number of shares of Firm Stock to be purchased by each Underwriter being set opposite its name in SCHEDULE A, subject to adjustment in accordance with SECTION 12 hereof.

The purchase price per share to be paid by the several Underwriters to the Company and the Selling Stockholder will be \$_____ per share.

The Company and the Selling Stockholder will deliver the Firm Stock to the Representatives for the respective accounts of the several Underwriters (in the form of definitive certificates, issued in such names and in such denominations as the Representatives may direct by notice in writing to the Company and the Selling Stockholder given at or prior to 12:00 Noon, New York Time, on the second full business day preceding the First Closing Date or, if no such direction is received, in the names of the respective Underwriters), against payment of the

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purchase price therefor by [wire transfer (same day funds), net of the overnight cost of such funds,] payable to the account or accounts as the Company and the Selling Stockholder may specify prior to the Closing Date, all at the offices of Dean Witter Reynolds Inc., Two World Trade Center, New York, New York 10048. The time and date of delivery and closing shall be at 10:00 A.M., New York Time, on _____, 1995; PROVIDED, HOWEVER, that such date and/or time may be accelerated or extended by agreement among the Company, the Selling Stockholder and the Representatives or postponed pursuant to the provisions of SECTION 12 hereof. The time and date of such payment and delivery are herein referred to as the "FIRST CLOSING DATE."

The Company and the Selling Stockholder shall make the certificates for the Firm Stock available to the Representatives for examination on behalf of the Underwriters, not later than 10:00 A.M. New York Time, on the business day preceding the First Closing Date at the offices of Dean Witter Reynolds Inc., Two World Trade Center, New York, New York 10048.

It is understood that Dean Witter Reynolds Inc., Salomon Brothers Inc, Dillon, Read & Co. Inc., Lehman Brothers or Robertson, Stephens & Company, L.P., individually and not as Representatives of the several Underwriters, may (but shall not be obligated to) make payment to the Company or to the Selling Stockholder on behalf of any Underwriter or Underwriters, for the Firm Stock to be purchased by such Underwriter or Underwriters. Any such payment by Dean Witter Reynolds Inc., Salomon Brothers Inc, Dillon, Read & Co. Inc., Lehman Brothers or Robertson, Stephens & Company, L.P., shall not relieve such Underwriter or Underwriters from any of its or their other obligations hereunder.

After the Registration Statement becomes effective, the several Underwriters propose to make an initial public offering of the Firm Stock at the initial public offering price. The Representatives shall promptly advise the Company and the Selling Stockholder of the making of the initial public offering.

In addition, for the purpose of covering any over-allotments in connection with the distribution and sale of the Firm Stock as contemplated by the Prospectus, the Selling Stockholder hereby grants the Underwriters an option to purchase, severally and not jointly, up to 675,000 shares in the aggregate of the Optional Stock. The purchase price per share to be paid for the Optional Stock shall be the same price per share as the price per share for the Firm Stock. The option granted hereby may be exercised as to all or any part of the

Optional Stock at any time (but not more than once) not more than 30 days subsequent to the effective date of this Agreement. No Optional Stock shall be sold and delivered unless the Firm Stock

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previously has been, or simultaneously is, sold and delivered. The right to purchase the Optional Stock or any portion thereof may be surrendered and terminated at any time upon notice by the Representatives to the Selling Stockholder.

The option granted hereby may be exercised by the Representatives on behalf of the Underwriters by giving written notice to the Selling Stockholder setting forth the number of shares of the Optional Stock to be purchased by them and the date and time for delivery of and payment for the Optional Stock. Such date and time for delivery of and payment for the Optional Stock (which may be the First Closing Date) is herein called the "OPTION CLOSING DATE" and shall be not later than two days after written notice is given. Optional Stock shall be purchased for the account of each Underwriter in the same proportion as the number of shares of Firm Stock set forth opposite such Underwriter's name in SCHEDULE A hereto bears to the total number of shares of Firm Stock (subject to adjustment by the Representatives to eliminate odd lots). Upon exercise of the option by the Representatives, the Selling Stockholder agrees to sell to the Underwriters the number of shares of Optional Stock set forth in the written notice of exercise and the Underwriters agree, severally and not jointly, subject to the terms and conditions herein set forth, to purchase such shares.

The Selling Stockholder will deliver the Optional Stock to the Representatives for the respective accounts of the several Underwriters (in the form of definitive certificates, issued in such names and in such denominations as the Representatives may direct by notice in writing to the Selling Stockholder given at or prior to 12:00 Noon, New York Time, on the second full business day preceding the Option Closing Date or, if no such direction is received, in the names of the respective Underwriters), against payment of the purchase price therefor by [certified or official bank checks in New York Clearing House Funds (next day funds), payable to the order of UniHealth America, all at the offices of Milbank, Tweed, Hadley & McCloy, 601 South Figueroa Street, 30th Floor, Los Angeles, California 90017]. The Selling Stockholder shall make the certificates for the Optional Stock available to the Representatives for examination on behalf of the Underwriters, not later than 10:00 A.M., New York Time, on the business day preceding the Option Closing Date at the offices of Dean Witter Reynolds Inc., Two World Trade Center, New York, New York 10048.

4. COVENANTS AND AGREEMENTS OF THE COMPANY AND THE SELLING STOCKHOLDER. The Company, with respect to Sections 4(a) through 4(i), and the Selling Stockholder with respect to Section 4(j) covenant and agree with the several Underwriters that:

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(a) The Company will use its best efforts to cause the Registration Statement to become effective, will advise the Representatives promptly as to the time at which the Registration Statement becomes effective, will advise the Representatives promptly of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the institution of any proceedings for that purpose, and will use reasonable efforts to prevent the issuance of any such stop order and to obtain as soon as possible the lifting thereof, if issued. The Company will advise the Representatives promptly of any request by the Commission for any amendment of or supplement to the Registration Statement or the Prospectus or for additional information, and

will not at any time file any amendment to the Registration Statement or supplement to the Prospectus that shall not previously have been submitted to the Representatives a reasonable time prior to the proposed filings thereof or to which the Representatives shall reasonably object in good faith and in writing or that is not in compliance with the Act and the Rules and Regulations. If the Company has omitted any information from the Registration Statement pursuant to Rule 430A, the Company will use its best efforts to comply with the provisions of and make all requisite filings with the Commission pursuant to said Rule 430A and to notify the Representatives promptly of all such filings.

(b) The Company will prepare and file with the Commission, promptly upon the request of the Representatives, any amendments or supplements to the Registration Statement or the Prospectus that in the opinion of the Representatives may be necessary to enable the several Underwriters to continue the distribution of the Stock and will use its best efforts to cause the same to become effective as promptly as possible. The Company will promptly file all reports and any definitive proxy or information statements required to be filed with the Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Stock.

(c) The Company will promptly notify the Representatives if at any time after the effective date of the Registration Statement when a prospectus relating to the Stock is required to be delivered under the Act, any event relating to or affecting the Company or any of its subsidiaries occurs as a result of which, in the judgment of the Company, the Prospectus or any other prospectus as then in effect would include an untrue statement of a material fact, or omit to state any material fact necessary to make

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the statements therein in light of the circumstances under which they were made not misleading. If it is necessary at any time in the judgment of the Company or counsel to the Underwriters, to amend the Prospectus to comply with the Act the Company will prepare an amended or supplemented prospectus or make an appropriate filing pursuant to Section 13 or 14 of the Exchange Act which will correct such statement or omission; and, if any Underwriter is required to deliver a prospectus relating to the Stock nine months or more after the effective date of the Registration Statement, the Company upon the request of the Representatives and at the expense of such Underwriter will prepare promptly such prospectus or prospectuses as may be necessary to permit compliance with the requirements of Section 10(a)(3) of the Act.

(d) The Company will deliver to the Representatives, at or before the First Closing Date, signed copies of the Registration Statement and all amendments thereto including all financial statements and exhibits thereto and all documents theretofore incorporated by reference therein, and will deliver to the Representatives such number of copies of the Registration Statement, including such financial statements and all documents theretofore incorporated by reference therein but without exhibits, and of all amendments thereto, as the Representatives may reasonably request. The Company will deliver or mail to or upon the order of the Representatives on the date of the initial public offering, and thereafter from time to time during the period when delivery of a prospectus relating to the Stock is required under the Act, as many copies of the Prospectus, in final form or as thereafter amended or supplemented as the Representatives may reasonably request; PROVIDED, HOWEVER, that the expense of the preparation and delivery of any prospectus required for use nine months or more after the effective date of the Registration Statement shall be borne by the Underwriters required to deliver such prospectus.

(e) The Company will make generally available to its security holders as soon as practicable, but in any event not later than fifteen months after the effective date of the Registration Statement an earnings statement which will be in reasonable detail (but which need not be audited) and which will comply with Section 11(a) of the Act, covering a period of at least twelve months beginning after the effective date of the Registration Statement.

