

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of September ____, 2006, is by and between Central Oregon Independent Health Services, Inc. d/b/a Clear Choice Health Plans ("COIHS"), an Oregon corporation, and Clear Choice Health Plans, Inc. ("CCHPI"), an Oregon corporation. These corporations are referred to jointly as the "Parties."

RECITALS

A. CCHPI is a wholly-owned subsidiary of COIHS and CCHPI was recently formed pursuant to ORS 732.025 as a domestic stock insurer under the Oregon Insurance Code.

B. COIHS is a Health Care Service Contractor and pursuant to the stock exchange approved by the COIHS stockholders in December 2004, COIHS has one class of issued and outstanding capital stock known as Class I Common Stock.

C. The Parties desire to effect a merger on the terms set forth in this Agreement, pursuant to the provisions of the ORS 732.517 to 732.546.

D. The boards of directors of COIHS and CCHPI have approved this Agreement and the merger of COIHS with and into CCHPI (the "Merger") upon the terms and subject to the conditions hereof, whereby each share of COIHS Common Stock issued and outstanding prior to the Merger will be converted into the right to receive one share of CCHPI Common Stock and CCHPI will be the surviving corporation.

E. The Parties intend the Merger to be a tax free reorganization within the meaning of IRC §368(a)(1)(A).

AGREEMENT

Now, therefore, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

SECTION 1. MERGER OF THE PARTIES

1.1 Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with ORS 732.517 to 732.546, COIHS will be merged with and into CCHPI at the Effective Date. On the Effective Date, (i) the separate corporate existence of COIHS will cease, and CCHPI will continue as the surviving corporation (the "Surviving Corporation"), incorporated and existing under the laws of the State of Oregon as a domestic insurer, (ii) the Surviving Corporation will possess all the rights, privileges, immunities, and franchises of each of COIHS and CCHPI and (iii) the Surviving Corporation shall succeed to and assume all of the rights and obligations of COIHS in effect prior to the Merger. In connection

with the Merger, all property belonging to COIHS will be deemed to be transferred to and vested in the Surviving Corporation without further act or deed, and the Surviving Corporation will be responsible for all liabilities and obligations of COIHS, all in the manner and with the effect set forth in ORS 732.538.

1.2 Further Assurances. From time to time after the Effective Date, the officers and directors of COIHS who were last in office will execute and deliver such deeds and other instruments and will cause to be taken such further actions as will reasonably be necessary in order to vest or perfect in the Surviving Corporation title to and possession of all the property, interests, assets, rights, privileges, immunities, and franchises of COIHS.

1.3 Effective Date. Subject to the provisions of this Agreement, COIHS and CCHPI shall file with the Director of the Department of Consumer and Business Services of the State of Oregon, Insurance Division (the "Insurance Division") a Form A Statement Regarding the Acquisition of Control or Merger with a Domestic Insurer, any amendments required in connection therewith and shall make all other filings or recordings required under ORS 732.517 to 732.546, and take all other actions necessary or appropriate, including, but not limited to, obtaining approval of the Merger by the Insurance Division and the shareholders of COIHS and CCHPI, to effect the Merger, which Merger shall be effective on _____, 2006 (the "Effective Date").

1.4 Closing. Subject to the satisfaction or waiver of the conditions set forth in Section 8 of this Agreement, the closing of the Merger will take place in the offices of Schwabe, Williamson & Wyatt, P.C. in Portland, Oregon, on the Effective Date, or at another time and place as the Parties may mutually agree on.

SECTION 2. ARTICLES OF INCORPORATION, BYLAWS, DIRECTORS, AND OFFICERS

At the Effective Date:

2.1 Articles of Incorporation. The Articles of Incorporation of CCHPI shall be the Articles of Incorporation of the Surviving Corporation, until amended in accordance with applicable law.

2.2 Bylaws. The bylaws of CCHPI as in effect immediately before the Effective Date will be the bylaws of the Surviving Corporation until amended or repealed.

2.3 Directors and Officers. The board of directors of the Surviving Corporation will be the persons who are directors of COIHS immediately before the Effective Date, and they will hold office in accordance with the Articles of Incorporation and bylaws of the Surviving Corporation. The officers of the Surviving Corporation shall be the persons who are the officers of COIHS immediately prior to the Effective Date, except that Gunnar Hansen, Chief Financial Officer, Chief Operating Officer and Assistant Secretary of COIHS will replace Dr. Jeffrey Drutman as Secretary. The Officers of the Surviving Corporation shall hold office until the

earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be, in accordance with the Articles of Incorporation and bylaws of the Surviving Corporation.

