

Michael R. Kelley
Attorney I.D. No. 58854
Charles T. Young, Jr.
Attorney I.D. No. 80680
McNEES WALLACE & NURICK LLC
P.O. Box 1166, 100 Pine Street
Harrisburg, PA 17108-1166
Fax: (717) 237-5300
Phone: (717) 232-8000

**Attorneys for National Health
Administrators**

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel Ario,
Insurance Commissioner of the
Commonwealth of Pennsylvania,
Plaintiff,

:
:
:
:
:
:
:
:
:
:
:
:
:
:
:
:
:

v. **No. 5 M.D. 2009**

Penn Treaty Network America
Insurance Company,
Defendant.

PRAECIPE FOR ENTRY OF APPEARANCE

TO THE PROTHONOTARY:

Kindly enter our appearance on behalf of National Health Administrators, Inc., an agent of Penn Treaty Network America Insurance Company. We will shortly be filing a Petition for Leave to Intervene in this matter.

McNEES WALLACE & NURICK LLC

By 

Michael R. Kelley
Attorney I.D. No. 58854
Charles T. Young, Jr.
Attorney I.D. No. 80680
P.O. Box 1166, 100 Pine Street
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 237-5300

Dated: July 17, 2009

Attorneys for National Health Administrators

CERTIFICATE OF SERVICE

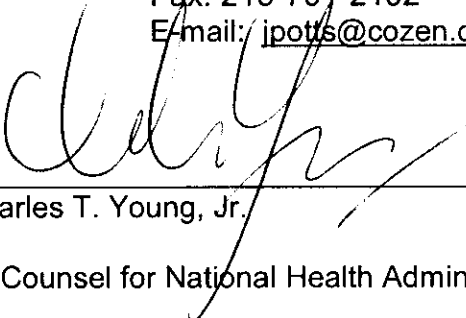
I, Charles T. Young, Jr., hereby certify that on this 17th day of July 2009, true and correct copies of the foregoing document were served by fax, e-mail, and U.S. first-class mail, postage-prepaid, upon the following:

James G. Collins, Esq.
Cozen & O'Connor
1900 Market Street
Philadelphia, PA 19103
Fax: 215-701-2035
E-mail: jcolins@cozen.com

Preston M. Buckman
Department Counsel for Insurance
Pennsylvania Department of Insurance
Governor's Office of General Counsel
901 N. 7th Street
Harrisburg, PA 17102
Fax: 717-772-4543
E-mail: pbuckman@state.pa.us

Amy Daubert, Esq.
Acting Chief Counsel
Pennsylvania Department of Insurance
1341 Strawberry Square
Harrisburg, PA 17120
Fax: 717-772-1969
E-mail: adaubert@state.pa.us

James R. Potts, Esq.
Cozen & O'Connor
1900 Market Street
Philadelphia, PA 19103
Fax: 215-701-2102
E-mail: jpotts@cozen.com



Charles T. Young, Jr.

Of Counsel for National Health Administrators, Inc.

Michael R. Kelley
Attorney I.D. No. 58854
Charles T. Young, Jr.
Attorney I.D. No. 80680
McNEES WALLACE & NURICK LLC
P.O. Box 1166, 100 Pine Street
Harrisburg, PA 17108-1166
Fax: (717) 237-5300
Phone: (717) 232-8000

Attorneys for National Health
Administrators, Inc.

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel Ario, :
Insurance Commissioner of the :
Commonwealth of Pennsylvania, :
Plaintiff, :
 :
v. : No. 5 M.D. 2009
 :
Penn Treaty Network America :
Insurance Company, :
Defendant. :

**OBJECTIONS BY NATIONAL HEALTH ADMINISTRATORS, INC.
TO THE APPLICATION BY THE
REHABILITATOR FOR APPROVAL OF A SUSPENSION
OF THE PAYMENT OF COMMISSIONS TO INSURANCE AGENTS**

National Health Administrators, Inc. ("NHA"), by and through its attorneys
McNEES WALLACE & NURICK LLC, hereby files these Objections to the Rehabilitator's
Application. In support thereof, NHA states the following:

1. NHA has an agency agreement with Penn Treaty Network America Insurance
Company ("Penn Treaty"), and it earns commissions from the renewal of the long term
care insurance policies at issue here. (**Exhibit "A."**)
2. NHA disputes, and therefore objects to, the financial assumptions and
statistics set forth in the Rehabilitator's Application and Memorandum.

3. NHA objects to the suspension of the payment of commissions in the context of this rehabilitation. Penn Treaty is not in liquidation, and the suspension of commissions is drastic, unwarranted, and premature.

4. NHA suggests that the appropriate means to remedy the condition of Penn Treaty is by an appropriate increase in policyholder premiums, rather than the drastic step of suspending payment of all commissions.

5. The suspension of commissions would essentially destroy Penn Treaty's network of agents, as well as its ability to continue operating as a going concern.

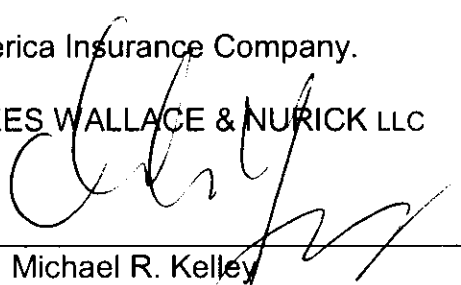
6. NHA objects to the classification of its claims as the claims of a general creditor.

7. NHA intends to file a responsive memorandum to the Rehabilitator's application and memorandum of law and by separate motion, is seeking additional time to do so.

WHEREFORE National Health Administrators, Inc. respectfully requests that the Court deny the Application by the Rehabilitator to suspend payment of commissions to the agents of Penn Treaty Network America Insurance Company.

McNEES WALLACE & NURICK LLC

By



Michael R. Kelley
Attorney I.D. No. 58854
Charles T. Young, Jr.
Attorney I.D. No. 80680
P.O. Box 1166, 100 Pine Street
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 237-5300

Dated: July 17, 2009

Attorneys for National Health Administrators, Inc.

EXHIBIT "A"

**Application for FMO Appointment and Contract
Penn Treaty Network America Insurance Company**

Request for FMO Contract and Appointment
3440 Lehigh Street Allentown, PA 18103 (800) 222-3469 Fax (610) 965-0131

All Questions Must Be Answered - Please Print or Type

Full Name _____

First Middle Last

Business or Agency Name NATIONAL HEALTH ADMINISTRATORS, INC.

(Check Box for Desired Mailing Address, NO P.O. Boxes PLEASE)

Resident Address _____

Street City County State Zip+4

Business Address 5000 QUORUM DRIVE, SUITE 560 DALLAS DALLAS TEXAS 75240-7076

Street City County State Zip+4

Residence Phone () _____ Business Phone (972) 980-7737 FAX (972) 980-4821

Date of Birth _____ Social Security No. _____ Taxpayer ID No. 75 - 2245396

Resident License Number (Attach Photocopy) _____ Who referred you to Penn Treaty? _____

PLEASE RESPOND TO ALL QUESTIONS FOR YOU PERSONALLY AND ANY ORGANIZATION OVER WHICH YOU HAVE EXERCISED CONTROL. IF YOU ANSWER "YES" TO ANY QUESTION OTHER THAN THE FIRST ONE, YOU MUST ATTACH AN EXPLANATION WITH ALL RELEVANT INFORMATION AND SUPPORTING DOCUMENTS

- | | Yes | No |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| ♦ Do you have Errors and Omissions Coverage? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| ♦ Within the past 10 years, has any E & O carrier denied, paid claims on, or cancelled your coverage? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ♦ Are you involved in any pending or current E & O litigation, investigation, or E & O claims? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ♦ Within the past 10 years, has any bonding or surety company denied, paid out on, or revoked a bond for you? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ♦ Is there any reason you cannot secure a bond? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ♦ With the exception of routine traffic violation, have you EVER been convicted of, or plead guilty to, or nolo contendere (no contest) in a court to: (a) a misdemeanor or (b) a felony? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ♦ Are you required to obtain consent under 18 U.S.C. Sec. 1033 (The Violent Crime Control and Law Enforcement Act) to engage in or participate in the business of insurance? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ♦ Have you ever been discharged or permitted to resign from your employment because you were accused of: | | |
| (a) violating insurance related statutes, regulations, rules, or industry standards of conduct? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (b) fraud or wrongful taking of property? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (c) violating company rules? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ♦ Does any insurance company or general agent claim you owe them money? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| ♦ Have you EVER had your insurance license suspended or revoked? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ♦ Within the past 10 years, have you ever had a complaint filed against you that resulted in a fine, penalty, cease or desist order or consent order or decree? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ♦ Are there any outstanding or pending judgments, liens, or tax liens against you? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ♦ Have you ever defaulted on (a) a promissory note, or (b) any other debt, including consumer or credit card debt? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ♦ Within the past 5 years have you ever initiated bankruptcy proceedings or been declared bankrupt? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

This Agreement is between Penn Treaty Network America Insurance Company (hereinafter We, Us, Our, the Company) and the Field Marketing Organization named herein (hereinafter You, Your, FMO), and is effective on the date executed by Us. Both You and the Company agree to comply with the terms of this Agreement.

