UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF PENNSYLVANIA

In re: PITTSBURGH ATHLETIC ASSOCIATION, *et al.,* *Debtors.*	Jointly Administered at: Bankruptcy No. 17-22222-JAD Bankruptcy Nos: 17-22222-JAD, and 17-22223-JAD
PITTSBURGH ATHLETIC ASSOCIATION, PITTSBURGH ATHLETIC ASSOCIATION LAND COMPANY, *Movants,* v. NO RESPONDENTS.	Chapter 11 Doc. No. _____

[REVISED] IMPAIRED CLASS JOINT AMENDED DISCLOSURE STATEMENT TO ACCOMPANY THE JOINT PLAN OF REORGANIZATION DATED MARCH 13, 2018 (as revised April 22, 2018)

Pittsburgh Athletic Association ("PAA") and Pittsburgh Athletic Association Land Company ("PAALC" and together with PAA collectively, the "Debtors") file this Revised Impaired Class Joint Amended Disclosure Statement (the "Amended Disclosure Statement") regarding the Joint Amended Plan of Reorganization dated March 13, 2018, as revised (the "Amended Plan") pursuant to 11 U.S.C. § 1125 and Rule 3016 of the Federal Rules of Bankruptcy Procedure. Capitalized terms not defined in this Amended Disclosure Statement shall have the meaning ascribed to them in the Amended Plan. A copy of the Amended Plan is attached as "**Exhibit A**" and is incorporated herein by reference.

I. INTRODUCTION

On May 30, 2017 (the "Petition Date"), the Debtors each filed a voluntary petition seeking relief under Chapter 11 of the Bankruptcy Code (the "Code") and the Orders for relief

were entered. The Debtors retained the law firm of Tucker Arensberg, P.C. ("TAPC") as their counsel in connection with their bankruptcy cases. In addition, the Debtors retained Gleason and Associates, P.C. ("Gleason") as their financial advisors and Holiday Fenoglio Fowler, L.P. ("HFF") as their real estate and capital advisors. Post-petition, the Debtors retained the law firm of Babst Calland Clements and Zomnir, P.C. ("BCCZ") to serve as special litigation counsel. An official committee of unsecured creditors (the "Committee") was appointed by the United States Trustee on June 8, 2017, and Leech Tishman Fuscaldo and Lampl, LLC ("LTFL") was appointed as counsel for the Committee.

On June 29, 2017, Orders were entered approving the retention of TAPC and Gleason. On August 1, 2017, an Order was entered approving the retention of HFF. LTFL was approved as counsel to the Committee on July 12, 2017, and the retention of BCCZ was approved by an Order dated October 12, 2017.

The Debtors with the assistance of HFF, have focused their reorganization efforts on a national marketing campaign of the Sale Assets.[1] The Amended Plan provides for the sale of the Sale Assets and other assets of the Debtors. The Amended Plan proposes that Walnut PAA will purchase the Sale Assets and redevelop the Club Parcel. The purchase price received from the sale of the Sale Assets will allow the Debtors to pay 100% of the Allowed Claims or the claims as reduced through settlement and acceptance of its treatment by the respective creditors. In other words, 100% of the debts owed by PAA and PAALC will be repaid under the Amended Plan. In addition, Walnut PAA will assist PAA with its reorganization through the creation of the TCE-TIA Escrow in the amount of $3,500,000 to address certain claims of the Internal Revenue Service (the "IRS") and the Pennsylvania Department of Revenue (the "DOR").

[1] Capitalized terms not defined herein carry the meaning set forth in the Amended Plan.

The Debtors in conjunction with Walnut PAA have evaluated the tax consequences of the contemplated sale transaction and believe that the sale of the Sale Assets will not constitute a taxable event and will not give rise to any capital gains tax liability. Prior to the final determination of any tax liability, PAALC must undertake the Reinstatement Process as described herein at Section II Paragraph D so as to allow the IRS an opportunity to evaluate whether or not PAALC should be retroactively reinstated as a 501(c)(2) Tax Exempt Title Holding Company.

