



NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held Wednesday, May 9, 2007

Dear Fellow Stockholder:

Our 2007 annual meeting of stockholders will be held at 10:00 a.m. local time on Wednesday, May 9, 2007, in the Huntington Conference Room at the Molina Healthcare Corporate Headquarters located at One Golden Shore Drive, Long Beach, California, 90802, for the following purposes:

1. To elect three Class II directors to hold office until the 2010 annual meeting.
2. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice. The board of directors has fixed the close of business on March 19, 2007 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting and at any continuation, adjournment, or postponement thereof.

Every stockholder vote is important. Please sign, date, and promptly return the enclosed proxy card in the enclosed envelope, or vote by telephone or Internet (instructions are on your proxy card), so that your shares will be represented whether or not you attend the annual meeting.

By order of the board of directors,

A handwritten signature in black ink that reads "Joseph M. Molina M.D." in a cursive script.

Joseph M. Molina, M.D.
*Chairman of the Board, Chief Executive Officer,
and President*

Long Beach, California
April 6, 2007

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**ANNUAL MEETING OF STOCKHOLDERS
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About the Annual Meeting

Who is soliciting my vote?

The board of directors of Molina Healthcare is soliciting your vote at the 2007 annual meeting of Molina Healthcare's stockholders.

What will I be voting on?

The election of three Class II directors to hold office until 2010 (see page 9).

How many votes do I have?

You will have one vote for every share of Molina Healthcare common stock you owned on March 19, 2007, which was the record date.

How many votes can be cast by all stockholders?

28,184,626, consisting of one vote for each of Molina Healthcare's shares of common stock that were outstanding on the record date. There is no cumulative voting.

How many votes must be present to hold the meeting?

A majority of the votes that can be cast, or 14,092,314 votes. We urge you to vote by proxy even if you plan to attend the annual meeting, so that we will know as soon as possible that enough votes will be present for us to hold the meeting.

How do I vote?

You can vote either *in person* at the annual meeting or *by proxy* whether or not you attend the annual meeting.

To vote by proxy, you must either

- fill out the enclosed *proxy card*, date and sign it, and return it in the enclosed postage-paid envelope,
- vote by *telephone* (instructions are on the proxy card), or
- vote by *Internet* (instructions are on the proxy card).

To ensure that your vote is counted, please remember to submit your vote by May 8, 2007, the day before the annual meeting.

If you want to vote in person at the annual meeting, and you hold your Molina Healthcare stock through a securities broker (that is, in street name), you must obtain a proxy from your broker and bring that proxy to the meeting.

Can I change my vote?

Yes. Just send in a new proxy card with a later date, or cast a new vote by telephone or Internet, or send a written notice of revocation to Molina Healthcare’s Corporate Secretary at 2277 Fair Oaks Boulevard, Suite 440, Sacramento, California 95825. If you attend the annual meeting and want to vote in person, you can request that your previously submitted proxy not be used.

What if I do not vote for some of the matters listed on my proxy card?

If you return a signed proxy card without indicating your vote, in accordance with the board’s recommendation, your shares will be voted for the three director nominees listed on the card.

How are my votes counted?

You may vote *for* a director, or *withhold authority* to vote for a director. Each nominee for director will be elected if the votes *for* the director exceed the votes *withheld* for the director.

How many votes are required to elect the three directors?

If a majority of the shares of common stock represented at the meeting vote for a director, that director will be elected.

Can my shares be voted if I do not return my proxy card and do not attend the annual meeting?

If you do not vote your shares held in street name, your broker can vote your shares on matters that the New York Stock Exchange (NYSE) has ruled discretionary. The election of directors is a discretionary item. NYSE member brokers that do not receive instructions from beneficial owners may vote your shares at their discretion.

If you do not vote the shares registered directly in your name, not in the name of a bank or broker, your shares will not be voted.

Could other matters be decided at the annual meeting?

We do not know of any other matters that will be considered at the annual meeting besides the election of the three director nominees. If any other matters arise at the annual meeting, the proxies will be voted at the discretion of the proxy holders.

What happens if the meeting is postponed or adjourned?

Your proxy will still be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Do I need proof of stock ownership to attend the annual meeting?

Yes, you will need proof of ownership of Molina Healthcare stock to enter the meeting.

When you arrive at the annual meeting, you may be asked to present photo identification, such as a driver’s license. If you are a stockholder of record, you will be on the list of Molina Healthcare’s registered stockholders. If your shares are held in the name of a bank, broker, or other holder of record, a recent brokerage statement or letter from a bank or broker is an example of proof of ownership. We will admit you only if we are able to verify that you are a Molina Healthcare stockholder.

How can I access Molina Healthcare’s proxy materials and annual report electronically?

This proxy statement and the 2006 annual report are available on Molina Healthcare’s website at www.molinahealthcare.com. Click on “Investor Relations,” and then click on one of the links under the

heading “Featured Reports.” Most stockholders can elect not to receive paper copies of future proxy statements and annual reports and can instead view those documents on the Internet.

If you are a stockholder of record, you can choose this option and save Molina Healthcare the cost of producing and mailing these documents by following the instructions provided when you vote over the Internet. If you hold your Molina Healthcare stock through a bank, broker, or other holder of record, please refer to the information provided by that entity for instructions on how to elect not to receive paper copies of future proxy statements and annual reports.

If you choose not to receive paper copies of future proxy statements and annual reports, you will receive an e-mail message next year containing the Internet address to use to access Molina Healthcare’s proxy statement and annual report. Your choice will remain in effect until you tell us otherwise.

Annual Report

If you received these materials by mail, you should have also received with them Molina Healthcare’s annual report to stockholders for 2006. The 2006 annual report is also available on Molina Healthcare’s website at www.molinahealthcare.com. We urge you to read these documents carefully. In accordance with the rules of the Securities and Exchange Commission (the SEC), the Company’s Performance Graph appears in the 2006 Annual Report on Form 10-K.

Corporate Governance

Molina Healthcare continually strives to maintain high standards of ethical conduct: reporting results with accuracy and transparency; and maintaining full compliance with the laws, rules, and regulations that govern Molina Healthcare’s business.

The current charters of the audit committee, corporate governance and nominating committee, and compensation committee, as well as Molina Healthcare’s Corporate Governance Guidelines and Code of Business Conduct and Ethics, are available in the “Investor Relations” section of Molina Healthcare’s website, www.molinahealthcare.com, under the link for “Corporate Governance.” Molina Healthcare stockholders may obtain printed copies of these documents free of charge by writing to Molina Healthcare, Inc., Juan Jose Orellana, Vice President of Investor Relations, One Golden Shore, Long Beach, California 90802.

Corporate Governance and Nominating Committee

The corporate governance and nominating committee’s mandate is to review and shape corporate governance policies and identify qualified individuals for nomination to the board of directors. All of the members of the committee meet the independence standards contained in the NYSE corporate governance rules and Molina Healthcare’s Corporate Governance Guidelines.

Molina Healthcare has designated the chair of the board’s corporate governance and nominating committee — Ronna E. Romney — as its lead director. The lead director presides at executive sessions of the independent directors, serves as a liaison between the chairman and the independent directors, approves information sent to the board, approves meeting agendas for the board, and approves meeting schedules to ensure that there is sufficient time for discussion of all agenda items.

The committee considers all qualified candidates identified by members of the committee, by other members of the board of directors, by senior management, and by security holders. Stockholders who would like to propose a director candidate for consideration by the committee may do so by submitting the candidate’s name, résumé, and biographical information to the attention of the Corporate Secretary as described below under “Submission of Future Stockholder Proposals.” All proposals for nominations received by the Corporate Secretary will be presented to the committee for its consideration.

The committee reviews each candidate’s biographical information and assesses each candidate’s independence, skills, and expertise based on a variety of factors, including breadth of experience reflecting that the candidate will be able to make a meaningful contribution to the board’s discussion of and decision-

making regarding the array of complex issues facing the Company; understanding of the Company's business environment; the possession of expertise that would complement the attributes of our existing directors; whether the candidate will appropriately balance the legitimate interests and concerns of all stockholders and other stakeholders in reaching decisions rather than advancing the interests of a particular constituency; and whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director. Application of these factors involves the exercise of judgment by the board.

Based on its assessment of each candidate's independence, skills, and qualifications, the committee will make recommendations regarding potential director candidates to the board.

The committee follows the same process and uses the same criteria for evaluating candidates proposed by stockholders, members of the board of directors, and members of senior management.

For the 2007 annual meeting, we did not receive notice of any director nominations from our stockholders.

Corporate Governance Guidelines

Molina Healthcare's Corporate Governance Guidelines embody many of our practices, policies, and procedures, which are the foundation of our commitment to sound corporate governance practices. The Guidelines are reviewed annually and revised as necessary. The Guidelines outline the responsibilities, operations, qualifications, and composition of the board. Our goal is that a majority of the members of the board be independent.

The Guidelines require that all members of the committees of the board be independent. Committee members are appointed by the board upon recommendation of the corporate governance and nominating committee. Committee membership and chairs are rotated periodically. The board and each committee have the power to hire and fire independent legal, financial, or other advisors, as they may deem necessary.

Meetings of the non-management directors are held as part of every regularly scheduled board meeting and are presided over by the lead independent director.

Directors are expected to prepare for, attend, and participate in all board meetings, meetings of the committees on which they serve, and the annual meeting of stockholders. All of the directors then in office attended Molina Healthcare's 2006 annual meeting.

The corporate governance and nominating committee conducts an annual review of board performance, and each committee conducts its own self-evaluation. The results of these evaluations are reported to the board.

Directors have full and free access to senior management and other employees of Molina Healthcare. New directors are provided with an orientation program to familiarize them with Molina Healthcare's business, and its legal, compliance, and regulatory profile. Molina Healthcare provides educational sessions on a variety of topics which all members of the board are expected to attend. These sessions are designed to allow directors to develop a deeper understanding of relevant health care, governmental, and business issues facing the Company.

The board reviews the compensation committee's report on the performance of Dr. Molina, the Company's current chief executive officer, in order to ensure that he is providing effective leadership for Molina Healthcare. The board also works with the compensation committee to evaluate potential successors to the chief executive officer.