1. APPOINTMENT & RESPONSIBILITIES

- (A) **Appointment.** (1) We hereby appoint You, and You hereby accept this appointment, as Our FMO having only such authority as specified herein. You warrant the accuracy of the responses on Your FMO Appointment Application incorporated into this Agreement and agree that any misrepresentation may be grounds for immediate termination hereunder. (2) We hereby authorize Your appointment in each state of the United States, the District of Columbia, and other territories and jurisdictions in which the Company's policies have been approved and are being actively sold. We reserve the right to discontinue writing any kind of insurance by giving you notice. We reserve the right, in Our sole discretion, to appoint additional agents in Your territory.
- (B) **Authority.** You are hereby authorized on a non-exclusive basis to:
- (1) Solicit, procure and transmit to the Company, personally or through any Sub-Agent, as defined herein, applications for insurance policies offered by Us, in accordance with the terms and conditions of this Agreement, and all applicable laws and regulations in any territory in which You exercise any authority granted hereby;
 - (2) Collect the initial premium for such applications, submitting both to Us on a timely basis according to Our rules and regulations;
 - (3) Appoint Sub-Agents pursuant to the provisions of Section 2 herein.
- (C) **Limitations on Authority.** You do not have express or implied authority to, and shall not represent having such authority to:
- (1) Modify in any respect, any applications, questions, statements, answers, terms, provisions, limitations, conditions or premium rates

- regarding any of Our applications, policies, receipts, announcements, or promotional or instructional materials;
- (2) Use any advertisement or promotional materials regarding the Company or its products without obtaining the prior written approval of a Company officer. For purposes of this Agreement, the term "Advertisement" means any printed, published or audio visual material used in direct mail, newspapers, magazines, radio or television scripts, internet or e-mail, billboards or any other display where such Advertisement utilizes Our name or logo or refers to any of Our products;
 - (3) Collect, or authorize a Sub-Agent or any other person to collect, any payment on Our behalf whatsoever, except as provided for herein with respect to initial premiums, or extend time for any payment or quote rates other than those published by the Company;
 - (4) Retain any portion of a collected premium as commission without Our prior written consent;
 - (5) Bind the Company to any coverage or risk. No coverage will be effective with respect to any application until approved by Us. We reserve the right, based on Our sole discretion and without liability to You, to approve or disapprove any application, limit the amount of coverage issued or charge a higher premium based upon Our evaluation of the risk;
 - (6) Incur any debt, expenses, or liability whatever in Our name or account;
 - (7) Deliver any policy or allow any policy to be delivered until the first premium payment has been paid in full and unless, to the best of Your knowledge and belief, there has been no material change in the health of the insured prior to the date the coverage becomes effective.
- (D) **Responsibilities.** (1) Both parties agree that during the term of this Agreement and thereafter, they shall not, directly or indirectly, induce or

attempt to induce or cause or permit a pattern or practice of doing anything to cause the lapsing, replacement or conversion of any Company policies and/or certificates issued under group policies, produced and/or written by FMO and its Sub-Agents. (2) You further agree, to the best of Your ability, to:

- (a) Bear all expenses, fees and taxes incurred in the conduct of Your business performed on behalf of the Company, including those of Your Sub-Agents;
 - (b) Maintain proper records with respect to all business transacted hereunder, in such manner and form as may be required by Us. Such records shall be the property of the Company, whether or not paid for by Us and shall be made available for audit by the Company, or its representatives, with reasonable notice, during regular business hours.
 - (c) Render services to policyholders and beneficiaries of policies as we may require, promote the interest of the Company and conduct yourself in such a manner so as not to adversely affect the business or reputation of both You and Company;
 - (d) Remit promptly to Us all money received or collected by You, or to the extent remitted to You by Your Sub-Agents, for the Company with a full and detailed statement. You shall not make any personal use of such monies nor shall such monies be commingled with Your personal or other funds;
 - (e) Pay promptly to Us, upon demand, all amounts due by reason of commission chargebacks, advances, loans, overpayments or otherwise. Any indebtedness to Us shall be a first and paramount lien in Our favor;
 - (f) Make available to Us all information which comes into Your possession concerning the underwriting of any risk;
 - (g) Obtain and process, where applicable, all necessary replacement, disclosure and other required forms;
 - (h) Furnish the Company upon request, a written, detailed statement relating to business performed on behalf of the Company by You or any Sub-Agent;
 - (i) Be governed strictly by all rules, regulations, bulletins, instructions, rate books and manuals instituted from time to time by the Company (hereinafter referred to as Company Rules and Regulations) and observe and comply with the insurance laws and regulations of any territory in which You exercise any authority granted hereby. Notwithstanding the preceding sentence, FMO will not be required to follow or be bound by any Company Rules and Regulations hereafter adopted by the Company which materially change the terms of this Agreement.
 - (j) Deliver promptly to policyholders all Policies, notices and other papers sent to the FMO for that purpose. The term "promptly" shall mean "within thirty (30) calendar days after issuance" of such policies. In the event the FMO does not deliver such items within thirty (30) days after issuance, the FMO must submit a written explanation to the Company within five (5) calendar days of the expiration of said thirty (30) day period, detailing his or her reasons for failing to comply with this provision.
 - (k) Hold all materials furnished by Us as property of the Company provided for Your use while this Agreement remains in effect. You shall immediately return all such materials to Us upon termination of this Agreement or upon Our request.
- (E) **Relationship.** You are an independent contractor and nothing herein contained shall be construed to create the relationship of employer and employee between You and the Company. You are not an employee, partner, joint venturer or associate of the Company. You are to exercise Your own discretion and judgment with respect to Your duties and obligations contemplated herein, except that You shall, at all times, comply with the Company Rules and Regulations. You shall not represent yourself as an employee, partner, joint venturer or associate of Ours or as an agent of Ours for any purpose other than those specified in this Agreement

2. SUB-AGENTS

- (A) **Appointment.** Any agent appointed by You must be approved and licensed/appointed by Us. Such individuals shall be referred to herein as "Sub-Agents." We reserve the right to disapprove any Sub-Agent appointment or suspend or terminate, at any time, based on Our sole discretion, any previously appointed Sub-Agent; provided, however, that the Company will not knowingly appoint any prospective Sub-Agent for any other purpose or product if the Sub-Agent has been rejected or terminated in connection with this Agreement. A prospective agent shall not include any agent who is already appointed, or who has previously been appointed, with the Company. The Company shall maintain a file of all FMO sponsored Sub-Agents whose applications are disapproved, suspended or terminated, and agree not to appoint any such Sub-Agents for a period of one year from their rejection, suspension or termination. When You terminate the appointment of a Sub-Agent, You shall give Us

written notice, indicating the reasons for Your action, within five (5) business days of Your action.

- (B) **Responsibility.** You are responsible for and agree to: (1) Recruit and train Sub-Agents to procure applications for policies and to supervise Sub-Agents, and (2) Be responsible for the honesty and fidelity of Your Sub-Agents, be responsible for their adherence to and compliance with all Company Rules and Regulations, and be solely responsible for all financial obligations due to Us by Your Sub-Agents. This responsibility shall survive the termination of this Agreement.
- (C) **Sub-Agent Commission.** All commission with respect to business produced by Sub-Agents shall be payable by Us directly to You. You are solely responsible to perform under the terms of any contract between You and any Sub-Agent, and Our payment of commission to You as provided herein shall fully discharge Us from any liability to a Sub-Agent.
- (D) **Non-Contact with NHA Groups.** The Parties agree that because of the nature of this Agreement, and the disclosure by FMO of the identity of its Sub-Agents and its various group and organizational clients, it is agreed that the Company will not, during the term of this Agreement, and for a period of five (5) years following the termination of this Agreement, in any manner, develop a long-term care group or individual product design for, or seek and/or accept the endorsement, sponsorship or enrollment of, any groups named on the attached list of the FMO's endorsed groups, including a list of National Education Association affiliates. The parties will periodically update the list of endorsed groups that are subject to this section.
- (E) **Non-plracy.** During the term of this Agreement, and for a period of five (5) years after the termination of this Agreement for management level personnel and for a period of two (2) years after the termination of this Agreement for non-management personnel, neither Company nor FMO will, unless it first receives written consent from the other Party, directly or indirectly, call on, solicit, take away, engage, contract with or attempt any of the foregoing in any manner whatsoever, any present or former officer, employee or captive long-term care agent of the other Party, whether or not such officer, employee or captive long-term care agent is under contract with the other Party at the time, or make known or attempt to make known, directly or indirectly, to any such person that an opportunity of agency or employment with the Party exists or is available.