Once the Reinstatement Process is concluded the outcome of the IRS's determination will provide further guidance as to whether or not PAALC must undertake further steps to exhaust its administrative remedies and/or prosecute a determination of any tax liability through an action under § 505 of the Bankruptcy Code ("§505 Action"). It is not likely that the Reinstatement Process will be concluded prior to confirmation of the Debtors' Amended Plan and therefore, a §505 Action to the extent necessary will be commenced after confirmation of the Amended Plan.

The Debtors are cognizant of the necessity of adequate disclosure pertaining to the outcome of the Reinstatement Process and/or a possible §505 Action and therefore have provided further disclosure pertaining thereto in Section II Paragraph D of this Amended Disclosure Statement. Holders of Claims or Interests, specifically PAA Members are advised that the tax matters described herein may ultimately impact the ability of PAA to reopen within the Club Parcel.

A. Summary

Through a joint enterprise, the Debtors operate a social club in accordance with 26 U.S.C. § 501(c)(7). Their Clubhouse is located in the Oakland Historic District within the city of

Pittsburgh. The purpose of the Amended Plan is to enable the Debtors to sell certain assets and to retain the proceeds to reinvest in replacement facilities to carry on its tax exempt purpose.

The Amended Plan provides for the distribution of funds from the closing of the Sale Assets, and to the extent necessary the sale of the Artwork and other personal property. The proceeds of the sale(s) will provide the Debtors with necessary and sufficient funds to: (i) pay 100% of Allowed Claims (some of which are impaired); (ii) establish the TCE-TIA Escrow with sufficient cash to pay any potential capital gains taxes that may result from the sale of the Sale Assets to the IRS and DOR and/or improvement to the Real Estate Assets post purchase by Walnut PAA; and (iii) establish a Disputed Claims Reserve with cash sufficient to pay 100% of the face amount of any and all Disputed Claims.

Section 1126(a) of the Code permits holders of claims or interests to accept or reject a plan. 11 U.S.C. § 1126(a). Section 1126(f) of the Code provides, in relevant part, that if a class of claims or interests is not impaired under a plan, that class and each holder of a claim or interest of such class are conclusively presumed to have accepted the plan and solicitation of acceptances with respect to such class from the holders of claims or interests of such class is not required. 11 U.S.C. § 1126(f). The Code entitles only holders of impaired claims or interests to vote to accept or reject the Amended Plan. The Code conclusively presumes that holders of unimpaired claims or interests under a proposed plan have accepted the plan and need not vote on it. The Claims in Classes 2 and 3 of the Amended Plan are Impaired and thus may vote either to accept or reject the Amended Plan. Furthermore, as the membership rights and benefits of PAA Members may be reduced or altered under the Amended Plan, the PAA Members may vote to accept or reject the Plan and have been classified as holders of Interests in Class 11 as defined in the Amended Plan. The Debtors have enclosed a ballot with this Amended Disclosure

Statement to solicit the votes of the Creditors in Classes 2, 3 and PAA Members of Class 11. Those parties may vote on the Amended Plan by completing the enclosed Ballot and mailing it to the following address:

TUCKER ARENSBERG, P.C.
1500 One PPG Place
Pittsburgh, PA 15222
ATTN: Jordan Blask, Esq.

You should use the Ballot sent to you with this Amended Disclosure Statement to cast your vote for or against the Amended Plan. You may not cast Ballots by facsimile or by e-mail and you may not vote by proxy. For your Ballot to be considered by the Bankruptcy Court, it must be received at the above address by 5:00 p.m. (prevailing Eastern time) by the date fixed by the Bankruptcy Court on the accompanying scheduling order (the "Voting Deadline"). If you are a Creditor in Class 2 or 3 or if you are holder of an Interest as a PAA Member in Class 11 and you did not receive a Ballot with this Amended Disclosure Statement, please immediately contact:

