

**BEFORE THE INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA**

Statement Regarding the Acquisition of Control of or Merger with Domestic Insurers:

**Hospital Service Association of Northeastern Pennsylvania
d/b/a Blue Cross of Northeastern Pennsylvania;
First Priority Life Insurance Company, Inc.;;
HMO of Northeastern Pennsylvania, Inc.,
d/b/a First Priority Health**

By Highmark Inc.

**HIGHMARK INC. (“Highmark”) RESPONSE TO INFORMATION
REQUEST 2.4.2 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

REQUEST 2.4.2:

With respect to the ownership of Highmark in FPH and FPLIC, describe the rights of BCNEPA or any BCNEPA Affiliate to acquire the ownership rights of Highmark in FPH and FPLIC.

RESPONSE:

Highmark certifies to the best of its knowledge, information, and belief as follows with respect to the rights of BCNEPA to acquire the ownership rights of Highmark in FPH and FPLIC:

On May 2, 2013, Highmark sent a letter, dated May 1, 2013, to BCNEPA providing BCNEPA written notice of a change of control of Highmark, effective as of April 29, 2013, as required under Section 11 of the Shareholders Agreements by and among BCNEPA, Highmark and FPH, dated as of April 25, 2005, as amended, and the Shareholders Agreement by and among BCNEPA, Highmark and FPLIC, dated as of April 25, 2005, as amended (the “Shareholders Agreement”). Under Section 11 of the Shareholders Agreements, BCNEPA had the right and option, for a period of 180 calendar days (prior to the extension of time set forth in the October 16, 2013 and November 8, 2013 letter agreements referred to below) (the “Extension”) following the date on which written notice of the change of control was received by BCNEPA, to either (collectively, the “CoC Option”) (i) purchase and/or cause FPH and FPLIC, as the case may be, to purchase, all of the shares of common stock of FPH and FPLIC owned (of record or beneficially) by Highmark, or (ii) sell to Highmark all of the shares of common stock of FPH and FPLIC owned by BCNEPA. Pursuant to the Shareholders Agreements, BCNEPA was required to exercise its CoC Option before the expiration of the 180 calendar day period (prior to the Extension) by delivering to Highmark written notice of such exercise. Prior to the

Extension, that 180 calendar day period would have ended on October 29, 2013. On October 16, 2013, BCNEPA and Highmark entered into a letter agreement pursuant to which (i) BCNEPA agreed that it would not sign, until after October 25, 2013, any letter of intent or exclusivity agreement with any third party (other than Highmark) for an affiliation or merger transaction and (ii) Highmark agreed that the time period during which BCNEPA could give notice of its exercise of the CoC Option was extended for fifteen calendar days, ending at 11:59 pm on November 13, 2013. On November 8, 2013, BCNEPA and Highmark entered into a letter agreement pursuant to which Highmark agreed that the time period during which BCNEPA could give notice of its exercise of the CoC Option was extended until the earlier of the date of the Merger Agreement or ten (10) days after negotiations between BCNEPA and Highmark terminated, as applicable, with such ten (10) day period commencing upon receipt by BCNEPA or Highmark, as applicable, of written notice of such termination from the other.

Upon a termination of the Merger Agreement pursuant to Section 7.1 of the Merger Agreement, Highmark agreed that the time period during which BCNEPA can give notice of its exercise of the CoC Option is further extended until ten (10) days after the effective date of such termination of the Merger Agreement.

**Highmark Inc.
Fifth Avenue Place
120 Fifth Avenue
Pittsburgh, PA 15222**

Divider Page

SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT (this "Agreement") is made and entered into as of this 29th day of April, 2005, by and among HMO OF NORTHEASTERN PENNSYLVANIA, INC., a Pennsylvania nonprofit corporation (the "Company"), HOSPITAL SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA, a Pennsylvania nonprofit corporation ("BCNEPA"), and HIGHMARK INC., a Pennsylvania nonprofit corporation ("Highmark", and, together with BCNEPA, the "Shareholders", and each, individually, a "Shareholder").

WITNESSETH

WHEREAS, the Shareholders own all of the issued and outstanding common stock, \$1.00 par value per share (the "Common Stock"), of the Company; and

WHEREAS, the Shareholders and the Company desire to make certain provisions as hereinafter set forth relating to, among other things, their respective rights to transfer, encumber or otherwise dispose of their shares of the Company's capital stock.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, conditions and agreements herein contained, the parties hereto, each intending to be legally bound hereby, agree as follows:

1. Restrictions on Transfer.

(a) So long as this Agreement is in force:

(i) no Shareholder shall, except as expressly provided in this Agreement, sell, assign, transfer, give, bequeath, devise, donate or otherwise dispose of, or pledge, deposit or otherwise encumber, in any way or manner whatsoever (collectively, a "transfer"), whether voluntary, involuntary, by operation of law or by voting for the approval of any merger or consolidation of the Company, any shares of the Company's capital stock, including, without limitation, shares of Common Stock (collectively, the "Shares"), now or hereafter owned (of record or beneficially) by such Shareholder.

(ii) the Company shall not, except as expressly provided in this Agreement, (A) issue any Shares, whether by original issue or otherwise, (B) issue any securities, instruments or rights convertible into Shares, (C) purchase or redeem any Shares, or (D) cause or permit the transfer of any Shares or certificate representing any Shares to be made on its books unless the transfer is permitted by this Agreement and has been made in accordance with its terms.

(b) Notwithstanding Paragraph 1(a)(i) above, a Shareholder may transfer all but not less than all of such Shareholder's Shares (a "Permitted Transfer") to a Related Party (as defined in Paragraph 25(h)(xvi) below) so long as the Related Party executes and delivers to the Company a counterpart signature page to this Agreement evidencing such Related Party's agreement to be bound by the terms of this Agreement; provided that no Permitted Transfer shall relieve BCNEPA, Highmark or any subsequent permitted transferee, as applicable, of any

obligations under or restrictions set forth in this Agreement. Without derogating from the foregoing proviso, in the event of a Permitted Transfer, reference to such Shareholder, including any reference to Highmark or BCNEPA, where applicable, shall be deemed to mean its Related Party.

(c) Any purported transfer of any Shares that is not in accordance with the provisions of this Agreement shall be null and void *ab initio* and shall not operate to transfer any right, title or interest to the purported transferee.

2. Exercise of Options; Notes.

(a) In the event any of the options or purchase or sale rights set forth in Paragraph 2(b), 3, 4(b), 8(b), 11, 13(a), 13(b), 14(a) or 14(b) below are exercised, then, anything in this Agreement to the contrary notwithstanding, a condition to the exercise of such options or purchase or sale rights shall be the simultaneous exercise of the same option or purchase or sale rights under that certain Shareholders Agreement of even date herewith among the Shareholders and First Priority Life Insurance Company, Inc., a Pennsylvania corporation ("**First Priority Life**"), as amended, modified or supplemented from time to time (the "**FPLIC Shareholders Agreement**").

(b) In the event any of the options or purchase or sale rights set forth in Paragraph 4(b), 8(b), 11, 13(a), 13(b), 14(a) or 14(b) below are exercised, then the Shareholder purchasing shares pursuant to such option or purchase or sale right shall, simultaneously with the closing of the purchase and sale of the Shares, also purchase or sell, or cause the redemption of, all surplus notes or other debt instruments (collectively, the "**Notes**") of the Company then held by the selling Shareholder or any Affiliate (as defined in Paragraph 25(h)(i) below) of such Shareholder. In the event the right of first refusal set forth in Paragraph 3 below is exercised, then the Non-Selling Shareholder (as defined in Paragraph 3(a) below) or Prospective Purchaser (as defined in Paragraph 3(a) below), as applicable, shall also purchase (or, with respect to the Non-Selling Shareholder only, cause the redemption of) all Notes then held by the Selling Shareholder (as defined in Paragraph 3(a) below) or any Affiliate of such Shareholder. The purchase or redemption of the Notes in accordance with this Paragraph 2(b) shall be for an amount equal to the then outstanding principal and accrued interest, if any, on such Notes. Settlement of the purchase and sale or redemption of the Notes shall be conducted in accordance with Paragraph 15 below.

(c) In the event any of the options or purchase or sale rights set forth in Paragraphs 4(b), 8(b), 11, 13(a), 13(b), 14(a) or 14(b) below are exercised, then the Shareholder purchasing shares pursuant to such option or purchase or sale right shall, simultaneously with the closing of the purchase and sale of the Shares, also assume, and indemnify, hold harmless and relieve the selling Shareholder from, any and all liabilities arising under or relating to any guarantee or similar obligation of the selling Shareholder previously entered into by such selling Shareholder that is related to the Company's operations, including, without limitation, any guarantee made by the selling Shareholder in accordance with the requirements of the Association (as defined in Paragraph 25(h)(iii) below) or the PID (as defined in Paragraph 10(a) below). In the event the right of first refusal set forth in Paragraph 3 below is exercised, and a

Shareholder purchases all the other Shareholder's shares or the Prospective Purchaser purchases all such shares, the purchasing Shareholder or the Prospective Purchaser, as the case may be, shall assume, and indemnify, hold harmless and relieve the selling Shareholder from, any and all liabilities arising from or relating to any guarantee or similar obligation of such Shareholder that is related to the Company's operations, including, without limitation, any guarantee made in accordance with the requirements of the Association or the PID. The Shareholder purchasing the other Shareholder's shares or the Prospective Purchaser shall deliver to the selling Shareholder such instruments, agreements or other documents as such Shareholder shall require to evidence the purchasing Shareholder's and/or Prospective Purchaser's assumption of all guarantees or similar obligations as provided in this Paragraph; it being understood that the assumption and indemnity obligations described in this Paragraph shall survive the termination of this Agreement.

3. Right of First Refusal; Tag Along Rights.

(a) If at any time a Shareholder (hereinafter, the "**Selling Shareholder**") shall receive a bona fide written offer from an unaffiliated third party, which satisfies the conditions set forth in Paragraph 3(g) below, that such Selling Shareholder desires to accept (the "**Offer**"), then the Selling Shareholder shall transmit a copy of the Offer to the other Shareholder (the "**Non-Selling Shareholder**") within 10 calendar days after receipt of the Offer. In addition to the requirements of Paragraph 3(g) below, the Offer shall set forth the proposed price per Share, all other material terms and conditions upon which the purchase is proposed to be made, and the name and address of the prospective purchaser (the "**Prospective Purchaser**") and all other Persons (as defined in Paragraph 25(h)(xiii) below) proposed to have a beneficial interest in such Shares.

(b) Within 75 calendar days after delivery of the Offer to the Non-Selling Shareholder, the Non-Selling Shareholder shall have the right to elect (i) to permit the Selling Shareholder to sell or cause the sale of all of its Shares to the Prospective Purchaser at the price and on the terms set forth in the Offer, (ii) to demand that the Prospective Purchaser purchase all of the Non-Selling Shareholder's Shares at the same price and upon the same terms as those set forth in the Offer, or (iii) to purchase all of the Selling Shareholder's Shares at the same price and upon the same terms as those set forth in the Offer, either alone or with the Company (in which case the Selling Shareholder shall cooperate in all respects with the Non-Selling Shareholder to cause the Company to participate in the purchase of the Selling Shareholder's Shares).

(c) If the Non-Selling Shareholder makes the election under Paragraph 3(b)(i) above, or if the Non-Selling Shareholder fails to make an election within the required 75-calendar day period, then the Selling Shareholder may sell all, but not less than all, of its Shares to the Prospective Purchaser within 60 calendar days following the receipt of all necessary governmental and third party consents and approvals, at the price and upon the terms of the Offer. In the event that the Selling Shareholder does not sell all of its Shares to the Prospective Purchaser within such 60-calendar day period, the Selling Shareholder shall not thereafter sell its Shares without again first offering such Shares to the Non-Selling Shareholder in accordance with this Paragraph 3.

(d) If the Non-Selling Shareholder makes the election under Paragraph 3(b)(ii) above, the Selling Shareholder shall cause the Prospective Purchaser to purchase all of the Non-Selling Shareholder's Shares at the same price and upon the same terms as set forth in the Offer, before the Selling Shareholder may sell any of its Shares to the Prospective Purchaser. If the Prospective Purchaser will not acquire all of the Shares of the Selling Shareholder and the Non-Selling Shareholder, then the Selling Shareholder shall be prohibited from consummating the transaction contemplated by the Offer or otherwise transferring its Shares to the Prospective Purchaser.

(e) If the Non-Selling Shareholder makes the election under Paragraph 3(b)(iii) above, then the Selling Shareholder shall sell all of its Shares to the Non-Selling Shareholder, either alone or with the Company (in which case the Selling Shareholder shall cooperate in all respects with the Non-Selling Shareholder to cause the Company to participate in the purchase of the Selling Shareholder's Shares), at the price and upon the terms set forth in the Offer. Settlement of the purchase and sale of the Shares shall be conducted in accordance with the terms of the Offer and, to the extent not specified in the Offer, the provisions of Paragraph 15 below.

(f) The Selling Shareholder shall not sell its Shares at a price or upon terms that materially differ from those set forth in the Offer without first reoffering the Shares to the Non-Selling Shareholder pursuant to the terms of this Paragraph 3. Any Prospective Purchaser who acquires the Selling Shareholder's Shares pursuant to this Paragraph 3 shall, immediately upon such acquisition, become bound by the terms of this Agreement, and the transfer of the Shares shall not be made on the books of the Company until a copy of this Agreement has been executed by such Prospective Purchaser; provided that upon transfer of the Shares in accordance with this Paragraph 3, the rights of the Selling Shareholder set forth in Paragraphs 5 through 14 and Paragraphs 16 and 17 below shall not inure to the benefit of the Prospective Purchaser. Failure or refusal, however, to sign this Agreement shall not relieve such Prospective Purchaser from any obligations under this Agreement.

(g) No offer to purchase any Shareholder's Shares pursuant to this Paragraph 3 shall be deemed to be an "Offer" unless such offer shall meet the following criteria: (i) the Prospective Purchaser is a nonprofit corporation; (ii) the offer provides that following the consummation of the sale, the Company shall have the continued and uninterrupted right and license to use the registered Blue Cross and Blue Shield trade names, trademarks and service marks in the Service Area (as defined in Paragraph 25(h)(xvii) below) other than as a result of an assignment of such right or license to the Prospective Purchaser by either Shareholder or the Company; (iii) a condition precedent to the consummation of the sale is that all necessary governmental and third party approvals and consents shall have been obtained; and (iv) the offer is to purchase all but not less than all of the Selling Shareholder's Shares for a fixed cash price.

4. Legal Proceedings.

(a) The interests of the Company and the Shareholders would be seriously affected by any transfer of the Shares by any legal or equitable proceedings against a Shareholder. Accordingly, in the event of a Proceeding (as defined in Paragraph 4(d) below)

with respect to any Shareholder, the Company and the Shareholder not subject to the Proceeding (the "**Non-Affected Shareholder**") shall have the option to purchase all, but not less than all, of the Shares (owned of record or beneficially) of the Shareholder subject to the Proceeding (the "**Affected Shareholder**") in accordance with the provisions of this Paragraph 4. The Affected Shareholder shall give written notice of the existence of such Proceeding to the Company and the Non-Affected Shareholder promptly upon obtaining knowledge thereof (which notice shall describe in reasonable detail the nature and merits of the Proceeding) (the "**Proceeding Notice**").

(b) For a period of 75 calendar days after the receipt of the Proceeding Notice, the Company and the Non-Affected Shareholder shall each have an option to elect to purchase all or a portion of the Shares (owned of record or beneficially) of the Affected Shareholder at a purchase price equal to the Agreed Value per Share (as defined in Paragraph 25(h)(ii) below). The Company and the Non-Affected Shareholder may, separately or together, exercise their options at any time during the foregoing 75-calendar day period by delivering written notice of such exercise to the Affected Shareholder and the other, as applicable. If the options exercised by the Company and the Non-Affected Shareholder do not represent the purchase of all of the Shares (owned of record or beneficially) of the Affected Shareholder, then the options exercised by the Company and the Non-Affected Shareholder shall become null and void if within 10 calendar days of the date the Affected Shareholder delivers written notice to the Company and the Non-Affected Shareholder that less than all of its Shares have been purchased pursuant to the foregoing options, neither the Company nor the Non-Affected Shareholder delivers notice to the Affected Shareholder that it, individually or together with the other, will purchase the remaining balance of Shares (owned of record or beneficially) of the Affected Shareholder. If the Company and the Non-Affected Shareholder shall both deliver notices exercising the option to purchase the Shares (owned of record or beneficially) of the Affected Shareholder and the aggregate number of Shares covered by such notices exceeds the aggregate number of the Shares (owned of record or beneficially) of the Affected Shareholder, then the Non-Affected Shareholder shall have the first right to purchase such Shares.

(c) The Affected Shareholder agrees to cooperate in good faith and take all steps necessary or desirable to cause the transfer in accordance with this Paragraph 4 as promptly as practicable, including, without limitation, causing the Company's board of directors to approve, if necessary, the Company's purchase of the Shares pursuant to this Paragraph 4. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(d) For purposes of this Paragraph 4, a "**Proceeding**" shall mean, in the case of either Shareholder, (i) the Shareholder agreeing to make or making an assignment of all or substantially all of its assets for the benefit of its creditors, (ii) the commencement of any bankruptcy, insolvency, reorganization, arrangement, debt adjustment, arrangement, liquidation, dissolution or receivership proceedings (whether under state or federal law) by or against the Shareholder and, if such suit is instituted against such Shareholder, such Shareholder shall consent thereto or admit in writing the material allegations of the petitions filed in said proceedings or said proceedings shall remain undismissed and unstayed for a period of 90 calendar days following commencement, (iii) there is an entry of a decree or order for relief by a

court of competent jurisdiction in an involuntary case against the Shareholder under the federal or any state bankruptcy, insolvency, arrangement, liquidation or dissolution laws and such Shareholder shall consent to the entry of such decree or order or admit in writing the material allegations in the petition therefor or said proceedings shall remain undismissed and unstayed for a period of 90 calendar days following entry, or the Shareholder commences a voluntary case under such laws, (iv) there is an entry of a decree or order for relief against the Shareholder by an insurance regulatory authority or agency under its receivership authority pursuant to any applicable laws and such Shareholder shall consent to the entry of such decree or order or admit in writing the material allegations therein, or said proceedings shall remain undismissed and unstayed for a period of 90 calendar days following entry or the Shareholder requests entry of any such decree or order, (v) any judgment is obtained in any legal or equitable proceeding against the Shareholder and the sale of any of its Shares is threatened under legal process as a result of such judgment and such judgment shall have become final and non-appealable, (vi) any execution process is issued against any of the Shareholder's Shares and such process shall not have been dismissed or stayed, or (vii) there is instituted by or against the Shareholder any other form of legal proceeding or process by which the transfer of any of the Shares of such Shareholder becomes reasonably like to occur and, in the case of a proceeding or process against the Shareholder, such proceeding or process shall remain uncontested, undismissed or unstayed for a period of 90 calendar days.

5. Affirmative Covenants. BCNEPA, Highmark and the Company each covenant and agree that they shall each comply with the following affirmative covenants:

(a) The Company shall cause to exist, and shall maintain in effect, by-law provisions which provide that (i) the Company's board of directors shall consist of six persons, four of whom shall be nominated by BCNEPA (which four nominees shall include the enrollee directors required by the Company's by-laws) (the "**BCNEPA Directors**") and two of whom shall be nominated by Highmark (the "**Highmark Directors**"), and (ii) the chairperson of the Company's board of directors shall be an individual nominated by BCNEPA.

(b) In any election of the Company's board of directors which is held following the date of this Agreement but prior to the Flip Date (as defined in Paragraph 8(c) below), whether at a meeting or by written consent, BCNEPA and Highmark shall vote their Shares in such a manner as to cause four of the Company's total directorships to be filled by BCNEPA Directors, and the remaining two of the Company's directorships to be filled by Highmark Directors. In any action to remove a BCNEPA Director from the Company's board of directors prior to the Flip Date, Highmark shall vote its Shares in the manner directed by BCNEPA, or absent any such direction, in the same manner as BCNEPA shall vote its Shares. In any action to remove a Highmark Director from the Company's board of directors prior to the Flip Date, BCNEPA shall vote its Shares in the manner directed by Highmark, or absent any such direction, in the same manner as Highmark shall vote its Shares. Upon request, each Shareholder shall deliver to the other Shareholder a proxy authorizing the Shareholder receiving the proxy to vote, in any matter involving the election or removal of the Company's directors, the Shares owned by the Shareholder giving the proxy in a manner consistent with this Paragraph 5(b).