(f) The Company will cooperate with the Representatives to enable the Stock to be qualified for sale under the securities laws of such jurisdictions as the

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Representatives may designate and at the request of the Representatives will make such applications and furnish such information as may be required of it as the issuer of the Stock for that purpose; PROVIDED, HOWEVER, that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such jurisdiction or register as a broker-dealer or amend its stock option plans. The Company will, from time to time, prepare and file such statements and reports as are or may be required of it by law of such jurisdictions as the issuer of the Stock to continue such qualifications in effect for so long a period as the Representatives may reasonably request for the distribution of the Stock.

(g) During the period of three years from the date hereof, the Company will deliver to the Representatives and, upon request, to each of the other Underwriters, (i) copies of each annual report of the Company and each other report furnished by the Company to its stockholders; and will deliver to the Representatives, (ii) as soon as they are available, copies of any other reports (financial or other) that the Company shall publish or otherwise make available to any of its security holders as such, and (iii) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange.

(h) The Company will use its best efforts to maintain the listing of the Stock on the NASDAQ--National Market System.

(i) The Company will not for a period of 90 days after the commencement of the public offering of the Stock, without the prior written consent of Dean Witter Reynolds Inc., sell, contract to sell or otherwise dispose of any shares of Class A Common Stock or Class B Common Stock or rights to acquire such shares (other than pursuant to employee stock option plans or in connection with other employee incentive compensation arrangements), except for the sale of the Stock to the Underwriters.

(j) The Selling Stockholder will not, for a period of 90 days after the commencement of the public offering of the Stock, without the prior written consent of Dean Witter Reynolds Inc., sell, contract to sell or otherwise dispose of any shares of Class A Common Stock or Class B Common Stock except for the sale of the Stock to the Underwriters.

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5. PAYMENT OF EXPENSES. The Company and the Selling Stockholder in such proportions as the number of shares of Stock to be sold by the Company and the Selling Stockholder bears to the total number of shares of stock, severally and not jointly, will pay (directly or by reimbursement) all expenses incident to the performance of the obligations of the Company and the Selling Stockholder under this Agreement, including but not limited to (i) all expenses and taxes

incident to delivery of the Stock to the Representatives, (ii) all expenses incident to the registration of the Stock under the Act and the printing of copies of the Registration Statement, each preliminary prospectus, the Prospectus, any amendments or supplements thereto, the "Blue Sky" memorandum and this Agreement and furnishing the same to the Underwriters and dealers except as otherwise provided in SECTIONS 4(c) AND 4(d), (iii) all filing and printing fees and expenses (including legal fees and disbursements of counsel for the Underwriters) incurred in connection with qualification of the Stock for sale and determination of its eligibility for investment under the laws of such jurisdictions as the Representatives may designate, (iv) all fees and expenses paid or incurred in connection with filings made with the NASD, (v) the costs of preparing stock certificates, (vi) the costs and fees of any registrar or transfer agent, (vii) all expenses relating to the furnishing (including costs of shipping and mailing) such copies of the Registration Statement, the Prospectus, any preliminary prospectus and all amendments and supplements thereto, as may be requested for use in connection with the offering and sale of the stock by the Underwriters, or by the dealers to whom the Stock may be sold and (viii) all other costs and expenses incident to the performance of their obligations hereunder that are not otherwise specifically provided for in this Section; PROVIDED, HOWEVER, that if the transactions contemplated by this Agreement are not consummated, then the Company and the Selling Stockholder shall not be responsible for the expenses and fees referred to in clause (iii) above; PROVIDED FURTHER, HOWEVER, except as otherwise provided in this Agreement, the Company and the Selling Stockholder shall not be responsible for the expenses of the Underwriters, including the fees and expenses of their counsel and any stock transfer taxes on the resale of the Stock.

6. INDEMNIFICATION AND CONTRIBUTION. (a) The Company agrees to indemnify and hold harmless each Underwriter, and each person, if any, who controls any Underwriter within the meaning of the Act, against any losses, claims, damages, liabilities or expenses (including the reasonable cost of investigating and defending against any claims therefor and counsel fees incurred

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in connection therewith), joint or several, which may be based upon the Act, or any other statute or at common law, on the ground or alleged ground that any preliminary prospectus, the Registration Statement or the Prospectus (or any preliminary prospectus, the Registration Statement or the Prospectus as from time to time amended or supplemented) includes or allegedly includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, unless such statement or omission was made in conformity with, written information furnished to the Company by any Underwriter, directly or through the Representatives, specifically for use in the preparation thereof; PROVIDED that in no case is the Company to be liable with respect to any claims made against any Underwriter or any such controlling person unless such Underwriter or controlling person shall have notified the Company in writing promptly after the summons or other first legal process giving information of the nature of the claim shall have been served upon such Underwriter or controlling person and have included with such notice a copy of all papers served, but failure to provide timely notice shall not affect the right to indemnification hereunder except to the extent that such failure materially prejudices the Company in such action; PROVIDED FURTHER that the Company shall not be responsible pursuant to this indemnity, for losses, claims, damages, liabilities or expenses arising out of or based upon any untrue statement or omission or allegation thereof based upon information relating to the Selling Stockholder which was furnished in writing to the Company by the Selling Stockholder specifically for inclusion in any preliminary prospectus, the Registration Statement or the Prospectus; PROVIDED FURTHER, that with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus, the indemnity agreement contained in this SUBSECTION

(a) shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased the shares of Stock concerned (or to the benefit of any person controlling such Underwriter) to the extent that any such loss, claim, damage or liability of such Underwriter or controlling person results from the fact that a copy of the Prospectus excluding documents incorporated by reference therein was not sent or given to such person at or prior to the written confirmation of the sale of such shares of Stock to such person as required by the Act, and if the untrue statement or omission concerned has been corrected in the Prospectus. The Company will be entitled to participate at its own expense in the defense, or, if it so elects, to assume the defense of any suit brought to enforce any such liability, but, if the Company elects to assume the defense, such defense shall be conducted by counsel chosen by it and reasonably satisfactory to the indemnified party. If the Company elects to assume the defense of any such suit and retain such counsel, the

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Underwriter or Underwriters or controlling person or persons, defendant or defendants in the suit, may retain additional counsel but shall bear the fees and expenses of such counsel unless (i) the Company shall have specifically authorized in writing the retaining of such counsel, (ii) the parties to such suit include such Underwriter or Underwriters or controlling person or persons, and the Company and such Underwriter or Underwriters or controlling person or persons have been advised by counsel that one or more legal defenses may be available to it or them which may not be available to the Company, in which case the Company shall not be entitled to assume the defense of such suit on the Underwriter's behalf notwithstanding its obligation to bear the fees and expenses of such counsel or (iii) the Company has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the Company. It is understood that the Company shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one additional firm admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. The Company shall not be liable to indemnify any person for any settlement of any such claim effected without the Company's written consent. This indemnity agreement will be in addition to any liability that the Company might otherwise have.

(b) The Selling Stockholder agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act, against any losses, claims, damages, liabilities or expenses (including, unless such Selling Stockholder elects to assume the defense, the reasonable cost of investigating and defending against any claims therefor and counsel fees incurred in connection therewith), joint or several, which may be based upon the Act, or any other statute or at common law, on the ground or alleged ground that any preliminary prospectus, the Registration Statement or the Prospectus (or any preliminary prospectus, the Registration Statement or the Prospectus, as from time to time amended and supplemented) includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, unless such statement or omission was made in conformity with, written information furnished to the Company by any Underwriter, directly or through the Representatives, specifically for use in the preparation thereof; PROVIDED, HOWEVER, that such Selling Stockholder will not be liable with respect to any claims made against any Underwriter or any such controlling person unless such Underwriter or controlling person shall have notified such Selling Stockholder in writing promptly after the summons or

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other first legal process giving information of the nature of the claim shall have been served upon such Underwriter or controlling person and shall have included with such notice a copy of all papers served; however, failure to provide timely notice shall only affect the right to indemnification hereunder to the extent that such failure materially prejudices the Selling Stockholder in such action; PROVIDED FURTHER, that with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus, the indemnity agreement contained in this SUBSECTION (b) shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased the shares of Stock concerned (or to the benefit of any person controlling such Underwriter) to the extent that any such loss, claim, damage or liability of such Underwriter or controlling person results from the fact that a copy of the Prospectus excluding documents incorporated by reference therein was not sent or given to such person at or prior to the written confirmation of the sale of such shares of Stock to such person as required by the Act, and if the untrue statement or omission concerned has been corrected in the Prospectus. The Selling Stockholder shall be entitled to participate at his own expense in the defense, or, if he so elects, to assume the defense of any suit brought to enforce any such liability, but, if the Selling Stockholder elects to assume the defense, such defense shall be conducted by counsel chosen by it and reasonably satisfactory to the indemnified party. If the Selling Stockholder elects to assume the defense of any such suit and retain such counsel, the Underwriter or Underwriters or controlling person or persons, defendant or defendants in the suit, may retain additional counsel but shall bear the fees and expenses of such counsel unless (i) such Selling Stockholder shall have specifically authorized in writing the retaining of such counsel or (ii) the parties to such suit include such Underwriter or Underwriters or controlling person or persons and such Selling Stockholder and such Underwriter or Underwriters or controlling person or persons have been advised by counsel that one or more legal defenses may be available to it or them which may not be available to such Selling Stockholder, in which case such Selling Stockholder shall not be entitled to assume the defense of such suit on the Underwriter's behalf notwithstanding its obligation to bear the fees and expenses of such counsel, or (iii) the Selling Stockholder has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the Selling Stockholder. It is understood that the Selling Stockholder shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one additional firm admitted to practice in such jurisdiction at any one time for such

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indemnified party or parties. The Selling Stockholder shall not be liable to indemnify any person for any settlement of any such claim effected without the Selling Stockholder's prior written consent. This indemnity agreement will be in addition to any liability that such Selling Stockholder might otherwise have.

