



April 10, 2014

Jack M. Stover, Esq.
Buchanan Ingersoll & Rooney PC
1 South Market Square
213 Market Street, 3rd Floor
Harrisburg, PA 17101-2121

Re: Application of Highmark Inc. for Approval of the Acquisition of Control of or Merger with Hospital Service Association of Northeastern Pennsylvania d/b/a Blue Cross of Northeastern Pennsylvania and its Pennsylvania Domiciled Insurance Subsidiaries

Dear Mr. Stover:

The Pennsylvania Insurance Department (the "Department") has made a preliminary review of the Form A, Statement Regarding The Acquisition Of Control Of Or Merger With Domestic Insurers (the "Form A") filed by Highmark Inc., a Pennsylvania nonprofit corporation licensed to operate a nonprofit hospital plan and a nonprofit professional health service plan (the "Applicant" or "Highmark"), on February 18, 2014.

The Form A states that it involves the merger with or the acquisition of control of the following domestic insurers: Hospital Service Association of Northeastern Pennsylvania d/b/a Blue Cross of Northeastern Pennsylvania, a Pennsylvania nonprofit corporation licensed to operate a nonprofit hospital plan ("BCNEPA"), First Priority Life Insurance Company, Inc., a Pennsylvania stock insurance company ("FPLIC") and HMO of Northeastern Pennsylvania, Inc., d/b/a First Priority Health, a Pennsylvania nonprofit corporation licensed as a health maintenance organization ("FPH") (BCNEPA, FPLIC and FPH are collectively referred to in this Request for Information as the "Domestic Insurers").

In the Form A, the Applicant requests approval of a transaction that involves the merger of BCNEPA with and into Highmark and the change in control of FPLIC and FPH pursuant to a Merger Agreement (the "Merger Agreement"). Pursuant to the Merger Agreement, Highmark will be the surviving corporation. The Merger Agreement, together with any and all transactions, agreements or arrangements entered into or to be entered into in connection therewith, are referred to collectively as the "Transaction."

Based upon this preliminary review and a preliminary meeting on March 7, 2014 among representatives of the Department, Highmark, BCNEPA and their respective advisors, the Department has compiled the below list of questions and requests for information (collectively the "PID Request for Information"). All responses to each of the below items or questions are to be provided or made by or for each of the Highmark and BCNEPA Entities unless the item or request expressly provides otherwise. All responses to this PID Request for Information should be as specific as possible, with legal support where appropriate.

Highmark's and BCNEPA's responses and any related Documents will become part of the public file, unless (a) Highmark and/or BCNEPA assert that specific information is confidential; (b) cite specific authority pursuant to which confidentiality is asserted; and (c) the Department accepts such assertion. Several of the questions request that "all" third party expert opinions, advices or reviews (collectively "Expert Opinions") concerning certain topics be produced. If one or more Expert Opinions responsive to the question have not already been retained, please do so and file the Expert Opinion(s) with the Department. All Documents provided in response to any item or request below: (i) are required to represent a full, complete and accurate copy of such Documents and (ii) must be provided whether they relate in whole or in part to any item or request.

When preparing responses, please reference the item number in this PID Request for Information to which the response is being made. If information that is responsive to the specific item number in this PID Request for Information was provided to the Department with the Form A filing, please refer to the specific page or pages in the tab or section of the Form A material that is responsive to the item number.

If Highmark, BCNEPA, FPLIC and/or FPH previously submitted information to the Department in response to any other review by the Department, which previously submitted information is responsive to one or more of the following items in this PID Request for Information, please provide a full and complete copy of the information previously provided and separately identify and segregate any additional information responsive to such item that has not been previously provided.

If a request is made for any information or Documents for a defined period of time, each Highmark Entity and BCNEPA Entity providing the response is required to provide all such information or Documents that are dated and/or prepared for or during such period. When an item below requests a Person to analyze, or provide or deliver an analysis or review of, any aspect of the Transaction or other matter or event, each of the Highmark and BCNEPA Entities is also required to provide a full and complete copy of all Documents in its possession or control, and/or in the possession or control of any consultant, advisor or other Person engaged by or for it or them, which relate to, or otherwise apply to, in whole or in part, any such analysis or review.

1. Definitions. Except as otherwise specifically defined herein, the definitions of capitalized terms are set forth in Section 8 at the end of this PID Request for Information.

2. Transaction. Each of the Highmark and BCNEPA Entities is required to provide the following, including any Documents relating thereto:

2.1. Risk analysis issues.

2.1.1. Discuss separately the economic benefits and risks of the Transaction from the perspective of Highmark, BCNEPA, FPLIC and FPH. Provide a full and complete copy of all Expert Opinions and/or external consultant reports supporting or not supporting the reasonableness of each response.

2.1.2. Provide a full and complete analysis of the risk of potential loss with regard to each Material Proceeding and the amount and extent of insurance available for such Material Proceeding.

2.1.3. Provide a full and complete copy of any analysis performed by any Highmark Entity or BCNEPA Entity in connection with the consideration, execution, delivery or performance of the Transaction, including without limitation, the guarantees of levels of employment, and compensation and operational integration costs (the "Funding Commitments").

2.1.4. Provide a full and complete analysis of the rights and remedies available to Highmark or BCNEPA for any breach or default under the Merger Agreement or any other agreement between or among any Highmark Entity or BCNEPA Entity both before and after completion of the Transaction, and a description of any reserves, funds or escrows providing security for such obligations.

2.1.5. Provide an analysis of the risks that any assets, properties or reserves of any Highmark Entity will be subject to any claims, debts or obligations of any of the BCNEPA Entities in excess of the assets received from BCNEPA, together with the methods or approaches by which such risks if any are being mitigated.

2.1.6. Provide a full and complete analysis of the risk associated with the matters or events that are referred to as exceptions to, or disclosure of information for, the representations and warranties contained in the Merger Agreement, together with the Section of the Merger Agreement to which they relate.

2.1.7. Provide a full and complete copy of any updates to the disclosure schedules or exceptions to the Merger Agreement and any notices given pursuant to the Merger Agreement as and when made.

2.1.8. Provide an analysis of the effect of the Transaction on any existing insurance policies of the Highmark Entities or BCNEPA Entities, including if the Transaction results in a termination of any claims-made policies or requires the purchase of any tail or extended reporting policy.

2.1.9. Provide a full and complete description of the nature and amount of any Financial Commitments to be assumed or undertaken by any Highmark Entity in connection with the Transaction including under the Merger Agreement. For any Financial Commitments that are contingent or unliquidated, describe the process by which (including all Expert Opinions) Highmark determined the amount or exposure of such Financial Commitments.

2.1.10. Provide an analysis of how the Applicant has determined that there is no cash consideration for the Transaction in light of its commitments to employment and assumption of debt, including, without limitation, contingent debt and charitable commitments.

2.1.11. Provide a full and complete summary of all proposed offers, bids, or proposals from any Person (the "Proposed Prior BCNEPA Transactions"), including all Documents, received by or on behalf of any BCNEPA Entity since July 1, 2012 to : (i) acquire all or at least a majority of all of the assets or properties of, or interests in, any BCNEPA Entity; (ii) merge any BCNEPA Entity with or into or consolidate with or into any Person or (iii) otherwise enter into any agreement or arrangement outside of the ordinary course of business with such Person.

2.1.11.1 Describe the primary reason(s) why the applicable BCNEPA Entity rejected, did not pursue or failed to consummate each Proposed Prior BCNEPA Transaction and describe the circumstances that prevented the consummation or pursuit of each Proposed Prior BCNEPA Transaction.

2.1.12. Discuss and provide an analysis of alternative relationship/contractual structures that Highmark considered for an extension of Highmark's relationship with BCNEPA once Highmark was selected as BCNEPA's counterparty to the Merger.

2.1.13. Describe the nature and history of any agreements (including all reinsurance) between or among any of the Highmark and BCNEPA Entities, as well as the pro forma impact of the Transaction on such agreements.

2.2. Change of Control.

2.2.1. Other than agreements previously filed with Department, the Highmark Entities or BCNEPA Entities are requested to identify any agreements between or among one or more of the Highmark Entities or BCNEPA Entities that: (i) are anticipated to be executed if the Transaction is approved; or (ii) were executed contemporaneously with or subsequent to the execution of the Merger Agreement. If any exist, please provide full and complete copies of all current draft or executed agreements.

2.3. Advisory Board and Class A Board Members.

2.3.1. Provide a full and complete copy of all Documents that relate to the negotiation or structuring of the Advisory Board or Class A Board of Director representation of

BCNEPA (“Class A Members”) on the Highmark Board in connection with the Merger Agreement.