Director Independence

The board of directors has determined that, except for Messrs. J. Mario Molina, John C. Molina, and Wayne B. Lowell, each of the directors of the Company has no material relationship with the Company and is otherwise "independent" in accordance with the applicable listing requirements of the NYSE. In making that determination, the board of directors considered all relevant facts and circumstances, including the director's

commercial, industrial, banking, consulting, legal, accounting, charitable, and familial relationships. The board of directors applied the following standards, which provide that a director will not be considered independent if he or she:

- Is, or has an immediate family member who is, currently an employee of the Company;
- Has been, or has an immediate family member who has been, an employee of the Company within the past three years;
- Has received, or has an immediate family member who has received, within the past three years more than \$100,000 during any twelve month period in direct compensation from the Company (other than fees for director's services);
- Has been affiliated with or employed by, or has an immediate family member who is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company during the past three years;
- Has been employed, or has an immediate family member who is employed, as an executive officer of another Company where any of the Company's present executives currently serve or served on the other Company's compensation committee during any of the past three years; or
- Has been employed by, or has an immediate family member who is an executive officer of, another Company that makes payments to or receives payments from the Company for property or services in an amount which exceeds the greater of \$1,000,000 or 2% of such other company's consolidated gross annual revenues during any of the past three years.

Related Party Transactions

The board has adopted a policy regarding the review, approval, and monitoring of transactions involving Molina Healthcare and related persons (directors and executive officers or their immediate family members). Such related persons are required to promptly and fully disclose to the Company's general counsel all financial, social, ethical, personal, legal, or other potential conflicts of interest involving the Company. The general counsel shall confer as necessary with the lead independent director and/or with the Company's corporate governance and nominating committee regarding the facts of the matter and the appropriate resolution of any conflict of interest situation in the best interests of the Company, including potential removal of the related person from a position of decision-making or operational authority with respect to the conflict situation, or other more significant steps depending upon the nature of the conflict.

Effective March 1, 2006, we assumed an office lease from Millworks Capital Ventures. Millworks Capital Ventures is owned by John C. Molina, our chief financial officer and a director nominee, and his wife. The lease term runs through June 2010. Based on a market report prepared by an independent realtor, we believe the terms and conditions of the assumed lease are at fair market value. Payments made under this lease totaled \$170,000 in 2006.

We are a party to a fee-for-service agreement with Pacific Hospital of Long Beach ("Pacific Hospital"). Pacific Hospital is owned by Abrazos Healthcare, Inc., the shares of which are held as community property by the husband of Dr. Martha Bernadett, our Executive Vice President, Research and Development. Approximately \$357,000 was paid under the agreement in 2006. We believe that the claims submitted to us by Pacific Hospital were reimbursed at prevailing market rates.

Effective June 1, 2006, the Company entered into an additional agreement with Pacific Hospital as part of a capitation arrangement. Under this arrangement, Pacific Hospital receives a fixed fee from us based on member type. Approximately \$1,652,000 was paid to Pacific Hospital under this agreement in 2006. We believe that this agreement with Pacific Hospital is based on prevailing market rates for similar services.

One of our directors, Mr. Wayne B. Lowell, has previously served and continues to serve as a business consultant to the Company. For his consulting services, Mr. Lowell has been paid approximately \$85,000, \$205,000, and \$283,000, in 2006, 2005, and 2004, respectively. It is our expectation that Mr. Lowell will

continue to provide us with his consulting services in the future. As a result of the consulting compensation paid to Mr. Lowell within the past three years, the board of directors has determined that he is not “independent” in accordance with the applicable listing requirements of the NYSE.

Compensation Committee Interlocks

The persons listed on page 17 were the only members of the compensation committee during 2006. No member of the compensation committee was a part of a “compensation committee interlock” during fiscal year 2006 as described under SEC rules. In addition, none of our executive officers served as a director or member of the compensation committee of another entity that would constitute a “compensation committee interlock.” No member of the compensation committee had any material interest in a transaction with Molina Healthcare. Except for Dr. Mario Molina and Mr. John Molina, no director is a current or former employee of Molina Healthcare or any of its subsidiaries.

Code of Business Conduct and Ethics

The board has adopted a Code of Business Conduct and Ethics governing all employees of Molina Healthcare and its reporting subsidiaries. A copy of the Code of Business Conduct and Ethics is available on our website at www.molinahealthcare.com. Click on “Investor Relations,” then “Corporate Governance.” There were no waivers of our Code of Business Conduct and Ethics during 2006. We intend to disclose amendments to, or waivers of, our Code of Business Conduct and Ethics, if any, on our website.

Compliance Hotline

Molina Healthcare encourages employees to raise possible ethical issues. Molina Healthcare offers several channels by which employees and others may report ethical concerns or incidents, including, without limitation, concerns about accounting, internal controls, or auditing matters. We provide a Compliance Hotline that is available 24 hours a day, seven days a week. Individuals may choose to remain anonymous. We prohibit retaliatory action against any individual for raising legitimate concerns or questions regarding ethical matters, or for reporting suspected violations.

Communications with the Board

Stockholders or other interested parties who wish to communicate with a member or members of the board of directors, including the lead independent director or the non-management directors as a group, may do so by addressing their correspondence to the individual board member or board members, c/o the Molina Healthcare Corporate Secretary, Molina Healthcare Inc., 2277 Fair Oaks Boulevard, Suite 440, Sacramento, California 95825. The board of directors has approved a process pursuant to which the Corporate Secretary shall review and forward correspondence to the appropriate director or group of directors for response.

Information About Stock Ownership

The following table shows the beneficial ownership of Molina healthcare common stock by our directors, certain executive officers, and more than 5% stockholders, at March 19, 2007. Percentage ownership calculations are based on 28,184,626 shares outstanding at March 19, 2007.

<u>Name</u>	<u>Number of Shares Beneficially Owned(1)</u>	<u>Percentage of Outstanding Shares</u>
Directors and Executive Officers:		
J. Mario Molina, M.D.(2)	692,242	2.5 %
John C. Molina, J.D.(3)	4,204,963	14.9 %
M. Martha Bernadett, M.D.(4)	716,427	2.5 %
Mark L. Andrews, Esq.(5)	102,100	*
Terry Bayer(6)	36,396	*
Ronna E. Romney(7)	19,000	*
Charles Z. Fedak, CPA(8)	22,000	*
Sally K. Richardson	20,268	*
Frank E. Murray, M.D.(9)	13,166	*
John P. Szabo, Jr.(10)	21,416	*
Steven J. Orlando(11)	10,148	*
Wayne B. Lowell	5,011	*
All executive officers and directors as a group (12 persons)	5,863,137	20.8 %
Other Principal Stockholders		
William Dentino(12)	8,677,126	30.8 %
Curtis Pedersen(13)	8,317,925	29.5 %
Mary R. Molina Living Trust(14)	3,613,967	12.8 %
Molina Marital Trust(14)	2,926,907	10.4 %
Molina Siblings Trust(15)	3,356,000	11.9 %

* Denotes less than 1%.

(1) As required by SEC regulation, the number of shares shown as beneficially owned includes shares which could be purchased within 60 days after March 19, 2007. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws, and the address of each of the named stockholders is c/o Molina Healthcare, Inc., One Golden Shore Drive, Long Beach, California 90802.

(2) Consists of:

- 372,542 shares owned by J. Mario Molina, M.D.;
- 160,000 shares owned by the Molina Family Partnership, L.P., of which Dr. Molina is the general partner with sole voting and investment power; and
- 159,700 shares owned by Molina Family, LLC, of which Dr. Molina is the sole manager.

(3) Consists of:

- 791,133 shares owned by John C. Molina;
- 7,436 shares owned by Mr. Molina and Michelle A. Molina as community property as to which Mr. Molina has shared voting and investment power;
- 3,356,000 shares owned by the Molina Siblings Trust, of which Mr. Molina is the trustee with sole voting and investment power and J. Mario Molina, M.D., M. Martha Bernadett, M.D., Josephine M. Molina, Janet M. Watt and Mr. Molina are the beneficiaries; and

- 50,394 shares owned by the M/T Molina Children’s Education Trust, of which Mr. Molina is the trustee with sole voting and investment power and J. Mario Molina’s children are the beneficiaries.
- (4) Consists of:
- 590,180 shares owned by M. Martha Bernadett, M.D.;
 - 14,681 shares owned by Dr. Bernadett and Faustino Bernadett as community property, as to which Dr. Bernadett has shared voting and investment power;
 - 87,601 shares owned by 11 Exempt Grandchildren Trusts, of which Dr. Bernadett is the trustee with sole voting and investment power and certain of Mary R. Molina’s grandchildren are the beneficiaries; and
 - 23,965 shares owned by 10 Exempt Grandchildren Trusts II, of which Dr. Bernadett is the trustee with sole voting and investment power and certain of Mary R. Molina’s grandchildren are the beneficiaries.
- (5) Consists of: 15,550 shares and 86,550 options.
- (6) Consists of: 22,396 shares and 14,000 options.
- (7) Consists of: 9,000 shares and 10,000 options.
- (8) Consists of: 9,000 shares and 13,000 options.
- (9) Consists of: 2,500 shares and 10,666 options.
- (10) Consists of: 1,000 shares held by the self-directed IRA of Mr. Szabo’s spouse, 13,750 shares held by Mr. Szabo, and 6,666 options.
- (11) Consists of: 6,815 shares and 3,333 options.
- (12) Consists of:
- 1,000 shares held by Mr. Dentino;
 - 3,613,967 shares owned by the Mary R. Molina Living Trust, of which Mr. Dentino and Curtis Pedersen are co-trustees with shared voting and investment power, Mrs. Molina is the income beneficiary, and J. Mario Molina, M.D., John C. Molina, M. Martha Bernadett, M.D., Janet M. Watt, and Josephine M. Molina are the remainder beneficiaries;
 - 2,926,907 shares owned by the Molina Marital Trust, of which Mr. Dentino and Mr. Pedersen are co-trustees with shared voting and investment power, Mary R. Molina is the income beneficiary, and J. Mario Molina, M.D., John C. Molina, M. Martha Bernadett, M.D., Janet M. Watt, and Josephine M. Molina are the remainder beneficiaries;
 - 1,774,751 shares owned by the MRM GRAT 905/2A, MRM GRAT 905/2B, MRM GRAT 905/4A, MRM GRAT 905/4B, MRM GRAT 905/7A, MRM GRAT 905/7B, MRM GRAT 1205/2, MRM GRAT 1206/3, and MRM GRAT 1206/4, with respect to which Mr. Dentino and Mr. Pedersen are co-trustees with shared voting and investment power, Mary R. Molina is the current beneficiary, and trusts for each of J. Mario Molina, M.D., John C. Molina, M. Martha Bernadett, M.D., Janet M. Watt, and Josephine M. Molina are the remainder beneficiaries;
 - 121,937 shares owned by the Janet M. Watt Trust (1995), of which Ms. Watt and Mr. Dentino are co-trustees with shared investment power and Ms. Watt is the beneficiary, as to which Ms. Watt has sole voting power pursuant to a proxy;
 - 154,652 shares owned by the Josephine M. Molina Trust (1995), of which Ms. Molina and Mr. Dentino are co-trustees with shared investment power and Ms. Molina is the beneficiary, as to which Ms. Molina has sole voting power pursuant to a proxy;
 - 41,956 shares owned by the Molina Children’s Trust for Janet M. Watt (1997), of which Mr. Dentino and Janet M. Watt are co-trustees with shared voting and investment power and Ms. Watt is the beneficiary; and
 - 41,956 shares owned by the Molina Children’s Trust for Josephine M. Molina (1997), of which Mr. Dentino and Josephine M. Battiste are co-trustees with shared voting and investment power and Ms. Molina is the beneficiary.