(c) Each Underwriter severally and not jointly agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Act and the Selling Stockholder, and each of its directors and officers, and each person, if any, who controls the Selling Stockholder within the meaning of the Act, against any losses, claims, damages, liabilities or expenses (including, unless the Underwriter or Underwriters elect to assume the defense, the reasonable cost of investigating and defending against any claims therefor and counsel fees incurred in connection therewith), joint or several, which may be based upon the Act, or any other statute or at common law, on the ground or alleged ground that any preliminary prospectus, the Registration Statement or the Prospectus (or any preliminary prospectus, the Registration Statement or the Prospectus, as from time to time amended and

supplemented) includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, but only insofar as any such statement or omission was made in conformity with, written information furnished to the Company by such Underwriter, directly or through the Representatives, specifically for use in the preparation thereof; PROVIDED, HOWEVER, that in no case is such Underwriter to be liable with respect to any claims made against the Company or any person against whom the action is brought unless the Company or such person shall have notified such Underwriter in writing promptly after the summons or other first legal process giving information of the nature of the claim shall have been served upon the Company or such person and have included with such notice a copy of all papers served, but failure to provide timely notice shall not affect the right to indemnification hereunder except to the extent that such failure prejudices the Underwriters in such action. Such Underwriter shall be entitled to participate at its own expense in the defense, or, if it so elects, to assume the defense of any suit brought to enforce any such liability, but, if such Underwriter elects to assume the defense, such defense shall be conducted by counsel chosen by it. If any Underwriter elects to assume the defense of any such suit and retain such counsel, the Company, said officers and directors and any other Underwriter or Underwriters or controlling person or persons, defendant or defendants in the suit, shall bear the fees and expenses of any additional counsel retained by them, respectively, unless (i) such Underwriter or Underwriters assuming the defense shall have

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specifically authorized in writing the retaining of such counsel, (ii) the parties to such suit include the Company, said officers and directors and any other Underwriter or Underwriters or controlling person or persons, defendant or defendants in the suit and the Company, said officers and directors and any other Underwriter or Underwriters or controlling person or persons, defendant or defendants have been advised by counsel that one or more legal defenses may be available to it or them which may not be available to such Underwriter or Underwriters assuming the defense, in which case such Underwriter or Underwriters assuming the defense shall not be entitled to assume the defense of such suit on behalf of the Company, said officers and directors and any other Underwriter or Underwriters or controlling person or persons, or defendant or defendant's notwithstanding its obligation to bear the fees and expenses of such counsel, or (iii) the Underwriter or Underwriters assuming the defense have not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the Underwriters. It is understood that the Underwriters shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one additional firm admitted to practice in such jurisdiction at any one time for such indemnified party or parties. The Underwriter against whom indemnity may be sought shall not be liable to indemnify any person for any settlement of any such claim effected without such Underwriter's consent. This indemnity agreement will be in addition to any liability that such Underwriter might otherwise have.

(d) If the indemnification provided for in this SECTION 6 is applicable by its terms but held to be unavailable to hold harmless an indemnified party under SUBSECTION (a), (b) OR (c) above in respect of any losses, claims, damages, liabilities or expenses (or actions in respect thereof) referred to herein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholder on the one hand and the Underwriters on the other from the offering of the Stock. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such

indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Stockholder on the one hand and the Underwriters on the other in connection with the statements or omissions that

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resulted in such losses, claims, damages, liabilities or expenses (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholder on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and the Selling Stockholder bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Stockholder or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Stockholder and the Underwriters agree that it would not be just and equitable if contribution were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or expenses (or actions in respect thereof) referred to above shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such claim.

Notwithstanding the provisions of this SUBSECTION (d), no Underwriter shall be required to contribute any amount in excess of the underwriting discounts received by it except with respect to losses, claims, liabilities, expenses and damages which are solely the result of information relating to any Underwriter, furnished in writing to the Company by the Underwriters, expressly for inclusion in the Registration Statement, Preliminary Prospectus or the Prospectus. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute are several in proportion to their respective underwriting obligations and not joint. For purposes of this SECTION 6(d), any person who controls a party to this Agreement within the meaning of the Act will have the same rights to contribution as that party, and each officer of the Company who signed the Registration Statement will have the same rights to contribution as the Company, subject in each case to the provisions hereof. No party will be liable for contribution with respect to any action or claim settled without its written consent. Notwithstanding the foregoing, nothing in this Agreement shall affect the Company and the Selling Stockholder with respect to their rights and obligations under that certain

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Indemnification and Contribution Agreement dated _____, 1995.

7. SURVIVAL OF INDEMNITIES, REPRESENTATIONS, WARRANTIES, ETC. The respective indemnities, covenants, agreements, representations, warranties and other statements of the Company, the Selling Stockholder and the several Underwriters, as set forth in this Agreement or made by them respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation made by or on behalf of the Underwriter, the Selling Stockholder, the Company or any of its officers or directors or any controlling person, and shall survive delivery of and payment for the Stock and any termination of this Agreement.

8. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The respective obligations of the several Underwriters hereunder to purchase the Firm Stock on the First Closing Date and the Optional Stock on the Option Closing Date shall be subject to the accuracy, at and (except as otherwise stated herein) as of the date hereof and at and as of the First Closing Date or the Option Closing Date, as the case may be, of the representations and warranties made herein by the Company and the Selling Stockholder, to compliance in all material respects at and as of such Closing Date by the Company and the Selling Stockholder with their respective covenants and agreements herein contained and other provisions hereof to be satisfied at or prior to such Closing Date, and to the following additional conditions:

(a) The Registration Statement shall become effective not later than 1:00 P.M., New York Time, on the day following the date of this Agreement, or such later date and time as may be agreed upon, and no stop order suspending the effectiveness thereof, shall have been issued and no proceedings for that purpose shall have been initiated or, to the knowledge of the Company or the Representatives, threatened by the Commission, and any request for additional information on the part of the Commission (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to the satisfaction of the Commission, and all filings required by Rule 424 of the Rules and Regulations and Rule 430A shall have been made.

(b) Concurrently with the execution and delivery of this Agreement, or, if the Company elects to rely on Rule 430A, on the date of the Prospectus, the Accountants shall have furnished to the Representatives a letter, dated the date of its delivery (confirmed by procedures performed within five business days of the date of its delivery), addressed to the Representatives and in form and substance satisfactory to the Representatives, confirming that they

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are independent accountants with respect to the Company as required by the Act and the Rules and Regulations and with respect to the financial and other statistical and numerical information contained in the Registration Statement or incorporated by reference therein. At the First Closing Date and, as to the Optional Stock, the Option Closing Date, the Accountants shall have furnished to the Representatives a letter, dated the date of its delivery, which shall confirm, on the basis of a review in accordance with the procedures set forth in the letter from the Accountants, that nothing has come to their attention during the period from the date of the letter referred to in the prior sentence to a date (specified in the letter) not more than five business days prior to the First Closing Date and the Option Closing Date, as the case may be, that would require any change in their letter dated the date hereof if it were required to be dated and delivered at the First Closing Date and the Option Closing Date.

(c) The Representatives shall have received from Shereff, Friedman, Hoffman & Goodman, counsel for the Company, an opinion, dated such Closing Date, to the effect set forth in EXHIBIT I hereto. In rendering their opinion, counsel to the Company may rely on the opinions of other counsel upon which, in their opinion, they and the Representatives are justified in relying.

(d) The Representatives shall have received from O'Melveny & Myers, counsel for the Selling Stockholder, an opinion dated such Closing Date to the effect set forth in EXHIBIT II hereto, and an opinion from corporate counsel to the Selling Stockholder dated such Closing Date to the effect set forth in EXHIBIT III hereto.

(e) The Representatives shall have received from Milbank, Tweed,

Hadley & McCloy, counsel for the Underwriters, their opinion or opinions dated such Closing Date with respect to the incorporation of the Company, the validity of the Stock, the Registration Statement and the Prospectus, this Agreement and such other related matters as it may reasonably request, and the Company and the Selling Stockholder shall have furnished to such counsel such documents as they may request for the purpose of enabling them to pass upon such matters.

