

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Penn Treaty Network America : No. 1 PEN 2009
Insurance Company (in Liquidation) :

ORDER

AND NOW, this ___ day of _____, 2020, upon consideration of the Application for Approval of the Sale of Real Estate Property of Penn Treaty Network America Insurance Company (in Liquidation) (“PTNA”) to Parsons Commercial Group, Inc. (“Parsons”) pursuant to the Purchase and Sale Agreement by and between PTNA and Parsons, filed by Jessica K. Altman, as Statutory Liquidator of PTNA, it is hereby ORDERED as follows:

1. The Liquidator’s Application is GRANTED.
2. The Liquidator is authorized to sell the Property, as the term is defined in the Purchase and Sale Agreement attached as Exhibit A to the Application, to Parsons or its assignee as described more fully in, and in accordance with, the terms of the Purchase and Sale Agreement.
3. The Purchase and Sale Agreement is APPROVED.

MARY HANNAH LEAVITT, President Judge

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Penn Treaty Network America : No. 1 PEN 2009
Insurance Company (in Liquidation) :

**APPLICATION FOR APPROVAL OF THE SALE OF REAL ESTATE
PROPERTY OF PENN TREATY NETWORK AMERICA INSURANCE
COMPANY (IN LIQUIDATION)
TO PARSONS COMMERCIAL GROUP, INC.**

The Applicant, Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania, in her Official Capacity as Statutory Liquidator (the "Liquidator") of Penn Treaty Network America Insurance Company (in Liquidation) ("PTNA"), respectfully requests that this Court enter an Order approving the Purchase and Sale Agreement between PTNA and Parsons Commercial Group, Inc., ("Parsons"), in substantially the form attached hereto as Exhibit A (the "Purchase and Sale Agreement"), and the sale by PTNA of the Property (as defined in the Purchase and Sale Agreement) to Parsons or its assignee, as described more fully in, and in accordance with, the Purchase and Sale Agreement. In support of this Application, the Liquidator states the following:

1. The Property is the land located at and known as 3440 Lehigh Street, Salisbury Township, Lehigh County, Pennsylvania; the building, improvements and fixtures thereon; and all rights, privileges and easements appurtenant thereto. The sale also includes certain assignable guaranties, warranties and services

contracts and interests in certain leases related to the Property, as described in the Purchase and Sale Agreement.

2. The building on the Property has approximately 38,486 rentable square feet, sits on a 3.33 acre lot and includes a parking lot. The building currently has two occupants in addition to PTNA, a UPS store and TriPlus.

3. The Companies operations have been largely conducted at the Property for over thirty years and PTNA has owned the Property that entire time.

4. The agreed purchase price is Two Million Seven Hundred Thousand and 00/100 Dollars (\$2,700,000.00).

5. On March 1, 2017, this Court issued Orders placing PTNA and American Network Insurance Company (“ANIC” and together with PTNA, the “Companies”) in liquidation.

6. Beginning on March 1, 2017, the life and health insurance guaranty associations in the states in which the Companies were licensed to do business assumed responsibility for the Companies’ insurance policies, including continuing coverage and paying eligible claims.

7. The guaranty associations initially contracted with the Liquidator for PTNA to administer the Companies’ policies on behalf of the guaranty associations for an interim period using PTNA’s computer systems, procedures, policy and claim records and staff, and the Liquidator continued to retain certain staff and

office space to support the provision of services to the guaranty associations. In addition, both before and after the liquidations, PTNA has administered policies and provided other intercompany services for ANIC's wholly-owned subsidiary, American Independent Network Insurance Company of New York, a New York domiciled long-term care insurer in run-off ("AINIC(NY)").

8. During 2019, most of the guaranty associations selected TriPlus Services Inc. ("TriPlus"), a company experienced in long-term care insurance administration, to take over policy administration on behalf of those guaranty associations. AINIC(NY) also chose TriPlus to administer its business. The guaranty associations for the states of Illinois and Wisconsin each decided in 2018 to self-administer the Companies' policies for which they are responsible and PTNA transitioned administration responsibility to those guaranty associations during 2018.

9. In order to most readily support TriPlus' provision of services to the guaranty associations and to minimize disruption, TriPlus desired to acquire PTNA's infrastructure and to retain certain of its staff, but it was not interested in purchasing the Property. The Liquidator conducted a sale process for the sale of its infrastructure assets, and ultimately entered into an Asset Purchase Agreement with TriPlus for its acquisition of those assets (the "APA"). The Court issued an Order on September 12, 2019 authorizing the sale of the infrastructure assets to TriPlus

and approving the APA. The infrastructure sale closed on October 1, 2019, and TriPlus commenced administering the business for the guaranty associations on that same date. In connection with the infrastructure sale, TriPlus hired over 120 of PTNA's former staff and entered into a short term lease with PTNA for space at the Property.