Mr. Dentino is counsel to Mrs. Mary R. Molina and has provided legal services to various Molina family members and entities in which they have interests. His address is 555 Capitol Mall, Suite 1500, Sacramento, California 95814.

(13) Consists of:

- 2,300 shares owned by Mr. Pedersen and Rosi A. Pedersen as community property, as to which Mr. Pedersen has shared voting and investment power;
- 3,613,967 shares owned by the Mary R. Molina Living Trust, of which Mr. Pedersen and Mr. Dentino are co-trustees with shared voting and investment power, Mrs. Molina is the income beneficiary and J. Mario Molina, M.D., John C. Molina, M. Martha Bernadett, M.D., Janet M. Watt, and Josephine M. Molina are the remainder beneficiaries;
- 2,926,907 shares owned by the Molina Marital Trust, of which Mr. Pedersen and Mr. Dentino are co-trustees with shared voting and investment power, Mary R. Molina is the income beneficiary and J. Mario Molina, M.D., John C. Molina, M. Martha Bernadett, M.D., Janet M. Watt and Josephine M. Molina are the remainder beneficiaries; and
- 1,774,751 shares owned by the MRM GRAT 905/2A, MRM GRAT 905/2B, MRM GRAT 905/4A, MRM GRAT 905/4B, MRM GRAT 905/7A, MRM GRAT 905/7B, MRM GRAT 1205/2, MRM GRAT 1206/3, and MRM GRAT 1206/4, with respect to which Mr. Pedersen and Mr. Dentino are co-trustees with shared voting and investment power, Mary R. Molina is the current beneficiary, and trusts for each of J. Mario Molina, M.D., John C. Molina, M. Martha Bernadett, M.D., Janet M. Watt, and Josephine M. Molina are the remainder beneficiaries.

Mr. Pedersen is the uncle of J. Mario Molina, M.D., John C. Molina, J.D. and M. Martha Bernadett, M.D.

- (14) Mr. Dentino and Curtis Pedersen are co-trustees with shared voting and investment power, Mary R. Molina is the income beneficiary, and J. Mario Molina, M.D., John C. Molina, M. Martha Bernadett, M.D., Janet M. Watt, and Josephine M. Molina are the remainder beneficiaries.
- (15) John C. Molina is the trustee with sole voting and investment power and J. Mario Molina, M.D., John C. Molina, M. Martha Bernadett, M.D., Josephine M. Molina, and Janet M. Watt are the beneficiaries.

PROPOSAL NO. 1 — ELECTION OF THREE CLASS II DIRECTORS

Our nine-member board of directors is divided into three classes, with each class having three members. The terms of the three Class II directors expire at the 2007 annual meeting. Currently, the Class II directors are Charles Z. Fedak, John C. Molina, and Sally K. Richardson. The directors to be elected as Class II directors at the 2007 annual meeting will serve until the 2010 annual meeting. All directors serve until the expiration of their respective terms and until their respective successors are elected and qualified or until such director's earlier resignation, removal from office, death, or incapacity. A plurality of the votes cast at the meeting shall elect each director.

The board of directors, upon recommendation of the corporate governance and nominating committee, has nominated the three incumbent directors — Charles Z. Fedak, John C. Molina, and Sally K. Richardson — for election as Class II directors at the 2007 annual meeting. Proxies can only be voted for the three named nominees.

In the event any nominee is unable or declines to serve as a director at the time of the meeting, the proxies will be voted for any nominee who may be designated by the board of directors to fill the vacancy. As of the date of this proxy statement, the board of directors is not aware of any nominee who is unable or will decline to serve as a director.

DIRECTOR NOMINEES

Name and Age at Record Date

Charles Z. Fedak, 55



John C. Molina, J.D., 42



Sally K. Richardson, 74



Position, Principal Occupation, and Business Experience

Founder, Charles Z. Fedak & Co., CPAs

- Molina Healthcare director since 2002
- Certified public accountant since 1975
- Founded Charles Z. Fedak & Co., Certified Public Accountants, in 1981
- Employed by KPMG from 1975 to 1980
- Holds MBA degree
- Molina Healthcare audit committee financial expert

Chief Financial Officer, Molina Healthcare

- Molina Healthcare director since 1994
- Executive vice president, financial affairs, since 1995, treasurer since 2002, and chief financial officer since 2003
- Past president of the California Association of Primary Care Case Management Plans
- J.D. from the University of Southern California School of Law
- Brother of J. Mario Molina, M.D., Molina Healthcare's chief executive officer, and of M. Martha Bernadett, M.D., Molina Healthcare's executive vice president — research and development

Executive Director, Institute for Health Policy Research

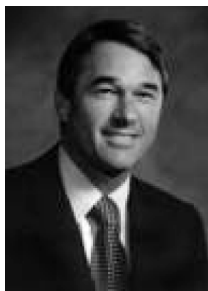
- Molina Healthcare director since 2003
- Since 1999, served as the Executive Director of the Institute for Health Policy Research and as Associate Vice President for the Health Sciences Center of West Virginia University
- From 1997 to 1999, served as the Director of the Center for Medicaid and State Operations, Health Care Financing Administration, U.S. Department of Health and Human Services
- In 1993, served as a member of the White House Health Care Reform Task Force
- Currently serves on the National Advisory Committee on Rural Health, U.S. Department of Health and Human Resources, and the Policy Council, National Office of March of Dimes

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ELECTION OF EACH THE THREE NOMINEES LISTED ABOVE.

DIRECTORS WHOSE TERMS ARE NOT EXPIRING

Name and Age at Record Date

Wayne B. Lowell, 51



Position, Principal Occupation, and Business Experience

Private Strategy and Financial Consultant

- Molina Healthcare director since June 2006
- Since April 2002 to present, served as a business consultant to Molina Healthcare
- From 1998 to present, served as a self-employed consultant providing strategic, financial, and operating advice to CEOs and CFOs of both publicly traded and venture capital backed organizations
- From 1986 to 1998, worked for PacifiCare Health Systems, Inc., most recently as executive vice president, chief financial officer, and chief administrative officer
- Certified public accountant
- Holds MBA degree

Frank E. Murray, M.D., 76



Retired Private Medical Practitioner

- Served as Molina Healthcare director since June 2005
- Has over forty years of experience in the health care industry, including significant experience as a private practitioner in internal medicine
- Previously served on the boards of directors of the Kaiser Foundation Health Plans of Kansas City, of Texas, and of North Carolina
- Served on the boards of directors of both the Group Health Association of America and the National Committee for Quality Assurance (NCQA)
- Retired as medical practitioner since 1995

J. Mario Molina, M.D., 48



President and Chief Executive Officer, Molina Healthcare

- Served as president and chief executive officer of Molina Healthcare since succeeding his father and company founder, Dr. C. David Molina, in 1996
- Served as chairman of the board since 1996
- Served as medical director of Molina Healthcare from 1991 through 1994 and was vice president responsible for provider contracting and relations, member services, marketing and quality assurance from 1994 to 1996
- Earned an M.D. from the University of Southern California and performed medical internship and residency at the Johns Hopkins Hospital
- Brother of John C. Molina, Molina Healthcare's chief financial officer, and M. Martha Bernadett, M.D., Molina Healthcare's executive vice president — research and development

Name and Age at Record Date

Steven J. Orlando, 55



Ronna E. Romney, 63



John P. Szabo, Jr., 42



Position, Principal Occupation, and Business Experience

Founder, Orlando Company

- Served as Molina Healthcare director since November 2005
- Has over 30 years of business and corporate finance experience
- From 1988 to 1994 and from 2000 to the present, has operated his own financial management and business consulting practice, Orlando Company
- From 1997 to 2000, served as the chief financial officer of System Integrators, Inc., an international software company
- Served on multiple corporate boards, including service as chairman of the audit committee for Pacific Crest Capital, Inc., a Nasdaq-listed corporation
- Certified public accountant

Director, Park-Ohio Holding Corporation

- Served as Molina Healthcare director since 1999
- Director of Molina Healthcare of Michigan from 1999 to 2004
- Since 1999 to present, served as director for Park-Ohio Holding Corporation, a publicly-traded logistics company
- Candidate for the United States Senate in 1996
- Published two books
- From 1989 to 1993, served as Chairperson of the President's Commission on White House Fellowships
- From 1984 to 1992, served as the Republican National Committeewoman for the state of Michigan
- From 1982 to 1985, served as Commissioner of the Presidents' National Advisory Council on Adult Education

Private Investor

- Served as Molina Healthcare director since March 2005
- In January 2007, founded Flint Ridge Capital LLC, an investment advisory company
- Has over twelve years experience as an equity research analyst, including working from 2000 to 2006 as a sell-side analyst at CIBC World Markets following healthcare services stocks, and from 1993 to 2000 as a buy-side analyst following numerous sectors
- Prior to career as equity analyst, spent six years in global corporate finance, primarily as an officer of The Mitsubishi Bank
- Earned a B.S.B.A., majoring in Finance and International Business, from Bowling Green State University

Meetings of the Board Of Directors and Committees

The board of directors met eight times in 2006. During 2006, the audit committee met four times, the corporate governance and nominating committee met four times, and the compensation committee met four times. Each director attended at least 75% of the total number of meetings of the board and board committees of which he or she was a member in 2006, and each director attended the 2006 annual meeting of stockholders held on May 3, 2006.

