

**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 6.1.1.9 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

REQUEST 6.1.1.9:

To the extent not disclosed in the Form A filing and accompanying material, provide a full and complete listing of each class of membership interests in each Highmark Entity and BCNEPA Entity, summarize any rights of Control with respect to each such class, and refer to the agreement or document to which such right of Control relates. If disclosed in the Form A filing and accompanying material, identify where such disclosure is located in the Form A filing and accompanying material.

RESPONSE:

BCNEPA certifies to the best of its knowledge, information and belief that set forth below is a listing of each owner (including classes of membership interests, if applicable) of the membership or ownership interests in each BCNEPA Entity, together with any rights of Control with respect to such membership or ownership interests. All capitalized terms use below have the meanings given thereto in the Merger Agreement.

BCNEPA:

BCNEPA currently has 36 members, and there are no separate classes of members. As set forth in the BCNEPA Bylaws, (i) each member of BCNEPA must be a subscriber to the Blue Cross of Northeastern Pennsylvania Plan or a subscriber to any program offered by a Blue Cross Blue Shield Association licensed subsidiary of BCNEPA, or a member of the BCNEPA board of directors

who is a subscriber either to a program licensed by Blue Cross Blue Shield Association or to a program offered by any subsidiary which is wholly-owned, directly or indirectly, by BCNEPA, (ii) the members have the power to set the number and elect the members of BCNEPA, set the number and elect the members of the BCNEPA board of directors, amend the BCNEPA Bylaws and perform any other act permitted by statute and not inconsistent with the BCNEPA Bylaws, and (iii) all powers of BCNEPA (including the power to conduct and direct the business and affairs of BCNEPA), other than those specifically reserved or granted to the members of BCNEPA by statute or by the BCNEPA Articles of Incorporation or Bylaws, are granted to the BCNEPA board of directors.

FPH:

BCNEPA owns 60% of the common stock of FPH, a joint venture with Highmark (which owns the remaining 40% of the common stock) and there are no other classes of stock authorized. The FPH board of directors consists of six persons, four of whom are designated by BCNEPA. As set forth in the FPH Bylaws, the business and affairs of FPH are managed under the direction of the FPH board of directors. Upon the consummation of the Merger, the Surviving Corporation will be the sole shareholder of FPH.

FPLIC:

BCNEPA owns 59.9% of the common stock of FPLIC, a joint venture with Highmark (which owns the remaining 40.1% of the common stock) and there are no other classes of stock authorized. The FPLIC board of directors consists of seven persons, four of whom are designated by BCNEPA. As set forth in the FPLIC Bylaws, the business and affairs of FPLIC are managed under the direction of the FPLIC board of directors. Upon the consummation of the Merger, the Surviving Corporation will be the sole shareholder of FPH.

AHS:

AHG is the sole shareholder of AHS. AHG intends to distribute the capital stock of AHS to BCNEPA prior to the consummation of the Merger. As set forth in the AHS Bylaws, the business and affairs of AHS are managed under the direction of the AHS board of directors.

HMS:

AHG is the sole shareholder of HMS. AHG intends to distribute the capital stock of HMS to BCNEPA prior to the consummation of the Merger. As set forth in the HMS Bylaws, the business and affairs of HMS are managed under the direction of the HMS board of directors.

Foundation:

BCNEPA is the sole member of the Foundation. BCNEPA intends to convert the Foundation to a nonmember nonprofit corporation prior to the consummation of the Merger. Prior to such conversion, as set forth in the Foundation Bylaws, (i) BCNEPA has the power to set the number, elect and remove the members of the Foundation board of directors, adopt and amend the Foundation Bylaws, and perform any other act permitted by statute and not inconsistent with the Foundation Bylaws, and (ii) all powers of the Foundation (including the power to conduct and direct the business and affairs of the Foundation), other than those specifically reserved or granted to BCNEPA by statute or by the Foundation Articles of Incorporation or Bylaws, are granted to the Foundation board of directors.

AHG:

BCNEPA is the sole shareholder of AHG. BCNEPA intends to (i) contribute, dispose of or otherwise transfer without consideration all or a portion of the business, operations or assets, together with all of the liabilities, or all or a portion of the ownership interests of, AHG to a Charitable Organization prior to the Effective Time, or (ii) sell, dispose of or otherwise transfer for consideration all or a portion of the business, operations or assets, together with all of the liabilities, or all or a portion of the ownership interests of, AHG to a Person (a "Sale Transaction") and contribute the Net Proceeds of such Sale Transaction to a Charitable Organization prior to the Effective Time. As set forth in the AHG Bylaws, the business and affairs of AHG are managed under the direction of the AHG board of directors.

HRC:

AHG is the sole shareholder of HRC. BCNEPA intends to (i) contribute, dispose of or otherwise transfer without consideration all or a portion of the business, operations or assets, together with all of the liabilities, or all or a portion of the ownership interests of, HRC to a Charitable Organization prior to the Effective Time, or (ii) sell, dispose of or otherwise transfer for consideration all or a portion of the business, operations or assets, together with all of the liabilities, or all or a portion of the ownership interests of, HRC to a Person (a "Sale Transaction") and contribute the Net Proceeds of such Sale Transaction to a Charitable Organization prior to the Effective Time. As set forth in the HRC Bylaws, the business and affairs of HRC are managed under the direction of the HRC board of directors.

The Articles of Incorporation, Articles of Organization or Certificate of Formation, as applicable, and the Bylaws or Limited Liability Company Agreement, as applicable, of those entities identified above are provided in the confidential responses to PID information request 6.1.1.1 and 6.1.1.2.

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