(c) Without limiting the generality of the matters requiring approval of the Company's board of directors as a matter of law, the parties expressly agree that the Company shall not take, and the Company agrees not to take, any of the following actions without Board Approval (as defined in Paragraph 25(h)(iv) below) (each a "**Major Decision**"): (i) acquire the capital stock or interests of a Person (other than the Company in accordance with the terms of this Agreement), acquire all or substantially all of the assets of any Person, or merge or consolidate with or into any Person; (ii) reorganize, recapitalize, dissolve or liquidate; (iii) sell, lease, assign or otherwise dispose of all or a substantial portion of the Company's assets in any transaction or series of transactions; (iv) amend the Company's Articles of Incorporation or by-laws, this Agreement, the Administrative Services Agreement dated April 29, 2005 between the Company and BCNEPA (the "**Company ASA**"), the Administrative Services Agreement dated April 29, 2005 between the Company and First Priority Life (the "**Inter-Company ASA**") or the Administrative Services Agreement dated April 29, 2005 between First Priority Life and BCNEPA (the "**FPLIC ASA**"); (v) approve or amend the Company's annual budget or business plan; (vi) approve or amend the Company's insurance underwriting or pricing policies; (vii) approve any unbudgeted capital or other expenditures of the Company in excess of \$500,000 individually, or in excess of five percent of the Company's annual operating budget in the aggregate; (viii) expand the geographic markets in which the Company operates outside of the Service Area; or (ix) market, sell or service any Medicare (as defined in Paragraph 23(a)(F) below) product or products.

(d) Highmark shall have the right, immediately following the Determination Date (as defined in Paragraph 16 below) on which the Shareholders receive an RBC Determination Notice (as defined in Paragraph 16 below) showing that the Combined RBC (as defined in Paragraph 25(h)(vii) below) has remained below the RBC Control Level (as defined in Paragraph 25(h)(xv) below) for two consecutive calendar quarters (after giving effect to the BCNEPA Capital Infusion (as defined in Paragraph 8(a) below) and any Specified Other Shareholder Capital Infusion (as defined in Paragraph 25(h)(xviii) below)), to require the immediate removal of the officer of the Company having responsibility for the overall financial and operational performance of the Company, and the selection of any successor to such officer shall become a "Major Decision" within the meaning of Paragraph 5(c) above.

(e) The Company shall cause to exist, and shall maintain in effect, by-law provisions that provide that unless the Combined RBC equals or exceeds 700% (as such percentage may be adjusted from time to time in accordance with Paragraph 10 below, the "**Distribution Threshold**") for six consecutive calendar quarters, the Company shall not repay the capital contributions of any Shareholder or redeem or repay any evidence of indebtedness (or interest thereon) held by any Shareholder. Such by-law provisions shall also provide that no repayment of capital contributions or redemption or repayment on any evidence of indebtedness (or interest thereon) held by any Shareholder may be made at any time by the Company, if the Combined RBC immediately after giving effect to such repayment or redemption shall be less than 650% (as such percentage may be adjusted from time to time in accordance with Paragraph 10 below, the "**Distribution Floor**"). Anything in this Agreement to the contrary notwithstanding, the foregoing shall not, in and of itself, prohibit or otherwise limit the Company from (i) making any payments to BCNEPA required by Section 6.3 of the FPH Purchase

Agreement (as defined in Paragraph 25(a) below), (ii) repaying the capital contributions of a Shareholder or redeeming or repaying any evidence of indebtedness (or interest thereon) held by the Shareholders as set forth in Paragraph 10(e) below (to the extent otherwise permitted by applicable law), or (iii) paying reasonable compensation (including, without limitation, any accounts or other trade payables) to BCNEPA or Highmark for services rendered.

6. Dispute Resolution.

(a) In the event of any dispute or other controversy between BCNEPA and Highmark related to or arising out of a Major Decision (a "**Controversy**"), BCNEPA and Highmark agree, anything in this Agreement to the contrary notwithstanding, to settle and resolve such dispute exclusively in accordance with the terms and subject to the conditions of this Paragraph 6. The Shareholders and the Company agree to maintain the privacy and confidentiality of the process and results of any Controversy resolved in accordance with this Paragraph 6.

(b) In the event of a Controversy which remains unresolved for a period of 30 calendar days, each of BCNEPA and Highmark shall submit such Controversy for resolution to their respective chief executive officers (or their equivalents) (the "**CEOs**"). The CEOs shall, for a period of 30 calendar days following submission of the Controversy, use their diligent and good faith efforts to resolve such Controversy by the exchange of relevant information and negotiation.

(c) If the Controversy is not resolved by the CEO's within 30-calendar days following the submission of the Controversy referred to in Paragraph 6(b) above, then such Controversy shall be referred by either BCNEPA or Highmark, by written notice delivered to the other party, to an ad hoc committee consisting of (i) three members of BCNEPA's board of directors, one of whom must be the CEO of BCNEPA, and (ii) three members of Highmark's board of directors, one of whom must be the CEO of Highmark. The ad hoc committee shall, for a period of 30 calendar days following the submission of such Controversy, use its diligent and good faith efforts to resolve such Controversy by the exchange of relevant information and negotiation.

(d) If the Controversy is not resolved within the 30-calendar day period referred to in Paragraph 6(c) above, BCNEPA and Highmark agree to participate in non-binding mediation to resolve such Controversy. Such non-binding mediation shall be commenced by either party following the expiration of the 30-calendar day period referred to in Paragraph 6(c) above by the delivery of written notice to the other party and the submission of a Complaint to the Association's Corporate Secretary. Such mediation shall be conducted in accordance with the Association's Mediation and Mandatory Dispute Resolution Rules then in effect (or any successor rules thereto). To the extent not inconsistent with the Mediation and Mandatory Dispute Resolution Rules, the following rules and procedures shall govern the mediation pursuant to this subsection. The mediation shall be conducted in Philadelphia, Pennsylvania before one (1) mediator selected by BCNEPA and Highmark, or, absent their mutual agreement, the mediator shall be designated by the Association. Any mediator selected for purposes of this Paragraph 6(d) shall be an individual who has at least five years of experience in matters

involving health insurance companies and resolving disputes between insurers. The mediator shall hold hearing(s) on the Controversy within 30 calendar days of his or her selection. BCNEPA and Highmark shall each bear (i) its own expenses incurred in the mediation; (ii) one-half of (A) the costs and expenses of the mediator, and (B) all other fees and expenses of the mediation.

(e) If the Controversy is not resolved within 60 calendar days of the date the Complaint is submitted for mediation in accordance with Paragraph 6(d) above, BCNEPA and Highmark each agree that such Controversy shall be finally resolved by binding arbitration administered in accordance with the Association's Mediation and Mandatory Dispute Resolution Rules then in effect (or any successor rules thereto). To the extent not inconsistent with the Mediation and Mandatory Dispute Resolution Rules, the following rules and procedures shall govern any binding arbitration pursuant to this subsection. The arbitration shall be conducted before a panel of three arbitrators from a list provided by the Association selected as follows: each of BCNEPA and Highmark shall designate one individual as an arbitrator, and the third arbitrator shall be selected by the two arbitrators so designated (or, absent their mutual agreement, shall be designated by the Association). Any arbitrator selected for purposes of this Paragraph 6(e) shall be an individual who has at least five years of experience in matters involving health insurance companies and resolving disputes between insurers. The arbitrators shall hold hearing(s) on the Controversy within 30 calendar days of the arbitrators' selection. All hearing(s) shall be held in Philadelphia, Pennsylvania. Reasonable discovery, including depositions, shall be permitted. Discovery issues shall be decided by the arbitrators. Post-hearing briefs shall be permitted. The arbitrators shall render a written decision within 10 calendar days after the conclusion of the hearing(s), which decision shall include findings of fact and reasoned conclusions of law. The decision shall be made by the majority vote of the arbitrators. The parties agree that the arbitrators shall have no power to award, and no party to the arbitration shall be permitted to recover, punitive, special, indirect, consequential or exemplary damages. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction over the parties. BCNEPA and Highmark shall each bear (i) the costs and expenses of the arbitrator selected by it and its own expenses incurred in the arbitration (such as attorneys' and witness fees, and travel expenses), and (ii) one-half of (A) the costs and expenses of the third arbitrator, and (B) all other fees and expenses of the arbitration.

(f) During any Controversy, the Shareholders shall continue to fulfill their respective obligations under this Agreement, unless the subject matter of the Controversy is of such a nature that this is by no means possible until the Controversy has been fully resolved.

7. Rate Action Capital Infusion.

(a) The Shareholders acknowledge that, prior to the date of this Agreement, the Company has made certain decisions with respect to the pricing of its products and services for the period January 1, 2005 through December 31, 2005, including decisions to forego certain rate increases that the Company otherwise might have sought by reducing certain retention components included in its pricing decisions, such as contributions to reserves, taxes and/or risk charges. The Shareholders further acknowledge that, from and after the date of this Agreement, the Company, upon the request of BCNEPA (which request shall be in writing and must make

specific reference to this Paragraph 7), may make similar decisions for future periods. The Shareholders further acknowledge and agree that actions of the type referred to in this Paragraph (each, a "**Rate Action**") will result in the Company receiving less revenues than it otherwise would have received for the period during which the Rate Action is in effect, and that the appropriate measure of the effect of any Rate Action for any period is the amount of the premium revenues foregone by the Company during such period as a result of the Rate Action (the "**Rate Action Amount**"). The application of the foregoing sentence is described in Schedule 7(a). The foregoing notwithstanding, the Company may, in its sole discretion and at any time, cease a Rate Action that has previously been taken in accordance with this Paragraph 7. The Rate Action Amount will be calculated by the Company on an account-by-account basis for each applicable calendar quarter and on a cumulative basis for each applicable calendar year. The Company shall deliver quarterly reports to the Shareholders setting forth its calculations as aforesaid for each applicable calendar quarter (the "**Quarterly Reports**") not later than the 30th day following the end of each such calendar quarter, and a final annual report for each applicable calendar year not later than the 30th day following the end of each such year.

(b) In order to compensate the Company for the effect of any Rate Action, BCNEPA shall pay to the Company an amount equal to the Rate Action Amount for each calendar year during which the Rate Action is in effect. The Rate Action Amount shall be paid by BCNEPA within 10 calendar days following the date each Quarterly Report is delivered to the Shareholders, except that with respect to the calendar quarter ending December 31st, BCNEPA may make an estimated payment of the Rate Action Amount for such calendar quarter on or before December 31st. Any shortfall between the estimated payment made by BCNEPA and the actual amount due to the Company shall be paid by BCNEPA within 10 calendar days of the date the Quarterly Report reflecting such shortfall is delivered to the Shareholders. Any overpayment made by BCNEPA shall, at BCNEPA's election **and anything in this Agreement to the contrary notwithstanding**, either be repaid by the Company within 10 calendar days of the date the Quarterly Report reflecting such overpayment is delivered to the Shareholders, or applied against any future payments of Rate Action Amounts due to the Company.

8. BCNEPA Capital Infusion.

(a) Within 15 Business Days (as defined in Paragraph 25(h)(v) below) following the first Determination Date on which the Shareholders receive an RBC Determination Notice showing that the Combined RBC is below the RBC Control Level (after giving effect to any Specified Other Shareholder Capital Infusion) (or, if governmental or third party consents or approvals are necessary, then within 15 Business Days following the receipt of all such consents and approvals), BCNEPA shall make a contribution (the "**BCNEPA Capital Infusion**") to the capital of the Company and/or First Priority Life in an aggregate amount equal to at least \$10 million but not more than \$15 million (with the exact amount of such contribution being determined by BCNEPA in its sole discretion). Such contribution shall be made by BCNEPA by wire transfer of immediately available funds or, if mutually agreed to by BCNEPA and Highmark, in marketable securities, in the following order of priority: first, to bring the RBC (as defined in Paragraph 25(h)(xiv) below) of the Company and First Priority Life above any minimum required level established by any applicable law or governmental regulation, or the order of any governmental authority or agency, in order for the Company and First Priority Life

to maintain their respective licenses to operate; second, to bring the RBC of the Company and First Priority Life above the "early warning" level established by the Association; third, in such proportion as shall be mutually agreed to by the Shareholders; and fourth, in the absence of the need to satisfy any legal, regulatory or Association requirements and the mutual agreement of the Shareholders, to the Company; provided that, in any event, the BCNEPA Capital Infusion shall be made by BCNEPA in such a manner as to avoid any dilution of Highmark's equity ownership percentages in the Company or First Priority Life.

(b) For a period of 60 calendar days following the Determination Date on which the Shareholders receive an RBC Determination Notice showing that the Combined RBC has remained below the RBC Control Level for four consecutive calendar quarters (after giving effect to the BCNEPA Capital Infusion and any Specified Other Shareholder Capital Infusion), Highmark shall have the option to elect either:

(i) to purchase (the "**Call Option**") from the Company and/or BCNEPA, as determined in the sole but reasonable discretion of BCNEPA, such number of Shares as shall be necessary to cause Highmark to own up to 60% of the issued and outstanding Shares at a purchase price equal to the Agreed Value per Share. Highmark may exercise the Call Option at any time before the expiration of the 60-calendar day period by delivering to the Company and BCNEPA written notice of such exercise. Such written notice shall include the proposed number of Shares to be purchased by Highmark. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(ii) to sell (the "**Put Option**") to BCNEPA and/or the Company all of Highmark's Shares at a purchase price equal to the *product of* (A) the Agreed Value per Share, *multiplied by* (B) 1.20. Highmark may exercise the Put Option at any time before the expiration of the 60-calendar day period by delivering to BCNEPA and the Company written notice of such exercise; provided that BCNEPA and the Company shall, in their sole discretion, determine the number of Shares to be purchased by each; provided, further, that, in the aggregate, they shall purchase all of Highmark's Shares. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(c) If Highmark exercises the Call Option, then from and after the date Highmark consummates the transaction contemplated by the Call Option (the "**Flip Date**"), Paragraph 5(a) above shall automatically be amended to provide that (i) Highmark shall have the right to nominate four individuals to serve as directors of the Company (which four nominees shall include the enrollee directors required by the Company's by-laws), (ii) BCNEPA shall have the right to nominate two individuals to serve as directors of the Company, and (iii) the chairperson of the Company's board of directors shall be a person designated by Highmark. In any election of the Company's board of directors that is held following the Flip Date (whether at a meeting or by written consent), the Shareholders shall vote their Shares in such a manner as to cause four of the Company's total directorships to be filled by Highmark Directors, and the remaining two of the Company's directorships to be filled by BCNEPA Directors. Further, immediately following the Flip Date, Highmark may in its discretion call for a meeting (or circulate a written consent) of the Shareholders to effect the provisions of this Paragraph 8(c). In any action to remove a BCNEPA Director from the Company's board of directors following the

Flip Date, Highmark shall vote its Shares in the manner directed by BCNEPA, or absent any such direction, in the same manner as BCNEPA shall vote its Shares. In any action to remove a Highmark Director from the Company's board of directors following the Flip Date, BCNEPA shall vote its Shares in the manner directed by Highmark, or absent any such direction, in the same manner as Highmark shall vote its Shares. Upon request, each Shareholder shall deliver to the other Shareholder a proxy authorizing the Shareholder receiving the proxy to vote, in any matter involving the election or removal of the Company's directors, the Shares held by the Shareholder giving the proxy in a manner consistent with this Paragraph 8(c). In addition, from and after the Flip Date, the terms of Paragraph 5(c)(v) through 5(c)(viii) above, and the terms of Paragraphs 7, 9 and 10 of this Agreement, shall become null and void and of no further force or effect; provided that Paragraph 7 shall remain in full force and effect with respect to each customer contract in effect on the Flip Date until the expiration date of each such contract, respectively; provided, further, that if the Company ASA or the FPLIC ASA is terminated for any reason by the Company or First Priority Life, as applicable, following the Flip Date or is not renewed for any reason by the Company or First Priority Life, as applicable, following the Flip Date, then from and after the effective date of such termination or non-renewal of the Company ASA or the FPLIC ASA, the terms of Paragraphs 5(c)(v) through 5(c)(viii) above shall become fully effective and the actions set forth therein shall once again be a "Major Decision" within the meaning of Paragraph 5(c) above.

(d) On the Flip Date, Highmark shall assume, and indemnify, hold harmless and relieve BCNEPA from any and all liabilities arising under or relating to any guaranty or similar obligation of BCNEPA previously entered into by BCNEPA that is related to the Company's operations, including, without limitation, any such guaranty made by BCNEPA in accordance with the requirements of the Association or PID; provided that BCNEPA shall remain obligated on any such guaranty or similar obligation to the extent (but only to the extent), Highmark had been obligated thereon prior to the Flip Date. Each of Highmark and BCNEPA shall deliver to the other party such instruments, agreements or other documents as such party shall require to evidence Highmark's assumption of or BCNEPA's continuing liability with respect to all guarantees or similar obligations as provided in this Paragraph.

(e) In the event that, following the Flip Date, the RBC Control Level shall remain below 400% for the next following eight consecutive calendar quarters (or at any time thereafter shall fall below the RBC Control Level and remain below such level for eight consecutive calendar quarters), then BCNEPA and Highmark shall discuss and explore appropriate exit strategies with respect to their investments in the Company and First Priority Life (which could include liquidation and dissolution of the Company or First Priority Life or both).

9. Business Capital Infusions.

(a) In order for the Company to take advantage of a New Business Opportunity (as defined in Paragraph 25(h)(xii) below), additional capital contributions by the Shareholders may be necessary. In the event the Company's management determines that a New Business Opportunity exists, then the Company's management shall present to the Company's board of directors a written business plan (the "**Business Plan**") setting forth, among other

things, management's estimation of the additional capital that will be necessary to take advantage of such New Business Opportunity (the "**Additional Capital Contribution**"), the dates upon which management estimates that such Additional Capital Contributions shall need to be made by the Shareholders, and the recommended method by which such Additional Capital Contributions be made by the Shareholders.

(b) If Board Approval for the Business Plan is obtained, then within 15 Business Days following the date(s) set forth in the Business Plan (or, in the event that any governmental or third party consents or approvals are necessary, on the 15th Business Day following the receipt of all such consents and approvals) for capital contributions by the Shareholders (each, a "**Capital Call Date**"), each Shareholder shall contribute to the capital of the Company an amount equal to its proportionate share of the amount of the Additional Capital Contribution (determined by each Shareholder's equity ownership percentage in the Company) required to be made on such Capital Call Date. The Additional Capital Contribution shall be made by the Shareholders in the manner, at the time or times and in such proportion (as between permanent capital and the purchase of surplus notes) as shall be set forth in the Business Plan as approved by the Company's board of directors.

10. Modification of RBC Control Level.

(a) As of the date of this Agreement, (i) the minimum RBC requirement for the business operations of the Company established by the Pennsylvania Insurance Department ("**PID**") is 200% (the "**PID RBC**"), and (ii) the "early warning" RBC level established by the Association is 375% (the "**Association RBC**").

(b) If the PID RBC or the Association RBC should be increased above the higher of the PID RBC or Association RBC (each, an "**RBC Increase**", and the percentage point increase of each such increase, the "**RBC Increase Amount**"), then from and after the effective date of the RBC Increase, and without any further action on the part of the Company or any Shareholder, (i) the RBC Control Level shall be increased, on a percentage point for percentage point basis, by the RBC Increase Amount, (ii) the Distribution Threshold shall be increased, on a percentage point for percentage point basis, by the RBC Increase Amount, and (iii) the Distribution Floor shall be increased, on a percentage point for percentage point basis, by the RBC Increase Amount. For illustration purposes only, if the RBC Increase Amount is a 25 percentage point increase, then (A) the RBC Control Level would be increased from 400% to 425%, (B) the Distribution Threshold would be increased from 700% to 725%, and (C) the Distribution Floor would be increased from 650% to 675%. Notwithstanding the foregoing, or anything to the contrary set forth in this Agreement, if the PID should limit the amount of capital which the Shareholders may contribute to the Company in response to an RBC Increase, then the RBC Control Level, the Distribution Threshold and the Distribution Floor shall be increased only by such amount, if any, as to which the PID has approved the Shareholders' contribution to the capital of the Company and which the Shareholders have actually contributed to the capital of the Company.

(c) If the higher of the PID RBC or the Association RBC should be decreased, but not below the lower of the PID RBC or Association RBC (each, an "**RBC Decrease**", and

the percentage point decrease of each such decrease, the "**RBC Decrease Amount**"), then from and after the effective date of the RBC Decrease, and without any further action on the part of the Company or any Shareholder, (i) the RBC Control Level shall be decreased, on a percentage point for percentage point basis, by the RBC Decrease Amount, (ii) the Distribution Threshold shall be decreased, on a percentage point for percentage point basis, by the RBC Decrease Amount, and (iii) the Distribution Floor shall be decreased, on a percentage point for percentage point basis, by the RBC Decrease Amount. For illustration purposes only, if the RBC Decrease is a 25 percentage point decrease, then (A) the RBC Control Level would be decreased from 400% to 375%, (B) the Distribution Threshold would be decreased from 700% to 675%, and (C) the Distribution Floor would be decreased from 650% to 625%. Notwithstanding the foregoing, or anything to the contrary set forth in this Agreement, if the PID should limit the amount of capital which may be distributed to the Shareholders in response to an RBC Decrease, then the RBC Control Level, the Distribution Threshold and the Distribution Floor shall be decreased by such amount, if any, as to which the PID has approved for distribution to the Shareholders and which the Company actually has distributed to the Shareholders, whether by repayment of capital contributions or redemption or repayment of any evidence of indebtedness in the form of surplus notes then held by the Shareholders, or otherwise.