Meetings of Non-Management Directors

Molina Healthcare's non-management directors meet in executive session without any management directors in attendance each time the full board convenes for a regularly scheduled meeting, which is usually four times each year, and, if the board convenes a special meeting, the non-management directors may meet in executive session if the circumstances warrant. The lead independent director presides at each executive session of the non-management directors.

Committees of the Board of Directors

The standing committees of the board of directors are: (i) the audit committee; (ii) the corporate governance and nominating committee; and (iii) the compensation committee.

The audit committee performs a number of functions, including: (i) reviewing the adequacy of the Company's internal system of accounting controls, (ii) meeting with the independent accountants and management to review and discuss various matters pertaining to the audit, including the Company's financial statements, the report of the independent accountants on the results, scope, and terms of their work and the recommendations of the independent accountants concerning the financial practices, controls, procedures, and policies employed by the Company, (iii) resolving disagreements between management and the independent accountants regarding financial reporting, (iv) reviewing the financial statements of the Company, (v) selecting, evaluating, and, when appropriate, replacing the independent accountants, (vi) reviewing and approving fees to be paid to the independent accountants, (vii) reviewing and approving related-party transactions, (viii) reviewing and approving all permitted non-audit services to be performed by the independent accountants, (ix) establishing procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters, (x) considering other appropriate matters regarding the financial affairs of the Company, and (xi) fulfilling the other responsibilities set out in its charter, as adopted by the board. The report of the audit committee required by the rules of the SEC is included in this proxy statement.

The audit committee consists of Mr. Fedak (Chair), Ms. Romney, Mr. Szabo, and Mr. Orlando, each of whom is "independent" under applicable NYSE rules. The board has determined that each of Mr. Fedak and Mr. Orlando qualify as an "audit committee financial expert" as defined by the SEC. In addition to being independent according to the board's independence standards as set out in its Corporate Governance Guidelines, each member of the audit committee is independent within the meaning of the corporate governance rules of the NYSE. Each member of the audit committee is also financially literate.

The audit committee charter is available for viewing in the "Investor Relations" section of Molina Healthcare's website, www.molinahealthcare.com, under the link, "Corporate Governance."

The corporate governance and nominating committee is responsible for identifying individuals qualified to become board members and recommending to the board the director nominees for the next annual meeting of stockholders. It leads the board in its annual review of the board's performance and recommends to the board director candidates for each committee for appointment by the board. The committee takes a leadership role in shaping corporate governance policies and practices, including recommending to the board the Corporate Governance Guidelines and monitoring Molina Healthcare's compliance with these Guidelines. The committee is responsible for reviewing and approving material related party transactions involving directors, executive officers, or their immediate family members. The committee also reviews Molina Healthcare's Code

of Business Conduct and Ethics and other internal policies to monitor that the principles contained in the Code are being incorporated into Molina Healthcare's culture and business practices.

The corporate governance and nominating committee currently consists of Ms. Romney (Chair), Ms. Richardson, and Dr. Murray, each of whom is "independent" under the NYSE listing standards. The corporate governance and nominating committee charter is available for viewing in the "Investor Relations" section of Molina Healthcare's website, www.molinahealthcare.com, under the link, "Corporate Governance."

The compensation committee is responsible for determining the compensation for Dr. Molina, Molina Healthcare's chief executive officer, and also approves the compensation he recommends for other senior executive officers. The committee reviews and discusses with management the Compensation Discussion and Analysis, and, if appropriate, recommends to the board that the Compensation Discussion and Analysis be included in Molina Healthcare's filings with the SEC. In addition, the committee administers Molina Healthcare's 2002 Equity Incentive Plan and approves the grants made thereunder. The committee also reviews Molina Healthcare's succession planning and executive development activities, as well as the performance of senior management.

The compensation committee also has the authority to retain special consultants or experts to advise the committee, as the committee may deem appropriate or necessary in its sole discretion. From time to time, the compensation committee has retained Pearl Meyer & Partners as its compensation consultant to provide the committee with comparative data on executive compensation and advice on Molina Healthcare's compensation programs for senior management.

The compensation committee currently consists of Mr. Szabo (Chair), Mr. Fedak, Ms. Richardson, Mr. Orlando, and Dr. Murray. The board has determined that in addition to being independent according to the board's independence standards as set out in its Corporate Governance Guidelines, each of the members of the compensation committee is independent according to the corporate governance rules of the NYSE. In addition, each of the members of the committee is a "non-employee director," as defined in Section 16 of the Securities Exchange Act of 1934, and is also an "outside director," as defined by Section 162(m) of the Internal Revenue Code.

A copy of the compensation committee charter is available for viewing in the "Investor Relations" section of Molina Healthcare's website, www.molinahealthcare.com, under the link, "Corporate Governance."

Non-Employee Director Compensation

The compensation committee makes recommendations to the board with respect to the compensation level of directors, and the board determines their compensation. The compensation committee annually reviews benchmarking assessments of director compensation at comparable companies in order to determine competitive levels of compensation to attract qualified candidates for board service.

We pay each non-employee director an annual retainer of \$35,000. We also pay an additional annual retainer of \$7,500 to the chair of the audit committee, \$5,000 to each audit committee member, and \$2,500 to the chairs of each of the corporate governance and nominating committee and the compensation committee. We pay each non-employee director \$1,200 for each board and committee meeting attended in person, except audit committee members receive \$2,400 for each audit committee meeting attended. Non-employee directors also receive \$600 for participation in each telephonic board meeting.

In order to link the financial interests of the non-employee directors to the interests of the stockholders, encourage support of the Company's long-term goals, and align director compensation to the Company's performance, each non-employee director also receives upon his or her initial election to the board of directors an option to purchase 10,000 shares of common stock, vesting in ratable one-third increments over three years, with an exercise price equal to the closing price of Molina Healthcare's common stock as of the date of grant. In addition, each non-employee director is granted annually 5,000 shares of common stock, vesting in 1,250 share increments at the end of each fiscal quarter subsequent to the date of the annual stockholder meeting. The total value of this stock grant in 2006 was \$170,400.

Directors who are employees of Molina Healthcare or its subsidiaries do not receive any compensation for their services as directors.

Molina Healthcare reimburses its board members for expenses incurred in attending board and committee meetings or performing other services for Molina Healthcare in their capacities as directors. Such expenses include food, lodging, and transportation.

NON-EMPLOYEE DIRECTOR COMPENSATION

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards \$(a)</u>	<u>Option Awards (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Charles Z. Fedak	68,275	170,400	—	—	238,675
Wayne B. Lowell	23,450	147,725	202,128(b)	85,000(c)	458,303
Frank E. Murray	50,800	170,400	—	—	221,200
Steven J. Orlando	60,150	197,678	—	—	257,828
Sally K. Richardson	50,800	170,400	—	—	221,200
Ronna E. Romney	73,900	170,400	—	—	244,300
John P. Szabo, Jr.	63,275	170,400	—	—	233,675

- (a) The amount reported in this column was calculated in accordance with SEC regulations based on income statement expense under SFAS 123(R). The assumptions made when calculating the amounts in this column are found in Note 2, “Stock-Based Compensation,” to the Consolidated Financial Statements of Molina Healthcare, Inc. as filed with the SEC on Form 10-Q on August 8, 2006. Mr. Lowell, who joined the board on June 14, 2006, was granted a prorated share amount of 4,011 shares rather than 5,000 shares. Mr. Orlando, who joined the board on November 4, 2005, was granted in 2006 in addition to the regular grant of 5,000 shares a separate prorated grant amount of 815 shares under the former director compensation policy for his board service during the last two months of 2005.
- (b) The amount reported in this column was calculated in accordance with SEC regulations based on income statement expense under SFAS 123(R). The assumptions made when calculating the amounts in this column are found in Note 2, “Stock-Based Compensation,” to the Consolidated Financial Statements of Molina Healthcare, Inc. as filed with the SEC on Form 10-Q on August 8, 2006. Mr. Lowell was granted these options in connection with his initially joining the board.
- (c) Represents fees paid to Mr. Lowell for his consulting services to the Company in 2006.

Executive Officers

Two of our directors, J. Mario Molina, M.D. and John C. Molina, J.D., and the following persons were our named executive officers at December 31, 2006. Dr. William P. Bracciodieta resigned from the Company effective February 6, 2007.

Mark L. Andrews, Esq., 49, has served as chief legal officer and general counsel since 1998. He also has served as a member of the executive committee of our company since 1998. Before joining our company, Mr. Andrews was a partner at Wilke, Fleury, Hoffelt, Gould & Birney of Sacramento, California, where he chaired that firm’s health care and employment law departments and represented Molina as outside counsel from 1994 through 1997. Mr. Andrews holds a juris doctorate degree from Hastings College of the Law.

Terry P. Bayer, 56, has served as our chief operating officer since November 2005. She had previously served as our executive vice president, health plan operations, since January 2005. Ms. Bayer has 25 years of healthcare management experience, including staff model clinic administration, provider contracting, managed care operations, disease management, and home care. Prior to joining us, her professional experience included regional responsibility at FHP, Inc. and multi-state responsibility as regional vice-president at Maxicare; Partners National Health Plan, a joint venture of Aetna Life Insurance Company and Veterans Health

Administration (VHA); and Lincoln National. She has also served as executive vice president of managed care at Matria Healthcare, president and chief operating officer of Praxis Clinical Services, and as Western Division President of AccentCare. She holds a juris doctorate from Stanford University, a master's degree in public health from the University of California, Berkeley, and a bachelor's degree in Communications from Northwestern University. Ms. Bayer is a member of the board of directors of Apria Healthcare Group Inc.