(f) The Representatives shall have received a certificate, dated such Closing Date, of the Chief Executive Officer or the President and the Chief financial or accounting officer of the Company to the effect that:

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(i) No stop order suspending the effectiveness of the Registration Statement has been issued, and, to the best of the knowledge of the signers, no proceedings for that purpose have been instituted or are pending or contemplated under the Act;

(ii) Neither any preliminary prospectus, as of its date, nor the Registration Statement nor the Prospectus, nor any amendment or supplement thereto, as of the time when the Registration Statement became effective, included any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(iii) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, and except as set forth or contemplated in the Prospectus, there has not been any material adverse change in the condition (financial or otherwise), business, prospectus or results of operations of the Company and its subsidiaries considered as a whole; and

(iv) To the best knowledge of the signers, the representations and warranties of the Company in this Agreement are true and correct in all material respects at and as of such Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date in all material respects.

(g) The Representatives shall have received a certificate or certificates, dated such Closing Date, of the Selling Stockholder to the effect that as of such Closing Date its representations and warranties in this Agreement are true and correct in all material respects as if made on and as of such Closing Date, and that it has performed all its obligations and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date.

If any of the conditions hereinabove provided for in this Section shall not have been satisfied when and as required by this Agreement, this Agreement may be terminated by the Representatives by notifying the Company of such termination in writing or by telegram at or prior to such Closing Date, but the Representatives shall be entitled to waive any of such conditions.

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9. EFFECTIVE DATE. This Agreement shall become effective at 11:00 A.M., New York Time, on the first full business day following the effective date of the Registration Statement, or at such earlier time after the effective date of the Registration Statement as the Representatives in their discretion shall first release the Stock for offering to the public; PROVIDED, HOWEVER, that the provisions of SECTIONS 5 AND 6 shall at all times be effective. For the

purposes of this SECTION 9, the Stock shall be deemed to have been released to the public upon release by the Representatives of the publication of a newspaper advertisement relating to the Stock or upon release of telegram or letters offering the Stock for sale to securities dealers, whichever shall first occur.

10. TERMINATION. This Agreement (except for the provisions of SECTION 5) may be terminated by the Company or the Selling Stockholder at any time before it becomes effective in accordance with SECTION 9 by notice to the Representatives and may be terminated by the Representatives at any time before it becomes effective in accordance with SECTION 9 by notice to the Company. In the event of any termination of this Agreement under this SECTION 10 or pursuant to SECTION 8 OR 12 of this Agreement, there shall be no liability of any party to this Agreement to any other party to this Agreement, other than as provided in SECTIONS 5, 6 AND 11 and other than as provided in SECTION 12 as to the liability of defaulting Underwriters, and except that, if any shares of Firm Stock have been purchased hereunder, the representations and warranties in SECTION 2 and covenants and agreements in SECTION 4 shall also remain in effect.

This Agreement may be terminated after it becomes effective by the Representatives by notice to the Company (i) if at or prior to the First Closing Date or the Option Closing Date, as the case may be, trading in any of the equity securities of the Company shall have been suspended by the Commission, by an exchange that lists such securities or by the NASDAQ--National Market System shall have been suspended, or trading in securities generally on the New York Stock Exchange shall have been suspended or limited or minimum or maximum prices shall have been generally established on such exchange, or a banking moratorium shall have been declared by New York or United States authorities, (ii) if at or prior to the First Closing Date or the Option Closing Date, as the case may be, there shall have been any material adverse change in the political, financial or economic conditions in the United States or an outbreak of hostilities between the United States and any foreign power, or of any other insurrection or armed conflict involving the United States, the effect of any of which is such to make it, in the sole judgment of a majority in interest of the Underwriters including the Representatives, impracticable to offer or sell the

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Firm Stock or the Optional Stock, as applicable in a public offering.

11. REIMBURSEMENT OF UNDERWRITERS. Notwithstanding any other provisions hereof, if this Agreement shall not become effective by reason of any election of the Company pursuant to the first paragraph of SECTION 10 or shall be terminated by the Representatives under SECTION 8 or SECTION 10 (other than pursuant to the first sentence of SECTION 10), the Company and the Selling Stockholder on a pro rata basis will bear and pay the expenses specified in SECTION 5 hereof and, in addition to their obligations pursuant to SECTION 6 hereof, the Company and the Selling Stockholder on a pro rata basis will reimburse the reasonable out-of-pocket expenses of the several Underwriters (including reasonable fees and disbursements of counsel for the expenses of the Underwriters) incurred in connection with this Agreement and the proposed purchase of the Stock, and promptly upon demand the Company and the Selling Stockholder on a pro rata basis will pay such amounts to you as Representatives.

12. SUBSTITUTION OF UNDERWRITERS. If any Underwriter or Underwriters shall default in its or their obligations to purchase shares of Stock hereunder on the First Closing Date or the Option Closing Date and the aggregate number of shares that such defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed 10% of the total number of shares that the Underwriters are obligated to purchase on such Closing Date, the other Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the shares that such defaulting Underwriter or Underwriters agreed but failed to purchase. If any Underwriter or Underwriters shall so default and the aggregate number of shares with respect to which such default or defaults occur is more than 10% of the total number of shares underwritten and arrangements

satisfactory to the Representatives and the Company and the Selling Stockholder for the purchase of such shares by other persons are not made within 48 hours after such default, this Agreement shall terminate.

If the remaining Underwriters or substituted underwriters are required hereby or agree to take up all or a part of the shares of Firm Stock of a defaulting Underwriter or Underwriters as provided in this SECTION 12, (i) the Company and the Selling Stockholder shall have the right to postpone the First Closing Date for a period of not more than seven full business days, in order that the Company and the Selling Stockholder may effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees promptly to file any amendments to the Registration Statement or supplements to the Prospectus that may thereby be made necessary,

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and (ii) the respective numbers of shares to be purchased by the remaining Underwriters or substituted underwriters shall be taken as the basis of their underwriting obligation for all purposes of this Agreement. Nothing herein contained shall relieve any defaulting Underwriter of its liability to the Company, the Selling Stockholder or the other Underwriters for damages occasioned by its default hereunder. Any termination of this Agreement pursuant to this SECTION 12 shall be without liability on the part of any non-defaulting Underwriter, the Selling Stockholder or the Company, except for expenses to be paid or reimbursed pursuant to SECTION 5 and except for the provisions of SECTION 6.

13. NOTICES. All communications hereunder shall be in writing and shall be delivered by hand or facsimile and confirmed as follows: (i) if sent to the Underwriters, to you, as their Representatives, c/o Dean Witter Reynolds Inc. at Two World Trade Center, New York, New York 10048, Facsimile No: (212) 392-7614, except that notices given to an Underwriter pursuant to SECTION 6 hereof shall be sent to such Underwriter at the address furnished by the Representatives, (ii) if sent to the Company, 5995 Plaza Drive, Cypress, California 90630, Facsimile No: (714) 220-3725, Attention: President, with a copy to Joseph Konowiecki, Esq., Konowiecki & Rank, 633 W. Fifth Street, Suite 3500, Los Angeles, California 90071, Facsimile No: (213) 229-0992, or (iii) if to the Selling Stockholder, 4100 West Alameda Avenue, Burbank, California 91505, Attention: Eric Benveniste, Facsimile No: (818) 566-7178.

14. SUCCESSORS. This Agreement shall inure to the benefit of and be binding upon the several Underwriters, the Company and the Selling Stockholder and their respective successors and legal representatives. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person other than the persons mentioned in the preceding sentence any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person; except that the representations, warranties, covenants, agreements and indemnities of the Company and the Selling Stockholder contained in this Agreement shall also be for the benefit of the person or persons, if any, who control any Underwriter or Underwriters within the meaning of Section 15 of the Act, and the indemnities of the several Underwriters shall also be for the benefit of each director of the Company, each of its officers who has signed the Registration Statement and the person or persons, if any, who control the Company or the Selling Stockholder within the meaning of Section 15 of the Act.

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15. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS RULES THEREOF.

16. COUNTERPARTS. This Agreement may be executed by the parties hereto in any number of separate counterparts, each of which when executed shall be deemed to be an original and all of which, taken together, shall be deemed to constitute one and the same Agreement.

17. AUTHORITY OF THE REPRESENTATIVES. In connection with this Agreement, you will act for and on behalf of the several Underwriters, and any action taken under this Agreement by you jointly or by Dean Witter Reynolds Inc., as Representatives, will be binding on all the Underwriters; and any action taken under this Agreement by any of the Attorneys-in-fact will be binding on the Selling Stockholder.

Any person executing and delivering this Agreement as Attorney-in-fact for the Selling Stockholder represents by so doing that he has been duly appointed as Attorney-in-fact by such Selling Stockholder pursuant to a validly existing and binding Power of Attorney which authorizes such Attorney-in-fact to take such action.

[Signature page follows]

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If the foregoing correctly sets forth our understanding, please indicate your acceptance thereof in the space provided below for that purpose, whereupon this letter and your acceptance shall constitute a binding agreement between us.