2.3.2. Describe and analyze the ability of the Class A Members or the Advisory Board to affect or direct the management or affairs of Highmark or any other Highmark Entity.

2.3.3. Provide a full and complete listing of the proposed members of the Advisory Board and the Class A Members, and, to the extent not yet designated, any criterion for selection, together with biographical affidavits for such members.

2.3.4. Provide an analysis of how the Advisory Board and Class A Members comply with the provisions of applicable law, including, without limitation, 40 P.S. § 991.1405(c)(3) and 40 Pa.C.S. Chapter 61.

2.3.5. Describe and provide an analysis of the process and factors considered in deciding upon the term length and authority of the Advisory Board and the Class A Members, together with any Documents relating thereto.

2.4. Relationship with BCNEPA Affiliates.

2.4.1. Provide a full and complete description of all Financial Relationships of any Highmark Entity with any BCNEPA Entity or of any current or former BCNEPA Entity with any Highmark Entity.

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.

2.4.3. Provide a full and complete copy of all Expert Opinions or Documents assessing the risks or benefits of Highmark’s Financial Relationships in or with FPH and FPLIC.

2.4.4. Provide a full and complete copy of any correspondence, communications, notices or other Documents by any Highmark Entity or its counsel to any BCNEPA Entity or from any BCNEPA Entity or its counsel to or for any Highmark Entity concerning the effect of any prior change of control of Highmark upon its interests in FPH or FPLIC.

2.4.5. Provide a full and complete copy of any Highmark Board of Director or committee minutes (including any related presentations or other Documents provided to the Board of Directors of Highmark or any committee of Highmark) regarding the effect of any change of control of Highmark upon its interests in FPH or FPLIC.

2.4.6. Provide any analysis of presentation materials, together with a copy thereof, made to Highmark's Board of Directors in consideration of alternatives for evaluating BCNEPA's rights with regard to FPLIC and FPH, including any relevant analyses regarding Highmark's consideration of strategic / operational alternatives related to Highmark's presence in the Northeastern Pennsylvania service area.

2.5. Distribution of funds.

2.5.1. Other than the merger contemplated by the Merger Agreement, provide a full description of any plans of the Applicant or any Highmark Entity or and BCNEPA Entity to declare or cause to be declared any extraordinary dividend, liquidate any of the Domestic Insurers, sell, transfer, donate, assign or create any lien or encumbrance upon its assets or merge them with any Person or to make any other material change in their business operations, corporate structure or management. Do not cross reference to other information. Please list and describe each such plan.

2.5.2. In addition to the information provided by or for Highmark or BCNEPA in connection with the Form A, provide a copy of any most current or final plan or plans drafted or adopted by or for the Applicant, and/or all or any Highmark and BCNEPA Entities regarding implementation or performance of the Transaction, including, but not limited to, any Documents describing strategies or plans relating to integration, funding, implementation or strategy, irrespective of the name of the Document.

2.5.3. With regard to all Funding Commitments:

2.5.3.1 Describe the amount and source of funds for any funding, contributions, loans or advances currently anticipated to be made by Highmark, BCNEPA, any Highmark Affiliate or any BCNEPA Affiliate in connection with the Transaction to:

- (A) BCNEPA;
- (B) any current or former BCNEPA Affiliate in existence within six (6) months prior to the Merger Agreement;
- (C) Highmark; and/or
- (D) any other Highmark Affiliate.

2.5.3.2 If any of the funds or other consideration used or to be used by any Highmark Entity or BCNEPA Entity in effecting, consummating or performing the Transaction including the making of distributions of Contributed Property (no matter how described in the Merger Agreement or other Document) is represented or is to be represented by funds or other property borrowed or otherwise obtained for the purpose of acquiring or holding any interest in any Highmark Entity or BCNEPA Entity or otherwise consummating the

Transaction, furnish a description of the transaction relating thereto, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements related thereto.

2.5.3.3 Explain in detail the criteria used in determining the nature and structure of the Transaction, and provide a copy of all Expert Opinions relating thereto.

2.6. Transfers of BCNEPA Assets or Property.

2.6.1. Provide a summary of all assets and property that, pursuant to or in connection with the Merger Agreement or relating to the Transaction, may be transferred, disposed of, donated or contributed by BCNEPA or any BCNEA Affiliate to any Person other than transfers of assets or property in the ordinary course of the business of BCNEPA or the applicable BCNEPA Affiliate making such transfer, disposition, donation or contribution.

2.6.2. Provide a full and complete copy of all Expert Opinions obtained by or for any Highmark Entity or BCNEPA Entity in connection with the right of BCNEPA to contribute, dispose of, sell or otherwise transfer the capital stock or the assets and liabilities of AllOne Health Group, Inc. (“AHG”) and Health Resources Corporation (“HRC”) prior to or in connection with the Transaction (the “Excluded Property”).

(A) Provide any summary analysis and Documents regarding the value of AHG, HRC and BCNEPA's related subsidiaries as well as any linkage of this value to the determination of the amount of the contributions or distributions to be made to the charitable foundation contemplated by the Transaction.

2.6.3. Provide a summary of the business, products or services offered or provided by AHG and/or HRC and the extent to which these entities compete with any Highmark Entity or BCNEPA Entity.

2.6.4. Provide a full and complete copy of all Expert Opinions obtained by or for any Highmark Entity or BCNEPA Entity in connection with the right of BCNEPA pursuant to the Transaction or otherwise to contribute out of its surplus up to \$90 million to one or more charitable organization(s) (the “Contributed Property”), including the effect on BCNEPA of it making any contributions to AHG or HRC.

2.6.5. With respect to the Excluded Property or any Contributed Property, provide a description of, and any Documents relating to, the extent to which any current officer, director, member or employee of any Highmark Entity or BCNEPA Entity has or is anticipated to have, directly or indirectly, any Financial Relationship in or with respect to the Excluded Property or Contributed Property or any Person that will, directly or indirectly, Control such Excluded Property or Contributed Property.

2.6.6. Please identify the specific recipient(s) of the Contributed Property and Excluded Property and, if such recipients are not currently known or identified, the criteria to be used in identifying the recipients of such property.

2.6.7. Provide a summary of the reasons or rationale for the decision to distribute to BCNEPA prior to the time of the Merger the stock of AllOne Health Management Solutions, Inc. ("HMS") and AllOne Health Services, Inc. ("AHS"), together with a copy of all Expert Opinions obtained by any Highmark Entity or BCNEPA Entity in connection therewith. Describe the effect on BCNEPA or the BCNEPA Entities if such stock were not so transferred.

2.7. Transactions for which Approval is Requested.

2.7.1. In addition to the Change of Control of the Domestic Insurers contemplated by the Form A, specifically identify any other transactions or agreements for which the Applicant, any other Highmark Entity or any BCNEPA Entity is requesting approval of the Department in connection with the Form A (the "Other Requested Transactions").

2.7.2. For all of the Other Requested Transactions, provide a full and complete copy of all Documents applicable thereto and all information that would be required under applicable law to be provided in connection with such request for approval of the Other Requested Transaction as if a request for approval of the Other Requested Transaction were filed separately for approval with the Department.

3. Compliance with 2013 Highmark Order.

3.1. Describe: (i) all steps and process undertaken by or for Highmark that satisfy the obligation of Highmark to conduct a Commercially Reasonable Process (as defined in the 2013 Highmark Order) to evaluate and assess the benefits and risks to policyholders, subscribers or other stakeholders, as applicable, and whether the Financial Commitment to be undertaken in connection with the Transaction furthers and is consistent with the Highmark Entity's nonprofit mission, if the Highmark Entity is exempt from Federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code; and (ii) how the terms of any Financial Commitment shall satisfy the provisions of 40 P.S. § 991.1405, as if the Financial Commitment transaction were made or agreed to be made between or among members of the holding company system.

3.2. Describe the impact of the BCNEPA Entities becoming "Domestic Insurers" under the 2013 Highmark Order.

3.3. Describe any effects or impact that the Transaction may have on any WPAHS Entity (as defined in the 2013 Highmark Order).

3.4. Provide an analysis of each Financial Commitment to be undertaken in connection with the Transaction and amount thereof incurred or to be incurred by Highmark pursuant to the Transaction.

3.5. Provide an analysis of any effect or impact that the Merger Agreement or, if consummated, the Transaction may have under the 2013 Highmark Order.

4. Governmental, regulatory, corporate and/or contractual consents and approvals.

4.1. Are there any pre- and/or post-closing governmental regulatory, corporate and/or contractual notices, filings, consents and/or approvals that are or reasonably may be required for or in connection with the Transaction, other than those contained in the Schedules to the Merger Agreement?