3. PROTECTED HEALTH INFORMATION

"Protected Health Information" shall be defined as "information that can be used to identify an individual that is directly related to that individual's health and is maintained or transferred in any medium." You agree:

- (A) that You are strictly prohibited from using or disclosing Protected Health Information You may obtain or which may be disclosed to You in the course of Your conduct of business for Us, except as necessary to transact that business.
- (B) not to use or further disclose Protected Health Information in a manner that would violate the Health Insurance Portability and Accountability Act of 1996;
- (C) to use appropriate safeguards to prevent the use or disclosure of Protected Health Information;
- (D) to immediately report to us all violations hereunder;
- (E) that any and all of your Sub-Agents shall be subjected to and shall agree to the same restrictions and conditions that apply to You;
- (F) to provide for access to and the amendment of Protected Health Information if requested by Your clients;
- (G) to maintain a log of disclosures of Protected Health Information, and provide an accounting of disclosures in accordance with client's right to receive an accounting of disclosures in accordance with HIPAA; and
- (H) to make your books, records and internal practices available to the U. S. Department of Health and Human Services for audit.

4. ELECTRONIC PROTECTED HEALTH INFORMATION

"Electronic Protected Health Information" shall be defined as Protected Health Information that is "transmitted in or by electronic means or media and/or maintained or stored in or by electronic means or media" (i.e. fax or internet transmission, e-mails, electronic images, diskette or hard drive storage, etc.) You agree:

- (A) to implement safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic protected health information You create, receive, maintain or transmit in the course of Your conduct of business for Us.
- (B) to ensure that anyone to whom You provide or disclose this information agrees to implement reasonable and appropriate safeguards.
- (C) to report to Us any security incident of which You become aware; and
- (D) to make Your policies and procedures, and documentation required by this part relating to such safeguards, available to the U. S. Department of Health and Human Services for audit.

5. COMPENSATION

- (A) **Commissions.** The compensation to FMO shall be in the form of commissions on business written by the FMO and Its Sub-Agents in accordance with the commission schedules attached hereto, subject to all terms and conditions of this Agreement and the Company Rules and Regulations. The FMO's commissions shall be paid to the FMO on the basis of collected premiums on issued policies. Both during the term of this Agreement and after its termination, the Company shall use its best efforts to pay the FMO's commissions for each month on or before the 15th day following the close of that month. All of the FMO's first year and all renewal years commissions are fully vested immediately, and shall be the property of the FMO.
- (B) **Changes In Commission.** We may at any time discontinue, withdraw, or modify any policies and/or commissions thereon and may fix the rate of commissions on any new policies hereafter issued by the Company, by furnishing You with prior written notice. Any change in the rate of commissions shall not be retroactive and shall apply only to policies for which applications are submitted to the Company on or after the effective date specified in the written notice.
- (C) **Limitations on Commissions.** You are not entitled to any commission with respect to applications rejected by the Company or commissions attributable to premiums returned by Us upon any canceled policy, whether or not such commission has been paid. If any unearned premiums are returned to the Insured, the FMO shall return any commissions received by the FMO with respect to such returned premiums, and the Company may offset as a chargeback any such commissions against other commissions owed to the FMO. No commissions shall be earned on any policy that is reinstated unless the application for reinstatement is secured by You while this Agreement is in effect. Renewal commissions will be paid on any such reinstated policies.
- (D) **Conversions/Replacements.** If the Company replaces or converts any policies and/or certificates issued under group policies produced and/or written by the FMO or its Sub-Agents pursuant to this Agreement, the FMO shall continue to receive renewal commissions with respect to those replacement or conversion policies.

6. TERMINATION

- (A) **Termination.** This Agreement may be terminated without cause by either party one hundred eighty (180) days after written notice is mailed to the last known address of the other party. It will automatically terminate upon (1) Your death or total disability, whether mentally or physically caused, if You are an individual, or (2) dissolution, if You are either a corporation or a partnership.
- (B) **Termination for Cause.** The FMO has the Right to Remedy any violations of this Agreement within thirty (30) days of written notice from the Company of said violation(s). If the FMO corrects the violation(s) within the thirty (30) day notice, it will be considered the same as if no violation(s) occurred. If the FMO fails to correct said violation(s) within the thirty (30) day notice, the Company may terminate this Agreement immediately. Subject to the Right of Remedy set forth above, We may terminate this Agreement for cause if: (1) Your license is terminated by the Insurance Department of any state within Your territory; (2) You fail to fulfill Your material responsibilities or You materially exceed the scope of Your authority, as set forth in this Agreement; (3) the Company makes a good faith determination and provides documented proof that the FMO has entered into a pattern of conduct to induce policyholders of the Company to terminate insurance Policies issued by the Company; (4) You commit any fraud with respect to business transacted hereunder; (5) You make false or misleading statements about the Company; (6) You violate any applicable insurance laws or regulations; (7) You file a petition for bankruptcy or You are declared bankrupt; (8) You fail to pay over on demand any money due or belonging to the Company; or (9) You violate Section 3 or Section 4 of this Agreement.
- (C) **Payments After Termination.** Upon termination of this Agreement pursuant to Section 6(A) or 6(B), the Company shall pay the FMO, the FMO's executor, personal representative, heir or permitted assigns, commissions which You have earned during the term of this Agreement; provided, however, that (1) if the aggregate amount of such commissions is less than \$300 in any twelve (12) month consecutive period, all of the FMO's rights to receive such commissions shall cease, and (2) no further commissions following termination will be payable after any calendar year in which You change your address, leaving no forwarding address with the Company, and the Company is, through reasonable efforts, as determined solely by the Company, unable to locate You.

7. GENERAL PROVISIONS

- (A) **Entire Agreement.** This Agreement, together with Your FMO Appointment Application, Advance Commissions and Loan Agreement(s) and any amendments hereto, constitutes the entire agreement and sole understanding between You and Us, and terminates and supercedes any

and all previous agreements, oral or written, between You and Us. It is understood that all obligations and indebtedness to Us heretofore incurred or assumed by You, or any rights You may have to receive commissions, as provided under any previous agreement, shall not be impaired.

