

**CLEAR CHOICE HEALTH PLANS, INC.**  
**2965 NE Conners Avenue**  
**Bend, Oregon 97701**

April 28, 2008

Dear Shareholders:

Our 2008 annual meeting of Shareholders will be held on Wednesday, May 21, 2008, at 5:00 p.m. Pacific Daylight Time, at our new executive offices located at 2965 NE Conners Avenue, Bend, Oregon 97701. You are cordially invited to attend this meeting to give us an opportunity to meet you personally, to allow us to introduce to you the key members of our management team and Board of Directors and to answer any questions you may have.

The formal Notice of Meeting, the Proxy Statement, the proxy card and a copy of our Annual report to Shareholders describing our operations for the year ended December 31, 2007 are enclosed.

Whether or not you plan to attend the meeting, please sign and return the enclosed proxy card promptly. A prepaid return envelope is provided for this purpose. Your shares will be voted at the meeting in accordance with your proxy.

If you have shares in more than one name, or if your stock is registered in more than one way, you may receive multiple copies of the proxy materials. If so, please sign and return each proxy card you will receive so that all of your shares may be voted. We look forward to meeting you at the Annual Meeting.

Very truly yours,

CLEAR CHOICE HEALTH PLANS, INC.



Patricia J. Gibford  
CEO & President

**CLEAR CHOICE HEALTH PLANS, INC.**  
**2965 NE Conners Avenue**  
**Bend, Oregon 97701**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**To Be Held on May 21, 2008**

To the Shareholders of Clear Choice Health Plans, Inc.:

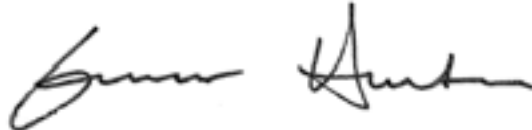
NOTICE IS HEREBY GIVEN that the 2008 Annual Meeting of Shareholders of CLEAR CHOICE HEALTH PLANS, INC., an Oregon insurance corporation, will be held at the executive offices of Clear Choice Health Plans, Inc. located at 2965 NE Conners Avenue, Bend, Oregon 97701 on Wednesday, May 21, 2008, at 5:00 p.m. Pacific Daylight Time. The purposes of the Annual Meeting will be:

1. To elect two Class I directors to the Board of Directors to serve until the 2011 Annual Meeting of Shareholders (Proposal No. 1);
2. To ratify the appointment of Perkins & Company, P.C. as our independent public accountants for the year ending December 31, 2008 (Proposal No. 2); and
3. To consider and act upon any other matter which may properly come before the meeting or any adjournment thereof.

The board of directors has fixed the close of business on April 18, 2008, as the record date for determining shareholders entitled to notice of and to vote at the meeting or any adjournment thereof. Only holders of record of our common stock at the close of business on the record date will be entitled to notice of and to vote at the meeting and any adjournment thereof. Further information regarding voting rights and the matters to be voted upon presented in the accompanying proxy statement.

All shareholders are cordially invited to attend the Annual Meeting. **WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN AND PROMPTLY RETURN THE ENCLOSED PROXY CARD, WHICH YOU MAY REVOKE AT ANY TIME PRIOR TO ITS USE.** A prepaid, self-addressed envelope is enclosed for your convenience. Your shares will be voted at the meeting in accordance with your proxy. If you attend the meeting, you may revoke your proxy and vote in person.

By Order of the Board of Directors,



**GUNNAR HANSEN**  
Chief Financial Officer and Secretary

Bend, Oregon  
April 28, 2008

**PROXY STATEMENT**  
**FOR ANNUAL MEETING OF SHAREHOLDERS OF**  
**CLEAR CHOICE HEALTH PLANS, INC.**  
**TO BE HELD MAY 21, 2008**

**Information about the 2008 Annual Meeting**

This proxy statement is furnished to the stockholders of Clear Choice Health Plans, Inc., an Oregon insurance corporation (the “Company”), in connection with the solicitation of proxies by the Board of Directors of the Company for use at the 2008 Annual Meeting of Stockholders to be held on Wednesday, May 21, 2008, at 5:00 p.m. Pacific Daylight Time, at the Company’s headquarters located at 2965 NE Connors Avenue, Bend, Oregon 97701, and at any and all adjournments or postponements therefore (the Annual Meeting).