SECTION 3. MANNER AND BASIS OF CONVERTING SHARES

3.1 Conversion of Shares. By virtue of the Merger and without any action on the part of any holder of the shares of Class I Common Stock of COIHS (the “COIHS Common Stock”) or the holder of the shares of Common Stock of CCHPI (the “CCHPI Common Stock”) as of the Effective Date:

3.1.1 Each share of COIHS Common Stock that is issued and outstanding immediately before the Effective Date (other than (a) shares (“Dissenting Shares”) as to which a dissenting shareholder has taken the actions required by ORS 60.551–60.594 of the Oregon Business Corporation Act (the “Oregon Act”) relating to dissenters’ rights) shall automatically be converted into the right to receive one share of fully paid and nonassessable common stock of the Surviving Corporation (the “Per Share Merger Consideration”).

3.1.2 Each share of Common Stock of CCHPI that is issued and outstanding immediately before the Effective Date, including the shares of CCHPI Common Stock owned by COIHS, will be cancelled without any additional consideration.

3.1.3 Notwithstanding anything in this Agreement to the contrary, COIHS Common Stock that is issued and outstanding immediately prior to the Effective Date and that are held by a holder who was entitled to demand, and has validly demanded, dissenter’s rights in accordance with ORS 60.551-60.594 of the Oregon Act (the “Dissenting Shares”) shall not be converted into the right to receive the Per Share Merger Consideration, unless and until such holder shall have failed to perfect or shall have effectively withdrawn or lost such holder’s dissenter’s rights under the Oregon Act, but instead shall be converted into the right to receive payment from the Surviving Corporation with respect to such Dissenting Shares in accordance with the Oregon Act. If any such holder shall have failed to perfect or shall have effectively withdrawn or lost such holder’s dissenter’s rights, then each of such holder’s shares of COIHS Common Stock shall be treated as a share of COIHS Common Stock that had been converted as of the Effective Date into the right to receive the Per Share Merger Consideration in accordance with Section 3.1.1.

3.2 Certificates for Shares. As of the Effective Date, all shares of COIHS common Stock that are issued and outstanding immediately prior to the Effective Date (other than Dissenting Shares) shall no longer be outstanding and shall automatically be cancelled and shall cease to exist, and each holder of a certificate representing any shares of COIHS Common Stock outstanding immediately prior to the Effective Date being converted into the right to receive the Per Share Merger Consideration pursuant to Section 3.1.1 (each a “Certificate” and collectively, the “Certificates”) shall cease to have any rights with respect thereto, except the right to receive the Per Share Merger Consideration multiplied by the number of shares of COIHS Common

Stock formerly represented by the Certificate, to be issued in consideration therefor upon surrender of such Certificate in accordance with Section 3.4.

3.3 Dissenting Shares. Each Dissenting Share will be treated in accordance with the provisions of ORS 60.551–60.594 relating to dissenters’ rights.

3.4 Exchange of Certificates.

3.4.1 The Chief Financial Officer and Assistant Secretary of COIHS, Gunnar Hansen, shall act as agent (“Agent”) with assistance from the Transfer Agent of COIHS, eProsper, Inc., for the issuance of the shares of CCHPI Common Stock representing the Per Share Merger Consideration for the benefit of the stockholders of COIHS. Promptly after the Effective Date (but not later than fifteen (15) Business Days after the date on which the Effective Date occurs), CCHPI shall cause the Agent to mail or deliver to each Person who was, at the Effective Date, a holder of record of COIHS Common Stock and whose COIHS Common Stock is being converted into the right to receive the Per Share Merger Consideration pursuant to Section 3.1 a letter of transmittal (which shall be in customary form and specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Agent and shall otherwise be in a form and have such other provisions as CCHPI may reasonably specify) containing instructions for use by holders of Certificates to effect the exchange of their Certificates for the Per Share Merger Consideration as provided herein. As soon as practicable after the Effective Date, each holder of an outstanding Certificate or Certificates shall, upon surrender to the Agent of such Certificate or Certificates and such letter of transmittal duly executed and completed in accordance with the instructions thereto (together with such other documents as the Agent may reasonably request) and acceptance thereof by the Agent (or, if such shares are held in book-entry or other uncertificated form, upon the entry through a book-entry transfer agent of the surrender of such Shares on a book-entry account statement (it being understood that any references herein to “Certificates” shall be deemed to include references to book-entry account statements relating to the ownership of Shares)), be entitled to a new stock certificate of CCHPI Common stock equal to the Per Share Merger Consideration multiplied by the number of shares of COIHS Common Stock formerly represented by such Certificate or Certificates. The Agent shall accept such Certificates upon compliance with such reasonable terms and conditions as the Agent may impose to effect an orderly exchange thereof in accordance with customary exchange practices. Until surrendered as contemplated by this Section 3.4, at the time after the Effective Date, each Certificate shall be deemed to represent only the right to receive the Per Share Merger Consideration upon such surrender as contemplated by Section 3.1.