- (B) **No Waiver.** Failure of the Company or the FMO to insist upon strict compliance with any of the provisions of this Agreement or the Company Rules and Regulations shall not be construed as a waiver or any such provisions or rules, and they shall continue to be in full force and effect.
- (C) **Severability.** If any provision of this Agreement or any modification, addendum or supplement hereto shall be found invalid, such invalidity shall not affect any other provision of this Agreement which can be given effect without the invalid provision, all the provisions hereof being deemed severable.
- (D) **Equitable Relief / Legal Proceedings.** (1) In the event FMO breaches Sections 1(D)(1), 3, 4, 6B(3) or 6B(4) of this Agreement, or in the event the Company breaches Sections 1(D)(1), 2(D), or 2(E) of this Agreement, that Party acknowledges that such a breach may cause irreparable damage to the other Party and that it will be impossible to estimate the damage suffered by the other Party in the event of any such breach. That Party therefore agrees that the other Party shall be entitled, as a matter of course, to temporary and permanent injunctive relief from any court of competent jurisdiction, thereby preventing such further breaches of this Agreement. (2) If either the Company or the FMO prevails in any dispute, arbitration, or legal proceeding concerning this Agreement, it is agreed that the other Party shall reimburse the prevailing Party for its expenses, including costs and reasonable attorneys fees, incurred in connection with such dispute, arbitration or legal proceeding. (3) The FMO agrees that in the event the Company files suit against the FMO and obtains a non-appealable final monetary judgment in such suit, the Company shall have a right to set off any and all commissions payable to the FMO until the amount of said monetary judgment is paid in full.
- (E) **Liability.** (1) The FMO agrees to protect, defend, indemnify and hold harmless the Company and its and their respective parents, affiliates, subsidiaries, officers, directors, owners, shareholders and employees from and against any and all loss, claim, damage, expense, cost and liability, including reasonable attorney's fees and related expenses, arising out of, related to or resulting from the acts or omissions of the FMO, its officers, directors, employees, representatives or Sub-Agents in connection with this Agreement or the performance of the FMO's obligations under this Agreement. (2) The Company agrees to protect, defend, indemnify and hold harmless the FMO and its and their respective parents, affiliates, subsidiaries, officers, directors, owners, shareholders and employees from and against any and all loss, claim, damage, expense, cost and liability, including reasonable attorney's fees and related expenses, arising out of, related to or resulting from the acts or omissions of the Company, its officer, directors or employees in connection with this Agreement or the performance of the Company's obligations under this Agreement.
- (F) **Mediation.** Except as to obtain injunctive and other equitable relief pursuant to Section 7(D), or as may otherwise be provided herein, in the event of any dispute hereunder between the Parties, such dispute, unless it can be settled amicably, shall be submitted to non-binding mediation in Lehigh County, Pennsylvania, prior to the institution of legal proceedings.
- (G) **Choice of Law.** This Agreement shall be interpreted in all respects in accordance with the internal laws of the State of Pennsylvania, without regard to principles of conflicts of law.
- (H) **Notice.** Any notice to Us under this Agreement must be in writing and delivered either personally or by certified mail to the President of the Company at Our home office. Any notice to You will be deemed given on the date it is delivered to You in person or mailed to Your last known address.
- (I) **Assignment.** (1) Neither this Agreement nor any of the authority provided for hereunder may be assigned or transferred by You in any manner, without Our prior written consent. (2) Except as prohibited by state or federal law, all commissions may be assigned or transferred by the FMO upon 30 days notice to the Company. (3) Any permissible assignment of commissions by You shall always be subject to the paramount and prior lien provided in Sections 1(D)(2)(e) and 7(D)(3), whether for indebtedness existing at the time of the assignment or arising thereafter. In addition, upon any such assignment, the assignment document shall provide that a payment of FMO commissions to an assignee will constitute a release by FMO with respect to those commissions, and shall further acknowledge the Company's prior lien pursuant to Sections 1(D)(2)(e) and 7(D)(3).
- (J) **Account Statements.** We will provide You with statements of earnings, advances, loans, charges and repayments of indebtedness.
- (K) **Banking Authority.** This Agreement does not authorize You to endorse checks payable to Us or to deposit such checks in Your bank account.

Banking Authority to endorse and deposit such checks may be granted to You by Us, in Our sole discretion, at a later date.

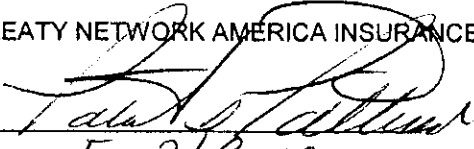
(L) **Amendment.** This Agreement may be amended only in writing by one of Our authorized officers or representatives.

FMO'S STATEMENT

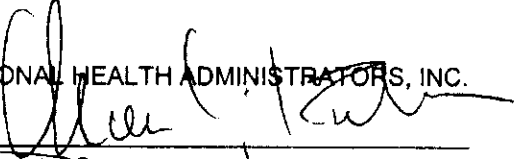
I certify that the information supplied by me on the attached FMO's Contract and Appointment Application is true and correct. I agree to comply with all the regulations of Penn Treaty and the Insurance Department. I understand that I am not permitted to write or solicit insurance until I am appointed with Penn Treaty and have notification in my possession from Penn Treaty that I am qualified to write business for the company. I certify that I am free to appoint and contract with Penn Treaty. I acknowledge that the Company has informed me that in connection with my initial contract and appointment application, re-appointment, renewal, any other licensing action or activity, or at the Company's discretion, a Credit Report and/or Investigative Consumer Report and Vector Report may be obtained. I understand these reports will provide information concerning my character, general reputation, personal characteristics and mode of living and that consumer report information may be obtained through personal interviews with my friends, neighbors and associates and through Credit Reporting Agencies. I expressly authorize the Company to conduct these investigations and authorize all persons and entities (including past and present employers) to provide the company with ALL requested information. I release from liability all persons and entities which supply information to the Company and/or its agents and/or affiliates and agree to hold the Company harmless from any liability for conducting this or any other investigation. I authorize the Company to use these reports and to provide these reports and any other pertinent information to Penn Treaty affiliate companies and to third parties where third parties legal interest and/or obligations are involved. I also authorize the Company to distribute any financial, business, tax or work performance history regarding me that it receives from third parties or Company affiliates or which is generated by the Company that is not part of an investigative report to all affiliate companies and third parties including but not limited to agents or agencies that assume my debt balance responsibility. I certify that I have reviewed this application and understand that if any information provided by me is found to be incorrect or incomplete, it will be grounds for rejecting this application and for termination of my contract and appointment, all at the sole discretion of the Company. I agree that I will not solicit business until I receive notification from the Company that my application has been approved.

By signing below, both parties agree and intend to be legally bound. The persons signing below state and represent that they have authority to enter into this Agreement on behalf of the corporation named herein.

PENN TREATY NETWORK AMERICA INSURANCE COMPANY

By: 
Title: EOP/CMO
Date: 4/16/2004

NATIONAL HEALTH ADMINISTRATORS, INC.

By: 
Title: PRESIDENT
Date: 4/14/04

PENN TREATY NETWORK AMERICA INSURANCE COMPANYSM
COMMISSION SUPPLEMENT FOR FIELD MARKETING ORGANIZATIONS
BASED ON PERCENTAGE OF PREMIUMS

This supplement to the Field Marketing Organization Contract, dated 4/14/04, heretofore entered into by the parties, shall supplement the terms of said Field Marketing Organization Contract and any supplements or amendments thereto. In the event of any inconsistency or conflict between this Supplement and the Contract and any supplement thereto, which is dated prior to the date written below, this Supplement shall control. In all other events, the said Contract shall be fully binding.

Commissions for Policy Form Series: ALP, PF2, IL3, IL4, IPP			Commissions For Secured Risk Policy SR400 and all Riders:		
Issue Age	First Year	Second Year and Thereafter	First Year	Thereafter	
40-49	95%	20.0%	50%	0%	
50-59	90%	20.0%			
60-64	85%	20.0%			
65-69	80%	20.0%			
70-74	75%	20.0%			
75-79	70%	20.0%			
80-84	60%	20.0%			
85-89	40%	14.5%			
NFPBR Commissions:			Commissions for Policy Form Series: PAR		
Issue Age	First Year	Second Year and Thereafter	Issue Age	First Year	Second Year and Thereafter
40-49	80%	0%	40-49	90%	17.5%
50-59	75%	0%	50-59	85%	17.5%
60-64	70%	0%	60-64	80%	17.5%
65-69	65%	0%	65-69	75%	17.5%
70-74	60%	0%	70-74	70%	17.5%
75-79	55%	0%	75-79	65%	17.5%
			80-84	55%	17.5%
			85-89	35%	12.5%

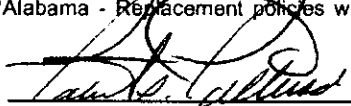
*All Riders except Nonforfeiture Premium Benefit Rider (NFPBR) are paid same as base plan.

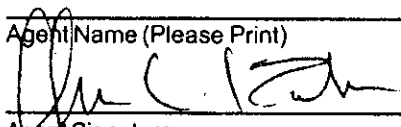
*Not all policies and riders are available in all states.

*California - 1st year commission will be based on the difference between the annual premium of the replacement coverage and that of the original coverage. If this amount is less than or equal to the premium for the product being replaced, the commission will equal renewal commission.

*Kentucky - Replacement commissions will not exceed 200% of renewal commission.

*Alabama - Replacement policies will be paid renewal commissions only.