(d) If at the effective time of an RBC Increase the Company's RBC level is greater than the Distribution Floor, after giving effect to the RBC Increase, then the Shareholders agree to discuss whether (i) an increase in the RBC Control Level is warranted by the RBC Increase, and (ii) any additional contribution(s) to the capital of the Company is warranted by the RBC Increase, it being understood, however, that the Shareholders shall not be obligated to agree to any such increase or contribution(s). If at the effective time of an RBC Increase the Company's RBC level is less than or equal to the Distribution Floor, after giving effect to the RBC Increase, then each Shareholder shall contribute to the capital of the Company its proportionate share of the amount of the RBC Increase Amount (determined by each Shareholder's equity ownership percentage in the Company at the time such contribution is made) or such other amount as to which the PID has approved the Shareholders to contribute. All such capital contributions shall be made within 15 Business Days following the receipt of all necessary governmental or third party consents or approvals, and shall be made in such a manner (*i.e.*, in permanent capital and/or the purchase of surplus notes or some combination thereof) as shall be agreed to by the Shareholders, and absent their mutual agreement, in cash; provided that in each case, as between the Shareholders, the capital contributions shall be made in the same proportion of cash and the purchase of surplus notes.

(e) Anything in this Agreement to the contrary notwithstanding, no RBC Decrease shall, in and of itself, permit any Shareholder to have the Company repay its capital contributions or repay or redeem any evidence of indebtedness (or interest thereon) held by such Shareholder. If the Combined RBC at the time of an RBC Decrease is above the Distribution Floor (after giving effect to the RBC Decrease), then the Shareholders agree to use commercially reasonable efforts to seek the approval of the PID for a repayment of the Shareholders' capital contributions to the Company and First Priority Life, or the repayment or redemption of any evidence of indebtedness (or interest thereon) of the Company and First Priority Life in the form of surplus notes then held by the Shareholders, in each case, in such an amount as shall be equal

to the lesser of the RBC Decrease Amount or the difference between the Combined RBC at the time of the RBC Decrease and the Distribution Floor (after giving effect to the RBC Decrease). If the PID approves any such repayment or redemption, then the Company shall, subject to the limitations set forth in Paragraph 5(e) above, repay or redeem the amount approved by the PID in accordance with the Shareholders' percentage equity interest in the Company at the time the RBC Decrease became effective.

11. Change of Control. In the event of a Change of Control (as defined in Paragraph 25(h)(vi) below) of either Shareholder (the "**Affected Party**"), the Shareholder which is not subject to the Change of Control (the "**Non-Affected Party**") shall have the right and option, for a period of 180 calendar days following the date on which written notice of the Change of Control is received by the Non-Affected Party, to do either of the following:

(a) to purchase and/or to cause the Company to purchase (the "**CoC Call Option**") all of the Shares owned (of record or beneficially) by the Affected Party at a purchase price equal to the *product of* (i) the Agreed Value per Share, *multiplied by* (ii) 0.75; provided, however, that if the Affected Party is BCNEPA, then the purchase price shall equal the Agreed Value per Share. The Non-Affected Party may exercise the CoC Call Option at any time before the expiration of the 180-calendar day period by delivering to the Affected Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(b) to sell (the "**CoC Put Option**") to the Affected Party all of the Non-Affected Party's Shares at a purchase price equal to the *product of* (i) the Agreed Value per Share, *multiplied by* (ii) 1.25; provided, however, that if the Affected Party is BCNEPA, then the purchase price shall equal the Agreed Value per Share. The Non-Affected Party may exercise the CoC Put Option at any time before the expiration of the 180-calendar day period by delivering to the Affected Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

12. **[Intentionally Omitted].**

13. Termination or Non-Renewal of the Joint Operating Agreement.

(a) In the event that certain Joint Operating Agreement dated April 29, 2005 between BCNEPA and Highmark, as amended, modified and supplemented from time to time (the "**JOA**"), is terminated by either BCNEPA or Highmark in accordance with the terms of Section III.I.2.a. of the JOA, then the party terminating the JOA (the "**JOA Terminating Party**") shall have the right and option, for a period of 90 calendar days following the date upon which the JOA is terminated, to elect either:

(i) to purchase (the "**JOA Termination Call Option**") all of the Shares owned (of record or beneficially) by the other Shareholder (the "**JOA Non-Terminating Party**") at a purchase price equal to the *product of* (A) the Agreed Value per Share, *multiplied by* (B) 0.75. The JOA Terminating Party may exercise the JOA Termination Call Option at any time before the expiration of the 90-calendar day period by delivering to the JOA Non-

Terminating Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(ii) to sell (the "**JOA Termination Put Option**") to the JOA Non-Terminating Party all of the JOA Terminating Party's Shares at a purchase price equal to the *product of* (A) the Agreed Value per Share, *multiplied by* (B) 1.25. The JOA Terminating Party may exercise the Termination Put Option at any time before the expiration of the 90-calendar day period by delivering to the JOA Non-Terminating Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

If the JOA Terminating Party fails or does not elect to exercise the JOA Termination Call Option or the JOA Termination Put Option within the 90 calendar day period set forth above, then the JOA Non-Terminating Party shall have the right and option, for a period of 90 calendar days following the expiration of the JOA Terminating Party's 90-calendar day period set forth above, to elect either: (A) to purchase all of the Shares owned (of record or beneficially) by the JOA Terminating Party at a purchase price equal to the Agreed Value per Share, or (b) to sell to the JOA Terminating Party all of the JOA Non-Terminating Party's Shares at a purchase price equal to the Agreed Value per Share. The JOA Non-Terminating Party may exercise the foregoing options at any time before the expiration of its 90-calendar day period by delivering written notice of such exercise to the JOA Terminating Party. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(b) In the event either BCNEPA or Highmark delivers to the other notice of non-renewal of the JOA in accordance with Section III.I.1. of the JOA, then the party receiving the notice of non-renewal (the "**JOA Receiving Party**") shall have the right and option, for a period of 90 calendar days following the date upon which the JOA terminates, to elect either:

(i) to purchase (the "**JOA Non-Renewal Call Option**") all of the Shares owned (of record or beneficially) by the other Shareholder (the "**JOA Delivering Party**") at a purchase price equal to the Agreed Value per Share. The JOA Receiving Party may exercise the JOA Non-Renewal Call Option at any time before the expiration of the 90-calendar day period by delivering to the JOA Delivering Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(ii) to sell (the "**JOA Non-Renewal Put Option**") to the JOA Delivering Party all of the JOA Receiving Party's Shares at a purchase price equal to the Agreed Value per Share. The JOA Receiving Party may exercise the JOA Non-Renewal Put Option at any time before the expiration of the 90-calendar day period by delivering to the JOA Delivering Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

If the JOA Receiving Party fails or does not elect to exercise the JOA Non-Renewal Call Option or the JOA Non-Renewal Put Option within the 90 calendar day period set forth above, then the JOA Delivering Party shall have the right and option, for a period of 90-calendar days following the expiration of the JOA Receiving Party's 90-calendar day period set forth above, to elect

either: (A) to purchase all of the Shares owned (of record or beneficially) by the JOA Receiving Party at a purchase price equal to the Agreed Value per Share, or (b) to sell to the JOA Receiving Party all of the JOA Delivering Party's Shares at a purchase price equal to the Agreed Value per Share. The JOA Delivering Party may exercise the foregoing options at any time before the expiration of its 90-calendar day period by delivering written notice of such exercise to the JOA Receiving Party. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

4 Termination or Non-Renewal of the Administrative Services Agreement.

(a) In the event that certain Administrative Services Agreement dated April 29, 2005 between BCNEPA and Highmark, as amended, modified and supplemented from time to time (the "**Highmark ASA**"), is terminated by either BCNEPA or Highmark in accordance with the terms of Section II.B. or II.C. of the Highmark ASA, then the party terminating the Highmark ASA (the "**ASA Terminating Party**") shall have the right and option, for a period of 90 calendar days following the date upon which the Highmark ASA is terminated, to elect either:

(i) to purchase (the "**ASA Termination Call Option**") all of the Shares owned (of record or beneficially) by the other Shareholder (the "**ASA Non-Terminating Party**") at a purchase price equal to the *product of* (A) the Agreed Value per Share, *multiplied by* (B) 0.75. The ASA Terminating Party may exercise the ASA Termination Call Option at any time before the expiration of the 90-calendar day period by delivering to the ASA Non-Terminating Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(ii) to sell (the "**ASA Termination Put Option**") to the ASA Non-Terminating Party all of the ASA Terminating Party's Shares at a purchase price equal to the *product of* (A) the Agreed Value per Share, *multiplied by* (B) 1.25. The ASA Terminating Party may exercise the ASA Termination Put Option at any time before the expiration of the 90-calendar day period by delivering to the ASA Non-Terminating Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

If the ASA Terminating Party fails or does not elect to exercise the ASA Termination Call Option or the ASA Termination Put Option within the 90 calendar day period set forth above, then the ASA Non-Terminating Party shall have the right and option, for a period of 90-calendar days following the expiration of the ASA Terminating Party's 90-calendar day period set forth above, to elect either: (A) to purchase all of the Shares owned (of record or beneficially) by the ASA Terminating Party at a purchase price equal to the Agreed Value per Share, or (b) to sell to the ASA Terminating Party all of the ASA Non-Terminating Party's Shares at a purchase price equal to the Agreed Value per Share. The ASA Non-Terminating Party may exercise the foregoing options at any time before the expiration of its 90-calendar day period by delivering written notice of such exercise to the ASA Terminating Party. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(b) In the event either BCNEPA or Highmark delivers to the other notice of non-renewal of the Highmark ASA in accordance with Section II.A. of the Highmark ASA, then the party receiving the notice of non-renewal (the "**ASA Receiving Party**") shall have the right and option, for a period of 90 calendar days following the date upon which the Highmark ASA terminates, to elect either:

(i) to purchase (the "**ASA Non-Renewal Call Option**") all of the Shares owned (of record or beneficially) by the other Shareholder (the "**ASA Delivering Party**") at a purchase price equal to the Agreed Value per Share. The ASA Receiving Party may exercise the ASA Non-Renewal Call Option at any time before the expiration of the 90-calendar day period by delivering to the ASA Delivering Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(ii) to sell (the "**ASA Non-Renewal Put Option**") to the ASA Delivering Party all of the ASA Receiving Party's Shares at a purchase price equal to the Agreed Value per Share. The ASA Receiving Party may exercise the ASA Non-Renewal Put Option at any time before the expiration of the 90-calendar day period by delivering to the ASA Delivering Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

If the ASA Receiving Party fails or does not elect to exercise the ASA Non-Renewal Call Option or the ASA Non-Renewal Put Option within the 90 calendar day period set forth above, then the ASA Delivering Party shall have the right and option, for a period of 90-calendar days following the expiration of the ASA Receiving Party's 90-calendar day period set forth above, to elect to either: (A) purchase all of the Shares owned (of record or beneficially) by the ASA Receiving Party at a purchase price equal to the Agreed Value per Share, or (b) to sell to the ASA Receiving Party all of the ASA Delivering Party's Shares at a purchase price equal to the Agreed Value per Share. The ASA Delivering Party may exercise the foregoing options at any time before the expiration of its 90-calendar day period by delivering written notice of such exercise to the ASA Receiving Party. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

15. Settlement.

(a) Settlement for the purchase and sale of the Shares and/or Notes pursuant to the options or purchase and sale rights granted in Paragraphs 2(b), 4(b), 8(b), 11, 13(a), 13(b), 14(a) and 14(b) above shall be made within 60 calendar days following the date that all necessary governmental and third party approvals and consent have been obtained. Each Shareholder and the Company covenant and agree to provide all information reasonably necessary to obtain, and to reasonably cooperate in obtaining, any governmental, regulatory and third party consents and approvals necessary to consummate the purchase and sale of the Shares and/or Notes pursuant to the terms of this Agreement. The consideration to be paid for the exercise of the options or purchase and sale rights shall be paid in one lump sum, by certified check or wire transfer of immediately available funds.

(b) All settlements for the purchase and sale of Shares and/or Notes shall, unless otherwise agreed to by the purchaser(s) and seller(s), be held at the principal executive offices of the Company during normal business hours. The precise date and hour of settlement shall be fixed by the purchaser(s) (within the time limits allowed by the provisions of this Agreement) by written notice to the seller(s) given at least five calendar days in advance of the settlement date specified.

(c) At settlement, the original stock certificate or certificates representing the Shares being sold shall be delivered by the seller(s) to the purchaser(s) (and absent delivery of the originals, delivery of an Affidavit of Loss and Indemnity in form and substance acceptable to the Company), duly endorsed for transfer or with executed stock powers attached, and with any necessary documentary and transfer tax stamps affixed by the seller(s). If applicable, the original Notes also being sold or redeemed shall be delivered by the seller(s) to the purchaser(s) or the Company, as applicable (and absent delivery of the originals, delivery of an Affidavit of Loss and Indemnity in form and substance acceptable to the Company), duly endorsed for transfer, and with any necessary documentary and transfer tax stamps affixed by the seller(s). In addition, the Company, BCNEPA, Highmark, the Prospective Purchaser and any Affiliate or Related Party of a Shareholder, as applicable, shall each execute and deliver such documents, instruments and agreements, as shall be requested by any other party to evidence the purchase, sale, or redemption, as applicable, of the Shares and/or the Notes pursuant to this Agreement.

16. RBC Reporting. The Company shall, within 90 calendar days following the conclusion of each calendar quarter during the term of this Agreement (commencing with the conclusion of the first calendar quarter following the date of this Agreement), deliver to each Shareholder a written statement (each, an "**RBC Determination Notice**") setting forth its determination of the Company's RBC for the preceding calendar quarter, which statement shall set forth in reasonable detail the calculations utilized by the Company in making such determination. The date upon which the Company delivers an RBC Determination Notice to the Shareholders shall be a "**Determination Date**". The Company's RBC shall be determined in accordance with statutory accounting principles consistently applied by the Company, subject only to such exceptions as may be permitted by the PID (or any successor agency thereto). The Company shall cooperate in good faith with First Priority Life to determine the Combined RBC on a calendar quarter basis, and the Company shall deliver to the Shareholders a written determination of the Combined RBC for the preceding calendar quarter simultaneously with the delivery of each RBC Determination Notice.

17. RBC Control Level and Capital Infusion Exceptions. Anything in this Agreement to the contrary notwithstanding:

(a) The terms of Paragraphs 5(d), 8(a) and 8(b) above shall not be triggered if the Combined RBC is below the RBC Control Level for the applicable duration because of an event of Force Majeure (as defined in Paragraph 25(h)(xi) below), but only for so long as such event of Force Majeure continues and the Company continues to use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without undue delay.

(b) The Shareholders may, by mutual agreement, increase, decrease or suspend the application of the RBC Control Level, and the options or purchase and sale rights of the Shareholders set forth in this Agreement shall not be triggered because any act or actions or failure to act for which Shareholder approval was obtained results in the Combined RBC being below the RBC Control Level. Without limitation of any other provision of this Agreement, any action by the Shareholders pursuant to this Paragraph 17(b) shall be in writing and shall specifically reference this Paragraph.

18. Stock Certificates. So long as this Agreement shall be in force, all certificates representing the Shares shall bear a legend reading substantially as follows:

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND PROVISIONS OF A SHAREHOLDERS AGREEMENT DATED AS OF APRIL 29, 2005, WHICH LIMIT THE HOLDER'S RIGHT TO TRANSFER OR PLEDGE THE SHARES REPRESENTED BY THIS CERTIFICATE. A COPY OF THIS SHAREHOLDERS AGREEMENT IS ON FILE WITH THE COMPANY. BY ACCEPTANCE OF THIS CERTIFICATE, THE HOLDER HEREOF AGREES TO BE BOUND BY THE TERMS OF THE SHAREHOLDERS AGREEMENT."

19. Copy of the Agreement. A copy of this Agreement shall be maintained with the books and records of the Company and shall be open to inspection by any Shareholder, or any representative of a Shareholder, during normal business hours and upon prior written request.

20. Subsequent Shareholders to Become Bound. Without derogating the terms of Paragraph 3(f) above, any Person not an original signatory hereto who becomes the owner (whether of record or beneficially) of any Shares shall be a "Shareholder" for all purposes under this Agreement and shall be bound by all of the terms and provisions hereof. Before any Person, including, without limitation, any Person to whom transfers of Shares may be made hereunder, shall be entitled to become an owner (whether of record or beneficially) of Shares, such Person shall first execute and deliver to the Company a counterpart signature page to this Agreement, thereby becoming a "Shareholder" and becoming bound by the terms and conditions of this Agreement, as it may be amended from time to time.

21. Termination. This Agreement shall continue in full force and effect until such time as the Company and the Shareholders unanimously agree in writing that it shall terminate, or until such time as there remains only one Shareholder.

22. Confidential Information. Each Shareholder recognizes and acknowledges that by reason of such Shareholder's relationship with the Company, such Shareholder will have access to Company Confidential Information (as defined in Paragraph 25(h)(viii) below) and Shared Confidential Information (as defined in Paragraph 25(h)(x) below). Each Shareholder acknowledges that the Company Confidential Information and Shared Confidential Information

is a valuable and unique asset of the Company and/or the other Shareholder, as the case may be, and covenants that such Shareholder shall not (a) use any of the Company Confidential Information for the benefit of any Person other than the Company, (b) use any of the Shared Confidential Information for the benefit of any Person other than the Company or the Shareholder that provided the Shared Confidential Information to the Company, or (c) disclose any Company Confidential Information or Shared Confidential Information to any Person for any reason whatsoever (i) without the Company's (and, in the case of Shared Confidential Information, the other Shareholder's) prior authorization, unless such information is in the public domain through no fault of the disclosing Shareholder, (ii) except if such disclosure is in furtherance of the best interests of the Company and/or, in the case of Shared Confidential Information, the Shareholder also holding rights to such Shared Confidential Information, or (iii) except as may be required by law or an order of any court, agency or proceeding to be disclosed; provided the Shareholder shall promptly provide the Company (and, in the case of Shared Confidential Information as to which the other Shareholder also has rights, the other Shareholder) notice of any such required disclosure once such Shareholder has knowledge of it and will assist the Company and/or the other Shareholder to the extent reasonable to obtain an appropriate protective order.

23. Non-competition; Non-Solicitation. Each Shareholder covenants and agrees that for so long as it or any of its Affiliates or any Related Party of such Shareholder is a "Shareholder" of the Company, and for a period of two years following the later of the date on which such Shareholder or its Affiliates or any Related Party of such Shareholder ceases to be a "Shareholder" of the Company (the "**Cessation Date**"), such Shareholder shall not, directly or indirectly:

(a) market, sell or service, or engage in the marketing, selling or servicing of, or have any ownership interest in any Person, other than the Company or First Priority Life, that directly or indirectly markets, sells or services, any Branded Health Insurance Products in the Service Area; provided, however, that the foregoing shall not prohibit such Shareholder from owning solely as a passive investment up to five percent of any class of equity securities of a Person whose securities are publicly traded on a recognized national securities exchange; and, provided, further, that the foregoing also shall not prohibit either Shareholder or any Affiliate of such Shareholder from (A) offering and selling hospital, physician and/or ancillary health insurance products to Persons residing in the Service Area on a joint basis in conjunction with the other Shareholder or, upon becoming the sole shareholder of the Company and First Priority Life, individually or in conjunction with any other Person, and servicing the customers and dependents of customers participating in such products; (B) servicing customers (including national account customers) who participate in products purchased or otherwise acquired outside the Service Area due to the corporate headquarters of their employers being located outside the Service Area, but who reside or seek services in the Service Area, or who seek services through the Bluecard Program (or any successor program); (C) offering products to Persons residing in the Service Area and participating in the Medicaid program (or any successor program thereto that serves the indigent population) and servicing the participants or dependents of participants in any such products; (D) offering benefits under and servicing participants in and dependents of participants in federal employee health insurance programs or the Pennsylvania employee benefit

trust fund health insurance program (or successor programs thereto) or other similar federal or state governmental programs involving the delivery or servicing of health insurance-related products that may be offered from time to time to Persons residing in the Service Area; (E) offering and selling conversion products to the Company's subscribers pursuant to the Shareholder's obligations under Standard 2 of the Guidelines to Administer the Controlled Affiliate License Agreement(s) and Standards as issued and revised from time to time by the Association, and servicing Persons who subscribe to or otherwise become eligible for the provision of services under such products; (F) offering and selling products to Persons residing in the Service Area and participating in the Medicare program (or any successor program thereto that serves the over-65 and disabled populations) ("**Medicare**"), and servicing the participants in any such products. Without limiting the generality of the foregoing, but for the sake of clarity, the parties hereto hereby acknowledge and agree that none of the following shall constitute a violation of this Section 23(a): (I) Highmark's entry into, continuation or renewal of any network access arrangement with respect to its PremierBlue Shield network of contracted health care professionals (or any successor network) with AmeriHealth Administrators, Inc. (or any successor entity) ("**AmeriHealth**"), Inter-County Health Plan, Inc. (or any successor entity) and/or any Affiliate of either Shareholder to provide contracted services in the Service Area; (II) Highmark's ownership of an equity interest in Inter-County Health Plan, Inc. and/or Inter-County Hospitalization Plan, Inc., and such entities' offering, selling and servicing of Core Health Insurance Products in the Service Area; (III) the offer or sale of any Core Health Insurance Products by Highmark, BCNEPA or their Affiliates in the Service Area and the servicing of any customers of any such product or service; provided that, in each case set forth in the preceding clauses (I), (II) and (III), the Core Health Insurance Products in question are not offered, sold or serviced in the Service Area as Branded Health Insurance Products; or (IV) either party's offering or selling in the Service Area and servicing, in either case whether alone or in conjunction with any other person or entity, of any Medicare Advantage Program product and/or stand-alone Medicare Part D prescription drug benefit (or any similar or successor product or benefit under the Medicare program), and where Part D benefits are sold with respect to an account's Medicare population, a corresponding benefit to the account's non-Medicare population, regardless in any such case whether such product or benefit is offered, sold or serviced as a Branded Health Insurance Product.

