

**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 2.4.2 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

REQUEST 2.4.2:

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

RESPONSE:

BCNEPA certifies to the best of its knowledge, information, and belief that the following describes the rights of BCNEPA or any BCNEPA Affiliate to acquire the ownership rights of Highmark in FPH and FPLIC. Capitalized terms used below have the meanings given thereto in the Merger Agreement.

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

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

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

Pursuant to the Shareholders Agreements, upon the occurrence of certain events described in Paragraphs 4, 8(b), 11, 13(a), 13(b), 14(a) or 14(b) of the Shareholders Agreements, BCNEPA and, upon certain events, FPH or FPLIC, as applicable, have the right, option or obligation, as applicable, to acquire the shares of common stock of FPH and FPLIC owned by Highmark.

Pursuant to Section 3 of the Shareholders Agreements, in the event Highmark receives a bona fide written offer from an unaffiliated third party that meets the conditions described in the Shareholders Agreements and that Highmark desires to accept, BCNEPA has the option to, among other things, purchase all of the shares of common stock of FPH and FPLIC owned by Highmark at the same price and upon the same terms as those set forth in the offer, either alone or with FPH and FPLIC, as applicable.

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