TUCKER ARENSBERG, P.C.
1500 One PPG Place
Pittsburgh, PA 15222
ATTN: Jordan Blask, Esq.
Phone - 412-566-1212
Fax - 412-594-5619
jblask@tuckerlaw.com

A Ballot that does not indicate acceptance or rejection of a plan will not be considered and will not be counted toward either the number or the amount of votes. An impaired class of claims accepts a plan if at least 2/3 in dollar amount and more than 1/2 in number of the allowed claims in the class that actually vote are cast in favor of the Amended Plan. A class of interests, such as the PAA Members, accepts a plan if at least 2/3 in number of the allowed interests of such class that actually vote are cast in favor of the Amended Plan. Whether or not you vote,

you will be bound by the terms and treatment set forth in the Amended Plan if the Bankruptcy Court confirms the Amended Plan. The Bankruptcy Court may disallow any vote accepting or rejecting the Amended Plan if the vote is not cast in good faith.

Once it is determined which impaired classes have accepted a plan, the bankruptcy court will determine whether the plan may be confirmed. For a plan to be confirmed, the Code requires, among other things, that the plan be proposed in good faith and comply with the other applicable provisions of chapter 11 of the Code, including a requirement that at least one class of impaired claims or interests accept the plan, and that confirmation of the plan is not likely to be followed by the need for further financial reorganization. The bankruptcy court will confirm a plan only if it finds that all of the requirements enumerated in section 1129 of the Code have been met. The Debtors believe that the Amended Plan satisfies all of the requirements for confirmation.

The bankruptcy court may confirm a plan notwithstanding the plan's rejection by some impaired classes, if the bankruptcy court finds that at least one impaired class of claims (not including any acceptances by "insiders" as defined in section 101(31) of the Code) or interests has accepted the plan and that the plan satisfies certain additional conditions. This provision, found in section 1129(b) of the Code, generally referred to as "cramdown" enables the bankruptcy court to confirm a plan over the rejection by a class of secured claims if the plan is fair and equitable and satisfies one of the alternative requirements of section 1129(b)(2)(A) of the Code. The Amended Plan satisfies 1129(b)(2)(A)(a)(II) of the Code because the Debtors are selling their assets free and clear of liens claims and encumbrances and the liens are attaching to the proceeds from the sale of the Sale Assets. The bankruptcy court may also confirm a plan under section 1129(b)(2)(B) over the rejection by a class of unsecured claims or interest holders

if the court finds that the plan is fair and equitable and either that (1) the non-accepting claimants will receive the full value of their claims, or (2) no class of junior priority will receive or retain anything on account of its pre-petition claims or interests.

An entity that has consented to its treatment is the National Retirement Fund ("NRF"). NRF filed a proof of claim on September 12, 2017, in the PAA case at Claim No. 25 on the PAA's claim registry asserting: (i) a general unsecured claim in the amount of $4,098,642.00 representing withdrawal liability for the PAA's alleged early withdrawal from its participation in a multi-employer pension fund; and (ii) an unsecured priority claim of $228,090.70 for unpaid pension contributions, for total claim amount of $4,326,732.70. The NRF also filed a Proof of Claim on September 12, 2017, in the PAALC case at Claim No. 7 on the PAALC's claims registry asserting a general unsecured claim in the amount of $4,098,642.00 representing withdrawal liability for the PAA's alleged early withdrawal from its participation in a multi-employer pension fund. PAALC Claim No. 7 and PAA Claim No. 25, as filed by the NRF, will be collectively referred to herein as the "NRF Claim". While the Debtors dispute the validity and amount of the NRF Claim, the Debtors and the NRF have resolved the dispute as it relates to the NRF Claim as follows:

> In full and final satisfaction of the NRF Claims, the NRF shall have an allowed priority unsecured claim in the PAA case of $100,000 (the "NRF PAA Priority Claim"). The NRF shall also have an allowed general unsecured claim in the PAA case of $4,326,732.70 (the "NRF PAA Unsecured Claim"). The NRF's claim filed in the PAALC case at Claim No. 7, (the "NRF PAALC Claim") will be disallowed in its entirety. Unless the Settlement is terminated, the Debtors and the Committee will not take any action with respect to the NRF PAA Priority Claim or the NRF PAA Unsecured Claim, including, without limitation, contesting the merits of the claims or otherwise objecting to the claims in the Bankruptcy Court or any other court of competent jurisdiction.