 Approved Company Officer _____ Date 4/14/2004

Agent Name (Please Print) _____ Date _____

 Agent Signature _____ Date 4/14/04

NATIONAL HEALTH ADMIN INC 4/14/04
 Agency Name (Please Print) _____ Date _____

CERTIFICATE OF SERVICE

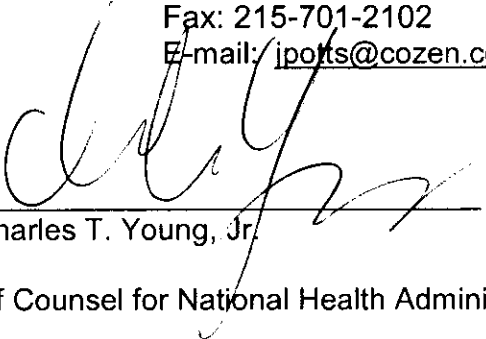
I, Charles T. Young, Jr., hereby certify that on this ^{17th} day of July 2009, true and correct copies of the foregoing document were served by fax, e-mail, and U.S. first-class mail, postage-prepaid, upon the following:

James G. Collins, Esq.
Cozen & O'Connor
1900 Market Street
Philadelphia, PA 19103
Fax: 215-701-2035
E-mail: jcolins@cozen.com

Preston M. Buckman
Department Counsel for Insurance
Pennsylvania Department of Insurance
Governor's Office of General Counsel
901 N. 7th Street
Harrisburg, PA 17102
Fax: 717-772-4543
E-mail: pbuckman@state.pa.us

Amy Daubert, Esq.
Acting Chief Counsel
Pennsylvania Department of Insurance
1341 Strawberry Square
Harrisburg, PA 17120
Fax: 717-772-1969
E-mail: adaubert@state.pa.us

James R. Potts, Esq.
Cozen & O'Connor
1900 Market Street
Philadelphia, PA 19103
Fax: 215-701-2102
E-mail: jpotts@cozen.com



Charles T. Young, Jr.

Of Counsel for National Health Administrators, Inc.

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel Ario,
Insurance Commissioner of the
Commonwealth of Pennsylvania,
Plaintiff,
v. No. 5 M.D. 2009
Penn Treaty Network America
Insurance Company,
Defendant.

ORDER

AND NOW, this ___ day of _____, 2009, the Motion for Extension of the Briefing Schedule filed by National Health Administrators, Inc. is GRANTED, and the new deadline for filing responsive memorandum of law to the Rehabilitator's application and memorandum of law is Monday, December 14, 2009.

Mary Hannah Leavitt, Judge

Michael R. Kelley
Attorney I.D. No. 58854
Charles T. Young, Jr.
Attorney I.D. No. 80680
McNEES WALLACE & NURICK LLC
P.O. Box 1166, 100 Pine Street
Harrisburg, PA 17108-1166
Fax: (717) 237-5300
Phone: (717) 232-8000

Attorneys for National Health
Administrators, Inc.

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel Ario, :
Insurance Commissioner of the :
Commonwealth of Pennsylvania, :
Plaintiff, :
 :
v. : No. 5 M.D. 2009
 :
Penn Treaty Network America :
Insurance Company, :
Defendant. :

**MOTION OF NATIONAL HEALTH ADMINISTRATORS, INC.
FOR AN EXTENSION OF THE BRIEFING SCHEDULE**

National Health Administrators, Inc. ("NHA"), by and through its attorneys
McNEES WALLACE & NURICK LLC, hereby files this Motion for an Extension of the
Briefing Schedule. In support thereof, NHA states the following:

1. NHA has an agency agreement with Penn Treaty Network America Insurance Company ("Penn Treaty"), and it earns commissions each year from the renewal of the long term care insurance policies at issue here. (*Exhibit "A."*)
2. Sometime after June 10, 2009, NHA received notice of the Rehabilitator's Application to deny commissions to NHA and hundreds of other agents of Penn Treaty.
3. NHA has a Constitutionally-protected property interest in the commissions that the Rehabilitator seeks to deny in its Application.

4. Under the Due Process Clause of the 14th Amendment to the U.S. Constitution, NHA is entitled to notice and an opportunity to be heard. Where feasible, the Constitution usually requires a hearing before a state deprives a person of a constitutionally-protected property interest. Zinermon v. Burch, 494 U.S. 113, 127, 110 S.Ct. 975, 984, 108 L.Ed.2d 100 (1990).

5. NHA's counsel only recently became involved in this matter, and NHA disputes the financial assumptions and data set forth in the Rehabilitator's Application and Memorandum.

6. NHA intends to intervene in this matter within the very near future and to seek disclosure from the Rehabilitator and Penn Treaty of all financial data, reports, and analysis relevant to the Rehabilitator's Application. In order to have a meaningful opportunity to respond to the Application, NHA's counsel requires additional time to acquire the necessary financial data, reports and analysis, retain an expert to evaluate the data acquired, and submit a memorandum addressing the financial statistics presented by the Rehabilitator.

7. Presently, responsive memoranda are due on or before August 14, 2009.

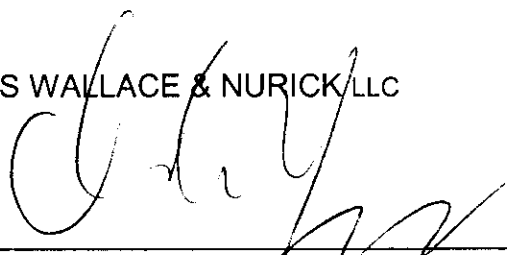
8. The current schedule does not afford NHA a meaningful opportunity to respond to the substantial deprivation of Constitutionally-protected property interests that the Rehabilitator seeks in the Application.

9. NHA requests a 120-day extension of the briefing deadline such that responsive memoranda are due on or before Monday, December 14, 2009.

WHEREFORE National Health Administrators, Inc. respectfully requests that the Court grant this Motion, and extend the deadline for responsive memorandum until Monday, December 14, 2009.

McNEES WALLACE & NURICK, LLC

By



Michael R. Kelley
Attorney I.D. No. 58854
Charles T. Young, Jr.
Attorney I.D. No. 80680
P.O. Box 1166, 100 Pine Street
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 237-5300

Dated: July 17, 2009

Attorneys for National Health Administrators, Inc.

EXHIBIT "A"

**Application for FMO Appointment and Contract
Penn Treaty Network America Insurance Company**

Request for FMO Contract and Appointment
3440 Lehigh Street Allentown, PA 18103 (800) 222-3469 Fax (610) 965-0131

All Questions Must Be Answered - Please Print or Type

Full Name _____

Business or Agency Name NATIONAL HEALTH ADMINISTRATORS, INC.

(Check Box for Desired Mailing Address, NO P.O. Boxes PLEASE)

Resident Address _____

Business Address 5000 QUORUM DRIVE, SUITE 560 DALLAS DALLAS TEXAS 75240-7076

Residence Phone () _____ Business Phone (972) 980-7737 FAX (972) 980-4821

Date of Birth _____ Social Security No. _____ Taxpayer ID No. 75 - 2245396

Resident License Number (Attach Photocopy) _____ Who referred you to Penn Treaty? _____

PLEASE RESPOND TO ALL QUESTIONS FOR YOU PERSONALLY AND ANY ORGANIZATION OVER WHICH YOU HAVE EXERCISED CONTROL. IF YOU ANSWER "YES" TO ANY QUESTION OTHER THAN THE FIRST ONE, YOU MUST ATTACH AN EXPLANATION WITH ALL RELEVANT INFORMATION AND SUPPORTING DOCUMENTS

	Yes	No
◆ Do you have Errors and Omissions Coverage?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
◆ Within the past 10 years, has any E & O carrier denied, paid claims on, or cancelled your coverage?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
◆ Are you involved in any pending or current E & O litigation, investigation, or E & O claims?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
◆ Within the past 10 years, has any bonding or surety company denied, paid out on, or revoked a bond for you?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
◆ Is there any reason you cannot secure a bond?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
◆ With the exception of routine traffic violation, have you EVER been convicted of, or plead guilty to, or nolo contendere (no contest) in a court to: (a) a misdemeanor or (b) a felony?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
◆ Are you required to obtain consent under 18 U.S.C. Sec. 1033 (The Violent Crime Control and Law Enforcement Act) to engage in or participate in the business of insurance?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
◆ Have you ever been discharged or permitted to resign from your employment because you were accused of:		
(a) violating insurance related statutes, regulations, rules, or industry standards of conduct?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(b) fraud or wrongful taking of property?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(c) violating company rules?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
◆ Does any insurance company or general agent claim you owe them money?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
◆ Have you EVER had your insurance license suspended or revoked?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
◆ Within the past 10 years, have you ever had a complaint filed against you that resulted in a fine, penalty, cease or desist order or consent order or decree?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
◆ Are there any outstanding or pending judgments, liens, or tax liens against you?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
◆ Have you ever defaulted on (a) a promissory note, or (b) any other debt, including consumer or credit card debt?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
◆ Within the past 5 years have you ever initiated bankruptcy proceedings or been declared bankrupt?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

This Agreement is between Penn Treaty Network America Insurance Company (hereinafter We, Us, Our, the Company) and the Field Marketing Organization named herein (hereinafter You, Your, FMO), and is effective on the date executed by Us. Both You and the Company agree to comply with the terms of this Agreement.