The shares of the Company’s Common Stock (the “Common Stock”) constitute the only class of securities entitled to notice of and to vote at the meeting. In accordance with our Bylaws, the Board of Directors has fixed April 18, 2008, as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting. On that date, there were 1,854,335 shares of the Company’s Common Stock, issued and outstanding and entitled to vote. Each such share is entitled to one vote on all matters properly brought before the meeting. Stockholders are not entitled to cumulate voting with regard to their shares.

The presence, in person or by proxy, of the holders of a majority of our outstanding shares of common stock is necessary to constitute a quorum at the Annual Meeting. Directors are elected by a plurality of the votes cast and only votes cast in favor of a nominee will have an effect on the outcome. If a quorum is present at the Annual Meeting, (i) the two nominees for election as directors who receive the greatest number of votes cast for the election of directors by the shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote shall be elected directors and (ii) Proposal No. 2 to ratify the appointment of Perkins & Company, P.C. as independent registered public accounting firm will be approved if the number of votes cast in favor of the proposal exceeds the number of votes cast against it.

If you hold your shares in “street name” through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker nominee specific voting instructions, your shares may not be voted on those matters. If your shares are not voted, they will not be counted in determining the number of votes cast. Shares represented by such “broker non-votes,” however, will be counted for determining whether there is a quorum. Therefore, abstentions from voting and broker non-votes will have no effect on Proposal No. 1. Abstentions and broker non-votes will likewise have no effect on Proposal No. 2.

**Voting Procedures**

A proxy card is enclosed for your use. You are solicited on behalf of the Board of Directors to sign, date and return the proxy card at or before the annual meeting. Concerning the

election of Directors, you may (a) vote for all of the director nominees as a group; (b) withhold authority to vote for all director nominees as a group, or (c) vote for all director nominees as a group, except those nominees you identify on the appropriate line. With respect to Proposal No. 2, you may (a) vote for Proposal No. 2, (b) vote against Proposal No. 2, or (c) abstain from voting.

The two persons named as proxies on the enclosed proxy card, Patricia Gibford and Gunnar Hansen, were designated by the Board of Directors. Your shares will be voted as you direct on your properly executed proxy card. If you do not specify on your proxy card how you want to vote your shares, the proxies will vote signed returned proxies for the Board's nominees and for the ratification of appointment of Perkins & Company, P.C. as the Company's independent public accountants for the year ending December 31, 2008. You may revoke your proxy prior to its exercise by filing a written notice of revocation with the Secretary of the Company, by submission of a new proxy bearing a later date with the Company prior to the annual meeting, or by attending the Meeting and voting in person.

The Company does not know of any other business that may be presented at the Annual Meeting. If a proposal other than those proposed in the Notice of Annual Meeting is presented at the Annual Meeting, your signed proxy card gives authority to each of Patricia Gibford and Gunnar Hansen to vote your shares on such matters in their sole discretion.

### **PROPOSAL NO. 1 ELECTION OF DIRECTORS**

The Company's Bylaws provide that the Board of Directors, presently consisting of eleven Directors, be divided into three classes, Class I, Class II and Class III, with each class to be as nearly equal in number as possible. At the Annual Meeting, the shareholders are being asked to elect two (2) Class I Directors, Patricia Moss and Dr. Jeffrey Drutman for a term of three (3) years each. The Class I Directors will hold office until the 2011 annual shareholders meeting at which time their term expires and until their successor is duly elected and qualified. If vacancies occur, the Board of Directors may elect a replacement to serve for the remainder of the unexpired term.

The Board of Directors believes that each nominee will be available to serve as a Director and each nominee has consented to serve. However, if any nominee is not a candidate on the date of the Annual Meeting or otherwise declines to or cannot serve as a Director, the proxy will be voted for such other person or persons as the Board of Directors may recommend.