3.4.2 All stock certificates of CCHPI issued upon the surrender for exchange of Certificates formerly representing shares of COIHS Common Stock in accordance with the terms of this Section 3.4 shall be deemed to have been issued in full satisfaction of all rights pertaining to the shares of COIHS Common Stock formerly represented by such Certificates, and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of COIHS Common Stock which were issued and outstanding immediately prior to the Effective Date. If, after the Effective Date, Certificates representing COIHS Common Stock

are presented to the Surviving Corporation for transfer, then they shall be cancelled and exchanged as provided in this Section 3.4.

3.4.3 If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if required by CCHPI, the posting by such person of a bond in such reasonable amount as CCHPI may require as indemnity against any claim that may be made against it with respect to such Certificate, the Agent shall issue in exchange for such lost, stolen or destroyed Certificate the Per Share Merger Consideration payable pursuant to this Agreement.

3.5 Effect of Merger on Stock Options.

The Surviving Corporation shall assume all of the rights and obligations pertaining to the COIHS 1997 Stock Incentive Plan and the COIHS 2004 Equity Incentive Plan (collectively, the “Plans”). The terms and conditions of all issued and outstanding options under these Plans and all Option agreements relating thereto shall remain unchanged except that all issued and outstanding options under these Plans (the “Options”) shall be deemed to be issued and outstanding options to purchase shares of CCHPI Common Stock and CCHPI Common Stock shall be substituted on a one-for-one basis for the shares of Common Stock of COIHS for which the Options are exercisable. After the Effective Date, (i) any options issued prior to the Effective Date under these Plans shall be options to purchase CCHPI Common Stock and (ii) any options issued after the Effective Date under these plans shall be options to purchase CCHPI Common Stock and, except as provided in the foregoing, the terms and conditions for such options shall remain unchanged. No acceleration of vesting of the Options shall occur as a result of the Merger.

3.6 Stockholders Meeting.

3.6.1 In order to consummate the Merger, COIHS, acting through its board of directors, shall, in accordance with applicable laws:

(i) prepare a proxy statement relating to the Merger and this Agreement and (x) cause a notice of a special meeting and a proxy statement (the “Proxy Statement”) to be mailed to the stockholders of COIHS no later than the time required by applicable laws and the Articles of Incorporation and bylaws of COIHS, and (y) seek to obtain the necessary approvals of the Merger and this Agreement by the stockholders of COIHS; and

(ii) duly call, give notice of, convene and hold a special meeting of the stockholders of COIHS (the “Stockholders’ Meeting”) as soon as practicable after the date on which the Proxy Statement has been mailed to the Stockholders for the purpose of considering and taking action upon the Merger and this Agreement.

3.6.2 In order to consummate the Merger, CCHPI shall, in accordance with applicable law, convene and hold a special meeting of the shareholder of CCHPI for the purpose of considering and taking action upon the Merger and this Agreement.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF COIHS

COIHS represents and warrants to CCHPI as follows:

4.1 Organization, Qualification, and Corporate Power. COIHS is a corporation duly organized and validly existing as a Health Care Service Contractor under the laws of the State of Oregon and has all corporate power and authority required to own, lease and operate its properties and carry on its business as now conducted. COIHS is not in default under, or in violation of, the provisions of its Articles of Incorporation or Bylaws.

4.2 Authority. COIHS has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by COIHS and the consummation by COIHS of the transactions contemplated hereby have been duly and validly authorized and approved by the COIHS board of directors, and no other corporate proceedings on the part of COIHS are necessary to authorize or approve this Agreement or to consummate the transactions contemplated hereby (other than the approval and adoption of the Merger and this Agreement by the stockholders of COIHS to the extent required by the COIHS Articles of Incorporation and by applicable laws). This Agreement has been duly and validly executed and delivered by COIHS and, assuming the due and valid authorization, execution and delivery of this Agreement by CCHPI, constitutes a valid and binding obligation of COIHS enforceable against it in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity.