Dr. William P. Bracciodieta, M.B.A, age 61, was named as our chief medical officer in June 2006. He was responsible for the medical management of all of our health plan subsidiaries, including oversight of all utilization management, quality improvement, credentialing, pharmacy, and risk management activities. As previously reported, on February 6, 2007, Dr. Bracciodieta resigned as the Company's chief medical officer.

Executive officers are appointed annually by the board of directors, subject to the terms of their employment agreements.

Audit Committee Report

The following Report of the Audit Committee shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission nor shall this information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference into a filing.

The board of directors has determined that all four members of the Audit Committee are independent based upon the independence requirements under applicable laws, rules, and regulations. The Audit Committee operates under a written charter adopted by the board of directors, a copy of which is posted on our website at www.molinahealthcare.com.

Management is responsible for the implementation of Molina Healthcare's internal controls, for the preparation of its consolidated financial statements in accordance with accounting principles generally accepted in the United States, and for various other financial reporting-related functions. Ernst & Young LLP, Molina Healthcare's independent accountants, is responsible for performing an independent audit of Molina Healthcare's consolidated financial statements and expressing an opinion, based upon its audit, as to the conformity of such financial statements with accounting principles generally accepted in the United States. The Audit Committee is responsible for, among other things, oversight and monitoring of these processes.

In this context, the Audit Committee met at least quarterly and held discussions with management and the independent accountants. Management represented to the Audit Committee that Molina Healthcare's consolidated financial statements for the fiscal year ended December 31, 2006 were prepared in accordance with accounting principles generally accepted in the United States, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent accountants. The Audit Committee discussed with the independent accountants matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees) relating to the conduct of the audit, as amended by Statement on Accounting Standards No. 90 (Audit Committee Communications).

The Audit Committee has received and reviewed the written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with Ernst & Young LLP its independence from Molina Healthcare.

Based on the review discussed above, the Audit Committee approved the consolidated audited financial statements for inclusion in the Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission and so recommended to the board of directors. The board of

directors also approved the consolidated audited financial statements for inclusion in the Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission.

Audit Committee

Charles Z. Fedak, CPA, MBA, Chair
Ronna E. Romney
John P. Szabo, Jr.
Steven J. Orlando, CPA

April 5, 2007

Information About Executive Compensation

The Compensation Committee Report

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis with members of senior management and, based on its review, the Compensation Committee recommended to the board of directors of Molina Healthcare, Inc. that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in the Company's Form 10-K as filed with the Securities and Exchange Commission.

THE COMPENSATION COMMITTEE:

John P. Szabo, Jr. (Chair)
Charles Z. Fedak, CPA, MBA
Frank E. Murray, MD
Steven J. Orlando, CPA
Sally K. Richardson

April 5, 2007

Compensation Discussion and Analysis

Overall Program Objectives

The Company strives to attract, motivate, and retain high-quality executives by providing total compensation that is performance-based and competitive within the labor market in which the Company competes for executive talent. The Company's compensation program is intended to align the interests of management with the interests of stockholders by linking pay with performance, thereby incentivizing performance which furthers the ultimate objective of improving stockholder value.

The Company, through the activity of its compensation committee, seeks to achieve these objectives through three key compensation elements:

- a base salary;
- a performance-based annual bonus (i.e., short-term incentives), which may be paid in cash, stock options, shares of restricted stock, or a combination of these; and
- periodic (generally annual) grants of long-term, equity-based compensation (i.e., longer-term incentives), such as stock options or restricted stock, which may be subject to performance-based and/or time-based vesting requirements.

In making compensation decisions with respect to each of these three elements of compensation, the compensation committee considers the competitive market for executives and the compensation levels provided by comparable companies in our industry.

The compensation committee does not attempt to set each compensation element for each executive within a specific range related to levels provided by industry peers. Instead, the compensation committee uses market comparisons as one factor — albeit a significant factor — in making compensation decisions. Other factors considered when making individual executive compensation decisions regarding each of the three key compensation elements include individual contribution and performance, reporting structure, internal pay relationships, complexity and importance of role and responsibility, leadership, and growth potential.

Elements of Compensation

Set forth below is a discussion of each element of compensation, the reason the Company pays each element, and how that element fits into the Company's overall compensation philosophy.

Base Salary. The objective of base salary is to reflect job responsibilities, value to the Company, and individual performance with respect to market competitiveness. These salaries are determined based on a variety of factors, including:

- the nature and responsibility of the position and, to the extent available, salary norms for persons in comparable positions at comparable companies;
- the expertise of the individual executive and his or her history with the Company;
- the competitiveness of the market for the executive's services; and
- the recommendations of the chief executive officer (except in the case of his own compensation).

Base salary amounts are generally reviewed annually. The compensation committee sets the base salary level of the Company's chief executive officer, who in turn recommends for approval by the compensation committee the base salary levels of the Company's other senior executive officers.

Annual Bonus Incentives for Named Executive Officers. The compensation program provides for an annual bonus that is performance linked. The objective of the program is to compensate individuals based on the achievement of specific annual goals that are intended to correlate closely with the growth of long-term stockholder value.

For the chief executive officer and the chief financial officer, at the outset of the fiscal year the compensation committee sets overall objective Company performance goals for the year. The compensation committee then sets target bonus amounts which correspond to the respective performance goals. Once the fiscal year is concluded, achievement of the objective performance goals is assessed to determine the bonus payment for which the chief executive officer and chief financial officer are eligible. The objective performance goals established for fiscal 2006 are discussed below under "Fiscal Year 2006 Decisions."

As it sets Company-wide performance goals, the compensation committee, working with senior management, also sets individual performance measures for each named executive officer. These measures allow the Company to incentivize performance objectives beyond purely financial measures, including, for example, exceptional performance of each executive's particular functional responsibilities, his or her leadership, creativity and innovation, collaboration, the successful completion of a particular project or initiative, and other activities that are critical to driving long-term value for stockholders.

For the named executive officers other than the chief executive officer and chief financial officer, the preliminary bonus determination is based as a threshold matter upon the achievement of certain Company performance goals — generally earnings per share — combined with the recommendation of the chief executive officer and the Company's assessment of each officer's performance as measured against the individual goals set at the outset of the year. This assessment allows bonus decisions to take into account each named executive officer's individual performance and unique contribution during the year. This portion of the bonus may be adjusted up or down depending on the level of performance against the individual goals.

Under the bonus program, the compensation committee has discretion as to whether annual bonuses for the Company's named executive officers will be paid in cash, restricted stock, or a combination thereof. The compensation committee also retains discretion, in appropriate circumstances, to grant a lower bonus or no bonus at all.

Compliance with Section 162(m). Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for compensation over \$1 million paid for any fiscal year to the corporation's chief executive officer and four other most highly compensated executive officers as of the end of the fiscal year. However, the statute exempts qualifying performance-based compensation from the \$1 million deduction limit if certain requirements are met. To the extent practicable, the compensation committee seeks to design the components of compensation so that these requirements are met and full deductibility under Section 162(m) is allowed. In particular, the compensation committee seeks to establish objective performance measures under the Company's 2005 Incentive Compensation Plan which was approved by stockholders at the Company's 2005 annual meeting. The compensation committee believes, however, that stockholder interests are best served by not restricting the compensation committee's discretion and flexibility in crafting compensation programs, even though such programs may result in certain non-deductible compensation expenses. Accordingly, the compensation committee may from time to time approve elements of compensation for certain officers that are not fully deductible under Section 162(m).

Long-term Incentive Compensation. The long-term incentive program provides a periodic award — typically annual — that is performance based. The objective of the program is to align compensation for named executive officers over a multi-year period directly with the interests of stockholders of the Company by motivating and rewarding creation and preservation of long-term stockholder value. The level of long-term incentive compensation is determined based on an evaluation of competitive factors in conjunction with total compensation provided to the named executive officers and the goals of the compensation program as described above.

The Company's long-term incentive compensation generally takes the form of a mix of restricted stock grants and option awards. These two vehicles reward stockholder value creation in slightly different ways. Stock options — which have exercise prices equal to the closing market price as of the date of grant — reward named executive officers only if the stock price increases. Restricted stock is impacted by all stock price changes, so the value to named executive officers is affected by both increases and decreases in stock price.

Stock options granted as long-term incentive compensation to named executive officers generally vest ratably over three to five years, contingent upon the named executive officer's continued employment with the Company. The exercise price of stock options is equal to the closing price of the Company's common stock on the New York Stock Exchange as of the date of grant. Likewise, restricted stock granted as long-term incentive compensation to named executive officers generally has ratable vesting over three to five years, contingent upon continued employment.

Pursuant to Company policy adopted in 2006, and subject to the existence of an open window period under the Company's insider trading policy, equity incentive awards to the named executive officers are generally made on March 1st of each year, which is the same grant date as that used for annual incentive and retention awards made to any other Company employees receiving awards.

Because of the significant number of founders' shares held by Dr. J. Mario Molina, the Company's chief executive officer, and by John Molina, the chief financial officer, the compensation committee has historically not granted long-term equity based compensation to executive officers who are members of the Molina family. The compensation committee continued this practice in 2006. However, the compensation committee re-evaluates this matter annually, and recently made a grant of options to Dr. Molina and Mr. Molina as long-term equity compensation in order to further incentivize achievement of the Company's long-term goals.

The compensation committee intends to review annually both the annual bonus program and the long-term incentive program to ensure that their key elements continue to meet the objectives described above.

Perquisites and Other Personal Benefits. The Company does not provide named executive officers with any significant perquisites or other personal benefits.

Retirement Plans. The Company does not maintain a retirement pension plan. However, the named executive officers are eligible to participate in the Molina 401(k) Salary Savings Plan. The purpose of this program is to provide all Molina Healthcare employees with tax-advantaged savings opportunities and income after retirement. Eligible pay under the plans is limited to Internal Revenue Code annual limits. The Company makes a dollar-for-dollar match on the first four percent (4%) of salary electively deferred under the 401(k) Plan by all participants.

Deferred Compensation Plan. The Company has established an unfunded non-qualified deferred compensation plan for certain key employees, including the named executive officers. Under the deferred compensation plan, eligible participants can defer up to 100% of their base salary and 100% of their bonus to provide for tax-deferred growth. The funds deferred are invested in any of twenty different mutual funds, including bond, money market, and large and small cap stock funds.