4.2. For each governmental, regulatory, corporate and/or contractual notices, filings, consents and/or approvals that are or reasonably may be required for or in connection with the Transaction, provide:

4.2.1. The name, address of the entity that must give the consent or approval;
and

4.2.2. The specific notices, filings, consents or approval(s) that will be
required.

4.2.3. The timing of the notices, filings, consents or approvals, together with citation to the statutory, regulatory or contractual provision requiring such notice, consent or approval.

4.2.4. Whether contact has been made with the Person regarding the Transaction and, if so, provide the name, address, telephone number and e-mail address of the representative(s) at the Person who was (were) contacted.

4.2.5. Provide a complete copy of any written material that has been submitted to any Person (other than Highmark and BCNEPA Entities and their directors, officers, employees and agents) regarding the Transaction and any response to such written material.

4.3. Explain the process for obtaining each consent and approval set forth in this Section 4 and the expected timeline or schedule for each.

4.4. Hart/Scott/Rodino filing.

4.4.1. Representatives of Highmark have informed the Department that a Hart/Scott/Rodino filing needs to be made or will be made by the Applicant and/or any Highmark Entity or BCNEPA Entity in connection with the Transaction. Provide a full and complete copy of any analysis, opinion or other document prepared by or for the Applicant or any Highmark Entity or BCNEPA Entity regarding the necessity for the making of a Hart/Scott/Rodino filing in connection with the Transaction.

4.4.2. Provide a full and complete copy of all Documents (whether by letter, e-mail or otherwise) and/or other Documents provided to and/or received from, or, when made or received, are provided to or received from, the Pennsylvania Attorney General's Office concerning the Transaction.

4.4.3. Provide a full and complete copy of all Documents (whether by letter, e-mail or otherwise) and/or other Documents provided to and/or received from, or, when made or received, are provided to or received from, any other governmental or regulatory authority concerning the Hart/Scott/Rodino Filing in connection with the Transaction.

4.5. Provide a full and complete copy of any Documents (whether by letter, e-mail or otherwise) and/or other Document provided to and/or received from, or, when made or received, are provided to or received from, any governmental or regulatory entity related to the Transaction that is not otherwise required to be submitted in connection with this PID Request for Information. "Governmental or regulatory entity" when used in this PID Request for Information includes, but is not limited to, the Pennsylvania Attorney General's Office, the Pennsylvania General Assembly, departments or agencies of the Commonwealth (other than the Pennsylvania Insurance Department), other state insurance departments, the United States Department of Justice, the Federal Trade Commission, other departments or agencies of the United States or any other state, and any political subdivision or other governmental unit.

4.6. List all notices, filings, consents and/or approvals needed by or from the National Blue Cross Blue Shield Association ("BCBSA") or other Blue Cross licensing body with respect to the Transaction.

4.6.1. For each such notice, filing, consent or approval, provide the information required by Section 4.2 above.

4.6.2. Provide a full and complete copy of any Documents filed with, provided to or received from the BCBSA related to the Transaction.

4.7. Provide a full and complete copy of any written testimony given on behalf of the Applicant and/or any Highmark Entity or BCNEPA Entity regarding or referencing the Transaction.

4.8. Provide a full and complete copy of any press release or public announcement, issued by the Applicant and/or any Highmark Entity or BCNEPA Entity regarding or referencing the Transaction.

5. Compliance with the Statutory Standards.

5.1. In addition to information otherwise requested in this PID Request for Information that may be relevant to the issues addressed in this Section, provide the following information relating to 40 P.S. § 991.1402(f)(1)(i) for each applicable domestic insurer, which states: "*After the merger, consolidation or other acquisition of control, the domestic insurer ...*

would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed.”

5.1.1. Provide a listing of all of the Highmark and BCNEPA Entities that are licensed to write insurance in Pennsylvania.

5.1.2. Identify Highmark's, BCNEPA's and each Highmark Affiliate's and BCNEPA Affiliate's current status as a licensee under the Pennsylvania Insurance Code, Hospital Plan Corporation Act and/or Professional Health Services Plan Corporation Act, as well as any potential changes to this status, for each Highmark Entity and BCNEPA Entity as a result of or in connection with, the Transaction.

5.1.3. Provide references to the Pennsylvania Insurance Code, Hospital Plan Corporation Act and/or Professional Health Services Plan Corporation Act for applicable licensing standards for each Highmark Entity and BCNEPA Entity that operates in Pennsylvania.

5.1.4. Provide an analysis for each Highmark Entity and BCNEPA Entity of the adequacy of capital and liquidity so as to meet relevant requirements.

5.1.4.1 In connection with such analysis, describe the assumptions underlying the analysis and the reasonableness of such assumptions.

5.1.5. Identify any other factors or circumstances that affect the ability (or will affect the ability after the Transaction is completed) for each Highmark Entity and BCNEPA Entity licensed in Pennsylvania to meet requirements for obtaining a license to write insurance in Pennsylvania.

5.2. Provide an Expert Opinion concerning whether the effect of the Transaction would, over the identified relevant time period, be to substantially lessen competition in insurance in the Commonwealth or tend to create a monopoly therein, including without limitation (i) the application of 40 P.S. § 991.1402(f)(1)(ii) that incorporates by reference provisions of 40 P.S. § 991.1403.

5.2.1. Identify the relevant time period for which the analysis in Section 5.2 is to be provided and describe the basis for determining that such period is relevant for the purpose of the analysis.

5.2.2. The Expert Opinion should describe whether there would be a prima facie violation of the competitive standard under 40 P.S. §§1403(d) (2) (i), (ii), discussing the involved insurers and the Relevant Product and geographical markets;

5.2.3. The Expert Opinion should describe whether the Transaction would have an anticompetitive effect under 40 P.S. § 991.1403(d) (2) (iv) or otherwise, discussing the following:

- (A) market shares;
- (B) volatility of ranking of market leaders;
- (C) number of competitors;
- (D) concentration;
- (E) trend of concentration in the industry; and
- (F) ease of entry and exit into the market;
- (G) any other material factors that relate to any anticompetitive effect;

5.2.4. The Expert Opinion should describe any pro-competitive justifications for the Transaction and the specific pro-competitive benefits likely to be achieved by the Transaction;

5.2.5. The Expert Opinion should describe whether the Transaction will yield substantial economies of scale or economies of resource allocation providing specific data and analysis, together with all applicable Documents, to support such justifications; and

5.2.6. The Expert Opinion should describe whether the Transaction will substantially increase the availability of insurance.

5.2.7. Provide detail for all market share and geographical market data relied on or considered in responding to the above questions or compiling the Statement Regarding Compliance With the Competitive Standard of 40 P.S. § 991.1403(d) and describe the source and the basis for the selection of the market share and geographical data, together with any supporting programs or data sources required to replicate the analysis.

5.2.7.1 Provide a full and complete description of: (i) each geographic market in which any Highmark Entity or BCNEPA Entity provides any products or services and (ii) any specific limitations or restrictions as to the geography or products that may be offered or sold by any Highmark Entity or BCNEPA Entity under any contract or agreement, license or arrangement including, without limitation, its applicable Blue Cross Blue Shield licenses.

5.2.8. Provide a full and complete copy of all Expert Opinions supporting or not supporting your response to the above questions or the Statement Regarding Compliance with the Competitive Standard of 40 P.S. § 991.1403(d).

5.2.9. For each product identified in your response to this PID Request for Information or in connection with the Statement Regarding Compliance With the Competitive

Standard of 40 P.S. § 991.1403(d) (the “Relevant Product”), identify whether the product is offered on a Blue-branded or unbranded basis.

5.2.9.1 Provide all Documents discussing any Highmark Entity’s or any BCNEPA Entity’s plan relating to any Relevant Product, including, but not limited to, business plans; short-term and long-range strategies and objectives; budgets and financial projections; expansion or retrenchment plans; research and development efforts; plans to reduce costs, improve products, introduce new products, or otherwise become more competitive or to discontinue the sale of any product; and presentations to management committees, executive committees, and boards of directors. For regularly prepared budgets and financial projections, the Highmark and BCNEPA Entities need only submit one copy of final year-end Documents and cumulative year-to-date Documents for the current year.