(b) solicit or employ, or permit any Affiliates or Related Party of the Shareholder to solicit or employ, any Person who is employed by the Company or any other Shareholder (or was employed by the Company or any other Shareholder) within the 12 months immediately preceding the date on which such Shareholder or its Affiliate or Related Party first employs or seeks to employ such Person); provided that the following actions or events shall not, in and of themselves, be deemed to result in a violation of this Paragraph 23(b): (A) the placement by a Shareholder or an Affiliate of such Shareholder of a general advertisement of employment in a public media forum, or (B) the hiring of a Person when such hiring resulted solely from (x) a response to a general advertisement of employment placed in a public media forum or (y) an unsolicited inquiry by any Person, other than a Restricted Party (as defined in Paragraph 25(h)(xix) below), to a Shareholder or any of its Affiliates or Related Parties seeking employment.

(c) solicit, induce, encourage or attempt to influence any client or customer, consultant, independent contractor, vendor or supplier of the Company to cease to do, or reduce the amount of business done with the Company.

24. Injunctive Relief. The Shareholders acknowledge that the restrictions contained in this Agreement, including without limitation Paragraphs 22 and 23 above, are valid under Pennsylvania law, are reasonable and necessary to protect the legitimate interests of the Company and the Shareholders, and that any violation of such restrictions may result in irreparable injury to the Company and/or the Shareholders for which money damages may not provide an adequate remedy. To the extent not inconsistent with the Association's Mediation and Mandatory Dispute Resolution Rules then in effect (or any successor rules thereto), the Company and each Shareholder shall be entitled to seek equitable relief, including, without limitation, preliminary and permanent injunctive relief, in any court of competent jurisdiction and, to the extent applicable, an equitable accounting of all earnings, profits and other benefits arising from the violation of any such restrictions, which rights shall be cumulative and in addition to any other rights or remedies to which the Company and/or Shareholder seeking such relief may be entitled. If any portion of the restrictions, covenants or agreements contained in this Agreement or the application thereof is held to be invalid or unenforceable, then the other portions of such restrictions, covenants or agreements or the application thereof shall not be affected and shall be given full force and effect without regard to the invalid or unenforceable portions. If any restriction, covenant or agreement in this Agreement is held to be unenforceable because of the area covered, the duration thereof, or the scope thereof, then the court making such determination shall have the power to reduce the area and/or duration and/or limit the scope thereof, and the covenant or agreement shall then be enforceable in its reduced form. If a Shareholder violates any of the restrictions set forth in Paragraph 22 or 23 above, the restrictive period shall not run in favor of such Shareholder from the time of the commencement of such violation(s) and until such time as such violation(s) shall be cured by such Shareholder to the reasonable satisfaction of the Company and the other Shareholder(s).

25. Miscellaneous.

(a) This Agreement, a related letter agreement of even date herewith between the Shareholders and the Stock and Note Purchase Agreement dated November 24, 2003 among the Shareholders and the Company (the "**FPH Purchase Agreement**") contain the entire understanding among the parties hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, except as herein contained. Except as contemplated by Paragraphs 3(f), 8(c) and 10(c) above, this Agreement may be amended or modified only by a writing executed by the Company and all of the Shareholders.

(b) The provisions of this Agreement are independent of and several from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part. The paragraph headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation. Words used herein regardless of the number and gender specifically used shall be deemed and construed to include any other number,

singular or plural, and any other gender, masculine, feminine or neuter, as the context requires. This Agreement is the result of the joint efforts of the parties hereto; each provision has been subject to the mutual negotiation and agreement of the parties; and there shall be no construction against any party based on any presumption of that party's involvement in the drafting of this Agreement.

(c) Except as explicitly provided in this Agreement, neither the failure nor any delay on the part of any party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence.

(d) All notices, requests, demands, waivers, consents, approvals or other communications which are required by or permitted under this Agreement shall be in writing and be deemed delivered (i) upon receipt, if by hand delivery, (ii) upon transmission, if sent by facsimile with confirmation of receipt during normal business hours for the recipient or on the next Business Day if sent after normal business hours for the recipient, (iii) the next Business Day, if sent by a reputable overnight courier service such as FedEx or DHL, or (iv) on the fifth day following deposit in the United States mail, registered or certified, postage prepaid, return receipt requested addressed as follows:

If to the Company: HMO of Northeastern Pennsylvania, Inc.
19 North Main Street
Wilkes-Barre, PA 18711
Attn: Chief Executive Officer
Facsimile: (570) 200-7675

with a copy to: HMO of Northeastern Pennsylvania, Inc.
19 North Main Street
Wilkes-Barre, PA 18711
Attn: General Counsel
Facsimile: (570) 200-7675

If to BCNEPA: Hospital Service Association of Northeastern Pennsylvania
19 North Main Street
Wilkes-Barre, PA 18711
Attn: Chief Executive Officer
Facsimile: (570) 200-7675

with a copy to: Hospital Service Association of Northeastern Pennsylvania
19 North Main Street
Wilkes-Barre, PA 18711
Attn: General Counsel
Facsimile: (570) 200-7675

If to Highmark: Highmark Inc.
120 Fifth Avenue
Pittsburgh, PA 15222-3099
Attn: Chief Executive Officer
Facsimile: (412) 544-8240

with a copy to: Highmark Inc.
120 Fifth Avenue
Pittsburgh, PA 15222-3099
Attn: General Counsel
Facsimile: (412) 544-6704

Any party may change its address for receiving notice by giving notice of such new address in the manner provided herein.

(e) This Agreement and the rights and obligations of the parties hereto shall be construed, interpreted, determined and enforced in accordance with the laws of the Commonwealth of Pennsylvania without reference to the choice-of-law principles of this or any other jurisdiction to the contrary. Except for a Controversy (as defined in Paragraph 6(a) above) which shall be resolved in accordance with the provisions of Paragraph 6, any dispute or claim among the parties to this Agreement arising out of or relating to this Agreement or any alleged breach thereof, including any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void, shall be submitted to binding arbitration and finally resolved in accordance with the Association's Mediation and Mandatory Dispute Resolution Rules then in effect (or any successor rules thereto) and, to the extent not inconsistent therewith, in accordance with the rules and procedures set forth in the second and following sentences of Paragraph 6(e) above.

(f) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that no party may assign, delegate or transfer its rights or obligations under this Agreement, whether in whole or in part, without the prior written consent of the other parties hereto (which consent shall be in such party's sole discretion).

(g) This Agreement may be executed in any number of counterparts (whether facsimile or original), each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument.

(h) Capitalized terms used but not otherwise defined in this Agreement shall have the meanings set forth below:

(i) "**Affiliate**" of a Person means a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the first Person. For purposes of this definition, "**control**" (including the terms "**controlled by**" and "**under common control with**") means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the

ownership of voting securities, membership interests, by contract, as trustee or executor, or otherwise.

(ii) **"Agreed Value per Share"** means the value per Share determined by the Shareholders in good faith at the time such determination is required to be made by this Agreement, with each such determination applying only to the specific instance for which it is required to be made. If the Shareholders can not agree on such value at the time such determination is required by this Agreement to be made, which failure to agree continues for 20 Business Days, then such value shall be determined by an independent appraiser selected by the Shareholders (or absent their mutual agreement, by an independent appraiser selected by the Association). The cost of the independent appraiser shall be borne equally by the Shareholders. The determination of the independent appraiser shall, with respect to the event for which the independent appraiser is sought, be final and binding upon the Company and the Shareholders.

(iii) **"Association"** means the Blue Cross and Blue Shield Association.

(iv) **"Board Approval"** means the approval of the Company's board of directors, which approval must include all Highmark Directors and a majority of the BCNEPA Directors; provided that from and after the Flip Date, "Board Approval" shall mean the approval of a majority of the Highmark Directors and all of the BCNEPA Directors.

(v) **"Business Day"** means any day excluding Saturday, Sunday and any day which in the Commonwealth of Pennsylvania is a legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or by other governmental action to close.

(vi) **"Change of Control"** means any event, whether at one time or in a series of transactions, resulting in (A) a merger, consolidation, affiliation, member substitution (other than the substitution of individual members in the ordinary course of BCNEPA or Highmark's affairs) or division of or other transaction not otherwise described in this Paragraph 25(h)(vi) with respect to BCNEPA or Highmark with a third party other than an Affiliate of BCNEPA or Highmark, as applicable, in which, in each case, the members of BCNEPA or Highmark immediately prior to the transaction in question are, in each case, entitled to elect less than a majority of the board of directors or other governing body of the surviving entity or entities, (B) BCNEPA or Highmark transferring ownership to a third party other than an Affiliate of BCNEPA or Highmark, as applicable, of assets accounting for more than 33 ⅓% of the book value of its consolidated assets or revenues utilized in or derived from its Health Insurance Business (determined on a cumulative basis at the end of each fiscal year of BCNEPA or Highmark), (C) either BCNEPA or Highmark converting to a for-profit corporation, (D) either BCNEPA or Highmark losing (whether by termination or otherwise) its Blue Cross or Blue Shield license, and, if the party losing such license elects to appeal or challenge such loss, the determination of the loss of such license has become final and non-appealable, (E) the voluntary grant by BCNEPA or Highmark to a third party other than an Affiliate of BCNEPA or Highmark, as applicable, of the power to control (directly or indirectly) the management and operations of assets accounting for more than 33 ⅓% of the book value of the consolidated assets or revenues of BCNEPA or Highmark utilized in or derived from its Health Insurance Business

for the most recently reported fiscal year, for a term greater than 5 years, or (F) the voluntary grant by BCNEPA or Highmark to a third party other than an Affiliate of BCNEPA or Highmark, as applicable, of the power to approve or to disapprove (directly or indirectly) any action with respect to assets accounting for more than 33⅓% of the book value of the consolidated assets or revenues of BCNEPA or Highmark utilized in or derived from its Health Insurance Business for the most recently reported fiscal year, that otherwise would be taken by a majority of the members of the board of directors or other governing body of BCNEPA or Highmark. Notwithstanding the foregoing, the Parties agree that the following shall not constitute a "Change of Control": the grant of covenants in favor of commercial lenders under commercial credit facilities or other commercial debt arrangements in connection with the borrowing of monies by Highmark, BCNEPA or their respective subsidiaries or Affiliates; any agreements entered into by BCNEPA or Highmark as required by the orders, directives or requirements of the Association or any governmental or regulatory authority or body; the grant of the rights to Highmark pursuant to this Agreement, the FPLIC Shareholders Agreement or the Highmark ASA; the grant by BCNEPA of any power to control the management and operations of all or any portion of its Health Insurance Business to NaviMedix, Inc., Medmark Inc. or their successors or assigns with respect to the services currently offered by those companies, or to Highmark or any of its subsidiaries or Affiliates, or of all or any portion of the prescription drug business to any pharmacy benefits manager, or to Highmark or any of its subsidiaries or Affiliates; nor the grant by Highmark of any power to control the management and operations of all or any portion of its Health Insurance Business to NaviMedix, Inc., Medmark Inc. or their successors or assigns with respect to the services currently offered by those companies, or to BCNEPA or its subsidiaries or Affiliates, or of all or any portion of the prescription drug business to any pharmacy benefits manager, or to BCNEPA or any of its subsidiaries or Affiliates. Moreover, a "Change of Control" with respect to BCNEPA or Highmark shall not be deemed to have occurred solely as a result of a transfer of all of the membership interests of BCNEPA or Highmark to another Person if, immediately after giving effect to such transfer, the BCNEPA or Highmark members immediately prior to the effectiveness of such transfer are entitled to elect (directly or indirectly) at least a majority of the members of the boards of directors or similar governing bodies of the Person(s) to whom the transfer is made. In addition, a "Change of Control" shall not be deemed to have occurred solely as a result of (V) a transfer by BCNEPA, Highmark or their respective Affiliates of any assets utilized exclusively in the non-Health Insurance Business, (W) a transfer of the power to approve or to disapprove of any action with respect to the non-Health Insurance Business of BCNEPA, Highmark or any of their respective subsidiaries or Affiliates, (X) the transfer or assignment of all or substantially all of BCNEPA's or Highmark's right, title and interest in and to the assets used by BCNEPA or Highmark, as applicable, in its traditional indemnity business, which comprises a portion of the Health Insurance Business, to one or more current or future subsidiaries or Affiliates of such party, (Y) a transfer of the Shares in accordance with the terms of this Agreement, or (Z) the transfer or other use by BCNEPA or Highmark of its surplus capital in excess of the minimum surplus capital required to be maintained by BCNEPA or Highmark, each on an unconsolidated basis, in order to comply with the minimum capitalization requirements of the PID and to satisfy the "early warning" level established by the Association, whether in or outside the ordinary course of business and for any purpose. Each Shareholder shall promptly notify the Company

and the other Shareholder in writing upon the occurrence of any event that results in a Change of Control.

(vii) **"Combined RBC"** means the combined RBC of the Company and First Priority Life, as determined in accordance with Paragraph 16 above.

(viii) **"Company Confidential Information"** means any confidential and non-public information of the Company, including, without limitation, information and knowledge pertaining to products and services offered, inventions, innovations, designs, ideas, plans, trade secrets, proprietary information, advertising, distribution and sales methods and systems, sales and profit figures, customer and client lists, and relationships between the Company and its customers, clients, suppliers and others who have business dealings with the Company.

(ix) **"Core Health Insurance Products"** means health insurance products and services, including, without limitation, all gatekeeper and non-gatekeeper preferred provider, point of service, health maintenance organization, prescription drug benefits and services, pharmacy benefit management services, traditional indemnity and administrative service only products, but excluding (A) managed or unmanaged dental or vision products and services, (B) specialty pharmacy products and services, and (C) services as a carrier, fiscal intermediary or Medicare Administrative Contractor under the traditional Medicare fee-for-service program (or any successor program thereto that serves the over-65 and disabled populations).

(x) **"Shared Confidential Information"** means any confidential and non-public information of a Shareholder that may from time to time be provided by such Shareholder to the Company for use by the Company, in the form provided by the Shareholder.

(xi) **"Force Majeure"** means any fire, flood, earthquake, acts of God or nature, acts of war or terrorism, riots, civil disorders, rebellions, revolutions or any other similar cause beyond the reasonable control of the Company. The Company shall use reasonable efforts to notify the Shareholders in writing of any event of Force Majeure, and such notice shall describe in reasonable detail the nature of such event of Force Majeure.

(xii) **"New Business Opportunity"** means any business development opportunities that from time to time may arise from one or more of the following: (A) the introduction of new products by the Company; (B) material changes in the market for the Company's products, including, without limitation, the entry or exit of significant competitors into or from the Service Area; or (C) any opportunity to expand an existing line of the Company's business that would reasonably be likely to result in the addition of 5,000 or more subscribers for the Company's products and services.

(xiii) **"Person"** means any natural person, firm, partnership, association, corporation, company, limited liability company, trust, business trust, governmental authority or other entity.

(xiv) "**RBC**" shall have the meaning given to such term in the Pennsylvania Risk Based Capital Requirements, 40 P.S. § 221.1-A, as amended from time to time, and in any successor statute thereto.

(xv) "**RBC Control Level**" shall mean an RBC level of 400%, as adjusted by from time to time in accordance with Paragraph 10 above.

(xvi) "**Related Party**" means, for any Shareholder, another Person that directly or indirectly (through one or more intermediaries) controls or is controlled by such Shareholder. For purposes of this definition, "**control**" and "**controlled by**" means the ownership of 100% of the voting securities or membership interests or their equivalents of or in such Person.

(xvii) "**Service Area**" means the 13-county area in northeastern and northcentral Pennsylvania consisting of the following counties: Lackawanna, Luzerne, Monroe, Wayne, Pike, Sullivan, Susquehanna, Bradford, Tioga, Lycoming, Clinton, Carbon and Wyoming.

(xviii) "**Specified Other Shareholder Capital Infusion**" means any capital contributions made to the Company (A) pursuant to Paragraph 9 or 10 above, or (B) pursuant to Paragraph 7 above or as a result of the indemnification obligations set forth in Sections 6.2 or 6.4 of the FPH Purchase Agreement or the Stock Purchase Agreement dated November 24, 2003 among First Priority Life, BCNEPA and Highmark, in each case with respect to this subsection (B) to the extent such payments cannot be characterized as income for accounting purposes, in which case such Specified Other Shareholder Capital Infusions shall be made in such a manner as to avoid any dilution of Highmark's equity ownership percentages in the Company or First Priority Life.

(xix) "**Restricted Party**" means (A) all persons holding the title "Director" or higher, (B) any manager of governmental accounts, (C) any manager or account representative having responsibility for major accounts, (D) any supervisor for account support, (E) any major account support representative, (F) any supervisor account management resources, (G) any account specialist, (H) any technical support coordinator, (I) any consultant with respect to labor accounts, (J) any account executive, (K) any sales consultant, (L) any regional account support representative, (M) any regional manager for provider relations, and (M) any provider relations consultant.

(xx) "**Highmark Service Area**" means the Commonwealth of Pennsylvania.

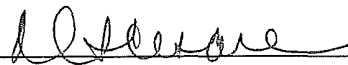
(xxi) "**Health Insurance Business**" means the business of delivering Branded Health Insurance Products in the Service Area by BCNEPA and its Affiliates, and in the Highmark Service Area by Highmark and its Affiliates.

(xxii) "**Branded Health Insurance Products**" means Core Health Insurance Products offered and/or sold utilizing the Marks.

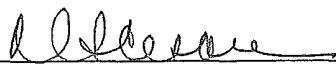
(xxiii) "**Marks**" means the Blue Cross and/or Blue Shield registered trade names, trademarks and service marks, any derivative names or marks, and any other similar type of intellectual property now or hereafter owned by the Association and which members of the Association have a right to use pursuant to a license or other right granted by the Association.

IN WITNESS WHEREOF, the parties hereto have hereunto executed and delivered this Shareholders Agreement on the date and year first above written.

HMO OF NORTHEASTERN PENNSYLVANIA,
INC.

By: 
Name: Denise S. Cesare
Title: President and CEO

HOSPITAL SERVICE ASSOCIATION OF
NORTHEASTERN PENNSYLVANIA

By: 
Name: Denise S. Cesare
Title: President and CEO

HIGHMARK INC.

By: _____
Name: Kenneth R. Melani, M.D.
Title: President and CEO

(xxiii) "**Marks**" means the Blue Cross and/or Blue Shield registered trade names, trademarks and service marks, any derivative names or marks, and any other similar type of intellectual property now or hereafter owned by the Association and which members of the Association have a right to use pursuant to a license or other right granted by the Association.

IN WITNESS WHEREOF, the parties hereto have hereunto executed and delivered this Shareholders Agreement on the date and year first above written.

HMO OF NORTHEASTERN PENNSYLVANIA,
INC.

By: _____
Name: Denise S. Cesare
Title: President and CEO

HOSPITAL SERVICE ASSOCIATION OF
NORTHEASTERN PENNSYLVANIA

By: _____
Name: Denise S. Cesare
Title: President and CEO

HIGHMARK INC.

By: Kenneth R. Melani
Name: Kenneth R. Melani, M.D.
Title: President and CEO

SCHEDULE 7(A)
RATE ACTION MATTERS

The premium revenues foregone as a result of a Rate Action for the 2005 calendar year shall be determined by calculating the difference between 1) an account's premium revenue, inclusive of the revenue of the following 2005 renewal retention charges: contribution to reserves of 3.5%, income taxes of 1.25%, and scaled risk charges up to 2.0%, and 2) an account's actual premium revenue.