4.3 Noncontravention; Required Filings and Consents. Neither the execution and the delivery of this Agreement by COIHS, nor the consummation of the transactions contemplated hereby, will (a) contravene or conflict with any provision of the Articles of Incorporation or Bylaws of COIHS or (b) violate any statute, regulation, law, rule, injunction, judgment, order, decree or ruling of any government entity to which COIHS is subject.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF CCHPI

CCHPI represents and warrants to COIHS as follows:

5.1 Organization, Qualification, and Corporate Power. CCHPI is a corporation duly organized and validly existing as a domestic stock insurer under the laws of the State of Oregon and has all corporate powers and authority required to own, lease and operate its properties and carry on its business as now conducted. CCHPI is not in default under, or in violation of, the provisions of its Articles of Incorporation or Bylaws. CCHPI has been issued a Certificate of Authority by the Montana Insurance Division and is qualified to transact health insurance business in Montana.

5.2 Authority. CCHPI has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by CCHPI and the consummation by CCHPI of the transactions contemplated hereby have been duly and validly authorized and approved by the CCHPI board of directors, and no other corporate proceedings on the part of CCHPI are necessary to authorize or approve this Agreement or to consummate the transactions contemplated hereby (other than the approval and adoption of the Merger and this Agreement by the stockholders of CCHPI to the extent required by CCHPI Articles of Incorporation and by applicable laws). This Agreement has been duly and validly executed and delivered by CCHPI and, assuming the due and valid authorization, execution and delivery of this Agreement by COIHS, constitutes a valid and binding obligation of CCHPI enforceable against it in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity.

5.3 Noncontravention; Required Filings and Consents. Neither the execution and the delivery of this Agreement by CCHPI, nor the consummation of the transactions contemplated hereby, will (a) contravene or conflict with any provision of the articles of incorporation or bylaws of CCHPI or (b) violate any statute, regulation, law, rule, injunction, judgment, order, decree or ruling of any government entity to which CCHPI is subject.

5.4 Form A. CCHPI has filed a Form A Statement Regarding the Acquisition of Control or Merger with a Domestic Insurer with the Director of the Department of Consumer and Business Services of the State of Oregon, Insurance Division, and approval of the merger of COIHS with and into CCHPI by the Insurance Division is pending.

SECTION 6. PRE-CLOSING COVENANTS

The Parties agree as follows with respect to the period from the date of this Agreement through the Closing:

6.1 Notices and Consents. The Parties agree to work together in a cost effective and expeditious manner to give any notices to, make any filings with, and use commercially reasonable efforts to obtain any authorizations, consents and approvals of the stockholders of COIHS and governmental entities in connection with the transactions contemplated by this Agreement.

6.2 Further Actions. The Parties agree to use their commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable to consummate the Merger by the Closing Date.

SECTION 7. POST-CLOSING COVENANTS

The Parties agree as follows with respect to the period following the Closing:

7.1 Employee Benefit Plans and Practices. From and after the Effective Date, the Surviving Corporation shall honor in accordance with their terms all of the existing employment, severance, consulting and salary continuation agreements between COIHS and any current or former officer, director, employee or consultant of COIHS. This Section 7.1 shall survive the consummation of the Merger at the Effective Date.

7.2 Indemnification; Directors' and Officers' Insurance. All rights to indemnification and exculpation from liability for acts and omissions occurring at or prior to the Effective Date and rights to advancements of expenses relating thereto now existing in favor of the current or former directors, officers, employees and agents of COIHS (the "Indemnitees") as provided in its charter and/or bylaws (or similar organizational documents) or in any indemnification agreement as of the date of this Agreement, shall survive the Merger.

SECTION 8. CONDITIONS

8.1 Conditions to Obligation of COIHS. The obligation of COIHS to effect the Merger is subject to the satisfaction or waiver of each of the following conditions:

8.1.1 The representations and warranties of CCHPI set forth in Section 5 of this Agreement will be true and correct at the Effective Date as though made on and as of the Effective Date, and all obligations and covenants of CCHPI required under this Agreement to be performed before the Effective Date have been performed.

8.1.2 There will not have been any material adverse change in the status of CCHPI as a domestic stock insurer under the Oregon Insurance Code from the date of this Agreement through the Effective Date.

8.1.3 This Agreement will have been duly approved by the board of directors of CCHPI.

8.1.4 This Agreement and the Merger will have been approved by (i) the holders of the outstanding shares of COIHS Common Stock at a duly convened meeting of shareholders of COIHS entitled to vote on the matter at which a quorum is present, in which more votes are cast in favor of approval of this Agreement and the Merger than are cast against it and (ii) by the holders of the outstanding shares of CCHPI Common Stock entitled to vote on the matter at a duly convened meeting, all in accordance with ORS 732.529.