5.2.9.2 Submit all Documents relating to competition in the sale of each Relevant Product including, but not limited to, market studies, forecasts and surveys, and all other Documents relating to:

(A) the sales, market share or competitive position of each Highmark Entity and BCNEPA Entity or any of its competitors;

(B) the relative strength or weakness of companies producing or selling each Relevant Product;

(C) supply and demand conditions;

(D) allegations by any Person that any Highmark Entity or BCNEPA Entity that sells any Relevant Product is not behaving in a competitive manner, including, but not limited to, customer and competitor complaints, threatened, pending, or completed lawsuits; and federal and state investigations; and

(E) any actual or potential effect on the supply, demand, cost, or price of any Relevant Product as a result of competition from any other possible substitute product.

5.2.9.3 Provide:

(A) a description of (including the rationale for, and identification of all Documents directly or indirectly used to prepare any Highmark Entity’s or BCNEPA Entity’s response to this section) all plans for changes in any Highmark Entity’s or BCNEPA Entity’s operations, structure, policies, strategies, corporate goals, financing, business, officers, employees or any other area of corporate activity as a result of the Transaction including, without limitation any changes in business or marketing strategy in the current market served by any BCNEPA Entity, including, without limitation, any changes that have been implemented in contemplation of the Transaction being consummated;

(B) a description of, and all Documents relating to, each efficiency (including cost savings, new product introductions, and service or product improvements) that the applicable Highmark Entity or BCNEPA Entity anticipates will result from the Transaction, including in the description: (i) the steps that the applicable Highmark Entity or BCNEPA Entity anticipates taking to achieve the efficiency, the risks involved in achieving the efficiency, and the time and costs required to achieve it; (ii) a quantification of the efficiency and an explanation of how the quantification was calculated; (iii) an explanation of how the Transaction would allow the applicable Highmark Entity or BCNEPA Entity to achieve the efficiency; (iv) each alternative to the Transaction by which the applicable Highmark Entity or BCNEPA Entity could achieve the efficiency and each reason why the applicable Highmark Entity or BCNEPA Entity could not achieve the efficiency without the Transaction; and (v) the identity of each Person (including the Person's title and business address) employed or retained by any Highmark Entity or BCNEPA Entity with any responsibility for achieving, analyzing, or quantifying the efficiency described. For efficiencies that involve cost savings, state separately the one-time fixed cost savings, recurring fixed cost savings, and variable cost savings (in dollars per unit and dollars per year);

(C) description of all statements or actions by any Person (identifying the Person by name, title, and business address) in support of, in opposition to, or otherwise expressing opinions about the Transaction or its effects;

(D) a description of any other terms or conditions of the Transaction that are not reflected in the Merger Agreement or other Documents supplied with the Form A; and

(E) a full and complete summary of all steps implemented or planned or to be implemented to integrate the BCNEPA Entities with the Highmark Entities in connection with the Transaction, including, without limitation, the costs to be incurred or savings realized in connection therewith.

5.2.10. Provide all other studies, surveys, analyses and reports that were prepared by or for any officer(s), director(s), board(s) of director(s), committee(s) or committee member(s), task force(s), individual(s) or other entities related directly or indirectly to any Highmark Entity or BCNEPA Entity for the purpose of evaluating or analyzing the Transaction with respect to market shares, competition, competitors, markets, potential for sales growth or expansion into product or geographic markets. Indicate (if not contained in the document itself) the date of preparation, and the name and title of each individual who prepared each such document. To the extent that responsive studies, surveys, analyses and reports are being provided in response to another part of this PID Request for Information, identify the specific section and study, survey, analysis or report being provided so that a comprehensive list of all studies, surveys, analyses and reports is submitted in response to this Section 5.2.10.

5.2.11. Provide any Documents relating to:

5.2.11.1 The definition or scope of the geographical markets involved in the Transaction, including whether there is a national, local, regional or other geographic scope for the health insurance market;

5.2.11.2 For each identified geographical market, the share of each Highmark Entity in that market before and after the Transaction and include any studies, evaluations, analysis, reports, discussions or other communications relating to future projections of market share for a period of 5 years;

5.2.11.3 The definition of the insurance product or service markets involved in the Transaction, including any subcategory or line of business thereof;

5.2.11.4 For each identified insurance product or service market, the share of each Highmark Entity in that market before and after the Transaction and include any such studies, evaluations, analysis, reports, discussions or other communications relating to future projections of market share for a period of 5 years;

5.2.11.5 The definition of the healthcare provider market involved in the Transaction and any subcategory or specialty thereof;

5.2.11.6 For each identified healthcare provider market involved in the Transaction, the share of providers affiliated with or providing services through BCNEPA Entities in that market before and after the Transaction and include any such studies, evaluations, analysis, reports, discussions or other communications relating to future projections of market share for a period of 5 years;

5.2.11.7 The definition of the hospital market involved in the Transaction, including any subcategory or level of care involved;

5.2.11.8 For each identified hospital market involved in the Transaction, the share of BCNEPA Entities in that market before and after the Transaction and include any such studies, evaluations, analysis, reports, discussions or other communications relating to future projections of market share for a period of 5 years;

5.2.11.9 All Documents concerning the impact or potential impact of the Transaction on:

(A) BCNEPA stakeholders (members, providers, and the Northeastern Pennsylvania community at large).

(B) BCNEPA's presence, including without limitation, market share, facilities, employees and insurance products to be offered in Northeastern Pennsylvania.

5.2.11.10 All Documents concerning plans or proposals referencing or in any way relating to BCNEPA engaging in "for profit" insurance business; the liquidation of BCNEPA; the sale of any of BCNEPA's assets; the consolidation or merger of BCNEPA; or other material changes in BCNEPA's business, corporate structure or management;

5.2.11.11 Provide a list of key customers (employers, unions, etc.) and contact information;

5.2.11.12 Provide a list of key medical providers in BCNEPA service area and contact information; and

5.2.11.13 Provide a full and complete copy of any written testimony given on behalf of BCNEPA or Highmark regarding or referencing the Transaction.

5.2.12. Provide any Documents, including studies, projections, estimates, evaluations, analysis, reports, discussions or other communications relating to foreclosure of competition or competitors in any of the markets identified in response to Section 5.2.11 that may take place by reason of the Transaction, whether through exclusive dealing arrangements, tying arrangements, or other methods.

5.2.13. Provide any Documents, including studies, projections, estimates, evaluations, analysis, reports, discussions or other communications relating to adverse effects on businesses in any of the identified geographic markets by reason of the Transaction.

5.2.14. Provide any Documents, including studies, projections, estimates, evaluations, analysis, reports, discussions or other communications relating to any identified or potential trend towards concentration, or trend towards vertical integration in any of the markets identified in response to Section 5.2.11.

5.2.14.1 Provide any Documents, including studies, projections, estimates, evaluations, analysis, reports, discussions or other communications relating to actual or potential barriers to entry in any of the markets identified in response to Section 5.2.11.

5.2.14.2 Provide detail concerning the selection of the appropriate product markets, including a full and complete copy of all Documents regarding your selection of the appropriate product markets.

5.2.14.3 Provide detail concerning your selection of the appropriate geographic markets, including a full and complete copy of all Documents regarding your selection of the appropriate geographic markets.

5.2.14.4 Provide a listing of all insurance product lines, by geographic area, offered by Highmark or any Highmark Affiliate, both which are and which are not the subject of the Form A filing. For each product line, identify whether the product line is

Blue-branded or unbranded. Please describe if any of such insurance lines were not considered for the purpose of the analysis under 40 P.S. § 991.1403(d) (i) and, if not, why not.

5.2.14.5 Describe any plans to expand or terminate products or services offered by any and all Highmark and BCNEPA Entities and the competitive effects thereof.

5.2.14.6 Describe any plans to expand or restrict the geographic area of any products or services provided by any and all Highmark and BCNEPA Entities and the competitive effects thereof.

5.2.14.7 Discuss the expected impact of the Transaction on the overall level of health care utilization in each area in Pennsylvania in which a Highmark and BCNEPA Entity does business.

5.2.15. Provide a list of third party payors with which any BCNEPA Entity currently contracts, along with the related lines of services.

5.2.15.1 If any contracts are provided in response to Section 5.2.15, identify any plans by BCNEPA and BCNEPA Affiliates to contract with (or terminate or amend any relationship with) any insurance carrier after the completion of the Transaction and discuss their impact on Highmark and each of the Highmark Affiliates.

5.2.16. Discuss the potential impact of the Transaction on Highmark's or any Highmark Affiliate's ability to pursue expansion plans in geographic markets other than in areas in Pennsylvania in which any Highmark Entity or BCNEPA Entity currently does business.

5.2.17. With regard to efficiencies and benefits of the Transaction described in Section 5.2.9.3:

5.2.17.1 Please provide projected efficiencies and benefits from the Transaction by category or specific type (and the supporting documentation, data or expert opinion).