Very truly yours,

PacifiCare Health Systems, Inc.

By: _____

Name:

Title:

UniHealth America

By: _____

Name:

Title:

Accepted and delivered in New York, New York as of the date first above written.

DEAN WITTER REYNOLDS INC.
SALOMON BROTHERS INC
DILLON, READ & CO. INC.
LEHMAN BROTHERS INC.
ROBERTSON, STEPHENS & COMPANY, L.P.
Acting on their own
behalf and as Representatives
of the several Underwriters
referred to in the foregoing
Agreement.

BY DEAN WITTER REYNOLDS INC.

By: _____
Authorized Signature

INDEX OF SCHEDULES AND EXHIBITS

SCHEDULES

- Schedule A -- List of Underwriters and Firm Stock to be Purchased
- Schedule B -- Selling Stockholder and Firm Stock to be Sold
- Schedule C -- Statements of Selling Stockholder
- Schedule D -- Subsidiaries

EXHIBITS

- Exhibit I -- Opinion of Counsel to the Company
- Exhibit II -- Opinion of Counsel to the Selling Stockholder
- Exhibit III -- Opinion of Corporate Counsel to the Selling Stockholder

SCHEDULE A

<TABLE>
<CAPTION>

Name -----	Number of Shares of Firm Stock to be Purchased -----
<S>	<C>
Dean Witter Reynolds Inc.	
Salomon Brothers Inc	
Dillon, Read & Co. Inc.	
Lehman Brothers Inc.	
Robertson, Stephens & Co., L.P.	
Total.....	----- 4,500,000 -----

</TABLE>

SCHEDULE B

<TABLE>
<CAPTION>

Selling Stockholder -----	Number of Shares of Firm Stock to be Sold -----
<S> UniHealth, Inc.	<C> 1,500,000

Total.....	----- 1,500,000 -----
------------	-----------------------------

</TABLE>

SCHEDULE C

STATEMENTS OF SELLING STOCKHOLDER

I. PRELIMINARY PROSPECTUS DATED FEBRUARY 22, 1995 AND THE FINAL PROSPECTUS DATED MARCH ____, 1995

page 5 -- The line item that reads:

"Class B Common Stock offered by
the Selling Stockholder 1,500,000 shares"

page 5 -- footnote (1) that reads:

"Currently, the Selling Stockholder owns 5,909,500 shares of Class A Common Stock or 48.1 percent of the outstanding Class A Common Stock and 3,160,000 shares of the Class B Common Stock or 20.5 percent of the outstanding Class B Common Stock. Upon completion of this offering, the Selling Stockholder will own 5,909,500 shares of the Class A Common Stock or 48.1 percent of the outstanding Class A Common Stock and 1,660,000 shares of the Class B Common Stock or 9.0 percent of the outstanding Class B Common Stock. See "Principal and Selling Stockholder." "

page 15 -- Under "Principal and Selling Stockholder," the sentence that reads:

"Of the 4,500,000 shares of Class B Common Stock being offered, 1,500,000 shares of Class B Common Stock are being sold by the Selling Stockholder."

In the table near the top of the page, the classes of common stock, beneficial ownership prior to the offering, shares sold in the offering and beneficial ownership after the offering, as follows:

<TABLE>
<CAPTION>

"STOCKHOLDER -----	CLASS OF COMMON STOCK -----	BENEFICIAL OWNERSHIP PRIOR TO OFFERING		BENEFICIAL OWNERSHIP PRIOR TO OFFERING	
		NUMBER -----	PERCENT -----	NUMBER -----	PERCENT -----

<S>	<C>	<C>	<C>	<C>	<C>
UniHealth, Inc.	A	5,909,500	48.1 %	5,909,500	48.1 %
4100 West Alameda Ave Burbank, CA 91505	B	3,160,000	20.5 %	1,160,000	9.0 % (1)

<FN>
(1) If the Underwriters' over-allotment option is exercised in full, the Selling Stockholder will own 985,000 shares of Class B Common Stock or 5.4 percent of the outstanding Class B Common Stock after completion of the offering."
</TABLE>

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page 15 -- Following the table, the paragraphs which read:

"Currently, the Selling Stockholder owns 5,909,500 shares of the Class A Common Stock, or 48.1 percent of all such shares outstanding, and 3,160,000 shares of the Class B Common Stock, or 20.5 percent of all such shares outstanding. Combined, the Selling Stockholder owns 32.8 percent of the total shares outstanding of the Company. Upon completion of this offering of the Class B Common Stock, the Selling Stockholder will own 5,909,500 shares of the Class A Common Stock, or 48.1 percent of all such shares outstanding, and 1,660,000 shares of the Class B Common Stock, or 9.0 percent of all such shares outstanding. Combined, the Selling Stockholder will own 24.7 percent of the total shares outstanding of the Company.

The Selling Stockholder is a California non-profit public benefit corporation which is the parent corporation of an integrated health care delivery system consisting of 10 non-profit medical centers and various for-profit health care companies, including one company in the HMO business. The Selling Stockholder's HMO, which is not federally qualified, and certain of its operations compete with the Company, primarily in California.

The Company purchases health care services from hospitals owned and managed by the Selling Stockholder on terms the Company believes are at least as favorable to the Company as would be available from unaffiliated third parties. In addition, the Company pays a management fee to the Selling Stockholder for certain services, including certain consulting services, pays a fee to the Selling Stockholder for payroll processing and reimburses the Selling Stockholder for the Company's share of joint insurance purchasing. The Company anticipates paying fees to, and purchasing services from, the Selling Stockholder in the future. Future transactions between the Company and the Selling Stockholder will be on terms no less favorable than could be obtained from unaffiliated third parties.

Terry Hartshorn, President and Chief Executive Officer of the Selling Stockholder, is the Chairman of the Board of PacifiCare. Gary L. Leary, Executive Vice President, Chief Operating Officer and General Counsel, director and Executive Committee member of the Selling Stockholder, David R. Carpenter, director, Chairman of the Board, Chairman of the Compensation, Executive and Nominating Committees of the Selling Stockholder, and Jean Bixby Smith, a director of the Selling Stockholder, are directors of the Company."

page 24 -- Under "Legal Matters," the sentence that reads:

"Certain legal matters related to the offering will be passed upon for the Selling Stockholder by O'Melveny & Myers, Los Angeles, California."

II. THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED

page 24 -- Under "Notes to Consolidated Financial Statements -- The Reporting Entity," the sentence of the first paragraph, which reads:

"UniHealth America ("UniHealth"), a California non-profit public benefit corporation, owned approximately 48 percent and 21 percent of the Company's outstanding shares of Class A and Class B Common Stock, respectively, at September 30, 1994."

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III. THE COMPANY'S PROXY STATEMENT TO BE USED AT THE ANNUAL MEETING OF SHAREHOLDERS HELD ON MARCH 1, 1995.

page 3 -- In the biographical information for David R. Carpenter, the discussion of positions held with UniHealth America.

Also, the footnote following the table, which reads:

"UniHealth, Inc. is the single largest holder of the Company's Class A and Class B Common Stock."

page 5 -- The last two paragraphs, which read:

"UniHealth, Inc. ("UniHealth") is a California non-profit public benefit corporation, which is the parent corporation in a multi-state health care delivery system consisting of eleven non-profit medical centers and various for-profit health care companies, including one company in the health maintenance organization business. UniHealth has stated its intent to maintain voting control of the Company as its single largest shareholder."

page 7 -- In the biographical information for Terry O. Hartshorn and Gary L. Leary, the discussion of positions held with UniHealth.

page 20 -- Under "Certain Transactions" the first and second paragraphs, which read:

"The Company and its subsidiaries purchased health care services from hospitals owned and managed by UniHealth totaling \$61,497,000 for the fiscal year ended September 30, 1994. Under the terms of a management arrangement with UniHealth, the Company paid \$831,000 for management fees, payroll processing services and other services in the fiscal year ended September 30, 1994. At September 30, 1994, \$251,000 was payable to UniHealth."

"UniHealth purchased health care coverage from the Company and its subsidiaries in the amount of \$10,050,000 for the fiscal year ended September 30, 1994. Amounts receivable from UniHealth were \$1,000,000 at September 30, 1994."

IV. THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED DECEMBER 31, 1994.

page 8 -- Under "Note 6 - Shareholders' Equity," the second paragraph, which reads:

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"On December 13, 1993, UniHealth, Inc. ("UniHealth"), the Company's

largest shareholder, completed a public offering of 575,000 shares of the Company's Class A Common Stock, par value \$0.01 per share (the "Class A Common Stock"). The Company did not receive any of the proceeds of this offering. Subsequent to the offering, UniHealth's ownership of Class A Common Stock was reduced to less than 50 percent."

