

MAGELLAN HEALTH SERVICES INC  
 Form 4  
 May 18, 2006

**FORM 4**

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

OMB APPROVAL

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

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

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**LERER RENE**

2. Issuer Name and Ticker or Trading Symbol  
**MAGELLAN HEALTH SERVICES INC [MGLN]**

5. Relationship of Reporting Person(s) to Issuer  
 (Check all applicable)

(Last) (First) (Middle)  
**55 NOD ROAD**  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
**05/16/2006**

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
**President & COO**

**AVON, CT 06001**  
 (City) (State) (Zip)

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

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

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

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

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

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SEC 1474  
 (9-02)

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

| 1. Title of Derivative Security | 2. Conversion or Exercise | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any | 4. Transaction Code | 5. Number of Derivative Securities | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) |
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|------------------------------------|--|---|
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|------------------------------------|--|---|

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| (Instr. 3)                           | Price of<br>Derivative<br>Security | (Month/Day/Year)          | (Instr. 8) | Acquired (A) or<br>Disposed of (D)<br>(Instr. 3, 4, and<br>5) | Code | V | (A)     | (D) | Date<br>Exercisable | Expiration<br>Date | Title           | Amount<br>Number<br>Shares |
|--------------------------------------|------------------------------------|---------------------------|------------|---|------|---|---------|-----|---------------------|--------------------|-----------------|----------------------------|
| Stock<br>Option<br>(right to<br>buy) | \$ 38.52                           | 05/16/2006 <sup>(1)</sup> |            | A   |      |   | 132,531 |     | <sup>(2)</sup>      | 02/24/2016         | Common<br>Stock | 132,531                    |
| Restricted<br>Stock<br>Units         | <sup>(4)</sup>                     | 05/16/2006                |            | A   |      |   | 16,869  |     | <sup>(5)</sup>      | <sup>(3)</sup>     | Common<br>Stock | 16,869                     |

## Reporting Owners

| Reporting Owner Name / Address              | Relationships |           |                 |       |
|---|---------------|-----------|-----------------|-------|
|   | Director      | 10% Owner | Officer         | Other |
| LERER RENE<br>55 NOD ROAD<br>AVON, CT 06001 | X             |           | President & COO |       |

## Signatures

/s/ Rene Lerer                      05/18/2006  
 \*\*Signature of                      Date  
 Reporting Person

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
  - \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The option grant was approved by the Board of Directors of the Issuer on February 24, 2006, subject to shareholder approval of the 2006 Management Incentive Plan under which the options were granted. The shareholders of the Issuer approved the Plan on 5/16/06. As per the Plan, the exercise price of the options was the fair market value on the date of grant determined by using the average of the opening and closing price of the Issuer's Ordinary Common Stock on NASDAQ on February 24, 2006.
- (2) Options vest and become exercisable in one-third increments on February 24, of each of 2007, 2008 and 2009, subject to satisfaction of certain performance requirements for certain of such options.
- (3) Not applicable.
- (4) The restricted stock unit award was approved by the Board of Directors of the Issuer on February 24, 2006, subject to shareholder approval of the 2006 Management Incentive Plan under which the restricted stock units were granted. The shareholders of the Issuer approved the Plan on May 16, 2006. Each restricted stock unit represents a contingent right to receive one share of Magellan common stock.
- (5) Restricted Stock Units shall vest in one-third increments on February 24, of each of 2007, 2008 and 2009, subject to satisfaction of certain performance requirements.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.