5.2.17.2 Please identify the efficiencies and benefits from the Transaction that are achievable only by the Transaction as opposed to by the current or an expanded joint venture between or among any Highmark Entity or BCNEPA Entity.

5.2.18. With regard to any Joint Venture in effect since January 1, 2012:

5.2.18.1 Please identify each Joint Venture and provide specific details as to how each Joint Venture is organized, including what resources (*e.g.* staff, investments, systems, branding, etc.) is provided by Highmark and, alternatively, provided by BCNEPA and/or BCNEPA Affiliates.

5.2.18.2 Please describe what will change operationally and substantively with each Joint Venture, if the Transaction is approved and what transition path is proposed for each current Joint Venture with the merged operation.

5.2.18.3 If any Joint Venture were to be terminated by BCNEPA with BCNEPA acquiring Highmark's interest in the Joint Venture:

(A) What would be the effect upon Highmark or the other Highmark Entities and what would happen to the operations/assets that Highmark has in any such Joint Venture?

(B) Please describe the unwinding process if the Joint Venture is terminated? If any of the Highmark and BCNEPA Entities has prepared any Documents setting forth such process, please provide a copy of these.

5.2.18.4 To the extent BCNEPA discussed any current Joint Venture or negotiated with respect to such a Joint Venture, how was the Joint Venture addressed? Please provide a copy of any Documents that reference any such discussions or negotiations.

5.2.18.5 Please identify all providers with which any Joint Venture contracts (separated by Joint Venture) and the employers with which any Joint Venture contracts.

(A) Are there separate contracts with the same provider where both BCNEPA and a Joint Venture contract with that provider/ If so, please specify these?

5.2.18.6 For each hospital, provide the name of the hospital, the chief negotiator or primary individual with whom Highmark, BCNEPA and/or a Joint Venture negotiated, the date of last contract, the type of contract (e.g., HMO), and the current contract's expiration date.

(A) Please provide a copy of each contract between any Joint Venture and any hospital or outpatient facility.

5.2.18.7 Please provide a provider directory for each network offered by any Joint Venture, BCNEPA Entity or Highmark Entity in Northeastern Pennsylvania.

(A) Please provide each provider directory in electronic form (e.g. in Excel and not as a pdf).

(B) Please provide the number of enrollees per product, and the amount of copayment and deductibles.

5.2.18.8 Is Community Blue or a similar plan currently offered in the Northeastern Pennsylvania area by any Highmark Entity, BCNEPA Entity and/or any Joint Venture? How, if at all, will this change if the Transaction is approved?

5.2.18.9 Please identify any current or past plans by any Highmark, Entity or BCNEPA Entity and/or a Joint Venture to affiliate with, purchase or otherwise Control a Health Care Provider.

5.2.18.10 Please provide any Documents or other materials that discuss plans of any Highmark Entity, BCNEPA Entity and/or any Joint Venture to expand its geographic area of operations and/or product offerings?

(A) How, if at all, will the Transaction affect any such expansion plans?

5.2.18.11 Please provide any Documents or other materials regarding impediments to any Highmark Entity, BCNEPA Entity and/or a Joint Venture to expand operations outside of its current service area into other areas in Pennsylvania or elsewhere.

(A) How, if at all, will the Transaction affect any such impediment?

5.2.18.12 In addition to the benefits currently provided by the Joint Ventures, what are the incremental or added benefits to the Highmark Entity and/or BCNEPA Entity by consummating the Transaction?

5.2.18.12.1 What is the amount of each such tangible and intangible benefit estimated to be realized, the time period over which this is to be realized and, if the amount cannot be estimated, the reasons or circumstances that prevent or severely limit the ability to make such estimate.

5.3. In addition to information otherwise requested in this PID Request for Information that may be relevant to the issues addressed in this Section, provide the following information relating to 40 P.S. § 991.1402(f)(1)(iii) - "*The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer or prejudice the interest of its policyholders.*"

5.3.1. Provide GAAP and SAP financials for Highmark and the Highmark Affiliates for years 2006-2013.

5.3.2. Provide GAAP and SAP, if available, financials for BCNEPA and BCNEPA Affiliates for years 2006-2013.

5.3.3. Provide a full and complete copy of representation letters to, and audit reports, management letters or management reports, or other correspondence or reports to the

board or committees of the board from each Highmark Entity's and BCNEPA Entity's independent auditors during the past for the years 2006 - 2013.

5.3.4. Provide a full and complete copy of the following reports and financial projections for Highmark Health, Highmark and BCNEPA. Provide detailed discussion of these projections, including income statement, balance sheet (GAAP / SAP). RBC calculation and cash flow statement.

(A) Pro forma financial projections for 2014 to 2017 based on the assumption that the Merger is approved.

(B) Financial projections for 2014 to 2017 based on the assumption that the Merger is not approved.

(C) Provide a full and complete copy of functional excel backup to each set of financial projections requested in items above.

(D) Provide a pro forma balance sheet and income statement of Highmark and BCNEPA as if the Merger occurred on 12/31/2013. The reporting should show each statement separately with an adjustment column to a total pro forma merged balance sheet and income statement.

5.3.5. Describe the impact on each of the sets of financial projections provided pursuant to the items above resulting from the (termination/extension - whichever was NOT assumed in the financial projections of Highmark and BCNEPA) of the UPMC/Highmark reimbursement or payor contract in December 2014.

5.3.5.1 Provide an analysis of the reasonableness of each assumption underlying each set of projections requested above for financial statements (income statement, balance sheet (GAAP/SAP), and cash flow statement) including but not limited to any product/service price increases or decreases, changes in utilization, membership/customer increases/decreases by product or service, detailed breakdown of capital expenditures, and detailed breakdown of any projected operating synergies.

5.3.5.2 Provide a full and complete copy of the [REDACTED] report prepared by [REDACTED] for BCNEPA referenced in the March 7, 2014 meeting, and all subsequent updated versions. *redacted*

5.3.5.3 Provide a full and complete copy of all studies, memoranda, opinions, process updates or other similar Documents prepared by investment bankers, financial analysts, consultants, advisors, employees, or others relating to the Merger on behalf of BCNEPA.

5.3.5.4 Provide a full and complete copy of all studies, memoranda, opinions, process updates or other similar Documents prepared by investment bankers, financial analysts, consultants, advisors, employees, or others relating to the Transaction on behalf of Highmark.

5.3.5.5 Provide a full and complete copy of Summary of Highmark due diligence findings in connection with the Transaction.

5.3.5.6 Provide a full and complete copy of representation letters to, and audit reports, management letters or management reports, or other correspondence or reports to the board or committees of the board from each of the Highmark Entity's and BCNEPA Entity's independent auditors during the past for the years 2008-2013.

5.3.6. Identify and analyze any material contingent liabilities relating to the Highmark and BCNEPA Entities and any potential claims that could be asserted against any Highmark Entity or BCNEPA Entity relating to the Transaction. If any insurance for such contingent liabilities or potential claims exist, identify such insurance, the amount of such insurance and any limitations, exclusions, deductibles or co-insurance.

5.3.7. Provide a detailed description of any material strategic/financial initiatives at any Highmark Entity or BCNEPA Entity other than those contemplated in the Transaction (*i.e.* other acquisitions, divestitures, capital raises, etc.) to include projected financial obligations/commitments and organizational impact, and describe any potential or proposed consolidation, merger, or acquisition of control involving any other Pennsylvania Blue plan or other professional health service corporation, hospital plan corporation or insurer that were contemplated, investigated or negotiated by any Highmark Entity prior to the execution of the Merger Agreement.

5.3.8. Provide assessments for the cost and timeline of integrating the Highmark and BCNEPA Entities into the organizational structure proposed to exist after the Transaction is completed, along with any third party reports supporting such cost estimates.

5.3.9. Provide a full and complete copy of all agreements for all Financial Commitments made from any Highmark Entity to any BCNEPA Entity.

5.3.10. Provide a full and complete copy of all Documents evidencing the guarantee by any other Person of any obligation of any Highmark Entity or BCNEPA Entity or any Highmark Entity's or BCNEPA Entity's guarantee of any obligation of any other Person. If otherwise included in the Form A filing and accompanying material, specifically identify the relevant document(s) and where such Documents are included in the Form A filing and accompanying material.

5.3.11. Discuss any changes to the tax status of any Highmark Entity or BCNEPA Entity as a result of the Transaction or anticipated within the next 5 years.

5.3.12. Provide a full and complete copy of any materials submitted to credit rating agencies by any Highmark Entity or BCNEPA Entity related to the Transaction.

