

**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.

**BCNEPA RESPONSE TO INFORMATION REQUEST 5.4.5 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

REQUEST 5.4.5:

Discuss any termination provisions contemplated by the Transaction, including any payments, terms or financial arrangements that may result from a termination of the Merger Agreement or other termination of the Transaction.

RESPONSE:

BCNEPA certifies to the best of its knowledge, information and belief that set forth below is a discussion of the termination provisions contemplated by the Transaction.

The termination provisions of the Merger Agreement are substantially set forth in ARTICLE 7 of the Merger Agreement. See the response to PID information request 2.1.4 for a discussion of the provisions regarding a termination of the Merger Agreement by BCNEPA or Highmark pursuant to Section 7.1(e) or 7.1(f), as applicable, of the Merger Agreement (in the event of a breach or default).

In addition to the provisions regarding a termination of the Merger Agreement by BCNEPA or Highmark described in the response to PID information request 2.1.4, the Merger Agreement and all rights and obligations thereunder may be terminated and the Merger set forth therein may be abandoned at any time prior to the Effective Time:

- By mutual written consent of BCNEPA and Highmark;
- By either BCNEPA or Highmark by giving written notice to the other party, if the Merger has not been consummated by August 18, 2015 (but a party is not entitled to terminate if the failure of the Merger to have been consummated is due principally to the failure of such party to perform any obligations under the Merger Agreement required to be performed at or prior to the time of termination);

- By Highmark by giving written notice to BCNEPA, if the Member Approval was not obtained by April 19, 2014. The Member Approval was obtained on March 10, 2014;
- By either BCNEPA or Highmark by giving written notice to the other party, if any Government Entity of competent jurisdiction has issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action is or has become final and nonappealable;
- By Highmark by giving written notice to BCNEPA, if a Governmental Consent shall have been obtained and be in full force and effect that is conditioned upon or shall be proposed, in writing, by such Governmental Entity to include a Highmark Materially Burdensome Condition; or
- By BCNEPA by giving written notice to Highmark, if a Governmental Consent shall have been obtained and be in full force and effect that is conditioned upon or shall be proposed, in writing, by such Governmental Entity to include a BCNEPA Materially Burdensome Condition.

In the event of the termination of the Merger Agreement, the rights and obligations of the parties under the Merger Agreement terminate, except for the obligations in the confidentiality provisions of Section 4.2, and all of the provisions of Section 7.2, Section 7.3, Section 7.4 and ARTICLE 8 of the Merger Agreement, and there is no other liability on the part of any party hereto (unless terminated in the event of a breach or default, in which case refer to the responses to PID information request 2.1.4 for additional rights of the non-breaching party); but no party is relieved or released from any liabilities or damages arising out of its willful breach of any provision of the Merger Agreement.

In addition, pursuant to Section 7.4 of the Merger Agreement, upon a termination of the Merger Agreement, Highmark agreed that the time period during which BCNEPA can give notice of its exercise of the change of control option which allows BCNEPA to either (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 is further extended until ten (10) days after the effective date of such termination of the Merger Agreement.

**Hospital Service Association of
Northeastern Pennsylvania
d/b/a Blue Cross of Northeastern
Pennsylvania (“BCNEPA”)
19 North Main Street
Wilkes-Barre, PA 18711**