The Board of Directors recommends a vote FOR the election of each of the following Director nominees.

#### **NOMINEES AS CLASS I DIRECTORS (Terms expire in 2011)**

***Patricia Moss (54)***. Ms. Moss has been a director of the Company since 1997. Ms. Moss currently serves as CEO of the Bank of the Cascades and President and CEO of Cascade Bancorp. From 1998 to 2003, Ms. Moss served as President and CEO of Bank of the Cascades and Cascade Bancorp. She is also a director of MDU Resources Group, Inc. and Oregon

Business Council. In addition, Ms. Moss serves on the advisory board of Oregon Investment Fund.

**Jeffrey Drutman, M.D.(51).** Dr. Drutman has been a director of the Company since 1995. Dr. Drutman is a practicing physician and in group practice as a member of Central Oregon Radiology Associates.

### **Directors Whose Terms Of Office Continue**

The remaining Class II and Class III Directors whose terms have not yet expired and therefore are not standing for election this year are as follows:

#### **CLASS II DIRECTORS (Terms Expire in 2009).**

**Gary Fish (51).** Mr. Fish has been a director of the Company since 2004. Mr. Fish is the President of Deschutes Brewery, Inc.

**Michel A. Boileau, M.D (60).** Dr. Boileau has been a director of the Company since 2004. Dr. Boileau is a practicing physician with Bend Urology Associates. Dr. Boileau received his B.S. degree from Whitman College and his M.D. from the Oregon Health Sciences University.

**Patricia Gibford (61).** Ms. Gibford has been a director of the Company since 2006 and is President and CEO of the Company. For biographical information on Ms. Gibford, see “Executive Officers.”

#### **CLASS III DIRECTORS (Terms expire in 2010)**

**James A. Diegel (48).** Mr. Diegel has been a director of the Company since 2005. Mr. Diegel is the President and CEO of Cascade Healthcare Community, Inc., which owns and operates St. Charles Medical Centers in Bend and Redmond, Oregon. Mr. Diegel is a director of Prineville Bancorporation and Community First Bank

**David Bourke (54).** Mr. Bourke has been a director of the Company since 2006. Mr. Bourke is President of Bourke & Company, a management consulting firm specializing in market research and organizational effectiveness.

**Jerol Andres (64).** Mr. Andres is Chairman of the Board and has been a director of the Company since 1997. Mr. Andres has been the President and Chief Executive Officer of Eagle Crest, Inc. since 1988. From 1984 to 1988, Mr. Andres founded and was Chief Executive Officer and President of Happy Trails Resort. Since 1993, Mr. Andres has served as a director of Cascade Bancorp.

**Neil Bryant (59).** Mr. Bryant has been a director of the Company since 1997. Mr. Bryant is a former state senator and is a partner in the Bryant, Lovlien & Jarvis law firm and has been practicing law since 1973.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING “FOR”  
THE ELECTION OF THE NOMINEES TO THE BOARD OF DIRECTORS.**

**Director Compensation**

Non-employee directors are compensated for services as a director and are reimbursed for travel expenses incurred in connection with their duties as directors. All non-employee directors receive an annual retainer fee of \$20,000 and a \$1,500 fee for each Board meeting attended in person, a \$750 fee for each Board meeting attended telephonically and a \$500 fee for each Committee meeting attended for which they are a member. The Chairman of the Board and each chair of a Board committee receive an additional annual retainer as follows: \$20,000 Board Chairman, \$5,000 Audit Committee Chair and \$5,000 Compensation Committee Chair.

Each year, at the discretion of the Board as administrator of the Company’s 2004 Equity Incentive Plan, non-employee Directors are granted an option to purchase 1,000 shares of our common stock. These options are granted on the date of the annual Board retreat (usually June) at fair market value pursuant to the Company’s 2004 Equity Incentive Plan. We do not pay any additional remuneration to employees who also serve as Directors.

**MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS**

The Board of Directors held 11 meetings during the year ended December 31, 2007. During 2007, no Director, except Dr. Michael Kendrick (a former director who retired from the Board of Directors in 2007) and Eric Alexander (who will be retiring at the end of his board term) attended fewer than 75% of the meetings of the Board of Directors and any committees of which the Director was a member.

**Committees**

The Board of Directors has a standing Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee.

**Audit Committee**

*General.* The Board of Directors has established an Audit Committee, which is governed by a written charter. Among the duties, powers and responsibilities of the Audit Committee as provided in its charter, the Audit Committee:

- has responsibility for the engagement and fees of the Company’s independent public accountants;
- reviews with the independent accountants the plans and results of the audit engagement;
- pre-approves all audit services and permitted non-audit services provided by the independent public accountants;
- reviews the independence of the independent public accountants;

- reviews the adequacy and effectiveness of our internal control over financial reporting; and
- reviews accounting, auditing and financial reporting matters with our independent accountants and management.

The Audit Committee is comprised of Patricia Moss, Chair, Dr. Jeffrey Drutman, Jerol Andres, Michel Boileau and Jim Diegel. The Audit Committee Charter was adopted on July 30, 2007. The Audit Committee consults separately in executive session and jointly with the independent accountants and management. The Audit Committee held 7 meetings in 2007.

### **Compensation Committee**

The Compensation Committee is comprised of Gary Fish, Chair, David Bourke, Jerol Andres and Jim Diegel. The Compensation Committee reviews and approves the compensation of the Company's Chief Executive Officer and other executive officers and determines the general compensation policy for the Company. In addition, the Compensation Committee recommends to the Board for consideration and approval, compensation for Board members. The Compensation Committee held 9 meetings in 2007. The Compensation Committee is governed by a written charter.

### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee currently consists of Neil Bryant, Chair, Dr. Jeffrey Drutman, Gary Fish, Jerol Andres and Patricia Moss. The responsibilities of the Nominating and Corporate Governance Committee include the identification and recommendation of director candidates, the review of qualifications of directors for continued service on the Board and the review and development of corporate governance guidelines. In fulfilling its duties, the Nominating and Corporate Governance Committee, among other things, shall: (a) identify individuals qualified to become members of the Board and to select director nominees to be recommended to the Board to be presented for shareholder approval at the Annual Meeting; (b) review the Board's committee structure and make recommendations; and (c) develop and recommend to the Board for its approval a set of corporate governance guidelines. The Nominating and Corporate Governance Committee met on March 14, 2008 to consider nominations to the Board for the 2008 Annual Stockholders Meeting. The Nominating and Corporate Governance Committee is governed by a written charter. The Nominating and Corporate Governance Committee held four (4) meetings in 2007.

In evaluating director nominees, the Nominating and Corporate Governance Committee has not prescribed, except as may be required by applicable rules of the Insurance Division, any minimum qualifications that must be met, but instead considers a number of factors including the following: the previous public company experience and financial and business expertise and background of the candidate, the independence of the candidate and lack of conflicts of interests, the candidate's time availability, commitment and sense of urgency to effectively work with other Board members and for incumbent directors, the director's overall service to the Company including the number of meetings attended, and level and quality of participation. The

Committee considers these factors in the context of the perceived needs of the Board as a whole and seeks to achieve a diversity of backgrounds and perspectives on the Board.

**RATIFICATION OF APPOINTMENT OF INDEPENDENT  
PUBLIC ACCOUNTANTS  
(Proposal No. 2)**

The Audit Committee of the Board of Directors has appointed Perkins & Co, independent public accountants, as auditors for the year ending December 31, 2008. A representative of Perkins & Company, P.C. is expected to be present at the Annual Meeting. The representative will be given the opportunity to make a statement on behalf of their firm if such representative so desires, and will be available to respond to appropriate shareholder questions. Perkins & Company, P.C. was the independent public accountant for the year ended December 31, 2007.