5.3.12.1 Discuss any changes in credit rating or outlook for any Highmark Entity or BCNEPA Entity related to the Transaction.

5.3.13. Provide a full and complete copy of any valuation materials prepared or reviewed by or for Highmark and/or BCNEPA related to any Highmark Entity or BCNEPA Entity and/or the Transaction.

5.3.14. Provide a full and complete copy of any tax opinions or analyses of taxation issues concerning the Transaction that have been or will be obtained.

5.3.15. Provide an update to the schedules to the Merger Agreement to include a description of the status of all Material Proceedings concerning each Highmark Entity and BCNEPA Entity, including current status, deadlines and, if applicable, amounts claimed to be payable by the applicable Highmark and BCNEPA Entity and cross-reference to the matters described in the response to Section 2.1.2.

5.3.15.1 For all Material Proceedings where liability of any Highmark Entity or BCNEPA Entity is claimed to be in excess of \$1,000,000 or where injunctive relief is sought, file a summary description of all Documents produced by or for any Highmark Entity in discovery in such matters.

5.3.15.2 Please identify any member of the current management team of any BCNEPA Entity or Highmark Entity that is not expected to be engaged by any BCNEPA Entity or Highmark Entity for a period of at least 12 months following the effective date of the Merger and summarize all compensation or benefits in any form to be paid to such Person.

5.3.16. Identify all presently effective statute of limitation waivers, extensions or tolling agreements filed by or on behalf of any Highmark Entity or BCNEPA Entity; identify all such matters and provide a summary of each.

5.3.17. Identify and provide a summary and the status of each matter, if any, in which any Highmark Entity or BCNEPA Entity is the subject of any investigation or legal action that could result in debarment, suspension, license or permit revocation by any governmental agency; the imposition of a civil monetary penalty; or in the imposition of any criminal penalty.

5.3.18. Provide a full and complete copy of any analysis of alternatives to entering into the Transaction, including but not limited to 'worst case' or similar analysis, performed for or provided to BCNEPA or any BCNEPA Affiliate and the assumptions underlying such analysis.

5.4. In addition to information otherwise requested in this PID Request for Information that may be relevant to the issues addressed in this Section, provide the following information relating to 40 P.S. § 991.1402(f)(1)(iv) - *“The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable and fail to confer benefit on policyholders of the insurer and are not in the public interest.”*

5.4.1. Identify and provide a description of any claims against any Highmark Entity or BCNEPA Entity by any Highmark Entity or BCNEPA Entity that are being, have been or will be settled or resolved in connection with the Transaction.

5.4.2. In addition to the information provided in response to other items in this PID Request for Information:

5.4.2.1 Provide a detailed description of governance, reporting lines and structure for regulatory oversight of economic transfers between or among each Highmark Entity and/or BCNEPA Entity.

5.4.2.2 Provide a full and complete copy of all materials describing operational integration plans for the Highmark and BCNEPA Entities.

5.4.3. Compensation.

5.4.3.1 Provide a full and complete copy of each employment contract or agreement of any kind between or among any Highmark Entity or BCNEPA Entity with a member of the senior executive team of any Highmark Entity or BCNEPA Entity.

5.4.3.2 Explain any changes to the compensation arrangements of the officers or members of the senior management team of each Highmark Entity and BCNEPA Entity that will occur if the Transaction is completed.

5.4.3.3 Summarize in an excel table the before and after compensation for the current senior management team of Highmark and BCNEPA and also detail any payments or other changes in compensation or benefits in any form (including any bonus, severance or incentive plans or payments) that are expected to result specifically from the Transaction. For the purpose of the foregoing, the term senior management team means any officer or senior manager of any Highmark Entity or BCNEPA Entity involved in the negotiation, structuring or implementation of the Transaction including, without limitation, the President, Treasurer, Secretary or any Senior Vice President or higher.

5.4.3.4 Discuss and provide a full and complete copy of all new and/or amended employment agreements, retention bonuses, bonuses, severance packages or

other forms of compensation related to or resulting from the Transaction. Explain why the proposed compensation arrangements are reasonable.

5.4.3.5 Identify any financial obligations to any employee or agent of any Highmark Entity or BCNEPA Entity if the Transaction is not consummated in accordance with its terms.

5.4.3.6 Provide a full and complete copy of all Expert Opinions supporting or not supporting the reasonableness of the compensation arrangements. Explain all limitations on, and guidelines for, post-consolidation compensation.

5.4.4. Identify any changes to employment levels and employment compensation levels of each Highmark Entity and BCNEPA Entity, by function, that are anticipated to occur if the Transaction is approved.

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.

5.4.6. Provide the most current 'integration planning team' documentation regarding any organizational integration plan.

5.4.7. Describe and analyze the factors and determinations affecting the size of any charitable contribution discussed in Section 2.6 or 5.4.8.

5.4.7.1 What changes in charitable and community activities and in charitable contributions are expected to be made by each Highmark Entity and BCNEPA Entity in the four years after the Transaction either is approved or not approved?

5.4.7.2 Assuming that the Transaction is approved, describe in detail the charitable and community activities in which each Highmark Entity and BCNEPA Entity will engage and the extent to which the charitable contributions of such entities will change in the four years after the Transaction is approved.

5.4.8. Community benefit programs.

5.4.8.1 Describe community benefit programs undertaken by BCNEPA and each BCNEPA Affiliate in the past four years.

5.4.8.2 Provide copies of any community health needs assessment, community benefit report or similar document (in draft or final form) prepared by or for BCNEPA or any BCNEPA Affiliate in the past four years.

5.4.8.3 Describe how community benefit programs of BCNEPA and each BCNEPA Affiliate will be affected by the Transaction.

5.4.8.4 Describe how community benefit programs for The Commonwealth Medical College will be affected by the Transaction and what considerations and factors affect the answer.

5.4.8.5 Provide full and complete information with regard to the mission, governance, management team, Board of Directors, organizational structure and tax status of the foundation to which assets or property are contemplated to be contributed or distributed in connection with the Transaction.

5.5. In addition to information otherwise requested in this PID Request for Information that may be relevant to the issues addressed in this Section, provide the following information relating to 40 P.S. § 991.1402(f)(1)(v) - *“The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of the policyholders and of the public to permit the merger, consolidation or other acquisition of control.”*

5.6. In addition to information otherwise requested in this PID Request for Information that may be relevant to the issues addressed in this Section, provide the following information relating to 40 P.S. § 991.1402(f)(1)(vi) - *“The merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.”*

5.6.1. Identify and analyze the potential impact of the Transaction on the availability of health insurance and health care services (including public accessibility to medical professionals and facilities) in each area in Pennsylvania in which a Highmark Entity or BCNEPA Entity has current or future plans to do business, and demonstrate that the Transaction will not be hazardous or prejudicial to the insurance buying public.

5.6.2. Explain the advantages and disadvantages of the Transaction for members, subscribers, enrollees, policy holders, hospital providers, other health care providers, pharmacies and other affected persons.

5.6.3. Describe all agreements, contracts or commitments that will be in effect or are contemplated to be in effect any time after the Transaction is completed which agreements, contracts or commitments will limit in any way the freedom of any Highmark Entity or BCNEPA Entity to engage in any line of business, to do business with one or more third parties or to compete with any other person or entity. Please file a copy of any such agreement, contract or commitment.

5.6.4. Provide detail concerning how employees (and number of jobs and offices) will be affected by the Transaction.

5.6.5. Describe whether and to what extent the Transaction is likely to have any impact on any current provider contract? Do any of the provider contracts permit early termination upon any change in control?

5.6.6. Describe any meetings or discussions between any of the Highmark Entities or BCNEPA Entities with health care providers or health care professional groups about the Transaction.

5.6.7. Summarize any assurances or statements made by anyone representing any Highmark Entity or BCNEPA Entity regarding changes in provider relationships in connection with or resulting from the Transaction.

5.6.8. Provider reimbursement.

5.6.8.1 Are there any projected or anticipated changes in provider reimbursements by any Highmark Entity or BCNEPA Entity as a result of or after the Transaction?

5.6.8.2 If so, describe any projected or anticipated changes in provider reimbursement for any Highmark Entity or BCNEPA Entity.

5.6.9. Provide a full and complete copy of any presentations to the Board of Directors and/or any board committees of any Highmark Entity or BCNEPA Entity regarding the Transaction, including the rationale, projected financial commitment and financing alternatives, and comparison to any other strategic acquisition alternatives considered.