1. APPOINTMENT & RESPONSIBILITIES

- (A) **Appointment.** (1) We hereby appoint You, and You hereby accept this appointment, as Our FMO having only such authority as specified herein. You warrant the accuracy of the responses on Your FMO Appointment Application incorporated into this Agreement and agree that any misrepresentation may be grounds for immediate termination hereunder. (2) We hereby authorize Your appointment in each state of the United States, the District of Columbia, and other territories and jurisdictions in which the Company's policies have been approved and are being actively sold. We reserve the right to discontinue writing any kind of insurance by giving you notice. We reserve the right, in Our sole discretion, to appoint additional agents in Your territory.
- (B) **Authority.** You are hereby authorized on a non-exclusive basis to:
- (1) Solicit, procure and transmit to the Company, personally or through any Sub-Agent, as defined herein, applications for insurance policies offered by Us, in accordance with the terms and conditions of this Agreement, and all applicable laws and regulations in any territory in which You exercise any authority granted hereby;
 - (2) Collect the initial premium for such applications, submitting both to Us on a timely basis according to Our rules and regulations;
 - (3) Appoint Sub-Agents pursuant to the provisions of Section 2 herein.
- (C) **Limitations on Authority.** You do not have express or implied authority to, and shall not represent having such authority to:
- (1) Modify in any respect, any applications, questions, statements, answers, terms, provisions, limitations, conditions or premium rates

- regarding any of Our applications, policies, receipts, announcements, or promotional or instructional materials;
- (2) Use any advertisement or promotional materials regarding the Company or its products without obtaining the prior written approval of a Company officer. For purposes of this Agreement, the term "Advertisement" means any printed, published or audio visual material used in direct mail, newspapers, magazines, radio or television scripts, internet or e-mail, billboards or any other display where such Advertisement utilizes Our name or logo or refers to any of Our products;
 - (3) Collect, or authorize a Sub-Agent or any other person to collect, any payment on Our behalf whatsoever, except as provided for herein with respect to initial premiums, or extend time for any payment or quote rates other than those published by the Company;
 - (4) Retain any portion of a collected premium as commission without Our prior written consent;
 - (5) Bind the Company to any coverage or risk. No coverage will be effective with respect to any application until approved by Us. We reserve the right, based on Our sole discretion and without liability to You, to approve or disapprove any application, limit the amount of coverage issued or charge a higher premium based upon Our evaluation of the risk;
 - (6) Incur any debt, expenses, or liability whatever in Our name or account;
 - (7) Deliver any policy or allow any policy to be delivered until the first premium payment has been paid in full and unless, to the best of Your knowledge and belief, there has been no material change in the health of the insured prior to the date the coverage becomes effective.
- (D) **Responsibilities.** (1) Both parties agree that during the term of this Agreement and thereafter, they shall not, directly or indirectly, induce or

attempt to induce or cause or permit a pattern or practice of doing anything to cause the lapsing, replacement or conversion of any Company policies and/or certificates issued under group policies, produced and/or written by FMO and its Sub-Agents. (2) You further agree, to the best of Your ability, to:

- (a) Bear all expenses, fees and taxes incurred in the conduct of Your business performed on behalf of the Company, including those of Your Sub-Agents;
 - (b) Maintain proper records with respect to all business transacted hereunder, in such manner and form as may be required by Us. Such records shall be the property of the Company, whether or not paid for by Us and shall be made available for audit by the Company, or Its representatives, with reasonable notice, during regular business hours.
 - (c) Render services to policyholders and beneficiaries of policies as we may require, promote the interest of the Company and conduct yourself in such a manner so as not to adversely affect the business or reputation of both You and Company;
 - (d) Remit promptly to Us all money received or collected by You, or to the extent remitted to You by Your Sub-Agents, for the Company with a full and detailed statement. You shall not make any personal use of such monies nor shall such monies be commingled with Your personal or other funds;
 - (e) Pay promptly to Us, upon demand, all amounts due by reason of commission chargebacks, advances, loans, overpayments or otherwise. Any indebtedness to Us shall be a first and paramount lien in Our favor;
 - (f) Make available to Us all information which comes into Your possession concerning the underwriting of any risk;
 - (g) Obtain and process, where applicable, all necessary replacement, disclosure and other required forms;
 - (h) Furnish the Company upon request, a written, detailed statement relating to business performed on behalf of the Company by You or any Sub-Agent;
 - (i) Be governed strictly by all rules, regulations, bulletins, Instructions, rate books and manuals instituted from time to time by the Company (hereinafter referred to as Company Rules and Regulations) and observe and comply with the insurance laws and regulations of any territory in which You exercise any authority granted hereby. Notwithstanding the preceding sentence, FMO will not be required to follow or be bound by any Company Rules and Regulations hereafter adopted by the Company which materially change the terms of this Agreement.
 - (j) Deliver promptly to policyholders all Policies, notices and other papers sent to the FMO for that purpose. The term "promptly" shall mean "within thirty (30) calendar days after issuance" of such policies. In the event the FMO does not deliver such items within thirty (30) days after issuance, the FMO must submit a written explanation to the Company within five (5) calendar days of the expiration of said thirty (30) day period, detailing his or her reasons for failing to comply with this provision.
 - (k) Hold all materials furnished by Us as property of the Company provided for Your use while this Agreement remains in effect. You shall immediately return all such materials to Us upon termination of this Agreement or upon Our request.
- (E) **Relationship.** You are an independent contractor and nothing herein contained shall be construed to create the relationship of employer and employee between You and the Company. You are not an employee, partner, joint venturer or associate of the Company. You are to exercise Your own discretion and judgment with respect to Your duties and obligations contemplated herein, except that You shall, at all times, comply with the Company Rules and Regulations. You shall not represent yourself as an employee, partner, joint venturer or associate of Ours or as an agent of Ours for any purpose other than those specified in this Agreement

2. SUB-AGENTS

- (A) **Appointment.** Any agent appointed by You must be approved and licensed/appointed by Us. Such individuals shall be referred to herein as "Sub-Agents." We reserve the right to disapprove any Sub-Agent appointment or suspend or terminate, at any time, based on Our sole discretion, any previously appointed Sub-Agent; provided, however, that the Company will not knowingly appoint any prospective Sub-Agent for any other purpose or product if the Sub-Agent has been rejected or terminated in connection with this Agreement. A prospective agent shall not include any agent who is already appointed, or who has previously been appointed, with the Company. The Company shall maintain a file of all FMO sponsored Sub-Agents whose applications are disapproved, suspended or terminated, and agree not to appoint any such Sub-Agents for a period of one year from their rejection, suspension or termination. When You terminate the appointment of a Sub-Agent, You shall give Us

written notice, indicating the reasons for Your action, within five (5) business days of Your action.

- (B) **Responsibility.** You are responsible for and agree to: (1) Recruit and train Sub-Agents to procure applications for policies and to supervise Sub-Agents, and (2) Be responsible for the honesty and fidelity of Your Sub-Agents, be responsible for their adherence to and compliance with all Company Rules and Regulations, and be solely responsible for all financial obligations due to Us by Your Sub-Agents. This responsibility shall survive the termination of this Agreement.
- (C) **Sub-Agent Commission.** All commission with respect to business produced by Sub-Agents shall be payable by Us directly to You. You are solely responsible to perform under the terms of any contract between You and any Sub-Agent, and Our payment of commission to You as provided herein shall fully discharge Us from any liability to a Sub-Agent.
- (D) **Non-Contact with NHA Groups.** The Parties agree that because of the nature of this Agreement, and the disclosure by FMO of the identity of its Sub-Agents and its various group and organizational clients, it is agreed that the Company will not, during the term of this Agreement, and for a period of five (5) years following the termination of this Agreement, in any manner, develop a long-term care group or individual product design for, or seek and/or accept the endorsement, sponsorship or enrollment of, any groups named on the attached list of the FMO's endorsed groups, including a list of National Education Association affiliates. The parties will periodically update the list of endorsed groups that are subject to this section.
- (E) **Non-piracy.** During the term of this Agreement, and for a period of five (5) years after the termination of this Agreement for management level personnel and for a period of two (2) years after the termination of this Agreement for non-management personnel, neither Company nor FMO will, unless it first receives written consent from the other Party, directly or indirectly, call on, solicit, take away, engage, contract with or attempt any of the foregoing in any manner whatsoever, any present or former officer, employee or captive long-term care agent of the other Party, whether or not such officer, employee or captive long-term care agent is under contract with the other Party at the time, or make known or attempt to make known, directly or indirectly, to any such person that an opportunity of agency or employment with the Party exists or is available.