Employee Stock Purchase Plan. The named executive officers are eligible to participate in the Company's 2002 Employee Stock Purchase Plan on an equal basis with all other employees. The Employee Stock Purchase Plan allows eligible employees to purchase from the Company shares of its common stock at a 15% discount to the market price during the successive six-month offering periods under the plan.

Health and Insurance Benefits. With limited exceptions, the Company supports providing benefits to named executive officers that are substantially the same as those offered to salaried employees generally. The named executive officers are eligible to participate in company-sponsored benefit programs on the same terms and conditions as those made available to salaried employees generally. Basic health benefits, life insurance, disability benefits and similar programs are provided to ensure that employees have access to healthcare and income protection for themselves and their family members.

Process For Determining Executive Officer Compensation

The role of the Compensation Committee. The compensation committee is responsible for evaluating the performance of and determining the compensation paid to the chief executive officer. The compensation committee is also responsible for evaluating and approving the compensation levels of other key executive officers subject to the recommendations made by the chief executive officer. The compensation committee reviews the design and structure of Molina Healthcare's compensation programs to ensure that management's interests are aligned with stockholders and that the compensation programs are aligned with Molina Healthcare's strategic priorities. In furtherance of these goals, the compensation committee has periodically engaged Pearl Meyer & Partners to provide evaluations and advice regarding the Company's executive compensation program and relevant benchmarks.

Benchmarking. Market standards and benchmarking information on the performance and compensation at peer companies was obtained from publicly available sources and third-party proprietary databases, and reviewed with Pearl Meyer. The 15 companies considered to be peers for compensation benchmarking purposes were America Service Group Inc., Amerigroup Corp., Apria Healthcare Group, Inc., Centene Corp., Community Health Systems, Inc., Healthextras, Inc., Healthspring, Inc., Healthways, Inc., Horizon Health Corp., Magellan Health Services, Inc., Matria Healthcare, Inc., Sierra Health Services, Inc., Universal American Financial Corp., Universal Health Services, Inc., and Wellcare Health Plans, Inc.

Fiscal Year 2006 Decisions. In February 2006, based upon peer group comparisons compiled by the compensation committee and prior analysis by Pearl Meyer, the compensation committee determined to raise the salary of Dr. Molina as chief executive officer from \$675,000 to \$775,000 for fiscal year 2006. The compensation committee also accepted the recommendation of Dr. Molina that the base salary of John Molina for fiscal year 2006 be increased from \$450,000 to \$700,000 commensurate with his job responsibilities. At the recommendation of the chief executive officer, the salaries of the other named executive officers were unchanged for 2006.

In addition, as had been recommended by Pearl Meyer, the compensation committee established three independent objective performance measures for fiscal year 2006 under the Company's 2005 Incentive Compensation Plan for each of the chief executive officer and chief financial officer. In the event the

Company achieved earnings per diluted share of at least \$1.94, the chief executive officer would be eligible for a bonus of \$193,750, and the chief financial officer would be eligible for a bonus of \$175,000. In addition, if the Company achieved a return on equity of 14% or more, the chief executive officer would be eligible for an additional bonus of \$193,750 and the chief financial officer would be eligible for an additional bonus of \$175,000. Finally, if the Company achieved total premium revenues of at least \$1,832 million, the chief executive officer would be eligible for a bonus of \$193,750 and the chief financial officer would be eligible for a bonus of \$175,000. The compensation committee also approved a separate, potential general bonus amount outside the 2005 Incentive Compensation Plan of \$193,750 for the chief executive officer and \$175,000 for the chief financial officer for individual performance that could be awarded on a discretionary basis.

Because the Company achieved only one of the three objective performance measures during fiscal year 2006, the Company awarded the bonus amounts to the chief executive officer and chief financial officer set forth in the Summary Compensation Table below. The compensation committee also declined to award any additional discretionary bonus.

In fiscal 2006, the Company awarded long-term compensation for named executive officers other than the chief executive officer and the chief financial officer pursuant to the program described above resulting in the awards of stock options and restricted stock units identified in the Summary Compensation Table and other tables below.

Summary Compensation Table

The following table provides information concerning total compensation earned or paid to the chief executive officer, the chief financial officer, and the three other most highly compensated executive officers of the Company who served in such capacities as of December 31, 2006 for services rendered to the Company during the last year. These five officers are referred to as the named executive officers in this proxy statement. As a result of his resignation on February 9, 2007, William Bracciodieta is no longer an employee of the Company.

SUMMARY COMPENSATION TABLE

(a) Name and Principal Position in 2006	(b) Year	(c) Salary (\$)	(d) Cash (\$)	(e) Stock Awards (\$)	(f) Option Awards \$(1)	(g) Non-Equity Incentive Plan Compensation (\$)	(h) Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	(i) All Other Compensation \$(2)	(j) Total (\$)
J. Mario Molina , President and Chief Executive Officer	2006	751,923	193,750	—	—	—	327,181	55,274	1,327,594
John C. Molina , Chief Financial Officer	2006	656,923	175,000	—	—	—	35,428	12,377	879,728
Mark L. Andrews , Chief Legal Officer	2006	430,000	129,000	—	332,764	—	32,748	10,441	934,953
Terry Bayer , Chief Operating Officer	2006	372,500	100,000	—	332,764	—	4,952	12,374	843,355
William Bracciodieta , Chief Medical Officer	2006	372,500	81,000	—	332,764	—	0	4,767	791,031

(1) The amounts in this column reflect the aggregate grant date fair value under SFAS 123(R) of awards made during 2006. The assumptions we use in calculating these amounts are discussed in Note 2 — “Stock-Based Compensation,” to the Consolidated Financial Statements of Molina Healthcare, Inc. as filed with the SEC on Form 10-Q on May 10, 2006.

(2) The amounts in this column include long-term disability premiums, group term life premiums, 401(k) matching payments, and liquidated amounts for paid time-off.

Grants of Plan-Based Awards

The following table provides information with respect to grants of plan-based awards made during fiscal year 2006 to the named executive officers. The options have an exercise price equal to the closing price of the Company's common stock on the NYSE on the grant date, have a ten-year life, and vest in equal installments over three years beginning one year after grant date, subject to acceleration in certain circumstances.

GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards \$(1)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
J. Mario Molina	—	—	—	—	—	—	—	—	—	—	—
John C. Molina	—	—	—	—	—	—	—	—	—	—	—
Mark L. Andrews	2/2/06	—	—	—	—	—	—	—	21,000	28.66	332,764
Terry Bayer	2/2/06	—	—	—	—	—	—	—	21,000	28.66	332,764
William Bracciodieta	2/2/06	—	—	—	—	—	—	—	21,000	28.66	332,764

(1) The hypothetical value of the options as of their date of grant is equal to the fair value of the options on the grant date used to determine the compensation expense under SFAS 123(R) associated with the grant in the Company's financial statements and has been calculated using the Black-Scholes valuation model. The valuations were based upon the assumptions discussed in "Note 2 — Stock-Based Compensation," to the Consolidated Financial Statements of Molina Healthcare, Inc. as filed with the SEC on Form 10-Q on May 10, 2006. It should be noted that this model is only one of the methods available for valuing options, and the Company's use of the model should not be interpreted as a prediction as to the actual value that may be realized on the options. The actual value of the options may be significantly different, and the value actually realized, if any, will depend upon the excess of the market value of the common stock over the option exercise price at the time of exercise.

The following table provides information with respect to outstanding stock options held by the named executive officers as of the end of the fiscal year 2006.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#)	Market Value of Shares of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested (#)	Equity Incentive Plan Awards: Market Value of Unearned Shares That Have Not Vested (\$)	
J. Mario Molina	—	—	—	—	—	—	—	—	—	
John C. Molina	—	—	—	—	—	—	—	—	—	
Mark L. Andrews	60,550	—	—	4.50	12/01/11	—	—	—	—	
	20,000	10,000	—	25.33	2/10/14	—	—	—	—	
	4,000	8,000	—	44.29	7/01/15	—	—	—	—	
	0	21,000	—	28.66	2/02/16	—	—	—	—	
	—	—	—	—	—	4,000	130,040	—	—	
Terry Bayer	7,000	14,000	—	44.29	7/01/15	—	—	—	—	
	0	21,000	—	28.66	2/02/16	—	—	—	—	
	—	—	—	—	—	4,000	130,040	—	—	
William Bracciodieta	0	21,000	—	28.66	2/02/16	—	—	—	—	
	—	—	—	—	—	8,000	260,080	—	—	

The following table provides additional information regarding the amounts received during fiscal year 2006 by the named executive officers upon exercise or vesting of stock options.

OPTION EXERCISES AND STOCK VESTED

Name	Option Awards		Stock Awards	
	Number of Shares Acquired On	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
J. Mario Molina	—	—	—	—
John C. Molina	—	—	—	—
Mark L. Andrews	10,000	307,450(1)	—	—
	—	—	1,000	38,050(2)
	14,000	489,966(3)	—	—
	7,600	269,440(4)	—	—
	8,400	297,963(5)	—	—
	3,550	112,699(6)	—	—
	1,450	46,032(7)	—	—
	5,000	145,960(8)	—	—
	5,000	144,545(9)	—	—
Terry Bayer	—	—	4,000	143,360(10)
William Braccioldieta	—	—	4,000	140,760(11)

- (1) On March 30, 2006, Mr. Andrews exercised 10,000 options. The exercise price of the options was \$2.00 per share compared to a weighted average market value of \$32.745.
- (2) On July 1, 2006, 1,000 restricted shares vested in favor of Mr. Andrews at a closing market price of \$38.05.
- (3) On August 29, 2006, Mr. Andrews exercised 14,000 options. The exercise price of the options was \$2.00 per share compared to a weighted average market value of \$36.9976.
- (4) On August 30, 2006, Mr. Andrews exercised 7,600 options. The exercise price of the options was \$2.00 per share compared to a weighted average market value of \$37.4526.
- (5) On August 31, 2006, Mr. Andrews exercised 8,400 options. The exercise price of the options was \$2.00 per share compared to a weighted average market value of \$37.4718.
- (6) On November 13, 2006, Mr. Andrews exercised 3,550 options. The exercise price of the options was \$2.00 per share compared to a weighted average market value of \$33.7462. The option shares were sold pursuant to Mr. Andrews' Rule 10b5-1 trading plan.
- (7) On November 13, 2006, Mr. Andrews exercised 1,450 options. The exercise price of the options was \$4.50 per share compared to a weighted average market value of \$33.7462. The option shares were sold pursuant to Mr. Andrews' Rule 10b5-1 trading plan.
- (8) On November 17, 2006, Mr. Andrews exercised 5,000 options. The exercise price of the options was \$4.50 per share compared to a weighted average market value of \$33.692. The option shares were sold pursuant to Mr. Andrews' Rule 10b5-1 trading plan.
- (9) On November 21, 2006, Mr. Andrews exercised 5,000 options. The exercise price of the options was \$4.50 per share compared to a weighted average market value of \$33.409. The option shares were sold pursuant to Mr. Andrews' Rule 10b5-1 trading plan.
- (10) On September 27, 2006, 4,000 shares vested in favor of Ms. Bayer at a closing market price of \$35.84.
- (11) On June 22, 2006, 4,000 shares vested in favor of Dr. Braccioldieta at a closing market price of \$35.19.