5.6.10. Identify and assess the magnitude and likelihood of impediments or risks relating to the Transaction.

5.6.11. Summarize the social and charitable mission of each Highmark Entity and BCNEPA Entity and describe the specific manner in which the Transaction will impact the ability of each Highmark Entity and BCNEPA Entity to fulfill its social and charitable mission.

5.6.12. Provide a full and complete copy of any presentations to the Highmark Board of Directors regarding consideration of the Merger of BCNEPA and the other aspects of the Transaction, including the rationale, projected financial commitment and financing alternatives, and comparison to any other strategic acquisition alternatives considered by the Board.

5.6.13. Provide a full and complete copy of any BCNEPA Board of Directors Documents regarding the consideration of other relationships with any of the Highmark Entities as alternative transactions to the merger under the Merger Agreement.

5.6.14. Discuss the manner in which the Transaction meets Highmark's and BCNEPA's overall strategic objectives.

5.6.15. Discuss the anticipated target range for the surplus levels of Highmark and each Highmark Affiliate for the next five years, expressed in both dollars and RBC ratio, and include discussion of whether that target range is optimal for policyholders and subscribers.

5.6.16. Describe any other potential or proposed consolidation, merger, or acquisition of control involving or any investment in or to any health system, hospital, physician practice or other health care provider or supplier that were or are being contemplated, investigated or negotiated by any Highmark Entity or BCNEPA Entity either prior to or after the execution of the Merger Agreement.

5.6.17. Provide a full and complete copy of each Highmark Entity's and BCNEPA Entity's investment plan and proposed changes to the plan and as a result of the Transaction.

6. Organization and background of entities involved in the Transaction.

6.1. Information related to the following Highmark and BCNEPA Entities.

6.1.1. For (i) the Applicant; (ii) BCNEPA; and (iii) each BCNEPA Affiliate provide copies of:

6.1.1.1 Articles of incorporation or other formation document, except for those entities for which such Documents have been provided. Identify the entities for which such Documents have been provided and where such Documents are located in the Form A filing and accompanying material.

6.1.1.2 Bylaws, operating agreement or similar document, except for those entities for which such Documents have been provided. Identify the entities for which such Documents have been provided and where such Documents are located in the Form A filing and accompanying material.

6.1.1.3 With respect to each Highmark Entity or BCNEPA Entity that will have its Articles of Incorporation and/or Bylaws amended when the Transaction is completed, provide a comparison document showing the changes that are proposed to be made in such document when the Transaction is completed.

6.1.1.4 Certificates of authority issued by any insurance department, or any other Commonwealth department of agency, or a department or agency of another state (other than corporation bureau certificates of authority).

6.1.1.5 License agreements.

6.1.1.6 Any contract, agreement or document that defines or restricts the geographic area in which the entity does business or the product(s) it offers.

6.1.1.7 A full and complete copy of Form 1023 filed to apply for recognition under Section 501(c)(3) of the Internal Revenue Code, if applicable, and any communication (whether by letter, e-mail or otherwise) and/or other document provided and/or received by the entity regarding any Form 1023 filing and any amendments thereto.

6.1.1.8 IRS Determination Letter certifying the tax status and evidence that the tax exemption is in good standing/valid, if applicable.

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.

6.1.1.10 Provide a copy of changes to any of the foregoing Documents for any other Highmark Entity that results from or is being made in connection with the Transaction.

6.1.1.11 Provide biographical affidavits of all Highmark's Board of Directors, other governing bodies, if any, and its senior management team.

6.1.1.12 Provide detailed legal entity organizational charts for Highmark.

6.1.1.13 Provide detailed legal entity organizational charts for BCNEPA.

6.1.1.14 Provide financial and operational summaries of the affiliations with Highmark West Virginia and Highmark Delaware, including information regarding operational and financial trends at each organization from the inception of each organization's respective affiliation with Highmark through the present.

6.1.2. Provide any materials or presentations prepared by or for or sent to the Applicant and/or any Highmark Entity or BCNEPA Entity, or sent by or for the Applicant and/or any Highmark Entity or BCNEPA Entity to any other Person, setting forth or regarding the potential rationale for and/or risks associated with the Transaction.

6.1.3. Explain the current or anticipated use by or among one or more Highmark and BCNEPA Entities of "most favored nation" clauses or similar provisions ("MFNs"), whether or not currently used, in any contract by or among one or more Highmark

and BCNEPA Entities, including, but not limited to, provider and/or health care services payment or reimbursement contracts. Provide samples of MFN language used in existing provider or other agreements. Explain the impact of the Transaction on existing or contemplated MFN agreements.

6.1.4. Describe any fundamental corporate changes, other than the Transaction (including but not limited to acquisitions, sales, reorganizations, affiliations, mergers, conversions, divisions or changes in ownership) that are currently planned or are being investigated or considered by any Highmark Entity or BCNEPA Entity.

6.2. Highmark and Highmark Affiliates.

6.2.1. Describe any changes or proposed changes to health care payment or reimbursement contracts by Highmark and/or any Highmark Affiliate or implemented or to be implemented in connection with the Transaction.

6.2.2. Highmark, Joint Venture and/or their Affiliate provider network(s).

6.2.2.1 Provide a list of any anticipated changes to the providers and/or networks of providers that will result from or exist following completion of the Transaction? If so, please provide a copy of any Documents relating to such changes.

6.3. BCNEPA and BCNEPA Affiliates.

6.3.1. Background Material for BCNEPA

6.3.1.1 Provide biographical affidavits of all members of BCNEPA's Board of Directors, other governing bodies, if any, and its senior management team.

6.3.1.2 Provide a full and complete listing of the members of BCNEPA, a copy of the consent of BCNEPA members delivered in connection with the Merger Agreement and a full and complete copy of all minutes or resolutions of members relating to the Merger Agreement.

6.3.1.3 What changes, if any, are expected to be made to the membership of BCNEPA's Board of Directors, other governing bodies, if any, or its senior management team once the Transaction is completed?

6.3.1.4 Describe current BCNEPA and BCNEPA Affiliates' product or service offerings by location and a description of BCNEPA, the Joint Ventures and their Affiliates' product or service offerings by location once the Transaction is completed.

6.3.1.5 Describe any changes or proposed changes to health care payment or reimbursement contracts by BCNEPA or BCNEPA Affiliates implemented or to be implemented in connection with the Transaction.

6.3.2. BCNEPA and/or BCNEPA Affiliate provider network(s).

6.3.2.1 Provide a list of any anticipated changes to the providers and/or networks of providers that will result from or exist following completion of the Transaction? If so, please describe the anticipated changes.

7. Other issues.

7.1. If the entity is a membership corporation, discuss how each Highmark Entity and BCNEPA Entity has complied or plans to comply with section 5922(d) of the Non Profit Law and its bylaws concerning member or subscriber approval of the Transaction.

7.2. Identify all third party professionals (lawyers, accountants, investment bankers, financial advisors, etc.) advising or consulting with any Highmark Entity or BCNEPA Entity with respect to the Transaction. Provide both individual and firm names.

7.3. Identify all individuals and lobbying firms providing lobbying services to any Highmark Entity or BCNEPA Entity with respect to the Transaction. Provide both individual and firm names.

7.4. Provide a copy of the most current or final copy of any due diligence checklists or closing checklists circulated by or among the Applicant and any Highmark Entity or BCNEPA Entity regarding the Transaction. Also, provide copies of any Documents provided in response to such checklists that are relevant to any of the issues or requests for information in this PID Request for Information but that are not specifically requested in this PID Request for Information.

8. Definitions.

In addition to the words or terms otherwise defined in this PID Request for Information, as used in this document, the following terms have the following meanings:

"2013 Highmark Order" means that certain Approving Determination and Order dated April 29, 2013, Order No. ID-RC-13-06, from the Department to Highmark Health in connection with its application for approval for the change of control of Highmark and its Pennsylvania domestic insurance companies.

"Affiliates" or "Affiliate" means: (i) in the case of the plural, all Persons that directly or indirectly through one or more intermediaries, Control, are Controlled by, or are under Common Control with any other Person; and (ii) in the case of the singular, any of the foregoing. Affiliates include any Persons in which any Highmark Entity or BCNEPA Entity has a membership interest.

"AHG" means as defined in Section 2.6.2.

"AHS" means as defined in Section 2.6.7.

“Applicant” means Highmark, on behalf of which the Form A was filed.

“BCBSA” means the National Blue Cross Blue Shield Association.

“BCNEPA” means Hospital Service Association of Northeastern Pennsylvania d/b/a Blue Cross of Northeastern Pennsylvania, a Pennsylvania nonprofit corporation licensed to operate a nonprofit hospital plan.