Illustration of an account's monthly Rate Action Amount:

1. Restated Monthly Account Revenue (inclusive of 3.5% contribution to reserve, 1.25% tax charges, and scaled risk charges)	\$125,000
2. Actual Account Monthly Revenue	\$118,000
3. Rate Action Amount	\$7,000

Rate Actions shall be calculated in accordance with the terms of Paragraph 7(a) by accumulating the foregone revenue resulting from the Company's decision to not price certain retention components, including but not limited to contribution to reserve, tax and risk charges.

THE AMOUNTS AND PERCENTAGES USED HEREIN ARE ESTIMATES ONLY AND THE ACTUAL AMOUNTS AND PERCENTAGES WILL BE DIFFERENT FOR EACH CALENDAR YEAR FOR WHICH A RATE ACTION MAY BE TAKEN.

Divider Page

SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT (this "Agreement") is made and entered into as of this 21st day of April, 2005, by and among FIRST PRIORITY LIFE INSURANCE COMPANY, INC., a Pennsylvania corporation (the "Company"), HOSPITAL SERVICE ASSOCIATION OF NORTHEASTERN PENNSYLVANIA, a Pennsylvania nonprofit corporation ("BCNEPA"), and HIGHMARK INC., a Pennsylvania nonprofit corporation ("Highmark", and, together with BCNEPA, the "Shareholders", and each, individually, a "Shareholder").

WITNESSETH

WHEREAS, the Shareholders own all of the issued and outstanding common stock, no par value per share (the "Common Stock"), of the Company; and

WHEREAS, the Shareholders and the Company desire to make certain provisions as hereinafter set forth relating to, among other things, their respective rights to transfer, encumber or otherwise dispose of their shares of the Company's capital stock.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, conditions and agreements herein contained, the parties hereto, each intending to be legally bound hereby, agree as follows:

1. Restrictions on Transfer.

(a) So long as this Agreement is in force:

(i) no Shareholder shall, except as expressly provided in this Agreement, sell, assign, transfer, give, bequeath, devise, donate or otherwise dispose of, or pledge, deposit or otherwise encumber, in any way or manner whatsoever (collectively, a "transfer"), whether voluntary, involuntary, by operation of law or by voting for the approval of any merger or consolidation of the Company, any shares of the Company's capital stock, including, without limitation, shares of Common Stock (collectively, the "Shares"), now or hereafter owned (of record or beneficially) by such Shareholder.

(ii) the Company shall not, except as expressly provided in this Agreement, (A) issue any Shares, whether by original issue or otherwise, (B) issue any securities, instruments or rights convertible into Shares, (C) purchase or redeem any Shares, or (D) cause or permit the transfer of any Shares or certificate representing any Shares to be made on its books unless the transfer is permitted by this Agreement and has been made in accordance with its terms.

(b) Notwithstanding Paragraph 1(a)(i) above, a Shareholder may transfer all but not less than all of such Shareholder's Shares (a "Permitted Transfer") to a Related Party (as defined in Paragraph 25(h)(xvi) below) so long as the Related Party executes and delivers to the Company a counterpart signature page to this Agreement evidencing such Related Party's agreement to be bound by the terms of this Agreement; provided that no Permitted Transfer shall relieve BCNEPA, Highmark or any subsequent permitted transferee, as applicable, of any

obligations under or restrictions set forth in this Agreement. Without derogating from the foregoing proviso, in the event of a Permitted Transfer, reference to such Shareholder, including any reference to Highmark or BCNEPA, where applicable, shall be deemed to mean its Related Party.

(c) Any purported transfer of any Shares that is not in accordance with the provisions of this Agreement shall be null and void *ab initio* and shall not operate to transfer any right, title or interest to the purported transferee.

2. Exercise of Options; Notes.

(a) In the event any of the options or purchase or sale rights set forth in Paragraph 2(b), 3, 4(b), 8(b), 11, 13(a), 13(b), 14(a) or 14(b) below are exercised, then, anything in this Agreement to the contrary notwithstanding, a condition to the exercise of such options or purchase or sale rights shall be the simultaneous exercise of the same option or purchase or sale rights under that certain Shareholders Agreement of even date herewith among the Shareholders and HMO of Northeastern Pennsylvania, Inc., a Pennsylvania nonprofit corporation ("**First Priority Health**"), as amended, modified or supplemented from time to time (the "**FPH Shareholders Agreement**").

(b) In the event any of the options or purchase or sale rights set forth in Paragraph 4(b), 8(b), 11, 13(a), 13(b), 14(a) or 14(b) below are exercised, then the Shareholder purchasing shares pursuant to such option or purchase or sale right shall, simultaneously with the closing of the purchase and sale of the Shares, also purchase or sell, or cause the redemption of, all surplus notes or other debt instruments (collectively, the "**Notes**") of the Company then held by the selling Shareholder or any Affiliate (as defined in Paragraph 25(h)(i) below) of such Shareholder. In the event the right of first refusal set forth in Paragraph 3 below is exercised, then the Non-Selling Shareholder (as defined in Paragraph 3(a) below) or Prospective Purchaser (as defined in Paragraph 3(a) below), as applicable, shall also purchase (or, with respect to the Non-Selling Shareholder only, cause the redemption of) all Notes then held by the Selling Shareholder (as defined in Paragraph 3(a) below) or any Affiliate of such Shareholder. The purchase or redemption of the Notes in accordance with this Paragraph 2(b) shall be for an amount equal to the then outstanding principal and accrued interest, if any, on such Notes. Settlement of the purchase and sale or redemption of the Notes shall be conducted in accordance with Paragraph 15 below.

(c) In the event any of the options or purchase or sale rights set forth in Paragraphs 4(b), 8(b), 11, 13(a), 13(b), 14(a) or 14(b) below are exercised, then the Shareholder purchasing shares pursuant to such option or purchase or sale right shall, simultaneously with the closing of the purchase and sale of the Shares, also assume, and indemnify, hold harmless and relieve the selling Shareholder from, any and all liabilities arising under or relating to any guarantee or similar obligation of the selling Shareholder previously entered into by such selling Shareholder that is related to the Company's operations, including, without limitation, any guarantee made by the selling Shareholder in accordance with the requirements of the Association (as defined in Paragraph 25(h)(iii) below) or the PID (as defined in Paragraph 10(a) below). In the event the right of first refusal set forth in Paragraph 3 below is exercised, and a

Shareholder purchases all the other Shareholder's shares or the Prospective Purchaser purchases all such shares, the purchasing Shareholder or the Prospective Purchaser, as the case may be, shall assume, and indemnify, hold harmless and relieve the selling Shareholder from, any and all liabilities arising from or relating to any guarantee or similar obligation of such Shareholder that is related to the Company's operations, including, without limitation, any guarantee made in accordance with the requirements of the Association or the PID. The Shareholder purchasing the other Shareholder's shares or the Prospective Purchaser shall deliver to the selling Shareholder such instruments, agreements or other documents as such Shareholder shall require to evidence the purchasing Shareholder's and/or Prospective Purchaser's assumption of all guarantees or similar obligations as provided in this Paragraph; it being understood that the assumption and indemnity obligations described in this Paragraph shall survive the termination of this Agreement.

3. Right of First Refusal; Tag Along Rights.

(a) If at any time a Shareholder (hereinafter, the "**Selling Shareholder**") shall receive a bona fide written offer from an unaffiliated third party, which satisfies the conditions set forth in Paragraph 3(g) below, that such Selling Shareholder desires to accept (the "**Offer**"), then the Selling Shareholder shall transmit a copy of the Offer to the other Shareholder (the "**Non-Selling Shareholder**") within 10 calendar days after receipt of the Offer. In addition to the requirements of Paragraph 3(g) below, the Offer shall set forth the proposed price per Share, all other material terms and conditions upon which the purchase is proposed to be made, and the name and address of the prospective purchaser (the "**Prospective Purchaser**") and all other Persons (as defined in Paragraph 25(h)(xiii) below) proposed to have a beneficial interest in such Shares.

(b) Within 75 calendar days after delivery of the Offer to the Non-Selling Shareholder, the Non-Selling Shareholder shall have the right to elect (i) to permit the Selling Shareholder to sell or cause the sale of all of its Shares to the Prospective Purchaser at the price and on the terms set forth in the Offer, (ii) to demand that the Prospective Purchaser purchase all of the Non-Selling Shareholder's Shares at the same price and upon the same terms as those set forth in the Offer, or (iii) to purchase all of the Selling Shareholder's Shares at the same price and upon the same terms as those set forth in the Offer, either alone or with the Company (in which case the Selling Shareholder shall cooperate in all respects with the Non-Selling Shareholder to cause the Company to participate in the purchase of the Selling Shareholder's Shares).

(c) If the Non-Selling Shareholder makes the election under Paragraph 3(b)(i) above, or if the Non-Selling Shareholder fails to make an election within the required 75-calendar day period, then the Selling Shareholder may sell all, but not less than all, of its Shares to the Prospective Purchaser within 60 calendar days following the receipt of all necessary governmental and third party consents and approvals, at the price and upon the terms of the Offer. In the event that the Selling Shareholder does not sell all of its Shares to the Prospective Purchaser within such 60-calendar day period, the Selling Shareholder shall not thereafter sell its Shares without again first offering such Shares to the Non-Selling Shareholder in accordance with this Paragraph 3.

(d) If the Non-Selling Shareholder makes the election under Paragraph 3(b)(ii) above, the Selling Shareholder shall cause the Prospective Purchaser to purchase all of the Non-Selling Shareholder's Shares at the same price and upon the same terms as set forth in the Offer, before the Selling Shareholder may sell any of its Shares to the Prospective Purchaser. If the Prospective Purchaser will not acquire all of the Shares of the Selling Shareholder and the Non-Selling Shareholder, then the Selling Shareholder shall be prohibited from consummating the transaction contemplated by the Offer or otherwise transferring its Shares to the Prospective Purchaser.

(e) If the Non-Selling Shareholder makes the election under Paragraph 3(b)(iii) above, then the Selling Shareholder shall sell all of its Shares to the Non-Selling Shareholder, either alone or with the Company (in which case the Selling Shareholder shall cooperate in all respects with the Non-Selling Shareholder to cause the Company to participate in the purchase of the Selling Shareholder's Shares), at the price and upon the terms set forth in the Offer. Settlement of the purchase and sale of the Shares shall be conducted in accordance with the terms of the Offer and, to the extent not specified in the Offer, the provisions of Paragraph 15 below.

(f) The Selling Shareholder shall not sell its Shares at a price or upon terms that materially differ from those set forth in the Offer without first reoffering the Shares to the Non-Selling Shareholder pursuant to the terms of this Paragraph 3. Any Prospective Purchaser who acquires the Selling Shareholder's Shares pursuant to this Paragraph 3 shall, immediately upon such acquisition, become bound by the terms of this Agreement, and the transfer of the Shares shall not be made on the books of the Company until a copy of this Agreement has been executed by such Prospective Purchaser; provided that upon transfer of the Shares in accordance with this Paragraph 3, the rights of the Selling Shareholder set forth in Paragraphs 5 through 14 and Paragraphs 16 and 17 below shall not inure to the benefit of the Prospective Purchaser. Failure or refusal, however, to sign this Agreement shall not relieve such Prospective Purchaser from any obligations under this Agreement.

(g) No offer to purchase any Shareholder's Shares pursuant to this Paragraph 3 shall be deemed to be an "Offer" unless such offer shall meet the following criteria: (i) the Prospective Purchaser is a nonprofit corporation; (ii) the offer provides that following the consummation of the sale, the Company shall have the continued and uninterrupted right and license to use the registered Blue Cross and Blue Shield trade names, trademarks and service marks in the Service Area (as defined in Paragraph 25(h)(xvii) below) other than as a result of an assignment of such right or license to the Prospective Purchaser by either Shareholder or the Company; (iii) a condition precedent to the consummation of the sale is that all necessary governmental and third party approvals and consents shall have been obtained; and (iv) the offer is to purchase all but not less than all of the Selling Shareholder's Shares for a fixed cash price.

4. Legal Proceedings.

(a) The interests of the Company and the Shareholders would be seriously affected by any transfer of the Shares by any legal or equitable proceedings against a Shareholder. Accordingly, in the event of a Proceeding (as defined in Paragraph 4(d) below) with respect to any Shareholder, the Company and the Shareholder not subject to the Proceeding (the "**Non-Affected Shareholder**") shall have the option to purchase all, but not less than all, of the Shares (owned of record or beneficially) of the Shareholder subject to the Proceeding (the "**Affected Shareholder**") in accordance with the provisions of this Paragraph 4. The Affected Shareholder shall give written notice of the existence of such Proceeding to the Company and the Non-Affected Shareholder promptly upon obtaining knowledge thereof (which notice shall describe in reasonable detail the nature and merits of the Proceeding) (the "**Proceeding Notice**").

(b) For a period of 75 calendar days after the receipt of the Proceeding Notice, the Company and the Non-Affected Shareholder shall each have an option to elect to purchase all or a portion of the Shares (owned of record or beneficially) of the Affected Shareholder at a purchase price equal to the Agreed Value per Share (as defined in Paragraph 25(h)(ii) below). The Company and the Non-Affected Shareholder may, separately or together, exercise their options at any time during the foregoing 75-calendar day period by delivering written notice of such exercise to the Affected Shareholder and the other, as applicable. If the options exercised by the Company and the Non-Affected Shareholder do not represent the purchase of all of the Shares (owned of record or beneficially) of the Affected Shareholder, then the options exercised by the Company and the Non-Affected Shareholder shall become null and void if within 10 calendar days of the date the Affected Shareholder delivers written notice to the Company and the Non-Affected Shareholder that less than all of its Shares have been purchased pursuant to the foregoing options, neither the Company nor the Non-Affected Shareholder delivers notice to the Affected Shareholder that it, individually or together with the other, will purchase the remaining balance of Shares (owned of record or beneficially) of the Affected Shareholder. If the Company and the Non-Affected Shareholder shall both deliver notices exercising the option to purchase the Shares (owned of record or beneficially) of the Affected Shareholder and the aggregate number of Shares covered by such notices exceeds the aggregate number of the Shares (owned of record or beneficially) of the Affected Shareholder, then the Non-Affected Shareholder shall have the first right to purchase such Shares.

(c) The Affected Shareholder agrees to cooperate in good faith and take all steps necessary or desirable to cause the transfer in accordance with this Paragraph 4 as promptly as practicable, including, without limitation, causing the Company's board of directors to approve, if necessary, the Company's purchase of the Shares pursuant to this Paragraph 4. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(d) For purposes of this Paragraph 4, a "**Proceeding**" shall mean, in the case of either Shareholder, (i) the Shareholder agreeing to make or making an assignment of all or substantially all of its assets for the benefit of its creditors, (ii) the commencement of any bankruptcy, insolvency, reorganization, arrangement, debt adjustment, arrangement, liquidation,

dissolution or receivership proceedings (whether under state or federal law) by or against the Shareholder and, if such suit is instituted against such Shareholder, such Shareholder shall consent thereto or admit in writing the material allegations of the petitions filed in said proceedings or said proceedings shall remain undismissed and unstayed for a period of 90 calendar days following commencement, (iii) there is an entry of a decree or order for relief by a court of competent jurisdiction in an involuntary case against the Shareholder under the federal or any state bankruptcy, insolvency, arrangement, liquidation or dissolution laws and such Shareholder shall consent to the entry of such decree or order or admit in writing the material allegations in the petition therefor or said proceedings shall remain undismissed and unstayed for a period of 90 calendar days following entry, or the Shareholder commences a voluntary case under such laws, (iv) there is an entry of a decree or order for relief against the Shareholder by an insurance regulatory authority or agency under its receivership authority pursuant to any applicable laws and such Shareholder shall consent to the entry of such decree or order or admit in writing the material allegations therein, or said proceedings shall remain undismissed and unstayed for a period of 90 calendar days following entry or the Shareholder requests entry of any such decree or order, (v) any judgment is obtained in any legal or equitable proceeding against the Shareholder and the sale of any of its Shares is threatened under legal process as a result of such judgment and such judgment shall have become final and non-appealable, (vi) any execution process is issued against any of the Shareholder's Shares and such process shall not have been dismissed or stayed, or (vii) there is instituted by or against the Shareholder any other form of legal proceeding or process by which the transfer of any of the Shares of such Shareholder becomes reasonably like to occur and, in the case of a proceeding or process against the Shareholder, such proceeding or process shall remain uncontested, undismissed or unstayed for a period of 90 calendar days.

5. Affirmative Covenants. BCNEPA, Highmark and the Company each covenant and agree that they shall each comply with the following affirmative covenants:

(a) The Company shall cause to exist, and shall maintain in effect, by-law provisions which provide that (i) the Company's board of directors shall consist of seven (7) persons, four (4) of whom shall be nominated by BCNEPA (the "**BCNEPA Directors**") and three (3) of whom shall be nominated by Highmark (the "**Highmark Directors**"), and (ii) the chairperson of the Company's board of directors shall be an individual nominated by BCNEPA.

(b) In any election of the Company's board of directors which is held following the date of this Agreement but prior to the Flip Date (as defined in Paragraph 8(c) below), whether at a meeting or by written consent, BCNEPA and Highmark shall vote their Shares in such a manner as to cause four (4) of the Company's total directorships to be filled by BCNEPA Directors, and the remaining three (3) of the Company's directorships to be filled by Highmark Directors. In any action to remove a BCNEPA Director from the Company's board of directors prior to the Flip Date, Highmark shall vote its Shares in the manner directed by BCNEPA, or absent any such direction, in the same manner as BCNEPA shall vote its Shares. In any action to remove a Highmark Director from the Company's board of directors prior to the Flip Date, BCNEPA shall vote its Shares in the manner directed by Highmark, or absent any such direction, in the same manner as Highmark shall vote its Shares. Upon request, each Shareholder shall deliver to the other Shareholder a proxy authorizing the Shareholder receiving

the proxy to vote, in any matter involving the election or removal of the Company's directors, the Shares owned by the Shareholder giving the proxy in a manner consistent with this Paragraph 5(b).

(c) Without limiting the generality of the matters requiring approval of the Company's board of directors as a matter of law, the parties expressly agree that the Company shall not take, and the Company agrees not to take, any of the following actions without Board Approval (as defined in Paragraph 25(h)(iv) below) (each a "**Major Decision**"): (i) acquire the capital stock or interests of a Person (other than the Company in accordance with the terms of this Agreement), acquire all or substantially all of the assets of any Person, or merge or consolidate with or into any Person; (ii) reorganize, recapitalize, dissolve or liquidate; (iii) sell, lease, assign or otherwise dispose of all or a substantial portion of the Company's assets in any transaction or series of transactions; (iv) amend the Company's Articles of Incorporation or by-laws, this Agreement, the Administrative Services Agreement dated April 29, 2005 between the Company and BCNEPA (the "**Company ASA**"), the Administrative Services Agreement dated April 29, 2005 between the Company and First Priority Health (the "**Inter-Company ASA**") or the Administrative Services Agreement dated April 29, 2005 between First Priority Health and BCNEPA (the "**FPH ASA**"); (v) approve or amend the Company's annual budget or business plan; (vi) approve or amend the Company's insurance underwriting or pricing policies; (vii) approve any unbudgeted capital or other expenditures of the Company in excess of \$500,000 individually, or in excess of five percent of the Company's annual operating budget in the aggregate; (viii) expand the geographic markets in which the Company operates outside of the Service Area; or (ix) market, sell or service any Medicare (as defined in Paragraph 23(a)(F) below) product or products.

(d) Highmark shall have the right, immediately following the Determination Date (as defined in Paragraph 16 below) on which the Shareholders receive an RBC Determination Notice (as defined in Paragraph 16 below) showing that the Combined RBC (as defined in Paragraph 25(h)(vii) below) has remained below the RBC Control Level (as defined in Paragraph 25(h)(xv) below) for two consecutive calendar quarters (after giving effect to the BCNEPA Capital Infusion (as defined in Paragraph 8(a) below) and any Specified Other Shareholder Capital Infusion (as defined in Paragraph 25(h)(xviii) below)), to require the immediate removal of the officer of the Company having responsibility for the overall financial and operational performance of the Company, and the selection of any successor to such officer shall become a "Major Decision" within the meaning of Paragraph 5(c) above.