10. As described further below, in connection with the winding down of PTNA's estate, the termination of PTNA's interim services agreement with the guaranty associations and the sale of its infrastructure assets, PTNA desired to sell the Property.

11. As noted above, TriPlus did not have an interest in acquiring the Property, but during its discussions with PTNA about a possible acquisition of the infrastructure assets, it introduced PTNA to Parsons as a potential acquirer of the Property. Parsons or one of its affiliates is currently the landlord and owner of TriPlus's headquarters in Hopkinton, Massachusetts.

12. As part of the APA, TriPlus agreed to continue the provision of services for the guaranty associations at the Property, or at a location within five miles thereof, until the earlier of seven years from the closing of the infrastructure sale or the termination of TriPlus' services agreement with the guaranty associations. In addition, TriPlus agreed that it would negotiate in good faith with Parsons for a lease of space in the building on the Property for a period of at least

seven years assuming Parsons acquired the Property. TriPlus and Parsons have entered a lease for that space, contingent on the closing of the sale of the Property to Parsons.

13. The Liquidator desires to sell Parsons the Property in order to monetize an asset that is no longer necessary for the winding down of the Companies' estates.

THE SALE PROCESS

14. In October 2017, following an investment advisor selection process, the Liquidator engaged Boenning & Scattergood ("Boenning"), an independent investment banking firm, to request, collect, and review indications of interest by multiple companies interested in acquiring PTNA's infrastructure assets.

15. The Property was included in the infrastructure sale process as an asset available for purchase as part of an infrastructure acquisition.

16. During that infrastructure sale process, one bidder indicated that it valued the Property at \$2.5 Million Dollars. Another bidder indicated a willingness to pay \$2.3 Million Dollars for the Property and all personal property used in the business. Other bidders either did not express an interest in acquiring the Property, including TriPlus, or did not separately price the Property.

17. Separate from the infrastructure sale process, the Property was previously listed with a real estate broker for sale from April 2010 until 2013. During that period there will little interest shown in the Property and no offers.¹

18. In more recent years, PTNA conducted various appraisals of the market value of the Property.

19. An appraisal conducted in 2017 by Newmark Knight Frank provided a valuation of the Property of \$5.35 Million Dollars, a value well in excess of what any bidders in the infrastructure sale process indicated they were willing to pay.² Two appraisals conducted in 2019 indicated substantially lower values than the 2017 appraisal. An appraisal conducted in 2019 for PTNA by SVN Imperial Realty Advisors provided a valuation of the Property between \$2.75 and \$2.95 Million Dollars. A property appraiser affiliated with Parsons, SVN Parsons, valued the Property between \$1.8 and \$2.5 Million Dollars. An internal valuation confirmation done by PTNA's finance staff during 2019 of the analyses done by SVN Imperial and SVN Parsons using a range of capitalization rates from 9% -

¹ By selling the Property to Parsons directly without use of a broker, PTNA is avoiding paying a real estate brokerage fee on the sale.

² Notably, the appraisal conducted in 2017 assumed no change in use of the building (i.e., one commercial tenant, PTNA, occupying 36,140 square feet of the building and two small retail tenants) and no remodeling or leasing incentive costs. The 2019 appraisals considered these costs and more accurate and current occupancy assumptions.

11% resulted in a range of values for the Property between \$2.2 and \$3.2 Million Dollars.

20. PTNA believes the 2019 valuations depict a fair range of market values of the Property.

**SUMMARY OF THE SUBSTANTIVE TERMS OF
THE PURCHASE AND SALE AGREEMENT**

21. PTNA and Parsons have entered into the Purchase and Sale Agreement, with closing on the sale subject to the Court's approval and other conditions.

22. In summation, pursuant to the Purchase and Sale Agreement, PTNA agrees to sell and Parsons agrees to purchase the Property, on the terms and conditions set forth in the Purchase and Sale Agreement.

23. The Property is located at and known as 3440 Lehigh Street, Salisbury Township, Lehigh County, Pennsylvania.

24. Among the assets to be sold are the land and the building, improvement, and fixtures located thereon, as well as all rights, privileges, and easements appurtenant to the land. In addition, the sale includes all assignable guaranties, warranties, and service contracts as described in Schedule 2.1(d) to the Purchase and Sale Agreement and all leases described in Schedule 2.1(e) to the Purchase and Sale Agreement.