> The NRF will agree to cap any distribution to be made by the PAA under the Plan on account of the NRF PAA Unsecured Claim. Specifically, the NRF will agree to accept a maximum cash distribution on account of its NRF PAA Unsecured Claim for withdrawal liability in the amount of $1,359,000 ("NRF Claim Distribution Cap"). If the funds available for distribution to the class of general unsecured creditors under the Plan result in less than 100% distribution, the NRF's pro rata share of the available funds shall be calculated using the NRF Unsecured Claim Distribution Cap.

The NRF Claim is a Class 9 Claim.

The Amended Plan contains one class of equity interest holders. PAA is the sole shareholder of PAALC and is the only holder of an Equity Interest under the Amended Plan. PAA's Equity Interest in PAALC is classified in Class 10 and is not impaired under the Amended Plan. PAA is a Pennsylvania non-profit corporation organized as an uncertificated entity with no stockholders and exists only for the benefit of its members. The Debtors utilize PAALC's Clubhouse (as defined below) for the benefit of PAA's Members.

B. NOTICE TO THE PAA MEMBERS PERTAINING TO BALLOTING

Pursuant to 15 Pa.C.S.A. § 5753 and in accordance with PAA's Bylaws, its members hold only a limited right to enjoy the benefits of their membership and do not hold any other interest in PAA or PAALC. In particular, PAA's Bylaws provide that the "purpose for which [the PAA is formed] is the maintenance of a club for athletic exercises and social enjoyments: in particular affording an opportunity for such exercise and social intercourse among [sic] members by providing athletic facilities, dining rooms, reading rooms and a place where [sic] members may meet for the above purpose". Due to the inherent nature of the Debtors' restructuring process, some of the benefits of PAA membership may be effected by the Amended Plan upon reopening of the Clubhouse as specifically related to the outcome of the tax matters associated with the sale of the Sale Assets. Moreover, the Debtors are obligated to

disclose to all Claims and Interest holders that there is a risk that the tax liability as discussed herein will consume the entire amount of the TCE-TIA Escrow which may prevent PAA from reopening in the Club Parcel. Specifically, in the event that the TCE-TIA Escrow is exhausted by the payment of tax liabilities the terms and conditions of the PAA Lease (as defined herein) will become null and void and Walnut PAA will no longer have any obligation to deliver the space contemplated under the PAA Lease to PAA.

The Debtors have fully vetted all offers that were submitted during the RFP Process, as well as, any unsolicited offers received to date, and believe that Walnut PAA presents the Debtors with the best path towards a successful reorganization inclusive of a comprehensive redevelopment of the Clubhouse aligned with PAA's mission. Therefore, the Debtors encourage PAA Members to cast a ballot in accordance with the provisions of the Amended Plan Documents.

C. Purpose of the Disclosure Statement

The purpose of this Amended Disclosure Statement is to set forth information that: (i) summarizes the Amended Plan and alternatives to the Amended Plan; (ii) advises holders of Claims and Interests of their rights under the Amended Plan; (iii) assists holders of Claims and Interests in making informed decisions with respect to the Amended Plan; and (iv) assists the Court in determining whether the Amended Plan complies with the provisions of Chapter 11 of the Code and should be confirmed. All holders of Claims and Interests and other parties in interest are encouraged to read the Amended Plan carefully and thoroughly, and to review the Amended Plan with their attorneys or other advisors to ascertain its terms, provisions, and conditions and the effect of the Amended Plan on any Claims or Interests which such persons may hold and/or possess.