8.1.5 The Director of the Department of Consumer and Business Services, Insurance Division, shall have approved the Form A, Statement Regarding the Acquisition of Control or Merger with a Domestic Stock Issuer, and any amendments thereto, the Merger and any and all applications or consents required in connection therewith.

8.2 Conditions to Obligation of CCHPI. The obligation of CCHPI to effect the Merger is subject to the satisfaction or waiver of each of the following conditions:

8.2.1 The representations and warranties of COIHS set forth in Section 4 of this Agreement will be true and correct at the Effective Date as though made on and as of the Effective Date, and all obligations and covenants of COIHS required under this Agreement to be performed before the Effective Date will have been performed.

8.2.2 This Agreement will have been duly approved by the board of directors of COIHS.

8.2.3 This Agreement and the Merger will have been approved by (i) the holders of the outstanding shares of COIHS Common Stock at a duly convened meeting of shareholders of COIHS entitled to vote on the matter at which a quorum is present, in which more votes are cast in favor of approval of this Agreement and the Merger than are cast against it and by (ii) the holders of the outstanding shares of CCHPI Common Stock entitled to vote on the matter at a duly convened meeting, all in accordance with ORS 732.529.

8.2.4 No written notices of intention to demand payment of the fair value of the shares in accordance with provisions of ORS 60.564 from the holders of more than ten percent (10%) of the issued and outstanding shares of common stock of COIHS will have been received prior to the taking of the vote of shareholders of the respective Parties.

SECTION 9. TERMINATION

9.1 Failure of Shareholder Approval. This Agreement will automatically terminate in the event that it is brought to a vote and not adopted by the requisite vote required pursuant to ORS 732.529 of the holders of the outstanding shares of COIHS Common Stock or CCHPI Common Stock, respectively, entitled to vote thereon at a meeting called for such purpose in accordance with ORS 732.259.

9.2 Other Termination. This Agreement may be terminated and the Merger abandoned at any time before the Effective Date, whether before or after submission to or approval by the shareholders, by either of the Parties:

9.2.1 By mutual agreement of the boards of directors of COIHS and CCHPI;

9.2.2 By the board of directors of COIHS if any condition provided in Section 8.1 of this Agreement has not been satisfied or waived on or before the Effective Date;

9.2.3 By the board of directors of CCHPI if any condition provided in Section 8.2 of this Agreement has not been satisfied or waived on or before the Effective Date;

9.3 Effect of Termination. If this Agreement is terminated as provided in Section 9, this Agreement will become wholly void and of no effect, each party will bear its own expenses,

and, except for the liability of a party whose material breach of any of the covenants, agreements, representations, or warranties set forth in this Agreement has occasioned the termination of this Agreement by the nondefaulting party, there will be no liability or obligation on the part of either party.

SECTION 10. MISCELLANEOUS PROVISIONS

10.1 Waivers. Each party, by written instrument, may extend the time for performing any of the obligations or other acts of the other party, waive any inaccuracies of the representations and warranties of the other party, waive compliance with any of the covenants of the other party, waive performance of any of the obligations of the other party set forth in this Agreement, or waive any condition to its obligation to effect the Merger other than the conditions contained in Sections 8.1.3, 8.1.4, 8.2.2 and 8.2.3 of this Agreement.

10.2 Survival. None of the representations, warranties, covenants, and agreements in this Agreement, including any rights arising out of any breach of such representations, warranties, covenants, and agreements, will survive the Effective Date, except for those covenants, representations, warranties and agreements that continue by their express terms after the Effective Date.

10.3 Amendment. This Agreement may be amended at any time before the Effective Date, whether before or after the meetings of the shareholders of the respective Parties, with approval of the respective boards of directors of the Parties, as long as the amendment will not change the conversion ratios set forth in Section 3.1 of this Agreement without the approval of the shareholders or the Parties and the Director of the Department of Consumer and Business Services.

10.4 Expenses. Each party will pay the expenses incurred by it in connection with the transactions contemplated hereby.

The parties enter into this agreement as of the date first written above.

CENTRAL OREGON INDEPENDENT
HEALTH SERVICES, INC.

CLEAR CHOICE HEALTH PLANS, INC.

By: /s/ _____
Jerol E. Andres
Chairman of the Board

By: /s/ _____
Patricia J. Gibford
President and Chief Executive
Officer