25. In exchange for sale of the Property, Parsons agrees to pay PTNA at closing Two Million Seven Hundred Thousand Dollars (\$2,700,000.00), subject to certain pro-rated adjustments related to real property taxes, water and sewer use charges and rents received by PTNA allocable to pre and post-closing periods.

26. Upon the execution of the Purchase and Sale Agreement, Parsons deposited One Hundred Thousand Dollars (\$100,000.00) into an escrow account with Plunkett & Graver, P.C. located at 2030 W. Tilghman Street, Suite 202, Allentown Pennsylvania 18104, with the remaining purchase price due at closing.

27. In addition, in connection with the sale of the Property, Parsons and PTNA agreed to a two year lease by PTNA of approximately 4,290 square feet in the building for use by PTNA. (A copy of the Lease Agreement between Parsons and PTNA is attached as Exhibit B.)

28. The obligations of Parsons and PTNA under the Lease Agreement are subject to and conditioned upon the full completion of the sale of the Property pursuant to the Purchase and Sale Agreement. Therefore, should the sale of the Property not be completed, the Lease shall be void.

29. The Purchase and Sale Agreement contains representations and warranties, covenants, and indemnifications provisions customary for a transaction of this nature.

30. The purchase price for the Property was arrived at through arms-length negotiations between PTNA and Parsons, and is within the range of valuations obtained on the Property during 2019.

**THE SALE AND PURCHASE AGREEMENT IS IN
PTNA'S BEST INTEREST**

31. Article V of the Insurance Department Act of 1921, 40 P.S. § 221.1, *et seq.* confers broad powers on the Liquidator to dispose of the assets of PTNA. *E.g.*, 40 P.S. § 221.23(7) and (9).

32. The Liquidator believes that she has taken the necessary steps to determine that the proposed sale of the Property pursuant to the Sale and Purchase Agreement is at market value or on such terms and conditions as are fair and reasonable to PTNA.

33. The Liquidator conducted a sale process that included the Property and considered appraisals of the value of the Property. The Liquidator conducted extensive arms-length negotiations with Parsons over the terms of the sale. It is believed that the Sale and Purchase Agreement is fair and reasonable to PTNA, its policyholders, and creditors, and that the purchase price is reflective of the market value of the Property. There are several specific advantages to PTNA arising from the consummation of the transactions contemplated by the Agreement:

- a. As a result of the termination of the Liquidator's interim services agreement with the guaranty associations, the sale of

PTNA's infrastructure assets to TriPlus and TriPlus' hiring of the majority of PTNA's employees, the Liquidator's need for the Property has been greatly diminished.

- b. The sale will provide an economic benefit to PTNA by monetizing an otherwise desuetude asset.
- c. The sale to Parsons, who intends to lease a substantial portion of the building to TriPlus upon the closing of the sale of the Property, accomplishes one of the goals of the infrastructure sale, which was to keep a large number of PTNA employees employed in the Allentown area. Thus, the PTNA employee knowledge will be retained, in an effort to provide for seamless transition of policy administration.
- d. The sale to Parsons and associated long term lease to TriPlus of a substantial portion of the space avoids business and policyholder disruption as it does not require the dismantling and movement of the computer systems utilized to administer the Companies' policies for the guaranty associations.
- e. PTNA will receive fair, reasonable, market compensation under the circumstances for the sale of the Property.

34. Notably, the Court previously approved the sale and purchase of PTNA infrastructure assets to TriPlus in an effort to monetize those assets and provide longer term employment opportunities for majority of the PTNA staff. The instant transaction furthers the Court's prior Order dated September 12, 2019.

WHEREFORE, the Liquidator respectfully requests that this Court grant her Application, approve the Sale and Purchase Agreement attached as Exhibit A and the transactions contemplated thereby, and enter an Order in the proposed form attached hereto.

Dated: January 23, 2020

Respectfully submitted,

/s/ James R. Potts

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Pennsylvania, in her capacity as
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VERIFICATION

I, Robert L. Robinson, hereby state that I am the Chief Liquidation Officer for Penn Treaty Network America Insurance Company, and I am authorized to make this Verification on the Statutory Liquidator's behalf. I hereby verify that the facts set forth in the foregoing pleading are true and correct to the best of my knowledge, information, and belief.

I understand that this Verification is made subject to the penalties of 18 P.S. § 4904 relating to unsworn falsification to authorities.

Date: January 22, 2020