Nonqualified Deferred Compensation

Pursuant to the Company's unfunded and non-qualified 2005 Deferred Compensation Plan, eligible participants can defer up to 100% of their base salary and 100% of their bonus so that it can grow on a tax deferred basis. The investment options available to an executive under the deferral program are any of twenty different mutual funds, including bond, money market, and large and small cap stock funds.

The following table provides information for fiscal year 2006 for each named executive officer regarding such individual's accounts in the 2005 Deferred Compensation Plan as of the end of fiscal year 2006.

NONQUALIFIED DEFERRED COMPENSATION

<u>Name</u>	<u>Executive Contributions in the Last FY (\$)</u>	<u>Registrant Contributions in Last FY (\$)</u>	<u>Aggregate Earnings in Last FY (\$)</u>	<u>Aggregate Withdrawals/Distributions (\$)</u>	<u>Aggregate Balance at Last FYE (\$)</u>
J. Mario Molina	76,663	0	327,181	0	2,034,668
John C. Molina	0	0	35,428	0	256,182
Mark L. Andrews	64,500	0	32,849	0	344,962
Terry Bayer	7,450	0	4,952	0	49,046
William Bracciodieta	—	—	—	—	—

Potential Payments Upon Termination And Change In Control

We have entered into certain employment or change in control agreements that will require the Company to provide compensation to the named executive officers in the event of a termination of employment or a change in control of the Company.

We have entered into employment agreements with our chief executive officer, J. Mario Molina, our chief financial officer, John C. Molina, and our chief executive officer, Mark. L. Andrews.

Unless terminated, the agreements with each of Dr. Molina, Mr. Molina, Mr. Andrews are automatically renewed on an annual basis. Effective March 18, 2006, Dr. Molina's annual salary was increased to \$775,000, with a target bonus of up to 100% of his base salary. Effective February 20, 2006, John Molina's annual salary was increased to \$700,000, with a target bonus of up to 100% of his base salary. Mark L. Andrews had a base annual salary under his employment agreement of \$430,000 in 2006, and a target bonus of up to 40% of his base salary. Each of the base annual salaries is subject to review and increase at least annually.

The agreements with each of Dr. Molina, Mr. Molina, and Mr. Andrews provide for the employees' continued employment for a period of two years following the occurrence of a change of control (as defined below). Under the agreements, each executive's terms and conditions of employment, including his or her rate of base salary, bonus opportunity, benefits, and title, position, duties, and responsibilities, are not to be modified in a manner adverse to the executive following the change of control. If an eligible executive's employment is terminated by us without cause (as defined below) or is terminated by the executive for good reason (as defined below) within two years of a change of control, we will provide the executive as a severance payment with two times the executive's annual base salary *and* target bonus for the year of termination, plus the target bonus for the year of termination, full vesting of Section 401(k) employer contributions and stock options, and continued health and welfare benefits for the earlier of three years or the date the executive receives substantially similar benefits from another employer. We will also make additional payments to the executive who incurs any excise taxes pursuant to the golden parachute provisions of the Internal Revenue Code in respect of the benefits and other payments provided under the agreement or otherwise on account of the change of control. The additional payments will be in an amount such that, after taking into account all applicable federal, state and local taxes applicable to such additional payments, the executive is able to retain from such additional payments an amount equal to the excise taxes that are imposed without regard to these additional payments.

Additionally, if the executive's employment is terminated by us without cause or the executive resigns for good reason, the executive will be entitled to receive one year's base salary, the target bonus for the year of the employment termination, full vesting of Section 401(k) employer contributions and stock options and continued health and welfare benefits for the earlier of eighteen months or the date the executive receives substantially similar benefits from another employer. Payment of severance benefits is contingent upon the executive's signing a release agreement waiving claims against us.

A change of control generally means a merger or other change in corporate structure after which the majority of our stockholders are no longer stockholders, a sale of substantially all of our assets, or our approved dissolution or liquidation. Cause is generally defined as the occurrence of one or more acts of unlawful actions involving moral turpitude or gross negligence or willful failure to perform duties or intentional breach of obligations under the employment agreement. Good reason generally means the occurrence of one or more events that have an adverse effect on the executive's terms and conditions of employment, including any reduction in the executive's base salary, a material reduction of the executive's benefits or substantial diminution of the executive's incentive awards or fringe benefits, a material adverse change in the executive's position, duties, reporting relationship, responsibilities or status with us, the relocation of the executive's principal place of employment to a location more than 50 miles away from his prior place of employment or an uncured breach of the employment agreement. However, no reduction of salary or benefits will be good reason if the reduction applies to all executives proportionately.

The tables below reflect the approximate amount of compensation payable to each of the named executive officers of the Company in the event of termination of such executive's employment under the various listed scenarios. The amount of compensation payable to each named executive officer in the event of voluntary termination, early retirement, involuntary not-for-cause termination, for cause termination, termination following a change of control, disability, or death, is shown below. The amounts shown assume that such termination was effective as of December 31, 2006, and exclude ordinary course amounts earned or benefits accrued as a result of prior service during the year. The various amounts listed are estimates only. The actual amounts to be paid can only be determined at the time of such executive's separation from the Company.

The following table describes the potential payments upon termination or change in control of the Company for J. Mario Molina, the Company's chief executive officer.

<u>Executive Benefits and Payments Upon Separation</u>	<u>Voluntary Termination on 12/31/2006</u>	<u>Early Retirement on 12/31/2006</u>	<u>Normal Retirement on 12/31/2006</u>	<u>Involuntary Not for Cause Termination on 12/31/2006</u>	<u>For Cause Termination on 12/31/2006</u>	<u>Involuntary for Good Reason Termination (Change-in-Control) on 12/31/2006</u>	<u>Disability on 12/31/2006</u>	<u>Death on 12/31/2006</u>
Compensation								
Base Salary	0	0	0	\$ 775,000	0	\$ 775,000	0	0
Short-Term Incentive Compensation	\$ 192,500	\$ 192,500	\$ 192,500	\$ 775,000	0	\$ 775,500	\$ 192,500	\$ 192,500
Stock Options	0	0	0	0	0	0	0	0
Benefits & Perquisites								
Stock Awards	0	0	0	0	0	0	0	0
Savings Plan	\$ 282,329	\$ 282,329	\$ 282,329	\$ 282,329	\$ 282,329	\$ 282,329	\$ 282,329	\$ 282,329
Deferred Compensation	\$2,034,668	\$2,034,668	\$2,034,668	\$2,034,668	\$2,034,668	\$2,034,668	\$2,034,668	\$2,034,668
Health Benefits	0	0	0	\$ 21,960	0	\$ 43,920	0	0
Disability Income	0	0	0	0	0	0	0	0
Life Insurance Benefits	0	0	0	0	0	0	0	\$ 750,000
Excise Tax & Gross-Up	0	0	0	0	0	\$ 775,000	0	0
Cash Severance	0	0	0	\$ 775,000	0	\$2,325,000	0	0
Accrued Vacation Pay	\$ 108,172	\$ 108,172	\$ 108,172	\$ 108,172	\$ 108,172	\$ 108,172	\$ 108,172	\$ 108,172

The following table describes the potential payments upon termination or change in control of the Company for John C. Molina, the Company's chief financial officer.

<u>Executive Benefits and Payments Upon Separation</u>	<u>Voluntary Termination on 12/31/2006</u>	<u>Early Retirement on 12/31/2006</u>	<u>Normal Retirement on 12/31/2006</u>	<u>Involuntary Not for Cause Termination on 12/31/2006</u>	<u>For Cause Termination on 12/31/2006</u>	<u>Involuntary for Good Reason Termination (Change-in-Control) on 12/31/2006</u>	<u>Disability on 12/31/2006</u>	<u>Death on 12/31/2006</u>
Compensation								
Base Salary	0	0	0	\$700,000	0	\$ 700,000	0	0
Short-Term Incentive Compensation	\$175,000	\$175,000	\$175,000	\$700,000	\$175,000	\$ 700,000	\$175,000	\$175,000
Stock Options	0	0	0	0	0	0	0	0
Benefits & Perquisites								
Stock Awards	0	0	0	0	0	0	0	0
Savings Plan	\$299,780	\$299,780	\$299,780	\$299,780	\$299,780	\$ 299,780	\$299,780	\$299,780
Deferred Compensation	\$102,119	\$102,119	\$102,119	\$102,119	\$102,119	\$ 102,119	\$102,119	\$102,119
Health Benefits	0	0	0	\$ 21,960	0	\$ 43,920	0	0
Disability Income	0	0	0	0	0	0	0	0
Life Insurance Benefits	0	0	0	0	0	0	0	\$750,000
Excise Tax & Gross-Up	0	0	0	0	0	\$ 700,000	0	0
Cash Severance	0	0	0	\$700,000	0	\$2,100,000	0	0
Accrued Vacation Pay	\$102,119	\$102,119	\$102,119	\$102,119	\$102,119	\$ 102,119	\$102,119	\$102,119

The following table describes the potential payments upon termination or change in control of the Company for Mark L. Andrews, the Company's chief legal officer.