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SCHEDULE D

SUBSIDIARIES

<TABLE>
<CAPTION>

Jurisdiction of Incorporation Name of Subsidiary -----	Percentage Owned	
	by Company -----	or Organization -----
<S>	<C>	<C>
PacifiCare of California	100%	California
PacifiCare of Florida, Inc.	100%	Florida
PacifiCare of Oklahoma, Inc.	100%	Oklahoma
PacifiCare of Oregon, Inc.	100%	Oregon
PacifiCare of Texas, Inc.	100%	Texas
PacifiCare of Washington	100%	Washington
PacifiCare Behavioral Health, Inc.	100%	Delaware
LifeLink, Inc.	100%(1)	California
PacifiCare Pharmacy Centers, Inc.	100%	California
California Dental Health Plan, Inc.	100%	California

<FN>
(1) owned by PacifiCare Behavioral Health, Inc.
</TABLE>

EXHIBIT I

OPINION OF COMPANY COUNSEL

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full corporate power and authority to own its properties and to conduct its business as described in the Registration Statement and Prospectus, and to execute and

deliver the Underwriting Agreement and to issue, sell and deliver the Stock to be sold by the Company as therein contemplated.

2. Each of the subsidiaries of the Company is a corporation or partnership, as applicable, and in the case of a corporation, validly existing and in good standing under the laws of its jurisdiction of incorporation, with full corporate or partnership, as applicable, power and authority to own its respective properties and to conduct its business as described in the Registration Statement and Prospectus.

3. To our knowledge after due inquiry and except as described in the Registration Statement, in SCHEDULE D to the Underwriting Agreement or in the opinions of local counsel attached hereto, all of the issued and outstanding shares of capital stock or partnership interests, as applicable, of each of the subsidiaries of the Company are owned by the Company directly or indirectly; all of such shares have been duly authorized and validly issued and are fully paid and non-assessable and all of such shares and partnership interests, as applicable, are so owned free and clear of any pledge, lien, charge, encumbrance, security interest or other claim; and there are no outstanding rights, subscriptions, warrants, calls, preemptive rights, options or other agreements of any kind with respect to the capital stock of any of the subsidiaries of the Company.

4. To our knowledge none of the Company or its subsidiaries has any interest in a joint venture or partnership, which interest requires disclosure in the Registration Statement and which has not been so disclosed.

5. The Company and each of the subsidiaries is duly licensed or qualified to do business and in good standing as a foreign corporation or partnership, if applicable, in all jurisdictions in which the nature of the activities conducted by it or the character of the assets owned or leased by it makes such licensing or qualification necessary where the failure to be so licensed or qualified is likely to have a material adverse effect on the properties, assets, operations, business or financial condition of the Company and its subsidiaries, taken as a whole.

6. The Underwriting Agreement has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery by the other persons party thereto, constitutes a valid and binding agreement of the Company and is enforceable against the Company in accordance with its terms, except as rights to indemnity and contribution may be limited by federal or state securities laws and except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and subject to general principles of equity.

7. (A) The Stock being sold by the Company, when issued and delivered to and paid for by the Underwriters, will be duly and validly authorized and issued will be fully paid and nonassessable, and (B) the Stock being sold by the Company when issued and delivered to and paid for by the Underwriters, will be free of any pledge, charge, lien, encumbrance, security interest, claim or statutory or contractual preemptive rights which have not otherwise been waived or created by the Underwriters.

8. The Company has an authorized share capitalization as set forth in the Registration Statement and the Prospectus; the outstanding shares of capital stock of the Company (including the shares of Firm Stock or Optional Stock delivered on the date hereof) have been duly and validly authorized and issued and are fully paid, nonassessable and free of statutory and, to our knowledge, contractual preemptive rights.

9. The capital stock of the Company, including the Stock, conforms in all material respects to the description thereof contained in the Registration Statement and Prospectus under the heading "Description of Capital Stock"; the certificates for the Stock are in proper form under Delaware law;

and the holders of the Stock will not be subject to personal liability by reason of being such holders.

10. No consent, approval, authorization, or order of, or any filings or declaration with, any court or governmental agency or body is required for the consummation by the Company of the transactions on its part contemplated in the Underwriting Agreement in connection with the purchase and distribution by the Underwriters of the Stock to be sold by the Company, except such as have been obtained under the Act or the Rules and Regulations, and except such as may be required under foreign or state securities or Blue Sky laws or the by-laws and rules of the NASD.

11. The execution, delivery and performance of the Underwriting Agreement by the Company and the consummation by the Company of the transactions contemplated thereby do not and will not conflict with or result in any breach of, or constitute a default under (nor constitute any event which with notice, lapse

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of time, or both, would constitute a breach of, or default under), (A) any provision of the charter or by-laws of the Company or any of its subsidiaries or under any provision of any material license, indenture, mortgage, deed of trust, bank loan, credit agreement or other agreement or instrument to which, to our knowledge after due inquiry, the Company or any of its subsidiaries is a party or by which any of them or their respective properties may be bound or affected, or (B) any federal, state, local or foreign law, rule or regulation or, to our knowledge after due inquiry, any judgment, order or decree applicable to the Company or any of its subsidiaries, where such conflict, breach or default is likely to have a material adverse effect on the properties, assets, operations, business or financial condition of the Company and its subsidiaries, taken as a whole.

12. To our knowledge after due inquiry, there are no actions, suits or proceedings pending or threatened against the Company or any of its subsidiaries or any of their respective properties, at law or in equity or before or by any Federal or state, court, commission, board, regulatory body, authority, agency or other governmental body, domestic or foreign, which are required to be described in the Registration Statement and Prospectus, but are not so described or which, in our opinion, are likely to have a material adverse effect on the properties, assets, operations, business or financial condition of the Company and its subsidiaries, taken as a whole.

13. To our knowledge after due inquiry, neither the Company nor any of its subsidiaries is in breach of, or in default under (nor has any event occurred which with notice, lapse of time, or both would constitute a breach of, or default under) any license, indenture, mortgage, deed of trust, bank loan, credit agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which any of them or their respective properties is bound or affected where such default is likely to have a material adverse effect on the properties, assets, operations, business or financial condition of the Company and its subsidiaries, taken as a whole. To our knowledge after due inquiry, the Company and each of its subsidiaries have all necessary licenses, authorizations, consents, permits and approvals and have made all necessary filings required under any federal, state, local or foreign law, regulation or rule and have obtained all necessary authorizations, consents, permits and approvals from other persons in order to conduct their respective businesses as described in the Registration Statement and the Prospectus, the absence of which is likely to have a material adverse effect on the properties, assets, operations, business or financial condition of the Company and its subsidiaries, taken as a whole, and neither the Company nor any of its subsidiaries is in

violation of, or in default under, any license, authorization, consent, permit or approval or any law, regulation or rule or any decree, order or judgment applicable to the Company or its subsidiaries where such default is likely to have a material adverse effect on the properties, assets, operations, business or financial condition of the Company and its subsidiaries, taken as a whole.

14. PacifiCare of California, PacifiCare of Oregon, Inc., PacifiCare of Oklahoma, Inc. and PacifiCare of Texas, Inc. are duly qualified as health maintenance organizations under the Health Maintenance Organization Act of 1973, as amended, and the rules and regulations of the Department of Health and Human Services promulgated thereunder; PacifiCare of California is licensed and authorized to operate a prepaid health care service plan and California Dental Health Plan, Inc. and LifeLink, Inc. are prepaid specialized health care service plans in the State of California pursuant to the Knox-Keene Health Care Service Plan Act of 1975, as amended; PacifiCare of Florida, Inc. is licensed as a health maintenance organization in the State of Florida by the Florida Department of Insurance; PacifiCare of Oregon, Inc. has been issued a current certificate of authority by the Oregon Department of Insurance and Finance authorizing it to operate in Oregon as a domestic health care service contractor; PacifiCare of Texas, Inc. is qualified and licensed in the State of Texas as a health maintenance organization; PacifiCare of Oklahoma, Inc. is duly qualified and licensed in the State of Oklahoma as a health maintenance organization under the Oklahoma Health Maintenance Organization Act, Okla. Stat. Tit. 63 Section 2502 ET SEQ.; PacifiCare of Washington, Inc. is qualified and licensed as health maintenance organization under the Insurance Code of Washington; PacifiCare Life and Health Insurance Company is duly licensed or qualified as a life insurance company in the States of Indiana, California, Texas, Oklahoma, Oregon and Washington; and the statements made in the Registration Statement and the Prospectus under the caption "Business -- Government Regulation" are accurate in all material respects.

15. The descriptions in the Registration Statement and the Prospectus of laws, regulations and rules, of legal and governmental proceedings and of contracts, agreements, leases and other documents have been reviewed by us and are accurate in all material respects.

16. The Registration Statement and the Prospectus (except for the documents incorporated by reference in the Registration Statement and the Prospectus and except as to the financial statements and schedules and other financial data contained therein, as to which we express no opinion), and any supplements or amendments thereto, comply as to form in all

material respects with the requirements of the Act and the Rules and Regulations.

17. The documents incorporated by reference in the Registration Statement and the Prospectus, when they were filed (or, if an amendment with respect to any such document was filed, when such amendment was filed) complied as to form in all material respects with the Exchange Act and the Exchange Act Rules and Regulations (except as to the financial statements and schedules contained therein, as to which we express no opinion).