Pursuant to the Code, the Amended Disclosure Statement must be approved by the Court. Final approval of the Amended Disclosure Statement may be considered by the Court at a hearing on the adequacy of the information contained in this Amended Disclosure Statement. Approval of the Amended Disclosure Statement is required by statute and does not constitute a determination by the Court as to the desirability of, or the value, adequacy, or suitability of any consideration offered under the Amended Plan, but instead is a determination that the Amended Disclosure Statement contains adequate information to permit holders of Claims and Interests to make an informed judgment about the Amended Plan.

The information set forth in this Amended Disclosure Statement has been taken directly from the Debtors' books and records and other readily accessible instruments and documents. While the Debtors have made every effort to retain the meaning of any such instruments or documents or the portions thereof recited herein, you are advised that any reliance on the contents of such other instruments or documents should be predicated on a thorough review of the instruments or documents themselves, including the Amended Plan.

Consummation of the Amended Plan is subject to satisfaction of the conditions as set forth in Plan § 11.1: Conditions Precedent. No representations or assurances concerning the Amended Plan are authorized by the Debtors other than as set forth in this Amended Disclosure Statement. Any representations or inducements made by any person that are other than herein contained should not be relied upon, and such additional representations or inducements should be reported to Debtors' counsel, TAPC, who in turn will convey such information to the Court for such action as may be deemed appropriate.

II. OVERVIEW OF DEBTORS' OPERATIONS AND CHAPTER 11 CASES

A. Debtors' Prepetition Activities

PAA is a Pennsylvania non-profit corporation chartered in 1908 that operates a private athletic and social club for the benefit and use of its members. PAA operates out of the Club Parcel and offers, *inter alia*, comprehensive athletic facilities, sports lessons, barber services, fine dining, banquet services, and overnight accommodations. PAALC was chartered in 1909 as a Pennsylvania corporation and in 1940 was granted tax exempt status as a title holding company under 26 U.S.C. § 101(14) (1941), the precursor to 26 U.S.C. § 501(c)(2). PAALC is the fee owner of the Real Property Assets. PAA is the sole shareholder of PAALC's capital stock and therefore 100% owner of PAALC. PAALC is the title holder of record for the Club Parcel and Hotel Parcel, as described below.

The Club Parcel is located at 4215 Fifth Avenue, Pittsburgh, Pennsylvania 15213, bearing tax parcel identification number 27-R-138 and contains approximately 33,136 square feet of land. A historic clubhouse stands on the Club Parcel comprised of seven floors and approximately 123,000 square feet of gross building area, three dining areas, including a bar/lounge area, and boasts numerous athletic facilities, including a pool, fitness facilities, a basketball court, and two squash courts (the "Clubhouse"). PAA occupies the Clubhouse pursuant to a lease between PAA as Tenant and PAALC as Landlord initially in the form of an oral lease entered into in or about 1912 (the "Club Lease"). The Club Lease is "year to year" or perpetual until terminated by either party and is memorialized in writing by a Memorandum of Lease executed by PAALC and PAA on April 12, 1962. To date, neither party has terminated the Club Lease. Through the Amended Plan, the Club Lease will be assumed by both parties and

all parties agree that there are no damages to be cured. On or after the Closing Date, the Club Lease will be assigned to Walnut PAA.

The Hotel Parcel is located adjacent to the Club Parcel between Bigelow Boulevard and Lytton Avenue, Pittsburgh, Pennsylvania, bearing tax parcel identification number 27-R-110, and containing approximately 23,685 square feet of land. The Hotel Parcel is currently being developed by Oakland Fifth Avenue Hotel Associates, L.P. ("OFAHA") into an approximately 160 room Marriott Autograph hotel. The Hotel Parcel is currently being leased to OFAHA through a 99-year ground lease (the "Ground Lease") for $200,000 per year through the construction period and increasing to $290,000 per year upon the issuance of a temporary occupancy permit to OFAHA. The Ground Lease will be transferred to Walnut PAA on or after the Closing Date.