(e) The Company shall cause to exist, and shall maintain in effect, by-law provisions which provide that unless the Combined RBC equals or exceeds 700% (as such percentage may be adjusted from time to time in accordance with Paragraph 10 below, the "**Distribution Threshold**") for six consecutive calendar quarters, no distributions (whether in the form of dividends, payment of any principal or interest on the Notes, or otherwise) shall be made by the Company to any Shareholder. Such by-law provisions shall also provide that no distributions (whether in the form of dividends, payment of any principal or interest on the Notes, or otherwise) shall be made at any time by the Company, if the Combined RBC immediately after giving effect to such distribution shall be less than 650% (as such percentage may be adjusted from time to time in accordance with Paragraph 10 below, the "**Distribution**

Floor"). Anything in this Agreement to the contrary notwithstanding, the foregoing shall not, in and of itself, prohibit or otherwise limit the Company from (i) making any distributions or payments to BCNEPA required by Section 6.3 of that certain Stock Purchase Agreement dated November 24, 2003 among Highmark, BCNEPA and the Company (the "**FPLIC SPA**"), (ii) making distributions or payments to the Shareholders in accordance with Paragraph 10(e) below (to the extent otherwise permitted by applicable law), or (iii) paying reasonable compensation (including, without limitation, any accounts or other trade payables) to BCNEPA or Highmark for services rendered.

(f) The Shareholders shall contribute to the capital of the Company the amounts which are set forth on the projections attached hereto as Exhibit A, as such may be revised from time to time in accordance with this Paragraph 5(f) (the "**Projections**"); provided that the aggregate contribution to be made, including contributions to be made in connection with the consummation of the transactions contemplated by the FPLIC SPA, by (i) BCNEPA shall not exceed \$36,000,000, and (ii) Highmark shall not exceed \$24,000,000. All such contributions shall be made in accordance with the Shareholders' respective equity interests in the Company at the time such contributions are required to be made, and all such contributions will be structured in such a manner as to avoid any dilution of each Shareholder's equity ownership percentage in the Company. The capital contributions required by this Paragraph 5(f) shall be made in the intervals set forth in the Projections. The Projections may be revised (but no more than twice each calendar year) by the Company based on the Company's past financial performance and the Company's financial projections for future periods; provided that no revisions to the Projections may require a Shareholder to (i) contribute more capital in the aggregate than is required by this Paragraph 5(f), or (ii) contribute capital in any amount during any interval other than as set forth on the Projections, in any case unless such Shareholder shall have agreed in writing to make such additional capital contributions or to make such contribution sooner than as set forth on the Projections (with any such agreement making specific reference to this Paragraph 5(f)).

6. Dispute Resolution.

(a) In the event of any dispute or other controversy between BCNEPA and Highmark related to or arising out of a Major Decision (a "**Controversy**"), BCNEPA and Highmark agree, anything in this Agreement to the contrary notwithstanding, to settle and resolve such dispute exclusively in accordance with the terms and subject to the conditions of this Paragraph 6. The Shareholders and the Company agree to maintain the privacy and confidentiality of the process and results of any Controversy resolved in accordance with this Paragraph 6.

(b) In the event of a Controversy which remains unresolved for a period of 30 calendar days, each of BCNEPA and Highmark shall submit such Controversy for resolution to their respective chief executive officers (or their equivalents) (the "**CEOs**"). The CEOs shall, for a period of 30 calendar days following submission of the Controversy, use their diligent and good faith efforts to resolve such Controversy by the exchange of relevant information and negotiation.

(c) If the Controversy is not resolved by the CEO's within 30-calendar days following the submission of the Controversy referred to in Paragraph 6(b) above, then such Controversy shall be referred by either BCNEPA or Highmark, by written notice delivered to the other party, to an ad hoc committee consisting of (i) three members of BCNEPA's board of directors, one of whom must be the CEO of BCNEPA, and (ii) three members of Highmark's board of directors, one of whom must be the CEO of Highmark. The ad hoc committee shall, for a period of 30 calendar days following the submission of such Controversy, use its diligent and good faith efforts to resolve such Controversy by the exchange of relevant information and negotiation.

(d) If the Controversy is not resolved within the 30-calendar day period referred to in Paragraph 6(c) above, BCNEPA and Highmark agree to participate in non-binding mediation to resolve such Controversy. Such non-binding mediation shall be commenced by either party following the expiration of the 30-calendar day period referred to in Paragraph 6(c) above by the delivery of written notice to the other party and the submission of a Complaint to the Association's Corporate Secretary. Such mediation shall be conducted in accordance with the Association's Mediation and Mandatory Dispute Resolution Rules then in effect (or any successor rules thereto). To the extent not inconsistent with the Mediation and Mandatory Dispute Resolution Rules, the following rules and procedures shall govern the mediation pursuant to this subsection. The mediation shall be conducted in Philadelphia, Pennsylvania before one (1) mediator selected by BCNEPA and Highmark, or, absent their mutual agreement, the mediator shall be designated by the Association. Any mediator selected for purposes of this Paragraph 6(d) shall be an individual who has at least five years of experience in matters involving health insurance companies and resolving disputes between insurers. The mediator shall hold hearing(s) on the Controversy within 30 calendar days of his or her selection. BCNEPA and Highmark shall each bear (i) its own expenses incurred in the mediation; (ii) one-half of (A) the costs and expenses of the mediator, and (B) all other fees and expenses of the mediation.

(e) If the Controversy is not resolved within 60 calendar days of the date the Complaint is submitted for mediation in accordance with Paragraph 6(d) above, BCNEPA and Highmark each agree that such Controversy shall be finally resolved by binding arbitration administered in accordance with the Association's Mediation and Mandatory Dispute Resolution Rules then in effect (or any successor rules thereto). To the extent not inconsistent with the Mediation and Mandatory Dispute Resolution Rules, the following rules and procedures shall govern any binding arbitration pursuant to this subsection. The arbitration shall be conducted before a panel of three arbitrators from a list provided by the Association selected as follows: each of BCNEPA and Highmark shall designate one individual as an arbitrator, and the third arbitrator shall be selected by the two arbitrators so designated (or, absent their mutual agreement, shall be designated by the Association). Any arbitrator selected for purposes of this Paragraph 6(e) shall be an individual who has at least five years of experience in matters involving health insurance companies and resolving disputes between insurers. The arbitrators shall hold hearing(s) on the Controversy within 30 calendar days of the arbitrators' selection. All hearing(s) shall be held in Philadelphia, Pennsylvania. Reasonable discovery, including depositions, shall be permitted. Discovery issues shall be decided by the arbitrators. Post-

hearing briefs shall be permitted. The arbitrators shall render a written decision within 10 calendar days after the conclusion of the hearing(s), which decision shall include findings of fact and reasoned conclusions of law. The decision shall be made by the majority vote of the arbitrators. The parties agree that the arbitrators shall have no power to award, and no party to the arbitration shall be permitted to recover, punitive, special, indirect, consequential or exemplary damages. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction over the parties. BCNEPA and Highmark shall each bear (i) the costs and expenses of the arbitrator selected by it and its own expenses incurred in the arbitration (such as attorneys' and witness fees, and travel expenses), and (ii) one-half of (A) the costs and expenses of the third arbitrator, and (B) all other fees and expenses of the arbitration.

(f) During any Controversy, the Shareholders shall continue to fulfill their respective obligations under this Agreement, unless the subject matter of the Controversy is of such a nature that this is by no means possible until the Controversy has been fully resolved.

7. Rate Action Capital Infusion.

(a) The Shareholders acknowledge that, from and after the date of this Agreement, the Company, upon the request of BCNEPA (which request shall be in writing and must make specific reference to this Paragraph 7), may make certain decisions with respect to the pricing of its products and services, including decisions to forego certain rate increases that the Company otherwise might have sought by reducing certain retention components included in its pricing decisions, such as contributions to reserves, taxes and/or risk charges. The Shareholders further acknowledge and agree that actions of the type referred to in this Paragraph (each, a "**Rate Action**") will result in the Company receiving less revenues than it otherwise would have received for the period during which the Rate Action is in effect, and that the appropriate measure of the effect of any Rate Action for any period is the amount of the premium revenues foregone by the Company during such period as a result of the Rate Action (the "**Rate Action Amount**"). The application of the foregoing sentence is described in Schedule 7(a). The foregoing notwithstanding, the Company may, in its sole discretion and at any time, cease a Rate Action that has previously been taken in accordance with this Paragraph 7. The Rate Action Amount will be calculated by the Company on an account-by-account basis for each applicable calendar quarter and on a cumulative basis for each applicable calendar year. The Company shall deliver quarterly reports to the Shareholders setting forth its calculations as aforesaid for each applicable calendar quarter (the "**Quarterly Reports**") not later than the 30th day following the end of each such calendar quarter, and a final annual report for each applicable calendar year not later than the 30th day following the end of each such year.

(b) In order to compensate the Company for the effect of any Rate Action, BCNEPA shall pay to the Company an amount equal to the Rate Action Amount for each calendar year during which the Rate Action is in effect. The Rate Action Amount shall be paid by BCNEPA within 10 calendar days following the date each Quarterly Report is delivered to the Shareholders, except that with respect to the calendar quarter ending December 31st, BCNEPA may make an estimated payment of the Rate Action Amount for such calendar quarter on or before December 31st. Any shortfall between the estimated payment made by BCNEPA and the actual amount due to the Company shall be paid by BCNEPA within 10 calendar days of

the date the Quarterly Report reflecting such shortfall is delivered to the Shareholders. Any overpayment made by BCNEPA shall, at BCNEPA's election **and anything in this Agreement to the contrary notwithstanding**, either be repaid by the Company within 10 calendar days of the date the Quarterly Report reflecting such overpayment is delivered to the Shareholders, or applied against any future payments of Rate Action Amounts due to the Company.

8. BCNEPA Capital Infusion.

(a) Within 15 Business Days (as defined in Paragraph 25(h)(v) below) following the first Determination Date on which the Shareholders receive an RBC Determination Notice showing that the Combined RBC is below the RBC Control Level (after giving effect to any Specified Other Shareholder Capital Infusion) (or, if governmental or third party consents or approvals are necessary, then within 15 Business Days following the receipt of all such consents and approvals), BCNEPA shall make a contribution (the "**BCNEPA Capital Infusion**") to the capital of the Company and/or First Priority Health in an aggregate amount equal to at least \$10 million but not more than \$15 million (with the exact amount of such contribution being determined by BCNEPA in its sole discretion). Such contribution shall be made by BCNEPA by wire transfer of immediately available funds or, if mutually agreed to by BCNEPA and Highmark, in marketable securities, in the following order of priority: first, to bring the RBC (as defined in Paragraph 25(h)(xiv) below) of the Company and First Priority Health above any minimum required level established by any applicable law or governmental regulation, or the order of any governmental authority or agency, in order for the Company and First Priority Health to maintain their respective licenses to operate; second, to bring the RBC of the Company and First Priority Health above the "early warning" level established by the Association; third, in such proportion as shall be mutually agreed to by the Shareholders; and fourth, in the absence of the need to satisfy any legal, regulatory or Association requirements and the mutual agreement of the Shareholders, to the Company; provided that, in any event, the BCNEPA Capital Infusion shall be made by BCNEPA in such a manner as to avoid any dilution of Highmark's equity ownership percentages in the Company or First Priority Health.

(b) For a period of 60 calendar days following the Determination Date on which the Shareholders receive an RBC Determination Notice showing that the Combined RBC has remained below the RBC Control Level for four consecutive calendar quarters (after giving effect to the BCNEPA Capital Infusion and any Specified Other Shareholder Capital Infusion), Highmark shall have the option to elect either:

(i) to purchase (the "**Call Option**") from the Company and/or BCNEPA, as determined in the sole but reasonable discretion of BCNEPA, such number of Shares as shall be necessary to cause Highmark to own up to 60% of the issued and outstanding Shares at a purchase price equal to the Agreed Value per Share. Highmark may exercise the Call Option at any time before the expiration of the 60-calendar day period by delivering to the Company and BCNEPA written notice of such exercise. Such written notice shall include the proposed number of Shares to be purchased by Highmark. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(ii) to sell (the "**Put Option**") to BCNEPA and/or the Company all of Highmark's Shares at a purchase price equal to the *product of* (A) the Agreed Value per Share, *multiplied by* (B) 1.20. Highmark may exercise the Put Option at any time before the expiration of the 60-calendar day period by delivering to BCNEPA and the Company written notice of such exercise; provided that BCNEPA and the Company shall, in their sole discretion, determine the number of Shares to be purchased by each; provided, further, that, in the aggregate, they shall purchase all of Highmark's Shares. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(c) If Highmark exercises the Call Option, then from and after the date Highmark consummates the transaction contemplated by the Call Option (the "**Flip Date**"), Paragraph 5(a) above shall automatically be amended to provide that (i) Highmark shall have the right to nominate four individuals to serve as directors of the Company, (ii) BCNEPA shall have the right to nominate three individuals to serve as directors of the Company, and (iii) the chairperson of the Company's board of directors shall be a person designated by Highmark. In any election of the Company's board of directors that is held following the Flip Date (whether at a meeting or by written consent), the Shareholders shall vote their Shares in such a manner as to cause four of the Company's total directorships to be filled by Highmark Directors, and the remaining two of the Company's directorships to be filled by BCNEPA Directors. Further, immediately following the Flip Date, Highmark may in its discretion call for a meeting (or circulate a written consent) of the Shareholders to effect the provisions of this Paragraph 8(c). In any action to remove a BCNEPA Director from the Company's board of directors following the Flip Date, Highmark shall vote its Shares in the manner directed by BCNEPA, or absent any such direction, in the same manner as BCNEPA shall vote its Shares. In any action to remove a Highmark Director from the Company's board of directors following the Flip Date, BCNEPA shall vote its Shares in the manner directed by Highmark, or absent any such direction, in the same manner as Highmark shall vote its Shares. Upon request, each Shareholder shall deliver to the other Shareholder a proxy authorizing the Shareholder receiving the proxy to vote, in any matter involving the election or removal of the Company's directors, the Shares held by the Shareholder giving the proxy in a manner consistent with this Paragraph 8(c). In addition, from and after the Flip Date, the terms of Paragraph 5(c)(v) through 5(c)(viii) above, and the terms of Paragraphs 5(f), 7, 9 and 10 of this Agreement, shall become null and void and of no further force or effect; provided that Paragraph 7 shall remain in full force and effect with respect to each customer contract in effect on the Flip Date until the expiration date of each such contract, respectively; provided, further, that if the Company ASA or the FPH ASA is terminated for any reason by the Company or First Priority Health, as applicable, following the Flip Date or is not renewed for any reason by the Company or First Priority Health, as applicable, following the Flip Date, then from and after the effective date of such termination or non-renewal of the Company ASA or the FPH ASA, the terms of Paragraphs 5(c)(v) through 5(c)(viii) above shall become fully effective and the actions set forth therein shall once again be a "Major Decision" within the meaning of Paragraph 5(c) above.

(d) On the Flip Date, Highmark shall assume, and indemnify, hold harmless and relieve BCNEPA from any and all liabilities arising under or relating to any guaranty or similar obligation of BCNEPA previously entered into by BCNEPA that is related to the Company's operations, including, without limitation, any such guaranty made by BCNEPA in accordance with the requirements of the Association or PID; provided that BCNEPA shall remain obligated on any such guaranty or similar obligation to the extent (but only to the extent), Highmark had been obligated thereon prior to the Flip Date. Each of Highmark and BCNEPA shall deliver to the other party such instruments, agreements or other documents as such party shall require to evidence Highmark's assumption of or BCNEPA's continuing liability with respect to all guarantees or similar obligations as provided in this Paragraph.

(e) In the event that, following the Flip Date, the RBC Control Level shall remain below 400% for the next following eight consecutive calendar quarters (or at any time thereafter shall fall below the RBC Control Level and remain below such level for eight consecutive calendar quarters), then BCNEPA and Highmark shall discuss and explore appropriate exit strategies with respect to their investments in the Company and First Priority Health (which could include liquidation and dissolution of the Company or First Priority Health or both).

9. Business Capital Infusions.

(a) In order for the Company to take advantage of a New Business Opportunity (as defined in Paragraph 25(h)(xii) below), additional capital contributions by the Shareholders may be necessary. In the event the Company's management determines that a New Business Opportunity exists, then the Company's management shall present to the Company's board of directors a written business plan (the "**Business Plan**") setting forth, among other things, management's estimation of the additional capital that will be necessary to take advantage of such New Business Opportunity (the "**Additional Capital Contribution**"), the dates upon which management estimates that such Additional Capital Contributions shall need to be made by the Shareholders, and the recommended method by which such Additional Capital Contributions be made by the Shareholders.

(b) If Board Approval for the Business Plan is obtained, then within 15 Business Days following the date(s) set forth in the Business Plan (or, in the event that any governmental or third party consents or approvals are necessary, on the 15th Business Day following the receipt of all such consents and approvals) for capital contributions by the Shareholders (each, a "**Capital Call Date**"), each Shareholder shall contribute to the capital of the Company an amount equal to its proportionate share of the amount of the Additional Capital Contribution (determined by each Shareholder's equity ownership percentage in the Company) required to be made on such Capital Call Date. The Additional Capital Contribution shall be made by the Shareholders in the manner, at the time or times and in such proportion (as between permanent capital and the purchase of surplus notes) as shall be set forth in the Business Plan as approved by the Company's board of directors.

10. Modification of RBC Control Level.

(a) As of the date of this Agreement, (i) the minimum RBC requirement for the business operations of the Company established by the Pennsylvania Insurance Department ("**PID**") is 200% (the "**PID RBC**"), and (ii) the "early warning" RBC level established by the Association is 375% (the "**Association RBC**").

(b) If the PID RBC or the Association RBC should be increased above the higher of the PID RBC or Association RBC (each, an "**RBC Increase**", and the percentage point increase of each such increase, the "**RBC Increase Amount**"), then from and after the effective date of the RBC Increase, and without any further action on the part of the Company or any Shareholder, (i) the RBC Control Level shall be increased, on a percentage point for percentage point basis, by the RBC Increase Amount, (ii) the Distribution Threshold shall be increased, on a percentage point for percentage point basis, by the RBC Increase Amount, and (iii) the Distribution Floor shall be increased, on a percentage point for percentage point basis, by the RBC Increase Amount. For illustration purposes only, if the RBC Increase Amount is a 25 percentage point increase, then (A) the RBC Control Level would be increased from 400% to 425%, (B) the Distribution Threshold would be increased from 700% to 725%, and (C) the Distribution Floor would be increased from 650% to 675%. Notwithstanding the foregoing, or anything to the contrary set forth in this Agreement, if the PID should limit the amount of capital which the Shareholders may contribute to the Company in response to an RBC Increase, then the RBC Control Level, the Distribution Threshold and the Distribution Floor shall be increased only by such amount, if any, as to which the PID has approved the Shareholders' contribution to the capital of the Company and which the Shareholders have actually contributed to the capital of the Company.

(c) If the higher of the PID RBC or the Association RBC should be decreased, but not below the lower of the PID RBC or Association RBC (each, an "**RBC Decrease**", and the percentage point decrease of each such decrease, the "**RBC Decrease Amount**"), then from and after the effective date of the RBC Decrease, and without any further action on the part of the Company or any Shareholder, (i) the RBC Control Level shall be decreased, on a percentage point for percentage point basis, by the RBC Decrease Amount, (ii) the Distribution Threshold shall be decreased, on a percentage point for percentage point basis, by the RBC Decrease Amount, and (iii) the Distribution Floor shall be decreased, on a percentage point for percentage point basis, by the RBC Decrease Amount. For illustration purposes only, if the RBC Decrease is a 25 percentage point decrease, then (A) the RBC Control Level would be decreased from 400% to 375%, (B) the Distribution Threshold would be decreased from 700% to 675%, and (C) the Distribution Floor would be decreased from 650% to 625%. Notwithstanding the foregoing, or anything to the contrary set forth in this Agreement, if the PID should limit the amount of capital which may be distributed to the Shareholders in response to an RBC Decrease, then the RBC Control Level, the Distribution Threshold and the Distribution Floor shall be decreased by such amount, if any, as to which the PID has approved for distribution to the Shareholders and which the Company actually has distributed to the Shareholders, whether by repayment of capital contributions or redemption or repayment of any evidence of indebtedness in the form of surplus notes then held by the Shareholders, or otherwise.

(d) If at the effective time of an RBC Increase the Company's RBC level is greater than the Distribution Floor, after giving effect to the RBC Increase, then the Shareholders agree to discuss whether (i) an increase in the RBC Control Level is warranted by the RBC Increase, and (ii) any additional contribution(s) to the capital of the Company is warranted by the RBC Increase, it being understood, however, that the Shareholders shall not be obligated to agree to any such increase or contribution(s). If at the effective time of an RBC Increase the Company's RBC level is less than or equal to the Distribution Floor, after giving effect to the RBC Increase, then each Shareholder shall contribute to the capital of the Company its proportionate share of the amount of the RBC Increase Amount (determined by each Shareholder's equity ownership percentage in the Company at the time such contribution is made) or such other amount as to which the PID has approved the Shareholders to contribute. All such capital contributions shall be made within 15 Business Days following the receipt of all necessary governmental or third party consents or approvals, and shall be made in such a manner (*i.e.*, in permanent capital and/or the purchase of surplus notes or some combination thereof) as shall be agreed to by the Shareholders, and absent their mutual agreement, in cash; provided that in each case, as between the Shareholders, the capital contributions shall be made in the same proportion of cash and the purchase of surplus notes.