3. PROTECTED HEALTH INFORMATION

"Protected Health Information" shall be defined as "information that can be used to identify an individual that is directly related to that individual's health and is maintained or transferred in any medium." You agree:

- (A) that You are strictly prohibited from using or disclosing Protected Health Information You may obtain or which may be disclosed to You in the course of Your conduct of business for Us, except as necessary to transact that business.
- (B) not to use or further disclose Protected Health Information in a manner that would violate the Health Insurance Portability and Accountability Act of 1996;
- (C) to use appropriate safeguards to prevent the use or disclosure of Protected Health Information;
- (D) to immediately report to us all violations hereunder;
- (E) that any and all of your Sub-Agents shall be subjected to and shall agree to the same restrictions and conditions that apply to You;
- (F) to provide for access to and the amendment of Protected Health Information if requested by Your clients;
- (G) to maintain a log of disclosures of Protected Health Information, and provide an accounting of disclosure in accordance with client's right to receive an accounting of disclosures in accordance with HIPAA; and
- (H) to make your books, records and internal practices available to the U. S. Department of Health and Human Services for audit.

4. ELECTRONIC PROTECTED HEALTH INFORMATION

"Electronic Protected Health Information" shall be defined as Protected Health Information that is "transmitted in or by electronic means or media and /or maintained or stored in or by electronic means or media" (i.e. fax or internet transmission, e-mails, electronic images, diskette or hard drive storage, etc.) You agree:

- (A) to implement safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic protected health information You create, receive, maintain or transmit in the course of Your conduct of business for Us.
- (B) to ensure that anyone to whom You provide or disclose this information agrees to implement reasonable and appropriate safeguards.
- (C) to report to Us any security incident of which You become aware; and
- (D) to make Your policies and procedures, and documentation required by this part relating to such safeguards, available to the U. S. Department of Health and Human Services for audit.

5. COMPENSATION

- (A) **Commissions.** The compensation to FMO shall be in the form of commissions on business written by the FMO and its Sub-Agents in accordance with the commission schedules attached hereto, subject to all terms and conditions of this Agreement and the Company Rules and Regulations. The FMO's commissions shall be paid to the FMO on the basis of collected premiums on issued policies. Both during the term of this Agreement and after its termination, the Company shall use its best efforts to pay the FMO's commissions for each month on or before the 15th day following the close of that month. All of the FMO's first year and all renewal years commissions are fully vested immediately, and shall be the property of the FMO.
- (B) **Changes In Commission.** We may at any time discontinue, withdraw, or modify any policies and/or commissions thereon and may fix the rate of commissions on any new policies hereafter issued by the Company, by furnishing You with prior written notice. Any change in the rate of commissions shall not be retroactive and shall apply only to policies for which applications are submitted to the Company on or after the effective date specified in the written notice.
- (C) **Limitations on Commissions.** You are not entitled to any commission with respect to applications rejected by the Company or commissions attributable to premiums returned by Us upon any canceled policy, whether or not such commission has been paid. If any unearned premiums are returned to the insured, the FMO shall return any commissions received by the FMO with respect to such returned premiums, and the Company may offset as a chargeback any such commissions against other commissions owed to the FMO. No commissions shall be earned on any policy that is reinstated unless the application for reinstatement is secured by You while this Agreement is in effect. Renewal commissions will be paid on any such reinstated policies.
- (D) **Conversions/Replacements.** If the Company replaces or converts any policies and/or certificates issued under group policies produced and/or written by the FMO or its Sub-Agents pursuant to this Agreement, the FMO shall continue to receive renewal commissions with respect to those replacement or conversion policies.

6. TERMINATION

- (A) **Termination.** This Agreement may be terminated without cause by either party one hundred eighty (180) days after written notice is mailed to the last known address of the other party. It will automatically terminate upon (1) Your death or total disability, whether mentally or physically caused, if You are an individual, or (2) dissolution, if You are either a corporation or a partnership.
- (B) **Termination for Cause.** The FMO has the Right to Remedy any violations of this Agreement within thirty (30) days of written notice from the Company of said violation(s). If the FMO corrects the violation(s) within the thirty (30) day notice, it will be considered the same as if no violation(s) occurred. If the FMO fails to correct said violation(s) within the thirty (30) day notice, the Company may terminate this Agreement immediately. Subject to the Right of Remedy set forth above, We may terminate this Agreement for cause if: (1) Your license is terminated by the Insurance Department of any state within Your territory; (2) You fail to fulfill Your material responsibilities or You materially exceed the scope of Your authority, as set forth in this Agreement; (3) the Company makes a good faith determination and provides documented proof that the FMO has entered into a pattern of conduct to induce policyholders of the Company to terminate insurance Policies issued by the Company; (4) You commit any fraud with respect to business transacted hereunder; (5) You make false or misleading statements about the Company; (6) You violate any applicable insurance laws or regulations; (7) You file a petition for bankruptcy or You are declared bankrupt; (8) You fail to pay over on demand any money due or belonging to the Company; or (9) You violate Section 3 or Section 4 of this Agreement.
- (C) **Payments After Termination.** Upon termination of this Agreement pursuant to Section 6(A) or 6(B), the Company shall pay the FMO, the FMO's executor, personal representative, heir or permitted assigns, commissions which You have earned during the term of this Agreement; provided, however, that (1) if the aggregate amount of such commissions is less than \$300 in any twelve (12) month consecutive period, all of the FMO's rights to receive such commissions shall cease, and (2) no further commissions following termination will be payable after any calendar year in which You change your address, leaving no forwarding address with the Company, and the Company is, through reasonable efforts, as determined solely by the Company, unable to locate You.

7. GENERAL PROVISIONS

- (A) **Entire Agreement.** This Agreement, together with Your FMO Appointment Application, Advance Commissions and Loan Agreement(s) and any amendments hereto, constitutes the entire agreement and sole understanding between You and Us, and terminates and supercedes any

and all previous agreements, oral or written, between You and Us. It is understood that all obligations and indebtedness to Us heretofore incurred or assumed by You, or any rights You may have to receive commissions, as provided under any previous agreement, shall not be impaired.

- (B) **No Waiver.** Failure of the Company or the FMO to insist upon strict compliance with any of the provisions of this Agreement or the Company Rules and Regulations shall not be construed as a waiver or any such provisions or rules, and they shall continue to be in full force and effect.
- (C) **Severability.** If any provision of this Agreement or any modification, addendum or supplement hereto shall be found invalid, such invalidity shall not affect any other provision of this Agreement which can be given effect without the invalid provision, all the provisions hereof being deemed severable.
- (D) **Equitable Relief / Legal Proceedings.** (1) In the event FMO breaches Sections 1(D)(1), 3, 4, 6B(3) or 6B(4) of this Agreement, or in the event the Company breaches Sections 1(D)(1), 2(D), or 2(E) of this Agreement, that Party acknowledges that such a breach may cause irreparable damage to the other Party and that it will be impossible to estimate the damage suffered by the other Party in the event of any such breach. That Party therefore agrees that the other Party shall be entitled, as a matter of course, to temporary and permanent injunctive relief from any court of competent jurisdiction, thereby preventing such further breaches of this Agreement. (2) If either the Company or the FMO prevails in any dispute, arbitration, or legal proceeding concerning this Agreement, it is agreed that the other Party shall reimburse the prevailing Party for its expenses, including costs and reasonable attorneys fees, incurred in connection with such dispute, arbitration or legal proceeding. (3) The FMO agrees that in the event the Company files suit against the FMO and obtains a non-appealable final monetary judgment in such suit, the Company shall have a right to set off any and all commissions payable to the FMO until the amount of said monetary judgment is paid in full.
- (E) **Liability.** (1) The FMO agrees to protect, defend, indemnify and hold harmless the Company and its and their respective parents, affiliates, subsidiaries, officers, directors, owners, shareholders and employees from and against any and all loss, claim, damage, expense, cost and liability, including reasonable attorney's fees and related expenses, arising out of, related to or resulting from the acts or omissions of the FMO, its officers, directors, employees, representatives or Sub-Agents in connection with this Agreement or the performance of the FMO's obligations under this Agreement. (2) The Company agrees to protect, defend, indemnify and hold harmless the FMO and its and their respective parents, affiliates, subsidiaries, officers, directors, owners, shareholders and employees from and against any and all loss, claim, damage, expense, cost and liability, including reasonable attorney's fees and related expenses, arising out of, related to or resulting from the acts or omissions of the Company, its officer, directors or employees in connection with this Agreement or the performance of the Company's obligations under this Agreement.
- (F) **Mediation.** Except as to obtain injunctive and other equitable relief pursuant to Section 7(D), or as may otherwise be provided herein, in the event of any dispute hereunder between the Parties, such dispute, unless it can be settled amicably, shall be submitted to non-binding mediation in Lehigh County, Pennsylvania, prior to the institution of legal proceedings.
- (G) **Choice of Law.** This Agreement shall be interpreted in all respects in accordance with the internal laws of the State of Pennsylvania, without regard to principles of conflicts of law.
- (H) **Notice.** Any notice to Us under this Agreement must be in writing and delivered either personally or by certified mail to the President of the Company at Our home office. Any notice to You will be deemed given on the date it is delivered to You in person or mailed to Your last known address.
- (I) **Assignment.** (1) Neither this Agreement nor any of the authority provided for hereunder may be assigned or transferred by You in any manner, without Our prior written consent. (2) Except as prohibited by state or federal law, all commissions may be assigned or transferred by the FMO upon 30 days notice to the Company. (3) Any permissible assignment of commissions by You shall always be subject to the paramount and prior lien provided in Sections 1(D)(2)(e) and 7(D)(3), whether for indebtedness existing at the time of the assignment or arising thereafter. In addition, upon any such assignment, the assignment document shall provide that a payment of FMO commissions to an assignee will constitute a release by FMO with respect to those commissions, and shall further acknowledge the Company's prior lien pursuant to Sections 1(D)(2)(e) and 7(D)(3).
- (J) **Account Statements.** We will provide You with statements of earnings, advances, loans, charges and repayments of indebtedness.
- (K) **Banking Authority.** This Agreement does not authorize You to endorse checks payable to Us or to deposit such checks in Your bank account.