B. Debtors' Prepetition Capital Structure

As of the Petition Date, the Debtors' capital structure consisted of outstanding secured obligations in the aggregate principal amount of approximately $4,169,245.67 under loans to one or more of the Debtors from (i) PITT AA LLC as assignee of Allegheny Valley Bank ("AVB") and (ii) OFAHA. PITT AA LLC holds an Open-End Mortgage Note dated December 16, 2008, in the original principal amount of $2,625,000.00, and an Open-End Revolving Line of Credit Second Mortgage Note dated December 16, 2008, in the original principal amount of $200,000.00, and later increased to $400,000 (collectively, and together with any amendments thereto, the "PITT AA LLC Pre-petition Loans"). As of the Petition Date the alleged amount due under the PITT AA LLC Pre-petition Loans totals approximately $2.2 million. OFAHA made loans and advances to PAALC pursuant to certain loan agreements including a Promissory Note dated June 3, 2014, in the original principal amount of $575,000 and a Loan Agreement

dated March 12, 2015, and a Delayed Draw Term Note dated March 12, 2015, in the original principal amount of $1,372,744.00 (collectively, and together with any amendments thereto, the "OFAHA Loans").

Prior to the Petition Date, PAA executed and delivered to the Blanche Trust a Term Note and Security Agreement wherein PAA borrowed the sum of $100,000.00 from the Blanche Trust and granted a junior lien to the Blanche Trust on and in certain artwork, sculptures and memorabilia owned by PAA (the "BT Loan" and together with the OFAHA Loans and the PITT AA LLC Pre-petition Loans, collectively the "Prepetition Loans"). The proceeds of the BT Loan were used to pay the fees and expenses of the Debtors' pre-petition advisors, the Bankruptcy filing fees associated with these cases, insurance, payroll and other general operating expenses. In addition to the BT Loan, PAA is further indebted to the Blanche Trust for an additional pre-petition secured indebtedness in the original principal amount of $335,388.36 which was secured by the same collateral encumbered in connection with the BT Loan. The IRS and Commonwealth of Pennsylvania and/or the DOR have also filed liens resulting in secured tax claims against the Debtors.

The amounts alleged to be due and owing to each Secured Creditor as of the Petition Date are set forth in the schedule of claims ("Claims Schedule") which is attached hereto as "**Exhibit B**".

C. Circumstances Leading to Bankruptcy

PAA has experienced a substantial decline in membership in recent years due to a harsh economic climate, aging membership base, and allocation of funds by its potential membership base away from private social clubs towards other recreational activities. The declining memberships, as well as many other internal and external stressors, have resulted in the Debtors'

inability to pay their debts as they become due, deterioration of the facilities, and termination of utility services. The Debtors' creditors filed a multitude of collection actions, including a mortgage foreclosure action brought by AVB and sheriff sale actions brought by local taxing authorities and trade creditors. The IRS and the Commonwealth of Pennsylvania have also filed liens against the Debtors' Assets. All of these factors have impaired the Debtors' liquidity and their ability to continue as a going concern without instituting a comprehensive restructuring venture, ultimately leading to the filing of these chapter 11 cases. The Debtors have determined that it is in their best interests as well as the best interests of their estates and creditors, to restructure through these Chapter 11 cases.

The Debtors have filed an Amended Disclosure Statement and Amended Plan because they have consistently operated as a single entity throughout their existence. PAA is the sole owner of PAALC, and its assets and liabilities are substantially intertwined with PAALC's. PAALC exists only to hold title to the Real Property Assets for the exclusive use and benefit of PAA and remits any receipts related to the Real Property Assets to PAA after payment of PAALC's operating expenses and indebtedness (however, the PAA has never received or reported any gross receipts). PAA's Board of Directors directs the affairs of PAALC.