18. The Registration Statement has become effective under the Act, and to the best of our knowledge, no proceeding suspending effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted or is threatened or pending.

19. To our knowledge after due inquiry, there is no document or contract of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed as required.

20. To our knowledge after due inquiry and except as described in the Registration Statement, no person has the right, contractual or otherwise, to cause the Company to issue to it, or register pursuant to the Act, any shares of capital stock of the Company, upon the issue and sale of the Stock to the Underwriters under the Underwriting Agreement, nor does any person have preemptive rights with respect to the Stock, rights of first refusal with respect to the Stock to be issued and sold by the Company, or other rights to purchase any of the Shares to be issued and sold by the Company.

21. Neither the Company nor any of its subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

We have participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants of the Company and the Selling Stockholder and representatives of the Underwriters at which the contents of the Registration Statement and the Prospectus were discussed and, although we are not passing upon and do not assume responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus (except as and to the extent stated in paragraphs 8, 9, 12, 15 and 19 above), on the basis of the foregoing (relying as to materiality to a large extent upon the opinions of officers and other representatives of the Company) nothing has come to our attention that causes us to believe that the Registration

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Statement or any amendment thereto at the time such Registration Statement or amendment became effective contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus or any supplement thereto at the date of such Prospectus or such supplement, and at all times up to the date of this opinion letter contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are were made, not misleading (it being understood that we express no opinion with respect to the financial statements and schedules and other financial data included in the Registration Statement or the Prospectus).

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EXHIBIT II

OPINION OF SELLING STOCKHOLDER'S COUNSEL

FORM OF OPINION
OF SPECIAL COUNSEL TO THE
SELLING STOCKHOLDER

_____, 1995

DEAN WITTER REYNOLDS INC.
SALOMON BROTHERS INC

DILLON, READ & CO. INC.
LEHMAN BROTHERS INC.
ROBERTSON, STEPHENS & COMPANY, L.P.
as Representatives of the
several U.S. Underwriters

c/o Dean Witter Reynolds Inc.
Two World Trade Center
New York, New York 10048

Re: PacifiCare Health Systems, Inc.

Ladies and Gentlemen:

We have acted as special counsel to UniHealth America, a California non-profit public benefit corporation (the "Selling Stockholder"), in connection with its sale of up to 2,175,000 shares of the Class B Common Stock, par value \$0.01 per share (the "Stock") of PacifiCare Health Systems, Inc. (the "Company") to you pursuant to the terms of an Underwriting Agreement, dated _____, 1995 (the "Underwriting Agreement"), by and among the Representatives identified above (the "Representatives") of the Underwriters listed on Schedule A thereto (the "Underwriters"), the Company and the Selling Stockholder. This opinion is being delivered to you pursuant to Section 7(f) of the Underwriting Agreement. Unless otherwise defined herein or unless the context otherwise requires, the capitalized terms appearing in this letter shall have the meanings ascribed to them in the Underwriting Agreement.

In our capacity as special counsel to the Selling Stockholder, we have examined originals or copies of the Underwriting Agreement, such corporate records of the Selling

Stockholder, certificates of public officials and of officers of the Selling Stockholder, and other documents as we have deemed necessary for the purpose of this opinion.

On the basis of such examination and our consideration of such questions of law as we have deemed relevant in the circumstances, we are of the opinion, subject to the assumptions and limitations set forth herein, that:

1. The Selling Stockholder has full legal right and power to enter into the Underwriting Agreement and to sell, transfer and deliver the Stock as contemplated by the Underwriting Agreement. Upon payment for and delivery of the Stock with all necessary endorsements in accordance with the terms of the Underwriting Agreement, and assuming the Underwriters are acquiring the Stock in good faith without notice of any adverse claim, the Underwriters will be the owners of the Stock, free and clear of any adverse claim.

2. The Underwriting Agreement has been duly authorized by all necessary corporate action on the part of the Selling Stockholder and has been duly executed and delivered by the Selling Stockholder. The Underwriting Agreement is a legally valid and binding obligation of the Selling Stockholder, enforceable against the Selling Stockholder in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, and except that we express no opinion as to the availability of equitable remedies.

3. No consent, order or approval of, or, except as specified on Schedule I hereto, any filing or declaration with, any court or governmental agency or body is required on the part of the Selling Stockholder for the sale of the Stock by the Selling Stockholder to the Underwriters, except such as have been obtained under the Act or the Rules and Regulations, and such as may be required under state securities or blue sky laws or the bylaws and rules of the

NASD in connection with the purchase and distribution by the Underwriters of the Stock.

4. There are no transfer or similar taxes payable in connection with the sale and delivery of the Stock by the Selling Stockholder to the Underwriters, except for the tax payable pursuant to Article 12 of the New York State Tax Law (Tax on Transfers of Stock and Other Corporate Certificates).

We have, with your approval, assumed that the certificates for the Stock conform to the specimen examined by us, that the signatures on all documents examined by us are genuine, that all items submitted as originals are authentic,

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that all items submitted as copies conform to the originals, and that you are authorized to execute and deliver and did execute and deliver the Underwriting Agreement on behalf of the Underwriters, assumptions that we have not independently verified.

The opinions expressed herein are limited to the federal laws of the United States and the laws of the States of California and New York, and we express no opinion regarding any other law.

This opinion furnished by us as special counsel to the Selling Stockholder to you as Representatives of the Underwriters in connection with the sale of the Stock, is solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

Respectfully submitted,

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EXHIBIT III

FORM OF OPINION OF CORPORATE
COUNSEL TO THE SELLING STOCKHOLDER

The execution, delivery and performance of the Underwriting Agreement by the Selling Stockholder and the consummation by the Selling Stockholder of the transactions therein contemplated do not and will not result in the creation or imposition of any lien, charge or encumbrance upon any of the assets of the Selling Stockholder pursuant to the terms or provisions of, or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the acceleration of any obligation under, the organizational documents of the Selling Stockholder, any indenture, mortgage, deed of trust, voting trust agreement, loan agreement, bond, debenture, note agreement or other evidence of indebtedness, lease, contract or other agreement or instrument known to us to which the Selling Stockholder is a party or by which it or any of its properties is bound or affected, or under any ruling, decree, judgment, order, statute, rule or regulation of any court or other governmental agency or body having jurisdiction over the Selling Stockholder or the property of the Selling Stockholder (except that we express no opinion with respect to the securities or Blue Sky laws of any jurisdiction other than the United States). All authorizations and consents (other than authorizations and consents of courts or governmental agencies or bodies) necessary for the execution and delivery of the Underwriting Agreement on behalf of the Selling Stockholder have been given.

(LETTERHEAD)

EXHIBIT 5.1

February 22, 1995

PacifiCare Health Systems, Inc.
5995 Plaza Drive
Cypress, California 90630-5230

Gentlemen:

On the date hereof, PacifiCare Health Systems, Inc., a Delaware corporation (the "Company"), intends to transmit for filing with the Securities and Exchange Commission, a Registration Statement on Form S-3 (the "Registration Statement"), relating to the sale of up to 5,175,000 shares (the "Shares") of Class B Common Stock, par value \$0.01 per share ("Class B Common Stock"), of the Company (including 675,000 shares subject to the underwriters' over-allotment option), of which 3,000,000 shares will be issued and sold by the Company and up to 2,175,000 shares will be sold by UniHealth, Inc. (the "Selling Stockholder"). This opinion is an exhibit to the Registration Statement.

We note that we are members of the Bar of the State of New York and do not represent ourselves to be expert in the laws of any other state or jurisdiction. Insofar as this opinion may involve the laws of the State of Delaware, our opinion is based solely upon our reading of the Delaware General Corporation Law as reported in the Prentice-Hall Corporation Law Service; provided, however, that our opinion as to the due incorporation of the Company is based upon a Certificate of Good Standing obtained from the Secretary of State of the State of Delaware. We have at times acted as special securities counsel to the Company in connection with certain corporate and securities matters, and in such capacity we have participated in various corporate and other proceedings taken by or on behalf of the Company in connection with the proposed offer and sale by the Company and the Selling Stockholder of the Class B Common Stock as contemplated by the Registration Statement. We have examined copies (in each case signed, certified or otherwise proven to our satisfaction to be genuine) of the Company's Certificate of Incorporation and all amendments thereto, its By-Laws as presently in effect, minutes and other instruments evidencing actions taken by its directors and stockholders, the Registration Statement and exhibits thereto and such other documents and instruments relating to the Company and the proposed offering as we have deemed necessary under the circumstances.

Based on the foregoing, it is our opinion that:

1. The Company has been duly incorporated and is validly existing under the laws of the State of Delaware and has authorized capital stock consisting of 30,000,000 shares of Class A Common Stock, par value \$.01 per share, 60,000,000 shares of Class B Common Stock, par value \$.01 per share, and 10,000,000 shares of preferred stock, par value \$1.00 per share.
2. The 3,000,000 shares of the Company's Class B Common Stock to be sold

by the Company have been duly authorized and, subject to the effectiveness of the Registration Statement and compliance with applicable securities or other laws of various states of the United States and foreign jurisdictions in which the Shares will be offered and/or sold in the proposed public offering, when issued and delivered against payment therefor in accordance with the terms set forth in the Registration Statement, will be legally issued, fully paid and nonassessable.