**Fees Paid to Perkins & Company, P.C. Related to 2007**

	<u>2007</u>
Audit Fees (1)	\$101,523

(1) Represents the audit of the consolidated financial statements, and quarterly reviews.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION  
OF THE APPOINTMENT OF PERKINS & COMPANY, P.C. AS INDEPENDENT  
PUBLIC ACCOUNTANTS FOR THE YEAR ENDING DECEMBER 31, 2008**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT**

The following table sets forth, as of March 12, 2008, certain information furnished to us with respect to ownership of our common stock of (i) each Director, (ii) “Our executive officers”, (iii) all persons known by us to be beneficiary owners of more than 5% of our common stock, and (iv) all current executive officers and Directors as a group.

**Shareholder****Common Stock (1)**

	<u>Number of Shares (2)</u>	<u>Percent of Shares Outstanding</u>
CONET 2500 NE Neff Road Bend, Oregon 97701	395,925	20.6%
Robert Pinnick	15,200	0.8%
Jim Diegel	2,000	0.1%
Jeffrey Drutman	17,867	0.9%
Patricia Gibford	25,266	1.3%
Gunnar Hansen	4,382	0.2%
Sandra Loder	1,667	0.1%
Randy Cline	0	0%
Michel Boileau	9,800	0.5%
Eric Alexander	2,000	0.1%
Jerry Andres	12,200	0.6%
Patricia Moss	13,675	0.7%
David Bourke	2,000	0.1%
Neil Bryant	12,875	0.7%
Gary Fish	2,800	0.1%
All current executive officers and Directors as a group	121,732	6.4%

(1) Applicable percentage of ownership is based on 1,854,338 shares of common stock outstanding as of March 12, 2008 together with applicable options for such shareholders. Beneficial ownership is determined in accordance with the rules of the Insurance Division, and includes voting and investment power with respect to shares. Shares of common stock subject to options currently exercisable within 60 days after March 12, 2008 are deemed outstanding for computing the percentage ownership of the person holding such options, but are not deemed outstanding for computing the percentage of any other person.

(2) Includes shares of common stock subject to options exercisable within 60 days after March 12, 2008.

**CODE OF ETHICS**

The Company has a Code of Conduct, which is a code of conduct and ethics that applies to all of our Directors, officers and employees, including our principal executive officer and our principal financial officer. We will provide, without charge, a copy of our Code of Conduct upon written request from any shareholder. Written requests should be mailed to the Secretary. Clear Choice Health Plans, Inc., 2965 NE Connors Avenue, Bend, Oregon 97701.

## EXECUTIVE OFFICERS

The following table identifies our executive officers as of March 12, 2008, the positions they hold and the year in which they began serving as an executive officer. Officers are elected by the Board of Directors to hold office until their successors are elected and qualified.

<u>Name</u>	<u>Age</u>	<u>Current Position(s) with Company</u>	<u>Officer Since</u>
Patricia Gibford	61	Director, President and Chief Executive Officer	1995
Randy Cline	59	Executive Vice President and Chief Operating Officer	2006
Gunnar Hansen	39	Executive Vice President, Chief Financial Officer and Secretary	2002
David Cox	33	Vice President, Information Technology	2007
Dick Sharp	44	Vice President, Human Resources	2006
Dr. Joseph Johnson	56	Vice President, Medical Affairs and Medical Director	2007
Sandra Loder	44	General Counsel	2005
Rowena Rosenblum	43	Vice President, Operations	2006
Jeff Brown	51	Vice President, Marketing and Sales	2008

**Patricia Gibford**, President and Chief Executive Officer (CEO). Ms. Gibford joined the Company in February 1995, is one of the founders of the Company and has held the top leadership position since the Company's inception. She previously held executive positions with Blue Cross/Blue Shield of Oregon and HMO Oregon as Vice President of Provider Affairs and Assistant Vice President of Medical Affairs from 1990 to 1995. Prior to 1990, Ms. Gibford was Administrator of Northbank Surgical Center in Salem, Oregon. She has a nursing degree from St. Patrick School of Nursing and a B.S. in Health Care Administration/Business from Concordia College and is licensed as an R.N. in Oregon.