“BCNEPA Affiliates” means all Affiliates of BCNEPA.

“BCNEPA Entity” means BCNEPA or any Affiliate of BCNEPA.

“BCNEPA Entities” means BCNEPA and all of the BCNEPA Affiliates.

“Class A members” means as defined in Section 2.3.1.

“Contributed Property” means as defined in Section 2.6.4.

“Control,” “Controlling” or “Controlled by” or “under Common Control with” have the meaning given to those terms in 40 P.S. § 991.1401.

“Department” means the Insurance Department of the Commonwealth of Pennsylvania.

“Documents” means every writing or record, however produced, reproduced or preserved, including, but not limited to every report, survey, book, pamphlet, periodical, letter, memorandum, telegram, report, record, study, inter-office and intra-office communication, memorandum reflecting an oral communication, handwritten or other notes, working paper, draft, application, permit, chart, drawing paper, graph, survey, index tape, disc, data sheet, data processing card, computer printout and every other written, typed, recorded, transcribed, filed or graphic information or matter. The term “Documents” also includes electronic mail messages and other documents and data stored in, or accessible through, computer or other information retrieval systems, such as personal computers, portable computers, workstations, minicomputers, personal data assistants, archival voice storage systems, group and collaborative tools, electronic messaging devices, portable or removable storage media, mainframes, servers, backup disks and tapes, archive disks and tapes, and other forms of online or offline storage, whether on or off premises.

“Domestic Insurers” means the Pennsylvania domestic insurers to which the Form A applies. These are listed in the Form A as BCNEPA, FPLIC and FPH.

“Excluded Property” means as defined in Section 2.6.2.

“Expert Opinions” means the third party expert opinions, advice or reviews as described at the beginning of this PID Request for Information.

“Financial Commitments” means as defined in the 2013 Highmark Order.

“Financial Relationship” means any direct or indirect ownership or investment interest through equity, debt or other interests in a Person or any direct or indirect arrangement involving any right to manage, consult with, be employed or engaged by any Person including, without limitation, as consultant, officer, director or member.

“Form A” means as defined in the beginning of this PID Request for Information.

“FPH” means HMO of Northeastern Pennsylvania, Inc., d/b/a First Priority Health, a Pennsylvania nonprofit corporation licensed as a health maintenance organization.

“FPLIC” means First Priority Life Insurance Company, Inc., a Pennsylvania stock insurance company.

“Funding Commitments” means as defined in Section 2.1.3.

“Health Care Provider” means a Person licensed, certified or otherwise authorized or permitted by the laws of the Commonwealth of Pennsylvania or any other state to provide or perform a Health Care Service in the ordinary course of business or practice of a profession and any other Person who furnishes, bills, or is paid for health care in the normal course of business, including but not limited to a physician, dentist, hospital, nursing home, assisted living provider, home health agency or any other Person that would constitute a “health care provider” pursuant to Federal HIPAA privacy laws (45 C.F.R. § 160.103).

“Highmark” means Highmark Inc., a Pennsylvania nonprofit corporation licensed to operate a hospital plan and a professional health plan and a professional health services plan.

“Highmark Affiliates” means all Affiliates of Highmark. The term includes, but is not limited to, its subsidiaries and Highmark Health.

“Highmark Entities” means Highmark and all of the Highmark Affiliates.

“Highmark Entity” means Highmark or any Affiliate of Highmark.

“Highmark Health” means Highmark Health, Inc., a Pennsylvania non profit corporation formerly known as UPE.

“Highmark and BCNEPA Entities” or “Highmark and BCNEPA Entity” means” (i) in the case of the plural, all of the Highmark Entities and the BCNEPA Entities; and (ii) in the case of the singular, any of the foregoing. This term is used throughout this PID Request for Information and the use of this term is intended to specifically require a response with respect to each such Person.

“HMS” means as defined in Section 2.6.7

“HRC” means as defined in Section 2.6.2.

“Joint Venture” means any venture, Person or arrangement in which Highmark or any Highmark Affiliate on the one hand, and BCNEPA or any BCNEPA Affiliate on the other hand, has a Financial Relationship, including without limitation, FPLIC and FPH.

“Material Proceeding” means any suit, action, investigation, audit or proceeding pending, or to the knowledge of any Highmark Entity or BCNEPA Entity threatened, against any BCNEPA Entity or any Highmark Entity, including without limitation, any of the foregoing disclosed in connection with the Merger Agreement, the potential loss, liability, exposure or claim under or in connection with which is \$ 25,000 or more for any BCNEPA Entities or \$250,000 or more for any Highmark Entities.

“Merger” means the merger proposed to be consummated pursuant to the Merger Agreement.

“Merger Agreement” means the contract entered into between and among BCNEPA, Highmark, and Highmark Health. A copy of the Merger Agreement was provided to the Department as part of the Form A filing. A copy of the Merger Agreement was provided to the Department as part of the Form A filing and is document number 0003 in the Department’s Highmark/BCNEPA Cumulative Log

(http://www.portal.state.pa.us/portal/server.pt/community/industry_activity/9276/highmark_bcnepa_cumulative_log/1716107)

“MFNs” means as defined in Section 6.1.3

“Other Requested Transactions” means as defined in Section 2.7.1

“Person” means any individual, corporation, partnership, limited liability company, trust, association, employee pension plan or stock trust or other entity or organization, including without limitation any governmental or political subdivision or any agency or instrumentality thereof.

“PID Request for Information” means as described at the beginning of this letter.

“Proposed Prior BCNEPA Transactions” means as defined in Section 2.1.11.

“Relevant Product” means as defined in Section 5.2.9.

“SAP” means statutory accounting principles required to be followed by Pennsylvania domestic insurance companies.

“Statement Regarding Compliance With the Competitive Standard of 40 P.S. § 991.1403(d)” means the statement referred to in Section 5.2.7 of this PID Request for Information.

“Transaction” means as defined at the beginning of this PID Request for Information.

“UMPC” means the University of Pittsburgh Medical Center or its Affiliates.

Form of Response

Documents provided in response to this PID Request for Information should reference the number of this PID Request for Information to which you are responding and be provided as follows:

8.1.1. We would appreciate your establishing a virtual data room in which we could access Documents electronically in a searchable format by name and also by reference to the number of this PID Request for Information to which the document is responsive.

8.1.2. In addition, copies of any Documents submitted in response to this PID Request for Information must be submitted to the Department in hard copy form and on one or more compact discs or thumb drives. For security purposes we suggest that you provide data by password protected CD's or thumb drives, and provide the passwords to us by separate cover. We would appreciate Highmark and BCNEPA including Bates ranges on the CD label or information accompanying thumb drives.

8.1.3. Please create an excel spreadsheet that indexes each document you provide. The index should correspond to the item number of this PID Request for Information. The spreadsheet should be updated and provided (in native format) to the Department with each production. Without limiting the fields of information supplied, we suggest that the spreadsheet include at least the following fields of information:

- (A) Bates number range of document
- (B) Short description of the document
- (C) Date of the document
- (D) Date of production to the Department
- (E) Public or Confidential
- (F) Highmark Entity or BCNEPA Entity document
- (G) Information request to which document responds

We expect that you will provide a significant amount of data under confidential designation. Please be sure that you explain the reasons why you believe a document is appropriately entitled to confidential treatment and the legal basis therefor. Any assertion of confidentiality is subject to review and evaluation by the Department. We expect to raise confidentiality issues on a rolling basis as well.

We remind you that the questions in this PID Request for Information are intended to be answered on a continuing basis. We expect that you will update your responses as you receive additional responsive information. Any updates should be accompanied by an updated excel spreadsheet showing the dates of the response to each item.

We expect that you will produce all responsive Documents and we trust that it would only be in an extraordinary situation where Documents are withheld. However, should that situation occur, we request that you provide an index of the withheld Documents identifying them in the manner described above, along with an explanation of the reason that any document is withheld. If we do not receive a log of withheld Documents for a particular question, we will presume that the Applicants are representing that no responsive Documents in their possession or control (or in the possession or control of their employees or agents) have been withheld.

Unless there is an explanation of why you are not following this course, we will expect the production of all attachments with any document.

Please be advised that the Department reserves the right to request additional information and documentation, above and beyond the requests set forth herein, based on its continued review of the Form A filings, including your responses to this letter. As stated above, these requests are continuing requests and Highmark and BCNEPA should promptly update their responses as soon as new information becomes available. Feel free to contact the Department for clarification of any of the requests made above.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Stephen Johnson', written over a horizontal line.

Stephen Johnson, CPA
Deputy Insurance Commissioner