

**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 SUPPLEMENTAL
INFORMATION REQUEST 2.6.1 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

SUPPLEMENTAL REQUEST 2.6.1 (via letter from PID dated August 27, 2014)

Required Action: Provide a summary of the rights and restrictions on the ability of BCNEPA to transfer assets, or any BCNEPA Affiliate to transfer, dispose, donate, or contribute any property pursuant to or in connection with the Merger Agreement.

RESPONSE:

Highmark hereby supplements its prior response to this Request as follows:

Highmark certifies that to the best of its knowledge, information and belief that its understanding of the rights of BCNEPA to make any transfer, disposition, donation, or contribution of property is as set forth in the Merger Agreement as follows:¹

Pursuant to Section 3.1(c) of the Merger Agreement, BCNEPA has the right to: (i) distribute the capital stock of HMS and AHS held by AHG to BCNEPA, (ii) assign, transfer or contribute any or all the rights, together with all of the obligations, between BCNEPA and The Commonwealth Medical College to a Charitable Organization at any time prior to the Effective Time, (iii) (a) contribute, dispose of or otherwise transfer without consideration all or any portion of the business, operations or assets, together with all of the liabilities, or all or any portion of the ownership interests of, AHG and/or HRC to any Charitable Organization at any time prior to the Effective Time, or (b) sell, dispose of or otherwise transfer for consideration all or any portion of the business, operations or assets, together with all of the liabilities, or all or any portion of the ownership interests of, AHG and/or HRC to any Person and contribute the Net Proceeds of such

¹ Capitalized terms used herein without being defined have the meanings assigned to them in the Merger Agreement.

Sale Transaction to a Charitable Organization at any time prior to the Effective Time, (iv) convert the Foundation to a nonmember nonprofit corporation, (v) on the Closing Date, but prior to the Effective Time, make to one or more Charitable Organizations, out of its surplus capital, a contribution up to the total amount of the Closing Contribution (i.e., \$90,000,000 less any cash contributions to AHG and/or HRC, not to exceed an aggregate amount of \$20,000,000), subject to the limitations set forth in the definition of “Closing Contribution” in Section 8.14 of the Merger Agreement, and/or (vi) cause HMS and AHS to assign any and all common law rights that such entities may possess in and to any trademark containing the words “AllOne,” in whole or in part, and all goodwill associated therewith, to AHG or HRC, provided that, in each case of subsections (i) through (iii) above, any such action does not, and would not be reasonably expected to, result in or create any liability of BCNEPA or the Surviving Corporation to any Person or any tax payable by BCNEPA or the Surviving Corporation, in any case in excess of amounts deducted by BCNEPA in determining Net Proceeds.

Under Section 3.1(b) of the Merger Agreement, BCNEPA also has the right to make cash contributions to AHG and/or HRC, not to exceed an aggregate amount of \$20,000,000; provided that such cash contributions will reduce the amount of the Closing Contribution.

Additionally, Section 3.1(b) of the Merger Agreement restricts BCNEPA from, among other things, the following: adopting a plan of liquidation, dissolution, restructuring, recapitalization or other reorganization of BCNEPA or any of its Subsidiaries; selling all or substantially all the assets of BCNEPA or any of its Subsidiaries to any other Person; other than the Permitted Contributions, or in connection with investments of reserves or employee benefit assets in the ordinary course and in compliance with BCNEPA’s investment policy, transferring, selling, leasing, mortgaging, or otherwise disposing of or subjecting to any Lien (other than Permitted Liens) any of its assets, including capital stock or other equity interest of its Subsidiaries, that has a fair market value in excess of \$2,500,000 individually, or \$10,000,000 in the aggregate; and terminating or permitting the termination of the BCNEPA Insurance Policies, unless such policies are replaced with comparable replacement policies.

**Highmark Inc.
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