(e) Anything in this Agreement to the contrary notwithstanding, no RBC Decrease shall, in and of itself, permit any Shareholder to have the Company repay its capital contributions or repay or redeem any evidence of indebtedness (or interest thereon) held by such Shareholder. If the Combined RBC at the time of an RBC Decrease is above the Distribution Floor (after giving effect to the RBC Decrease), then the Shareholders agree to use commercially reasonable efforts to seek the approval of the PID for a repayment of the Shareholders' capital contributions to the Company and First Priority Health, or the repayment or redemption of any evidence of indebtedness (or interest thereon) of the Company and First Priority Health in the form of surplus notes then held by the Shareholders, in each case, in such an amount as shall be equal to the lesser of the RBC Decrease Amount or the difference between the Combined RBC at the time of the RBC Decrease and the Distribution Floor (after giving effect to the RBC Decrease). If the PID approves any such repayment or redemption, then the Company shall, subject to the limitations set forth in Paragraph 5(e) above, repay or redeem the amount approved by the PID in accordance with the Shareholders' percentage equity interest in the Company at the time the RBC Decrease became effective.

11. Change of Control. In the event of a Change of Control (as defined in Paragraph 25(h)(vi) below) of either Shareholder (the "**Affected Party**"), the Shareholder which is not subject to the Change of Control (the "**Non-Affected Party**") shall have the right and option, for a period of 180 calendar days following the date on which written notice of the Change of Control is received by the Non-Affected Party, to do either of the following:

(a) to purchase and/or to cause the Company to purchase (the "**CoC Call Option**") all of the Shares owned (of record or beneficially) by the Affected Party at a purchase price equal to the *product of* (i) the Agreed Value per Share, *multiplied by* (ii) 0.75; provided, however, that if the Affected Party is BCNEPA, then the purchase price shall equal the Agreed Value per Share. The Non-Affected Party may exercise the CoC Call Option at any time before the expiration of the 180-calendar day period by delivering to the Affected Party written notice

of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(b) to sell (the "**CoC Put Option**") to the Affected Party all of the Non-Affected Party's Shares at a purchase price equal to the *product of* (i) the Agreed Value per Share, *multiplied by* (ii) 1.25; provided, however, that if the Affected Party is BCNEPA, then the purchase price shall equal the Agreed Value per Share. The Non-Affected Party may exercise the CoC Put Option at any time before the expiration of the 180-calendar day period by delivering to the Affected Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

12. **[Intentionally Omitted].**

13. Termination or Non-Renewal of the Joint Operating Agreement.

(a) In the event that certain Joint Operating Agreement dated April 29, 2005 between BCNEPA and Highmark, as amended, modified and supplemented from time to time (the "**JOA**"), is terminated by either BCNEPA or Highmark in accordance with the terms of Section III.I.2.a. of the JOA, then the party terminating the JOA (the "**JOA Terminating Party**") shall have the right and option, for a period of 90 calendar days following the date upon which the JOA is terminated, to elect either:

(i) to purchase (the "**JOA Termination Call Option**") all of the Shares owned (of record or beneficially) by the other Shareholder (the "**JOA Non-Terminating Party**") at a purchase price equal to the *product of* (A) the Agreed Value per Share, *multiplied by* (B) 0.75. The JOA Terminating Party may exercise the JOA Termination Call Option at any time before the expiration of the 90-calendar day period by delivering to the JOA Non-Terminating Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(ii) to sell (the "**JOA Termination Put Option**") to the JOA Non-Terminating Party all of the JOA Terminating Party's Shares at a purchase price equal to the *product of* (A) the Agreed Value per Share, *multiplied by* (B) 1.25. The JOA Terminating Party may exercise the Termination Put Option at any time before the expiration of the 90-calendar day period by delivering to the JOA Non-Terminating Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

If the JOA Terminating Party fails or does not elect to exercise the JOA Termination Call Option or the JOA Termination Put Option within the 90 calendar day period set forth above, then the JOA Non-Terminating Party shall have the right and option, for a period of 90 calendar days following the expiration of the JOA Terminating Party's 90-calendar day period set forth above, to elect either: (A) to purchase all of the Shares owned (of record or beneficially) by the JOA Terminating Party at a purchase price equal to the Agreed Value per Share, or (b) to sell to the JOA Terminating Party all of the JOA Non-Terminating Party's Shares at a purchase price equal to the Agreed Value per Share. The JOA Non-Terminating Party may exercise the foregoing

options at any time before the expiration of its 90-calendar day period by delivering written notice of such exercise to the JOA Terminating Party. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(b) In the event either BCNEPA or Highmark delivers to the other notice of non-renewal of the JOA in accordance with Section III.I.1. of the JOA, then the party receiving the notice of non-renewal (the "**JOA Receiving Party**") shall have the right and option, for a period of 90 calendar days following the date upon which the JOA terminates, to elect either:

(i) to purchase (the "**JOA Non-Renewal Call Option**") all of the Shares owned (of record or beneficially) by the other Shareholder (the "**JOA Delivering Party**") at a purchase price equal to the Agreed Value per Share. The JOA Receiving Party may exercise the JOA Non-Renewal Call Option at any time before the expiration of the 90-calendar day period by delivering to the JOA Delivering Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(ii) to sell (the "**JOA Non-Renewal Put Option**") to the JOA Delivering Party all of the JOA Receiving Party's Shares at a purchase price equal to the Agreed Value per Share. The JOA Receiving Party may exercise the JOA Non-Renewal Put Option at any time before the expiration of the 90-calendar day period by delivering to the JOA Delivering Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

If the JOA Receiving Party fails or does not elect to exercise the JOA Non-Renewal Call Option or the JOA Non-Renewal Put Option within the 90 calendar day period set forth above, then the JOA Delivering Party shall have the right and option, for a period of 90-calendar days following the expiration of the JOA Receiving Party's 90-calendar day period set forth above, to elect either: (A) to purchase all of the Shares owned (of record or beneficially) by the JOA Receiving Party at a purchase price equal to the Agreed Value per Share, or (b) to sell to the JOA Receiving Party all of the JOA Delivering Party's Shares at a purchase price equal to the Agreed Value per Share. The JOA Delivering Party may exercise the foregoing options at any time before the expiration of its 90-calendar day period by delivering written notice of such exercise to the JOA Receiving Party. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

4. Termination or Non-Renewal of the Administrative Services Agreement.

(a) In the event that certain Administrative Services Agreement dated April 29, 2005 between BCNEPA and Highmark, as amended, modified and supplemented from time to time (the "**Highmark ASA**"), is terminated by either BCNEPA or Highmark in accordance with the terms of Section II.B. or II.C. of the Highmark ASA, then the party terminating the Highmark ASA (the "**ASA Terminating Party**") shall have the right and option, for a period of 90 calendar days following the date upon which the Highmark ASA is terminated, to elect either:

(i) to purchase (the "**ASA Termination Call Option**") all of the Shares owned (of record or beneficially) by the other Shareholder (the "**ASA Non-Terminating Party**") at a purchase price equal to the *product of* (A) the Agreed Value per Share, *multiplied by* (B) 0.75. The ASA Terminating Party may exercise the ASA Termination Call Option at any time before the expiration of the 90-calendar day period by delivering to the ASA Non-Terminating Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(ii) to sell (the "**ASA Termination Put Option**") to the ASA Non-Terminating Party all of the ASA Terminating Party's Shares at a purchase price equal to the *product of* (A) the Agreed Value per Share, *multiplied by* (B) 1.25. The ASA Terminating Party may exercise the ASA Termination Put Option at any time before the expiration of the 90-calendar day period by delivering to the ASA Non-Terminating Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

If the ASA Terminating Party fails or does not elect to exercise the ASA Termination Call Option or the ASA Termination Put Option within the 90 calendar day period set forth above, then the ASA Non-Terminating Party shall have the right and option, for a period of 90-calendar days following the expiration of the ASA Terminating Party's 90-calendar day period set forth above, to elect either: (A) to purchase all of the Shares owned (of record or beneficially) by the ASA Terminating Party at a purchase price equal to the Agreed Value per Share, or (b) to sell to the ASA Terminating Party all of the ASA Non-Terminating Party's Shares at a purchase price equal to the Agreed Value per Share. The ASA Non-Terminating Party may exercise the foregoing options at any time before the expiration of its 90-calendar day period by delivering written notice of such exercise to the ASA Terminating Party. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(b) In the event either BCNEPA or Highmark delivers to the other notice of non-renewal of the Highmark ASA in accordance with Section II.A. of the Highmark ASA, then the party receiving the notice of non-renewal (the "**ASA Receiving Party**") shall have the right and option, for a period of 90 calendar days following the date upon which the Highmark ASA terminates, to elect either:

(i) to purchase (the "**ASA Non-Renewal Call Option**") all of the Shares owned (of record or beneficially) by the other Shareholder (the "**ASA Delivering Party**") at a purchase price equal to the Agreed Value per Share. The ASA Receiving Party may exercise the ASA Non-Renewal Call Option at any time before the expiration of the 90-calendar day period by delivering to the ASA Delivering Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

(ii) to sell (the "**ASA Non-Renewal Put Option**") to the ASA Delivering Party all of the ASA Receiving Party's Shares at a purchase price equal to the Agreed Value per Share. The ASA Receiving Party may exercise the ASA Non-Renewal Put Option at any time before the expiration of the 90-calendar day period by delivering to the ASA Delivering

Party written notice of such exercise. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

If the ASA Receiving Party fails or does not elect to exercise the ASA Non-Renewal Call Option or the ASA Non-Renewal Put Option within the 90 calendar day period set forth above, then the ASA Delivering Party shall have the right and option, for a period of 90-calendar days following the expiration of the ASA Receiving Party's 90-calendar day period set forth above, to elect to either: (A) purchase all of the Shares owned (of record or beneficially) by the ASA Receiving Party at a purchase price equal to the Agreed Value per Share, or (b) to sell to the ASA Receiving Party all of the ASA Delivering Party's Shares at a purchase price equal to the Agreed Value per Share. The ASA Delivering Party may exercise the foregoing options at any time before the expiration of its 90-calendar day period by delivering written notice of such exercise to the ASA Receiving Party. Settlement of the purchase and sale of the Shares shall be conducted in accordance with Paragraph 15 below.

15. Settlement.

(a) Settlement for the purchase and sale of the Shares and/or Notes pursuant to the options or purchase and sale rights granted in Paragraphs 2(b), 4(b), 8(b), 11, 13(a), 13(b), 14(a) and 14(b) above shall be made within 60 calendar days following the date that all necessary governmental and third party approvals and consent have been obtained. Each Shareholder and the Company covenant and agree to provide all information reasonably necessary to obtain, and to reasonably cooperate in obtaining, any governmental, regulatory and third party consents and approvals necessary to consummate the purchase and sale of the Shares and/or Notes pursuant to the terms of this Agreement. The consideration to be paid for the exercise of the options or purchase and sale rights shall be paid in one lump sum, by certified check or wire transfer of immediately available funds.

(b) All settlements for the purchase and sale of Shares and/or Notes shall, unless otherwise agreed to by the purchaser(s) and seller(s), be held at the principal executive offices of the Company during normal business hours. The precise date and hour of settlement shall be fixed by the purchaser(s) (within the time limits allowed by the provisions of this Agreement) by written notice to the seller(s) given at least five calendar days in advance of the settlement date specified.

(c) At settlement, the original stock certificate or certificates representing the Shares being sold shall be delivered by the seller(s) to the purchaser(s) (and absent delivery of the originals, delivery of an Affidavit of Loss and Indemnity in form and substance acceptable to the Company), duly endorsed for transfer or with executed stock powers attached, and with any necessary documentary and transfer tax stamps affixed by the seller(s). If applicable, the original Notes also being sold or redeemed shall be delivered by the seller(s) to the purchaser(s) or the Company, as applicable (and absent delivery of the originals, delivery of an Affidavit of Loss and Indemnity in form and substance acceptable to the Company), duly endorsed for transfer, and with any necessary documentary and transfer tax stamps affixed by the seller(s). In addition, the Company, BCNEPA, Highmark, the Prospective Purchaser and any Affiliate or Related Party of a Shareholder, as applicable, shall each execute and deliver such documents, instruments and

agreements, as shall be requested by any other party to evidence the purchase, sale, or redemption, as applicable, of the Shares and/or the Notes pursuant to this Agreement.

16. RBC Reporting. The Company shall, within 90 calendar days following the conclusion of each calendar quarter during the term of this Agreement (commencing with the conclusion of the first calendar quarter following the date of this Agreement), deliver to each Shareholder a written statement (each, an "**RBC Determination Notice**") setting forth its determination of the Company's RBC for the preceding calendar quarter, which statement shall set forth in reasonable detail the calculations utilized by the Company in making such determination. The date upon which the Company delivers an RBC Determination Notice to the Shareholders shall be a "**Determination Date**". The Company's RBC shall be determined in accordance with statutory accounting principles consistently applied by the Company, subject only to such exceptions as may be permitted by the PID (or any successor agency thereto). The Company shall cooperate in good faith with First Priority Health to determine the Combined RBC on a calendar quarter basis, and the Company shall deliver to the Shareholders a written determination of the Combined RBC for the preceding calendar quarter simultaneously with the delivery of each RBC Determination Notice.

17. RBC Control Level and Capital Infusion Exceptions. Anything in this Agreement to the contrary notwithstanding:

(a) The terms of Paragraphs 5(d), 8(a) and 8(b) above shall not be triggered if the Combined RBC is below the RBC Control Level for the applicable duration because of an event of Force Majeure (as defined in Paragraph 25(h)(xi) below), but only for so long as such event of Force Majeure continues and the Company continues to use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without undue delay.

(b) The Shareholders may, by mutual agreement, increase, decrease or suspend the application of the RBC Control Level, and the options or purchase and sale rights of the Shareholders set forth in this Agreement shall not be triggered because any act or actions or failure to act for which Shareholder approval was obtained results in the Combined RBC being below the RBC Control Level. Without limitation of any other provision of this Agreement, any action by the Shareholders pursuant to this Paragraph 17(b) shall be in writing and shall specifically reference this Paragraph.

18. Stock Certificates. So long as this Agreement shall be in force, all certificates representing the Shares shall bear a legend reading substantially as follows:

**"THE SHARES OF STOCK REPRESENTED BY THIS
CERTIFICATE ARE SUBJECT TO THE TERMS AND
PROVISIONS OF A SHAREHOLDERS AGREEMENT
DATED AS OF APRIL 29, 2005 WHICH LIMIT THE
HOLDER'S RIGHT TO TRANSFER OR PLEDGE THE
SHARES REPRESENTED BY THIS CERTIFICATE. A
COPY OF THIS SHAREHOLDERS AGREEMENT IS ON**

**FILE WITH THE COMPANY. BY ACCEPTANCE OF THIS
CERTIFICATE, THE HOLDER HEREOF AGREES TO BE
BOUND BY THE TERMS OF THE SHAREHOLDERS
AGREEMENT."**

19. Copy of the Agreement. A copy of this Agreement shall be maintained with the books and records of the Company and shall be open to inspection by any Shareholder, or any representative of a Shareholder, during normal business hours and upon prior written request.

20. Subsequent Shareholders to Become Bound. Without derogating the terms of Paragraph 3(f) above, any Person not an original signatory hereto who becomes the owner (whether of record or beneficially) of any Shares shall be a "Shareholder" for all purposes under this Agreement and shall be bound by all of the terms and provisions hereof. Before any Person, including, without limitation, any Person to whom transfers of Shares may be made hereunder, shall be entitled to become an owner (whether of record or beneficially) of Shares, such Person shall first execute and deliver to the Company a counterpart signature page to this Agreement, thereby becoming a "Shareholder" and becoming bound by the terms and conditions of this Agreement, as it may be amended from time to time.

21. Termination. This Agreement shall continue in full force and effect until such time as the Company and the Shareholders unanimously agree in writing that it shall terminate, or until such time as there remains only one Shareholder.

22. Confidential Information. Each Shareholder recognizes and acknowledges that by reason of such Shareholder's relationship with the Company, such Shareholder will have access to Company Confidential Information (as defined in Paragraph 25(h)(viii) below) and Shared Confidential Information (as defined in Paragraph 25(h)(x) below). Each Shareholder acknowledges that the Company Confidential Information and Shared Confidential Information is a valuable and unique asset of the Company and/or the other Shareholder, as the case may be, and covenants that such Shareholder shall not (a) use any of the Company Confidential Information for the benefit of any Person other than the Company, (b) use any of the Shared Confidential Information for the benefit of any Person other than the Company or the Shareholder that provided the Shared Confidential Information to the Company, or (c) disclose any Company Confidential Information or Shared Confidential Information to any Person for any reason whatsoever (i) without the Company's (and, in the case of Shared Confidential Information, the other Shareholder's) prior authorization, unless such information is in the public domain through no fault of the disclosing Shareholder, (ii) except if such disclosure is in furtherance of the best interests of the Company and/or, in the case of Shared Confidential Information, the Shareholder also holding rights to such Shared Confidential Information, or (iii) except as may be required by law or an order of any court, agency or proceeding to be disclosed; provided the Shareholder shall promptly provide the Company (and, in the case of Shared Confidential Information as to which the other Shareholder also has rights, the other Shareholder) notice of any such required disclosure once such Shareholder has knowledge of it and will assist the Company and/or the other Shareholder to the extent reasonable to obtain an appropriate protective order.

23. Non-competition; Non-Solicitation. Each Shareholder covenants and agrees that for so long as it or any of its Affiliates or any Related Party of such Shareholder is a "Shareholder" of the Company, and for a period of two years following the later of the date on which such Shareholder or its Affiliates or any Related Party of such Shareholder ceases to be a "Shareholder" of the Company (the "**Cessation Date**"), such Shareholder shall not, directly or indirectly:

(a) market, sell or service, or engage in the marketing, selling or servicing of, or have any ownership interest in any Person, other than the Company or First Priority Health, that directly or indirectly markets, sells or services, any Branded Health Insurance Products in the Service Area; provided, however, that the foregoing shall not prohibit such Shareholder from owning solely as a passive investment up to five percent of any class of equity securities of a Person whose securities are publicly traded on a recognized national securities exchange; and, provided, further, that the foregoing also shall not prohibit either Shareholder or any Affiliate of such Shareholder from (A) offering and selling hospital, physician and/or ancillary health insurance products to Persons residing in the Service Area on a joint basis in conjunction with the other Shareholder or, upon becoming the sole shareholder of the Company and First Priority Health, individually or in conjunction with any other Person, and servicing the customers and dependents of customers participating in such products; (B) servicing customers (including national account customers) who participate in products purchased or otherwise acquired outside the Service Area due to the corporate headquarters of their employers being located outside the Service Area, but who reside or seek services in the Service Area, or who seek services through the Bluecard Program (or any successor program); (C) offering products to Persons residing in the Service Area and participating in the Medicaid program (or any successor program thereto that serves the indigent population) and servicing the participants or dependents of participants in any such products; (D) offering benefits under and servicing participants in and dependents of participants in federal employee health insurance programs or the Pennsylvania employee benefit trust fund health insurance program (or successor programs thereto) or other similar federal or state governmental programs involving the delivery or servicing of health insurance-related products that may be offered from time to time to Persons residing in the Service Area; (E) offering and selling conversion products to the Company's subscribers pursuant to the Shareholder's obligations under Standard 2 of the Guidelines to Administer the Controlled Affiliate License Agreement(s) and Standards as issued and revised from time to time by the Association, and servicing Persons who subscribe to or otherwise become eligible for the provision of services under such products; (F) offering and selling products to Persons residing in the Service Area and participating in the Medicare program (or any successor program thereto that serves the over-65 and disabled populations) ("**Medicare**"), and servicing the participants in any such products. Without limiting the generality of the foregoing, but for the sake of clarity, the parties hereto hereby acknowledge and agree that none of the following shall constitute a violation of this Section 23(a): (I) Highmark's entry into, continuation or renewal of any network access arrangement with respect to its PremierBlue Shield network of contracted health care professionals (or any successor network) with AmeriHealth Administrators, Inc. (or any successor entity) ("**AmeriHealth**"), Inter-County Health Plan, Inc. (or any successor entity) and/or any Affiliate of either Shareholder to provide contracted services in the Service Area; (II) Highmark's ownership of an equity interest in Inter-County Health Plan, Inc. and/or Inter-

County Hospitalization Plan, Inc., and such entities' offering, selling and servicing of Core Health Insurance Products in the Service Area; (III) the offer or sale of any Core Health Insurance Products by Highmark, BCNEPA or their Affiliates in the Service Area and the servicing of any customers of any such product or service; provided that, in each case set forth in the preceding clauses (I), (II) and (III), the Core Health Insurance Products in question are not offered, sold or serviced in the Service Area as Branded Health Insurance Products; or (IV) either party's offering or selling in the Service Area and servicing, in either case whether alone or in conjunction with any other person or entity, of any Medicare Advantage Program product and/or stand-alone Medicare Part D prescription drug benefit (or any similar or successor product or benefit under the Medicare program), and where Part D benefits are sold with respect to an account's Medicare population, a corresponding benefit to the account's non-Medicare population, regardless in any such case whether such product or benefit is offered, sold or serviced as a Branded Health Insurance Product.