3. The maximum of 2,175,000 outstanding shares of the Company's Class B Common Stock to be sold by the Selling Stockholder have been duly authorized and legally issued and are fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and as an exhibit to any application under the securities or other laws of any state of the United States or any foreign jurisdiction, which relates to the offering which is the subject of this opinion, and to the reference to this firm appearing under the heading "Legal Matters" in the prospectus which is contained in the Registration Statement.

This opinion is furnished to you in connection with the filing of the Registration Statement, and is not to be used, circulated, quoted or otherwise relied upon for any other purposes, except as expressly provided in the preceding paragraph. This opinion is as of the date hereof and we disclaim any undertaking to update this opinion after the date hereof.

Very truly yours,
SHEREFF, FRIEDMAN, HOFFMAN & GOODMAN, LLP

February , 1995

UniHealth, Inc.
4100 West Alameda
Burbank, California 91505

Gentlemen:

On February , 1995, PacifiCare Health Systems, Inc. ("PacifiCare") filed with the Securities and Exchange Commission a Registration Statement on Form S-3 (the Registration Statement and the Prospectus contained therein, and any Amendment or Post-Effective Amendment to the Registration Statement and the Prospectus contained in any such Amendment or Post-Effective Amendment are hereinafter referred to as the "Registration Statement") relating to the proposed offering and sale by PacifiCare of up to [3,000,000] shares of the Class B common stock of PacifiCare and the proposed offering and sale by UniHealth, Inc. ("UniHealth") of up to [2,175,000] shares (including [675,000] shares subject to the Underwriters' over-allotment option) of the Class B common stock of PacifiCare (collectively, the "Shares").

In order to provide an equitable method for allocating any liabilities and costs that arise in connection with the offering or sale of Shares under the Registration Statement, PacifiCare and UniHealth have agreed as follows:

1. UniHealth and PacifiCare shall contribute proportionally, based upon the net proceeds, after deducting underwriting discounts and commissions, received by each of them from the sale of Shares (including shares subject to the Underwriters' over-allotment option) under the Registration Statement, to the total losses, claims, damages, expenses and liabilities, joint or several, including (unless otherwise provided in paragraph 2 below) reasonable attorneys' fees (collectively, "Liabilities"), to which UniHealth and PacifiCare, and the officers and directors of UniHealth and PacifiCare, respectively, and each person, if any, who controls UniHealth or PacifiCare, within the meaning of Section 15 of the Securities Act of 1933, as amended (the "Act"), or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any of them, may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such Liabilities (or actions in respect thereof), arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or (ii) the omission or alleged omission to state in the Registration Statement a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that:

(a) In the event UniHealth should receive more net proceeds from the sale of the Shares than PacifiCare, then UniHealth and PacifiCare shall

contribute equally to any such Liabilities;

(b) UniHealth shall not be responsible to contribute under this Agreement to any Liabilities which arise out of or are based upon any untrue statement or omission or allegation thereof of a material fact in the Registration Statement required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading if PacifiCare knew or could have reasonably been expected to know, that such fact was untrue or omitted prior to the effective date of the Registration Statement and UniHealth did not know, and could not have reasonably been expected to know, that such fact was untrue or omitted prior to the effective date of the Registration Statement; and in such event, PacifiCare shall indemnify UniHealth, its officers and directors and each person, if any, who controls UniHealth within the meaning of Section 15 of the Act or Section 20 of the Exchange Act against any and all Liabilities which arise in connection with the misstatement or omission of such fact in the Registration Statement; and

(c) PacifiCare shall not be responsible to contribute under this Agreement to any Liabilities which arise out of or are based upon any untrue statement or omission or allegation thereof of a material fact in the Registration Statement required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading if

(i) UniHealth knew or could have reasonably been expected to know that such fact was untrue or omitted prior to the effective date of the Registration Statement and PacifiCare did not know, and could not have reasonably been expected to know, that such fact was untrue or omitted prior to the effective date of the Registration Statement, or (ii) such Liabilities arise out of or are based upon an untrue statement or omission or allegation thereof based upon information relating to UniHealth which was furnished to PacifiCare by UniHealth specifically for inclusion in the Registration Statement; and in either of such events, UniHealth shall indemnify PacifiCare, its officers and directors and each person, if any, who controls PacifiCare within the meaning of Section 15 of the Act or Section 20 of the Exchange Act against any and all Liabilities which arise in connection with the misstatement or omission of such fact in the Registration Statement. For purposes of this Agreement, the statements referred to in Schedule I hereto constitute the only information relating to UniHealth furnished to PacifiCare by UniHealth specifically for inclusion in the Registration Statement.

Notwithstanding anything to the contrary contained in this paragraph 1, UniHealth's maximum obligation for contribution or indemnification under this paragraph 1 shall be limited to the proceeds receive by it from the sale of the Shares.

2. Any party that proposes to assert the right to contribution or indemnification under this Agreement will, promptly after receipt of notice

of commencement of any action against such party in respect of which a claim is to be made against a contributing or indemnifying party, as the case may be, under this Agreement, notify such indemnifying or contributing party of the commencement of such action, enclosing a copy of all papers served; provided, however, that the failure to provide timely notice shall not affect the right to contribution or indemnification hereunder except to the extent that such failure materially prejudices the indemnifying or contributing party in such action. In the event that any action described in the preceding sentence is commenced, the following provisions shall apply:

(a) If such action relates to Liabilities for which PacifiCare and UniHealth are required to contribute proportionally (on the bases described in paragraph 1 hereof) under this Agreement, PacifiCare will be entitled, to the extent that it elects by delivering written notice to UniHealth, to assume the defense of the action, with counsel reasonably satisfactory to UniHealth, and UniHealth and PacifiCare shall contribute proportionally (on the basis described in paragraph 1 hereof) to the fees, expenses and other charges of such counsel. In the event that PacifiCare elects to assume the defense of the action, UniHealth, any officer or director of PacifiCare or UniHealth, or any person, if any who controls PacifiCare or UniHealth, within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such party unless (i) the employment of counsel by such party has been authorized in writing by PacifiCare and (unless such party employing separate counsel is UniHealth) UniHealth, (ii) such party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it that are different from or in addition to those available to PacifiCare, (iii) a conflict or potential conflict exists (based on advice of counsel to the party) between the party and PacifiCare (in which case PacifiCare will not have the right to direct the defense of such action on behalf of such party), or (iv) PacifiCare has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases UniHealth and PacifiCare shall contribute proportionally (on the bases described in paragraph 1 hereof) to the fees, expenses and other charges of such second counsel. It is understood that neither UniHealth nor PacifiCare shall, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one additional firm admitted to practice in such jurisdiction at any one time for all such party or parties. No party will be liable for contribution with respect to any settlement of any action or claim effected without its written consent, which consent shall not be unreasonably withheld.

(b) If any such action is brought against a party entitled to indemnification under this Agreement, the indemnifying party will be entitled to participate in and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified

party, to assume the defense of the action, with counsel reasonably satisfactory to the indemnified party, and the indemnifying party will not be

liable to the indemnified party for any legal or other expenses except as provided below. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (i) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (ii) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to the indemnified parties that are different from or in addition to those available to the indemnifying party, (iii) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party), or (iv) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one additional firm admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent, which consent shall not be unreasonably withheld.

3. UniHealth and PacifiCare shall cooperate with each other in all reasonable respects in connection with the defense of any action or proceeding which is the subject of a claim under this Agreement, including, without limitation, making available for inspection by the other any nonprivileged documents reasonably related to such action or proceeding and making available to the other such employees having any information relating to such action or proceeding.

4. UniHealth and PacifiCare shall pay proportionally (on the basis described in paragraph 1 hereof) all expenses in connection with the offering of the Shares, including, without limitation, underwriting fees, reasonable fees and expenses of counsel to PacifiCare and UniHealth, accounting fees and expenses of PacifiCare's independent auditors, Blue Sky fees, printing, registration fees and all other expenses set forth in Part II of the Registration Statement.

Please indicate your acceptance of the terms of this Agreement by your signature.

PACIFICARE HEALTH SYSTEMS, INC.

By: _____

UNIHEALTH, INC.

By: _____

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-3) and related Prospectus of PacifiCare Health Systems, Inc. for the registration of 4,500,000 shares of its Class B Common Stock and to the incorporation by reference therein of our report dated November 11, 1994, with respect to the consolidated financial statements and schedules of PacifiCare Health Systems, Inc. included in its Annual Report (Form 10-K) for the year ended September 30, 1994, filed with the Securities and Exchange Commission.

ERNST & YOUNG LLP

Los Angeles, California
February 21, 1995