<u>Executive Benefits and Payments Upon Separation</u>	<u>Voluntary Termination on 12/31/2006</u>	<u>Early Retirement on 12/31/2006</u>	<u>Normal Retirement on 12/31/2006</u>	<u>Involuntary Not for Cause Termination on 12/31/2006</u>	<u>For Cause Termination on 12/31/2006</u>	<u>Involuntary for Good Reason Termination (Change-in-Control) on 12/31/2006</u>	<u>Disability on 12/31/2006</u>	<u>Death on 12/31/2006</u>
Compensation								
Base Salary	0	0	0	\$430,000	0	\$430,000	0	0
Short-Term Incentive Compensation	\$129,000	\$129,000	\$129,000	\$172,000	\$129,000	\$172,000	\$129,000	\$129,000
Stock Options	0	0	0	0	0	\$152,650	0	0
Benefits & Perquisites								
Stock Awards	0	0	0	\$130,040	0	\$130,040	0	0
Savings Plan	\$221,297	\$221,297	\$221,297	\$221,297	\$221,297	\$221,297	\$221,297	\$221,297
Deferred Compensation	\$ 69,462	\$ 69,462	\$ 69,462	\$ 69,462	\$ 69,462	\$ 69,462	\$ 69,462	\$ 69,462
Health Benefits	0	0	0	\$ 21,960	0	\$ 43,920	0	0
Disability Income	0	0	0	0	0	0	0	0
Life Insurance Benefits	0	0	0	0	0	0	0	\$750,000
Excise Tax & Gross-Up	0	0	0	0	0	\$275,200	0	0
Cash Severance	0	0	0	\$172,000	0	\$774,000	0	0
Accrued Vacation Pay	\$ 69,462	\$ 69,462	\$ 69,462	\$ 69,462	\$ 69,462	\$ 69,462	\$ 69,462	\$ 69,462

Effective as of June 15, 2006, we entered into change in control agreements with each of Terry Bayer, our chief operating officer, and William Bracciodieta, our chief medical officer. The agreements with Ms. Bayer and Dr. Bracciodieta provide for the employees' continued employment for a period of twelve months following the occurrence of a change of control. Under these agreements, each executive's terms and conditions of employment, including his or her rate of base salary, bonus opportunity, benefits, and title, position, duties, and responsibilities, are not to be modified in a manner adverse to the executive following the change of control. If an eligible executive's employment is terminated by us without cause or is terminated by the executive for good reason within twelve months of a change of control, we will provide the executive with

two times the executive's annual base salary, a prorata portion of the executive's target bonus for the year of termination, full vesting of Section 401(k) employer contributions and stock options, and continued health and welfare benefits for the earlier of twelve months or the date the executive receives substantially similar benefits from another employer. Payment of any severance benefits is contingent upon the executive's signing a release agreement waiving claims against us.

The following table describes the potential payments upon termination or change in control of the Company for Terry Bayer, the Company's chief operating officer.

<u>Executive Benefits and Payments Upon Separation</u>	<u>Voluntary Termination on 12/31/2006</u>	<u>Early Retirement on 12/31/2006</u>	<u>Normal Retirement on 12/31/2006</u>	<u>Involuntary Not for Cause Termination on 12/31/2006</u>	<u>For Cause Termination on 12/31/2006</u>	<u>Involuntary for Good Reason Termination (Change-in-Control) on 12/31/2006</u>	<u>Disability on 12/31/2006</u>	<u>Death on 12/31/2006</u>
Compensation								
Base Salary	0	0	0	\$350,000	0	\$350,000	0	0
Short-Term Incentive Compensation	\$100,000	\$100,000	\$100,000	\$140,000	0	\$140,000	\$100,000	\$100,000
Stock Options	0	0	0	0	0	\$ 80,850	0	0
Benefits & Perquisites								
Stock Awards	0	0	0	0	0	\$130,040	0	0
Savings Plan	\$ 62,948	\$ 62,948	\$ 62,948	\$ 62,948	\$ 62,948	\$ 62,948	\$ 62,948	\$ 62,948
Deferred Compensation	\$ 49,046	\$ 49,046	\$ 49,046	\$ 49,046	\$ 49,046	\$ 49,046	\$ 49,046	\$ 49,046
Health Benefits	0	0	0	0	0	\$ 14,640	0	0
Disability Income	0	0	0	0	0	0	0	0
Life Insurance Benefits	0	0	0	0	0	0	0	\$750,000
Excise Tax & Gross-Up	0	0	0	0	0	0	0	0
Cash Severance	\$197,500	\$197,500	\$197,500	0	\$197,500	0	\$197,500	\$197,500
Accrued Vacation Pay	\$ 32,675	\$ 32,675	\$ 32,675	\$ 32,675	\$ 32,675	\$ 32,675	\$ 32,675	\$ 32,675

The following table describes the potential payments upon termination or change in control of the Company for William Bracciodieta, the Company's chief medical officer at 12/31/2006.

<u>Executive Benefits and Payments Upon Separation</u>	<u>Voluntary Termination on 12/31/2006</u>	<u>Early Retirement on 12/31/2006</u>	<u>Normal Retirement on 12/31/2006</u>	<u>Involuntary Not for Cause Termination on 12/31/2006</u>	<u>For Cause Termination on 12/31/2006</u>	<u>Involuntary for Good Reason Termination (Change-in-Control) on 12/31/2006</u>	<u>Disability on 12/31/2006</u>	<u>Death on 12/31/2006</u>
Compensation								
Base Salary	0	0	0	\$350,000	0	\$350,000	0	0
Short-Term Incentive Compensation	\$ 81,000	\$81,000	\$81,000	\$ 81,000	0	\$ 81,000	\$ 81,000	\$ 81,000
Stock Options	0	0	0	0	0	\$ 80,850	0	0
Benefits & Perquisites								
Stock Awards	0	0	0	0	0	\$260,080	0	0
Savings Plan	0	0	0	0	0	0	0	0
Deferred Compensation	0	0	0	0	0	0	0	0
Health Benefits	0	0	0	0	0	\$ 14,640	0	0
Disability Income	0	0	0	0	0	0	0	0
Life Insurance Benefits	0	0	0	0	0	0	0	\$750,000
Excise Tax & Gross-Up	0	0	0	0	0	0	0	0
Cash Severance	\$197,500	0	0	0	\$197,500	0	\$197,500	\$197,500
Accrued Vacation Pay	\$ 15,344	\$15,344	\$15,344	\$ 15,344	\$ 15,344	\$ 15,344	\$ 15,344	\$ 15,344

Disclosure of Auditor Fees

Ernst & Young, LLP served as our Independent Registered Public Accountant during 2006 and 2005. Fees earned by Ernst & Young LLP for years ended December 31, 2006 and 2005 were as follows:

	December 31,	
	2006	2005
Audit Fees including our annual audits (including our statutory reports), review of our quarterly reports on Form 10-Q, audit of internal controls over financial reporting, and filings with the SEC.	\$1,801,000	\$1,543,000
Audit Related Fees, including employee benefit plan audits and due diligence	\$ 108,000	\$ 71,000
Tax Fees, including tax compliance, tax advice and tax planning.	\$ 453,000	\$ 629,000

The audit committee has considered the nature of the services underlying these fees and does not consider them to be incompatible with the Independent Registered Public Accountant's independence.

A representative of Ernst & Young, LLP is expected to be present at the meeting to respond to appropriate questions and will be given an opportunity to make a statement if he or she so desires.

Submission of Future Stockholder Proposals

Under SEC rules, a stockholder who intends to present a proposal at the next annual meeting of stockholders and who wishes the proposal to be included in the proxy statement for that meeting must submit the proposal in writing to the Corporate Secretary of Molina Healthcare at 2277 Fair Oaks Boulevard, Suite 440, Sacramento, California 95825. The proposal must be received no later than December 6, 2007.

Stockholders who do not wish to follow the SEC rules in proposing a matter for action at the next annual meeting must notify Molina Healthcare in writing of the information required by the provisions of Molina Healthcare's bylaws dealing with stockholder proposals. The notice must be delivered to Molina Healthcare's Corporate Secretary between January 9, 2008 and February 8, 2008. You can obtain a copy of Molina Healthcare's bylaws by writing to the Corporate Secretary at the address stated above.

Cost of Annual Meeting and Proxy Solicitation

Molina Healthcare pays the cost of the annual meeting and the cost of soliciting proxies. In addition to soliciting proxies by mail, Molina Healthcare may solicit proxies by telephone and similar means. No director, officer, or employee of Molina Healthcare will be specially compensated for these activities. Molina Healthcare also intends to request that brokers, banks, and other nominees solicit proxies from their principals and will pay the brokers, banks, and other nominees certain expenses they incur for such activities.

Householding

Under SEC rules, a single set of annual reports and proxy statements may be sent to any household at which two or more stockholders reside if they appear to be members of the same family. Each stockholder continues to receive a separate proxy card. This procedure, referred to as householding, reduces the volume of duplicate information stockholders receive and reduces mailing and printing expenses. In accordance with a notice sent to certain stockholders who shared a single address, only one annual report and proxy statement will be sent to that address unless any stockholder at that address requested that multiple sets of documents be sent. However, if any stockholder who agreed to householding wishes to receive a separate annual report or proxy statement for 2006 or in the future, he or she may telephone toll-free 1-800-542-1061 or write to ADP, Householding Department, 51 Mercedes Way, Edgewood, NY 11717. Stockholders sharing an address who wish to receive a single set of reports may do so by contacting their banks or brokers, if they are beneficial holders, or by contacting ADP at the address set forth above, if they are record holders.

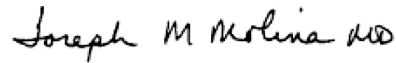
Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires Molina Healthcare's officers and directors, and persons who own more than ten percent of a registered class of Molina Healthcare's equity securities, to file reports of ownership and changes in ownership with the SEC and the NYSE, and to furnish Molina Healthcare with copies of the forms. Based on its review of the forms it received, or written representations from reporting persons, Molina Healthcare believes that, during 2006, each of its officers, directors, and greater than ten percent beneficial stockholders complied with all such filing requirements on a timely basis.

Other Matters

The board of directors knows of no other matters that will be presented for consideration at the meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors



Joseph M. Molina, M.D.
*Chairman of the Board, Chief Executive Officer, and
President*

Dated: April 6, 2007