(b) solicit or employ, or permit any Affiliates or Related Party of the Shareholder to solicit or employ, any Person who is employed by the Company or any other Shareholder (or was employed by the Company or any other Shareholder) within the 12 months immediately preceding the date on which such Shareholder or its Affiliate or Related Party first employs or seeks to employ such Person); provided that the following actions or events shall not, in and of themselves, be deemed to result in a violation of this Paragraph 23(b): (A) the placement by a Shareholder or an Affiliate of such Shareholder of a general advertisement of employment in a public media forum, or (B) the hiring of a Person when such hiring resulted solely from (x) a response to a general advertisement of employment placed in a public media forum or (y) an unsolicited inquiry by any Person, other than a Restricted Party (as defined in Paragraph 25(h)(xix) below), to a Shareholder or any of its Affiliates or Related Parties seeking employment.

(c) solicit, induce, encourage or attempt to influence any client or customer, consultant, independent contractor, vendor or supplier of the Company to cease to do, or reduce the amount of business done with the Company.

24. Injunctive Relief. The Shareholders acknowledge that the restrictions contained in this Agreement, including without limitation Paragraphs 22 and 23 above, are valid under Pennsylvania law, are reasonable and necessary to protect the legitimate interests of the Company and the Shareholders, and that any violation of such restrictions may result in irreparable injury to the Company and/or the Shareholders for which money damages may not provide an adequate remedy. To the extent not inconsistent with the Association's Mediation and Mandatory Dispute Resolution Rules then in effect (or any successor rules thereto), the Company and each Shareholder shall be entitled to seek equitable relief, including, without limitation, preliminary and permanent injunctive relief, in any court of competent jurisdiction and, to the extent applicable, an equitable accounting of all earnings, profits and other benefits arising from the violation of any such restrictions, which rights shall be cumulative and in addition to any other rights or remedies to which the Company and/or Shareholder seeking such relief may be entitled. If any portion of the restrictions, covenants or agreements contained in this Agreement or the application thereof is held to be invalid or unenforceable, then the other portions of such restrictions, covenants or agreements or the application thereof shall not be

affected and shall be given full force and effect without regard to the invalid or unenforceable portions. If any restriction, covenant or agreement in this Agreement is held to be unenforceable because of the area covered, the duration thereof, or the scope thereof, then the court making such determination shall have the power to reduce the area and/or duration and/or limit the scope thereof, and the covenant or agreement shall then be enforceable in its reduced form. If a Shareholder violates any of the restrictions set forth in Paragraph 22 or 23 above, the restrictive period shall not run in favor of such Shareholder from the time of the commencement of such violation(s) and until such time as such violation(s) shall be cured by such Shareholder to the reasonable satisfaction of the Company and the other Shareholder(s).

25. Miscellaneous.

(a) This Agreement, a related letter agreement of even date herewith between the Shareholders and the Stock Purchase Agreement dated November 24, 2003 among the Shareholders and the Company (the "**FPLIC Purchase Agreement**") contain the entire understanding among the parties hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, except as herein contained. Except as contemplated by Paragraphs 3(f), 8(c) and 10(c) above, this Agreement may be amended or modified only by a writing executed by the Company and all of the Shareholders.

(b) The provisions of this Agreement are independent of and several from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part. The paragraph headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation. Words used herein regardless of the number and gender specifically used shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires. This Agreement is the result of the joint efforts of the parties hereto; each provision has been subject to the mutual negotiation and agreement of the parties; and there shall be no construction against any party based on any presumption of that party's involvement in the drafting of this Agreement.

(c) Except as explicitly provided in this Agreement, neither the failure nor any delay on the part of any party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence.

(d) All notices, requests, demands, waivers, consents, approvals or other communications which are required by or permitted under this Agreement shall be in writing and be deemed delivered (i) upon receipt, if by hand delivery, (ii) upon transmission, if sent by facsimile with confirmation of receipt during normal business hours for the recipient or on the next Business Day if sent after normal business hours for the recipient, (iii) the next Business

Day, if sent by a reputable overnight courier service such as FedEx or DHL, or (iv) on the fifth day following deposit in the United States mail, registered or certified, postage prepaid, return receipt requested addressed as follows:

If to the Company: First Priority Life Insurance Company, Inc.
19 North Main Street
Wilkes-Barre, PA 18711
Attn: Chief Executive Officer
Facsimile: (570) 200-7675

with a copy to: First Priority Life Insurance Company, Inc.
19 North Main Street
Wilkes-Barre, PA 18711
Attn: General Counsel
Facsimile: (570) 200-7675

If to BCNEPA: Hospital Service Association of Northeastern Pennsylvania
19 North Main Street
Wilkes-Barre, PA 18711
Attn: Chief Executive Officer
Facsimile: (570) 200-7675

with a copy to: Hospital Service Association of Northeastern Pennsylvania
19 North Main Street
Wilkes-Barre, PA 18711
Attn: General Counsel
Facsimile: (570) 200-7675

If to Highmark: Highmark Inc.
120 Fifth Avenue
Pittsburgh, PA 15222-3099
Attn: Chief Executive Officer
Facsimile: (412) 544-8240

with a copy to: Highmark Inc.
120 Fifth Avenue
Pittsburgh, PA 15222-3099
Attn: General Counsel
Facsimile: (412) 544-6704

Any party may change its address for receiving notice by giving notice of such new address in the manner provided herein.

(e) This Agreement and the rights and obligations of the parties hereto shall be construed, interpreted, determined and enforced in accordance with the laws of the Commonwealth of Pennsylvania without reference to the choice-of-law principles of this or any other jurisdiction to the contrary. Except for a Controversy (as defined in Paragraph 6(a) above) which shall be resolved in accordance with the provisions of Paragraph 6, any dispute or claim among the parties to this Agreement arising out of or relating to this Agreement or any alleged breach thereof, including any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void, shall be submitted to binding arbitration and finally resolved in accordance with the Association's Mediation and Mandatory Dispute Resolution Rules then in effect (or any successor rules thereto) and, to the extent not inconsistent therewith, in accordance with the rules and procedures set forth in the second and following sentences of Paragraph 6(e) above.

(f) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that no party may assign, delegate or transfer its rights or obligations under this Agreement, whether in whole or in part, without the prior written consent of the other parties hereto (which consent shall be in such party's sole discretion).

(g) This Agreement may be executed in any number of counterparts (whether facsimile or original), each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument.

(h) Capitalized terms used but not otherwise defined in this Agreement shall have the meanings set forth below:

(i) "**Affiliate**" of a Person means a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the first Person. For purposes of this definition, "**control**" (including the terms "**controlled by**" and "**under common control with**") means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, membership interests, by contract, as trustee or executor, or otherwise.

(ii) "**Agreed Value per Share**" means the value per Share determined by the Shareholders in good faith at the time such determination is required to be made by this Agreement, with each such determination applying only to the specific instance for which it is required to be made. If the Shareholders can not agree on such value at the time such determination is required by this Agreement to be made, which failure to agree continues for 20 Business Days, then such value shall be determined by an independent appraiser selected by the Shareholders (or absent their mutual agreement, by an independent appraiser selected by the Association). The cost of the independent appraiser shall be borne equally by the Shareholders. The determination of the independent appraiser shall, with respect to the event for which the independent appraiser is sought, be final and binding upon the Company and the Shareholders.

(iii) **"Association"** means the Blue Cross and Blue Shield Association.

(iv) **"Board Approval"** means the approval of the Company's board of directors, which approval must include all Highmark Directors and a majority of the BCNEPA Directors; provided that from and after the Flip Date, "Board Approval" shall mean the approval of a majority of the Highmark Directors and all of the BCNEPA Directors.

(v) **"Business Day"** means any day excluding Saturday, Sunday and any day which in the Commonwealth of Pennsylvania is a legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or by other governmental action to close.

(vi) **"Change of Control"** means any event, whether at one time or in a series of transactions, resulting in (A) a merger, consolidation, affiliation, member substitution (other than the substitution of individual members in the ordinary course of BCNEPA or Highmark's affairs) or division of or other transaction not otherwise described in this Paragraph 25(h)(vi) with respect to BCNEPA or Highmark with a third party other than an Affiliate of BCNEPA or Highmark, as applicable, in which, in each case, the members of BCNEPA or Highmark immediately prior to the transaction in question are, in each case, entitled to elect less than a majority of the board of directors or other governing body of the surviving entity or entities, (B) BCNEPA or Highmark transferring ownership to a third party other than an Affiliate of BCNEPA or Highmark, as applicable, of assets accounting for more than 33 ⅓% of the book value of its consolidated assets or revenues utilized in or derived from its Health Insurance Business (determined on a cumulative basis at the end of each fiscal year of BCNEPA or Highmark), (C) either BCNEPA or Highmark converting to a for-profit corporation, (D) either BCNEPA or Highmark losing (whether by termination or otherwise) its Blue Cross or Blue Shield license, and, if the party losing such license elects to appeal or challenge such loss, the determination of the loss of such license has become final and non-appealable, (E) the voluntary grant by BCNEPA or Highmark to a third party other than an Affiliate of BCNEPA or Highmark, as applicable, of the power to control (directly or indirectly) the management and operations of assets accounting for more than 33 ⅓% of the book value of the consolidated assets or revenues of BCNEPA or Highmark utilized in or derived from its Health Insurance Business for the most recently reported fiscal year, for a term greater than 5 years, or (F) the voluntary grant by BCNEPA or Highmark to a third party other than an Affiliate of BCNEPA or Highmark, as applicable, of the power to approve or to disapprove (directly or indirectly) any action with respect to assets accounting for more than 33⅓% of the book value of the consolidated assets or revenues of BCNEPA or Highmark utilized in or derived from its Health Insurance Business for the most recently reported fiscal year, that otherwise would be taken by a majority of the members of the board of directors or other governing body of BCNEPA or Highmark. Notwithstanding the foregoing, the Parties agree that the following shall not constitute a "Change of Control": the grant of covenants in favor of commercial lenders under commercial credit facilities or other commercial debt arrangements in connection with the borrowing of monies by Highmark, BCNEPA or their respective subsidiaries or Affiliates; any agreements entered into by BCNEPA or Highmark as required by the orders, directives or requirements of the Association or any governmental or regulatory authority or body; the grant of the rights to Highmark pursuant to this Agreement, the FPH Shareholders Agreement or the

Highmark ASA; the grant by BCNEPA of any power to control the management and operations of all or any portion of its Health Insurance Business to NaviMedix, Inc., Medmark Inc. or their successors or assigns with respect to the services currently offered by those companies, or to Highmark or any of its subsidiaries or Affiliates, or of all or any portion of the prescription drug business to any pharmacy benefits manager, or to Highmark or any of its subsidiaries or Affiliates; nor the grant by Highmark of any power to control the management and operations of all or any portion of its Health Insurance Business to NaviMedix, Inc., Medmark Inc. or their successors or assigns with respect to the services currently offered by those companies, or to BCNEPA or its subsidiaries or Affiliates, or of all or any portion of the prescription drug business to any pharmacy benefits manager, or to BCNEPA or any of its subsidiaries or Affiliates. Moreover, a "Change of Control" with respect to BCNEPA or Highmark shall not be deemed to have occurred solely as a result of a transfer of all of the membership interests of BCNEPA or Highmark to another Person if, immediately after giving effect to such transfer, the BCNEPA or Highmark members immediately prior to the effectiveness of such transfer are entitled to elect (directly or indirectly) at least a majority of the members of the boards of directors or similar governing bodies of the Person(s) to whom the transfer is made. In addition, a "Change of Control" shall not be deemed to have occurred solely as a result of (V) a transfer by BCNEPA, Highmark or their respective Affiliates of any assets utilized exclusively in the non-Health Insurance Business, (W) a transfer of the power to approve or to disapprove of any action with respect to the non-Health Insurance Business of BCNEPA, Highmark or any of their respective subsidiaries or Affiliates, (X) the transfer or assignment of all or substantially all of BCNEPA's or Highmark's right, title and interest in and to the assets used by BCNEPA or Highmark, as applicable, in its traditional indemnity business, which comprises a portion of the Health Insurance Business, to one or more current or future subsidiaries or Affiliates of such party, (Y) a transfer of the Shares in accordance with the terms of this Agreement, or (Z) the transfer or other use by BCNEPA or Highmark of its surplus capital in excess of the minimum surplus capital required to be maintained by BCNEPA or Highmark, each on an unconsolidated basis, in order to comply with the minimum capitalization requirements of the PID and to satisfy the "early warning" level established by the Association, whether in or outside the ordinary course of business and for any purpose. Each Shareholder shall promptly notify the Company and the other Shareholder in writing upon the occurrence of any event that results in a Change of Control.

(vii) "**Combined RBC**" means the combined RBC of the Company and First Priority Health, as determined in accordance with Paragraph 16 above.

(viii) "**Company Confidential Information**" means any confidential and non-public information of the Company, including, without limitation, information and knowledge pertaining to products and services offered, inventions, innovations, designs, ideas, plans, trade secrets, proprietary information, advertising, distribution and sales methods and systems, sales and profit figures, customer and client lists, and relationships between the Company and its customers, clients, suppliers and others who have business dealings with the Company.

(ix) "**Core Health Insurance Products**" means health insurance products and services, including, without limitation, all gatekeeper and non-gatekeeper preferred provider, point of service, health maintenance organization, prescription drug benefits and services, pharmacy benefit management services, traditional indemnity and administrative service only products, but excluding (A) managed or unmanaged dental or vision products and services, (B) specialty pharmacy products and services, and (C) services as a carrier, fiscal intermediary or Medicare Administrative Contractor under the traditional Medicare fee-for-service program (or any successor program thereto that serves the over-65 and disabled populations).

(x) "**Shared Confidential Information**" means any confidential and non-public information of a Shareholder that may from time to time be provided by such Shareholder to the Company for use by the Company, in the form provided by the Shareholder.

(xi) "**Force Majeure**" means any fire, flood, earthquake, acts of God or nature, acts of war or terrorism, riots, civil disorders, rebellions, revolutions or any other similar cause beyond the reasonable control of the Company. The Company shall use reasonable efforts to notify the Shareholders in writing of any event of Force Majeure, and such notice shall describe in reasonable detail the nature of such event of Force Majeure.

(xii) "**New Business Opportunity**" means any business development opportunities that from time to time may arise from one or more of the following: (A) the introduction of new products by the Company; (B) material changes in the market for the Company's products, including, without limitation, the entry or exit of significant competitors into or from the Service Area; or (C) any opportunity to expand an existing line of the Company's business that would reasonably be likely to result in the addition of 5,000 or more subscribers for the Company's products and services.

(xiii) "**Person**" means any natural person, firm, partnership, association, corporation, company, limited liability company, trust, business trust, governmental authority or other entity.

(xiv) "**RBC**" shall have the meaning given to such term in the Pennsylvania Risk Based Capital Requirements, 40 P.S. § 221.1-A, as amended from time to time, and in any successor statute thereto.

(xv) "**RBC Control Level**" shall mean an RBC level of 400%, as adjusted by from time to time in accordance with Paragraph 10 above.

(xvi) "**Related Party**" means, for any Shareholder, another Person that directly or indirectly (through one or more intermediaries) controls or is controlled by such Shareholder. For purposes of this definition, "**control**" and "**controlled by**" means the ownership of 100% of the voting securities or membership interests or their equivalents of or in such Person.

(xvii) "**Service Area**" means the 13-county area in northeastern and northcentral Pennsylvania consisting of the following counties: Lackawanna, Luzerne, Monroe, Wayne, Pike, Sullivan, Susquehanna, Bradford, Tioga, Lycoming, Clinton, Carbon and Wyoming.

(xviii) "**Specified Other Shareholder Capital Infusion**" means any capital contributions made to the Company (A) pursuant to Paragraph 5(f), 9 or 10 above, or (B) pursuant to Paragraph 7 above or as a result of the indemnification obligations set forth in Sections 6.2 or 6.4 of the FPLIC Purchase Agreement or the Stock and Note Purchase Agreement dated November 24, 2003 among First Priority Health, BCNEPA and Highmark, in each case with respect to this subsection (B) to the extent such payments cannot be characterized as income for accounting purposes, in which case such Specified Other Shareholder Capital Infusions shall be made in such a manner as to avoid any dilution of Highmark's equity ownership percentages in the Company or First Priority Health.

(xix) "**Restricted Party**" means (A) all persons holding the title "Director" or higher, (B) any manager of governmental accounts, (C) any manager or account representative having responsibility for major accounts, (D) any supervisor for account support, (E) any major account support representative, (F) any supervisor account management resources, (G) any account specialist, (H) any technical support coordinator, (I) any consultant with respect to labor accounts, (J) any account executive, (K) any sales consultant, (L) any regional account support representative, (M) any regional manager for provider relations, and (M) any provider relations consultant.

(xx) "**Highmark Service Area**" means the Commonwealth of Pennsylvania.


(xxi) "**Health Insurance Business**" means the business of delivering Branded Health Insurance Products in the Service Area by BCNEPA and its Affiliates, and in the Highmark Service Area by Highmark and its Affiliates.

(xxii) "**Branded Health Insurance Products**" means Core Health Insurance Products offered and/or sold utilizing the Marks.

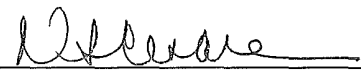
(xxiii) "**Marks**" means the Blue Cross and/or Blue Shield registered trade names, trademarks and service marks, any derivative names or marks, and any other similar type of intellectual property now or hereafter owned by the Association and which members of the Association have a right to use pursuant to a license or other right granted by the Association.

IN WITNESS WHEREOF, the parties hereto have hereunto executed and delivered this Shareholders Agreement on the date and year first above written.

FIRST PRIORITY LIFE INSURANCE
COMPANY, INC.

By: 
Name: Denise S. Cesare
Title: President and CEO

HOSPITAL SERVICE ASSOCIATION OF
NORTHEASTERN PENNSYLVANIA

By: 
Name: Denise S. Cesare
Title: President and CEO

HIGHMARK INC.

By: _____
Name: Kenneth R. Melani, M.D.
Title: President and CEO

IN WITNESS WHEREOF, the parties hereto have hereunto executed and delivered this Shareholders Agreement on the date and year first above written.

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COMPANY, INC.

By: _____
Name: Denise S. Cesare
Title: President and CEO

HOSPITAL SERVICE ASSOCIATION OF
NORTHEASTERN PENNSYLVANIA

By: _____
Name: Denise S. Cesare
Title: President and CEO

HIGHMARK INC.

By: Kenneth R. Melani
Name: Kenneth R. Melani, M.D.
Title: President and CEO

**EXHIBIT A
PROJECTIONS**

First Priority Life Insurance Company						
Projected Capital Infusions						
(in thousands of dollars)						
	<<--Capital Infusions Required-->>			<<--Cumulative Capital Infused-->>		
	BCNEPA	Highmark	Total	BCNEPA	Highmark	Total
12/31/2003	-	-	-	4,250.0	-	4,250.0
At Closing	1,794.1	4,029.4	5,823.5	6,044.1	4,029.4	10,073.5
Effective Date of Product	6,044.1	4,029.4	10,073.5	12,088.2	8,058.8	20,147.0
6 Months After Effective Date	11,646.3	7,764.2	19,410.5	23,734.5	15,823.0	39,557.5
12 Months After Effective Date	11,646.3	7,764.2	19,410.5	35,380.8	23,587.2	58,968.0
18 Months After Effective Date	619.2	412.8	1,032.0	36,000.0	24,000.0	60,000.0

SCHEDULE 7(A)
RATE ACTION MATTERS

The premium revenues foregone as a result of a Rate Action for a calendar year would be determined by calculating the difference between 1) an account's premium revenue, inclusive of the revenue of the following renewal retention charges: contribution to reserves of 3.5%, income taxes of 1.25%, and scaled risk charges up to 2.0%, and 2) an account's actual premium revenue.

Illustration of an account's monthly Rate Action Amount:

1. Restated Monthly Account Revenue (inclusive of 3.5% contribution to reserve, 1.25% tax charges, and scaled risk charges)	\$125,000
2. Actual Account Monthly Revenue	\$118,000
3. Rate Action Amount	\$7,000

Rate Actions shall be calculated in accordance with the terms of Paragraph 7(a) by accumulating the foregone revenue resulting from the Company's decision to not price certain retention components, including but not limited to contribution to reserve, tax and risk charges.

THE AMOUNTS AND PERCENTAGES USED HEREIN ARE FOR ILLUSTRATIVE PURPOSES ONLY AND THE ACTUAL AMOUNTS AND PERCENTAGES WILL BE DIFFERENT FOR EACH CALENDAR YEAR FOR WHICH A RATE ACTION MAY BE TAKEN.