**Randy Cline**, CHC, Executive Vice President and Chief Operating Officer, (COO). Mr. Cline joined the Company in October, 2006 as its Chief Marketing Executive, and was promoted to Executive Vice President and Chief Operating Officer in 2007. His areas of responsibility include Strategic Planning and Business Development, Internal Operations, Underwriting, Human Resources, Information Technology, Marketing, Sales and Corporate Communications. Prior to joining Clear Choice Mr. Cline was Senior Vice President at Blue Cross Blue Shield. He has more than 20 years of progressive senior management experience in the health care field, including executive positions in external and internal operations, marketing and sales, underwriting, managed care start-ups and joint ventures, employee benefits consulting and corporate communications.

**Gunnar Hansen**, CPA, Executive Vice President, Chief Financial Officer (CFO) and Secretary. Mr. Hansen joined Clear Choice as Chief Financial Officer in April 2002. Prior to joining Clear Choice, Mr. Hansen served as the CFO/Associate Administrator of the Arizona Medical Clinic, and the CFO of the Corvallis Clinic. He obtained his audit experience at Perkins & Company and Ernst & Young. He is a graduate of Oregon State University. In his role as Chief Financial Officer, Mr. Hansen is responsible for the accounting functions, regulatory audits and filings, and financial reporting.

**David Cox**, Vice President, Information Technology. Mr. Cox joined the Company as IT Manager in December 2006, and was recently promoted to his new position of Vice president, Information Technology. David has more than ten years experience in his field in a number of technical and management roles. Prior to joining the company, he was IT Manager for Intel Corporation and led management teams worldwide. David received his BS in Management Information Systems from the University of Maryland and an Executive MBA with Business Strategy Concentration from Arizona State University. In his new role, David will provide strategic direction, oversee resource allocation and operational processes, and develop programs ensure efficient operations. He will be responsible for all aspects of information technology operations and will contribute to the formation of corporate strategy and long-range planning.

**Sandra Loder**, JD, MBA, General Counsel. Ms. Loder joined the Company in April 2004 and was recently promoted to her current position of General Counsel. Ms. Loder obtained her Juris Doctorate from Harvard Law School and practiced corporate law in Washington, D.C. for several years before obtaining her MBA from UCLA. Ms. Loder has held previous positions in finance, corporate law and information technology. In her role as General Counsel, Ms. Loder is responsible for risk management, regulatory compliance and legal affairs.

**Joseph M. Johnson**, M.D., Vice President, Medical Affairs and Medical Director. Dr. Johnson joined the Company in September, 2007. Prior to this he held executive positions at Sierra Health Services, Sun Health Corporation, and SunHealth MediSun. He has also managed start-up operations, network development and contracting. His most recent position was Senior Medical Director for Sierra Health Services where he was responsible for all aspects of medical management, utilization management, inpatient case management, and clinical quality improvement.

**Dick Sharp**, Vice President, Human Resources. Mr. Sharp joined the Company in May 2006, and has worked in the Human Resources field since 1990. He received his Bachelor's degree in Business Administration from Oregon State University, and has worked for major companies such as Nike, Intel and most recently, T-Mobile. Mr. Sharp is responsible for HR compliance, recruiting, employee relations, compensation and benefits, organizational development, facility management, and safety.

**Rowena Rosenblum**, Vice President, Operations. Ms. Rosenblum came to Clear Choice Health Plans with a background in community health education and advanced studies in conflict resolution. She joined the Company in April, 2005 as the Manager of Medical Affairs, and was appointed Vice President, Operations in 2007. Prior to joining Clear Choice Health Plans, Rowena worked for large health care delivery systems including Boston City Hospital, Abbot Northwestern Hospital, and more recently, Providence Health System.

**Jeff Brown**, Vice President, Marketing and Sales. Mr. Brown joined the Company in February, 2008 as its Vice President of Marketing and Sales. Mr. Brown has more than 20 years of sales, sales management, and marketing experience in the commercial market. Prior to joining the Company, Mr. Brown was Director of Sales for ODS Health Plans in Portland, Oregon.

## COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth compensation paid by the Company to its five (5) highest paid executive officers during 2007 (the “Named Executive Officer”).