Banking Authority to endorse and deposit such checks may be granted to You by Us, in Our sole discretion, at a later date.

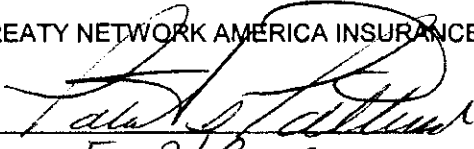
(L) **Amendment.** This Agreement may be amended only in writing by one of Our authorized officers or representatives.

FMO'S STATEMENT

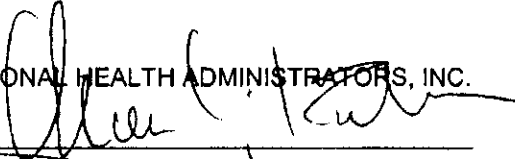
I certify that the information supplied by me on the attached FMO's Contract and Appointment Application is true and correct. I agree to comply with all the regulations of Penn Treaty and the Insurance Department. I understand that I am not permitted to write or solicit insurance until I am appointed with Penn Treaty and have notification in my possession from Penn Treaty that I am qualified to write business for the company. I certify that I am free to appoint and contract with Penn Treaty. I acknowledge that the Company has informed me that in connection with my initial contract and appointment application, re-appointment, renewal, any other licensing action or activity, or at the Company's discretion, a Credit Report and/or Investigative Consumer Report and Vector Report may be obtained. I understand these reports will provide information concerning my character, general reputation, personal characteristics and mode of living and that consumer report information may be obtained through personal interviews with my friends, neighbors and associates and through Credit Reporting Agencies. I expressly authorize the Company to conduct these investigations and authorize all persons and entities (including past and present employers) to provide the company with ALL requested information. I release from liability all persons and entities which supply information to the Company and/or its agents and/or affiliates and agree to hold the Company harmless from any liability for conducting this or any other investigation. I authorize the Company to use these reports and to provide these reports and any other pertinent information to Penn Treaty affiliate companies and to third parties where third parties legal interest and/or obligations are involved. I also authorize the Company to distribute any financial, business, tax or work performance history regarding me that it receives from third parties or Company affiliates or which is generated by the Company that is not part of an investigative report to all affiliate companies and third parties including but not limited to agents or agencies that assume my debt balance responsibility. I certify that I have reviewed this application and understand that if any information provided by me is found to be incorrect or incomplete, it will be grounds for rejecting this application and for termination of my contract and appointment, all at the sole discretion of the Company. I agree that I will not solicit business until I receive notification from the Company that my application has been approved.

By signing below, both parties agree and intend to be legally bound. The persons signing below state and represent that they have authority to enter into this Agreement on behalf of the corporation named herein.

PENN TREATY NETWORK AMERICA INSURANCE COMPANY

By: 
Title: FOP/CMO
Date: 4/16/2004

NATIONAL HEALTH ADMINISTRATORS, INC.

By: 
Title: PRESIDENT
Date: 4/14/04

PENN TREATY NETWORK AMERICA INSURANCE COMPANYSM
COMMISSION SUPPLEMENT FOR FIELD MARKETING ORGANIZATIONS
BASED ON PERCENTAGE OF PREMIUMS

This supplement to the Field Marketing Organization Contract, dated 4/14/04, heretofore entered into by the parties, shall supplement the terms of said Field Marketing Organization Contract and any supplements or amendments thereto. In the event of any inconsistency or conflict between this Supplement and the Contract and any supplement thereto, which is dated prior to the date written below, this Supplement shall control. In all other events, the said Contract shall be fully binding.

Commissions for Policy Form Series: ALP, PF2, IL3, IL4, IPP			Commissions For Secured Risk Policy SR400 and all Riders:		
Issue Age	First Year	Second Year and Thereafter	First Year	Thereafter	
40-49	95%	20.0%	50%	0%	
50-59	90%	20.0%			
60-64	85%	20.0%			
65-69	80%	20.0%			
70-74	75%	20.0%			
75-79	70%	20.0%			
80-84	60%	20.0%			
85-89	40%	14.5%			
NFPBR Commissions:			Commissions for Policy Form Series: PAR		
Issue Age	First Year	Second Year and Thereafter	Issue Age	First Year	Second Year and Thereafter
40-49	80%	0%	40-49	90%	17.5%
50-59	75%	0%	50-59	85%	17.5%
60-64	70%	0%	60-64	80%	17.5%
65-69	65%	0%	65-69	75%	17.5%
70-74	60%	0%	70-74	70%	17.5%
75-79	55%	0%	75-79	65%	17.5%
			80-84	55%	17.5%
			85-89	35%	12.5%

*All Riders except Nonforfeiture Premium Benefit Rider (NFPBR) are paid same as base plan.

*Not all policies and riders are available in all states.

*California - 1st year commission will be based on the difference between the annual premium of the replacement coverage and that of the original coverage. If this amount is less than or equal to the premium for the product being replaced, the commission will equal renewal commission.

*Kentucky - Replacement commissions will not exceed 200% of renewal commission.

*Alabama - Replacement policies will be paid renewal commissions only.

[Signature] 4/14/2004
 Approved Company Officer Date

[Signature] 4/14/04
 Agent Name (Please Print) Date

NATIONAL HEALTH ADMIN INC 4/14/04
 Agency Name (Please Print) Date

CERTIFICATE OF SERVICE

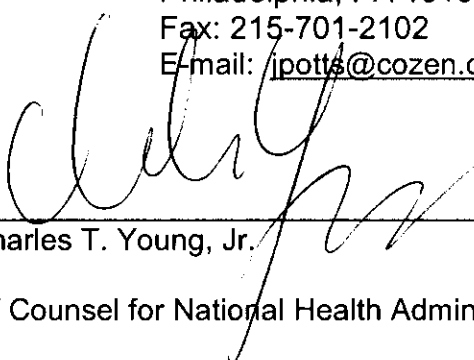
I, Charles T. Young, Jr., hereby certify that on this ^{17th} day of July 2009, true and correct copies of the foregoing document were served by fax, e-mail, and U.S. first-class mail, postage-prepaid, upon the following:

James G. Collins, Esq.
Cozen & O'Connor
1900 Market Street
Philadelphia, PA 19103
Fax: 215-701-2035
E-mail: jcolins@cozen.com

Preston M. Buckman
Department Counsel for Insurance
Pennsylvania Department of Insurance
Governor's Office of General Counsel
901 N. 7th Street
Harrisburg, PA 17102
Fax: 717-772-4543
E-mail: pbuckman@state.pa.us

Amy Daubert, Esq.
Acting Chief Counsel
Pennsylvania Department of Insurance
1341 Strawberry Square
Harrisburg, PA 17120
Fax: 717-772-1969
E-mail: adaubert@state.pa.us

James R. Potts, Esq.
Cozen & O'Connor
1900 Market Street
Philadelphia, PA 19103
Fax: 215-701-2102
E-mail: jpotts@cozen.com



Charles T. Young, Jr.

Of Counsel for National Health Administrators, Inc.