Name	Salary	Bonus	Other Annual Compensation <sup>(1)</sup>
Patricia Gibford, President and Chief executive Officer	\$295,000	\$0	\$14,600
Gunnar Hansen, Executive Vice President and Chief Financial Officer and Secretary	\$240,000	\$0	\$13,000
Randy Cline, Executive Vice President and Chief Operating Officer	\$207,000	\$50,000	\$7,000
Sandra Loder, General Counsel	\$160,000	\$0	\$11,000
Dick Sharp, Vice President, Human Resources	\$152,000	\$15,000	\$11,000

<sup>(1)</sup> Includes matching contributions during fiscal 2007 on behalf of the Named Executive Officers for 401k plan and payments for medical and dental health coverage.

## Stock Option Awards

The following table sets forth information concerning stock option grants to the Named Executive Officer during the fiscal year ended December 31, 2007.

Name	Individual Grants Number of Securities Underlying Options Granted	Exercise Price	Expiration Date
Patricia Gibford	4,000	\$32.00	June 14, 2012
Randy Cline	0		
Sandra Loder	1,000	\$32.00	June 14, 2012
Dick Sharp	1,000	\$32.00	June 14, 2012
Gunnar Hansen	2,000	\$32.00	June 14, 2012
Rowena Rosenblum	1,000	\$32.00	June 14, 2012

## CERTAIN RELATIONSHIPS AND TRANSACTIONS

The Company has a number of contracts and business relationships with certain providers that are affiliated with certain of our Board members. In such situations, the Company has a conflict of interest policy that requires such directors to (i) disclose all material interests in such matters (ii) recuse himself or herself from consideration of matters pertaining to such contracts and (iii) abstain from voting on such matters. Approval by a disinterested majority of directors of such contract is required. In addition, the Company's conflict of interest policy requires such Board member to refrain from acting in a decision making capacity with respect to such contract on behalf of the provider.

Dr. Jeffrey Drutman, a member of our Board of Directors, is a practicing physician at Central Oregon Radiology Associates. During fiscal year 2007 the Company paid \$1,492,175 to Central Oregon Radiology Associates in connection with services provided under contract pertaining to the Medicare, Medicaid and commercial health plans.

Jim Diegel, a member of our Board of Directors is President and CEO of Cascade Healthcare Community, Inc., which owns and operates St. Charles Medical Center in Bend and Redmond, Oregon. During fiscal year 2007 the Company paid \$53,307,596 to Cascade Healthcare Community in connection with services provide under contract pertaining to the Medicare, Medicaid and commercial health plans.

Dr. Michel Boileau, a member of our Board of Directors, is a practicing physician at Bend Urology Clinic. During fiscal year 2007 the Company paid \$965,010 to Bend Urology Clinic in connection with services provided under contract pertaining to the Medicare, Medicaid and commercial health plans.

Dr. Robert Pinnick, a member of our Board that retired at the end of his term this year, is a practicing physician at Bend Memorial Clinic. During fiscal year 2007 the Company paid

\$15,307,596 to Bend Memorial Clinic in connection with services provided under contract pertaining to Medicare, Medicaid and commercial health plans.

Patricia Moss, a member of our Board of Directors, is CEO of the Bank of the Cascades and President and CEO of Cascade Bancorp. During fiscal year 2007 the Company solicited bids from several banks to obtain a construction loan to build the Company's new building. As lender, Bank of the Cascades submitted the most favorable terms for the Company and was selected by a disinterested majority of directors of the Company. During fiscal 2007 the Company paid \$260,233 in fees and interest charges to the Bank of the Cascades in connection with this construction loan. The Company intends to payoff the construction loan in fiscal 2008 and obtain permanent mortgage financing from GE Capital.

## **OTHER BUSINESS**

The enclosed proxy authorization authorizes the proxy to vote in the proxy's sole discretion on any other business that may properly come before the meeting. The Board of Directors has no knowledge of any business that may come before the meeting other than the matters specified in this Proxy Statement.

Dated: April 28, 2008