D. Tax Matters Related to the Debtors' Restructuring

The Debtors have maintained their books and records on a consolidated basis and the assets and liabilities of PAALC have been reported on the federal tax returns of PAA since at least 1989. Prior to that, up until approximately 1982, PAALC filed a separate tax return with the IRS (as well as with the appropriate state and local taxing authorities). In 1982, due to a change in Internal Revenue Code, 26 U.S.C. § 101 *et seq* ("Internal Revenue Code" or "IRC"), tax exempt entities with gross receipts under $25,000 were no longer required to file IRS Form

990 tax returns ("Form 990 Return"). Accordingly, PAALC ceased filing a separate Form 990 Return. In January of 1986, PAALC received an IRS Form 8184 Notice, detailing that PAALC did not have to file a Form 990 Return if its gross receipts were normally under $25,000 annually and requesting a response from PAALC confirming the same. PAALC timely responded to this notice and indicated therein that its receipts were below the filing threshold and that it was exempt from reporting on a Form 990. In our about 1989, PAA began reporting PAALC's assets and liabilities on PAA's Form 990 Return. Based on the Debtors' archived books and records, the IRS accepted this filing practice from 1989 through 2006 without penalty and without revoking PAALC's tax exempt status.

In 2006, the Internal Revenue Code was amended requiring tax exempt entities with gross receipts that normally fell under $50,000 to file an IRS Form 990-N postcard ("Form 990-N Card"). *See* 26 U.S.C. § 6033. Based on the advice of its tax professionals and Debtor's past reporting practices accepted by the IRS, PAALC did not file a Form 990-N Card for tax years 2007 through 2016 and the Debtors continued their practice of listing PAALC assets and liabilities on PAA's Form 990 Return. The Form 990-N Card, if it had been timely filed, would simply have shown gross receipts below the thresholds required to file a full tax return.

In or around January 2010, the IRS revoked PAALC's tax exempt status due to failure to file Form 990-N Cards for tax years 2007, 2008 and 2009. During this period of non-compliance the Debtors were relying on advice of their tax professionals, who also, in some instances, actually prepared PAA's Form 990 Returns. Accordingly, PAALC unknowingly lost its tax exempt status as a result of this oversight. PAALC is in the process of applying for retroactive reinstatement of its tax exempt status in accordance with IRC § 6033(j) and Revenue Procedure 2014-11 (the "Reinstatement Process"). PAALC strongly believes that it has "reasonable cause"

for reinstatement of its tax exempt status and intends to prosecute that reinstatement contemporaneously with the Amended Plan's confirmation.

During the pendency of the Reinstatement Process, the Debtors and Walnut will maintain the TCE-TIA Escrow to satisfy the IRS and DOR that sufficient funds exist to pay any tax liability that may arise from the sale of the Sale Assets. For the avoidance of doubt, the Debtors believe that the sale of the Sale Assets is a tax exempt transaction under IRC § 512(a)(1) as modified by IRC § 512(b)(5), and that no capital gains taxes will be due. Since inception, PAA and PAALC have prepared consolidated financial statements and have had their financial statements reviewed on a consolidated basis by professional tax advisers. The IRS and DOR have not evaluated or approved the Debtors' proposed tax-planning measures. Nor have the IRS or DOR agreed in any way that the proposed sale of the Sale Assets will be a non-taxable event. The IRS and DOR have informed the Debtor that they reserve all rights to disagree as to the Debtors' tax analysis, and that they reserve the right to challenge the appropriateness of using 11 U.S.C. § 505.

In the event the sale of the Sale Assets is determined to be a taxable event, the Debtors will use all reasonable tax planning measures to account for basis in the Sale Assets, deductions, depreciation, operating losses, and tax credits to reduce the amount of any capital gains tax imposed by the DOR and IRS. The Debtors' financial advisors have reviewed the potential tax implications of the sale of the Sale Assets under a "hypothetical taxable transaction" and believe that any taxes owed would be substantially less than the amount of the TCE-TIA Escrow and may in fact be zero. However, the Debtors are obligated to disclose to all Claims and Interest holders that there is an inherent risk that the tax liability will consume the entire amount of the TCE-TIA Escrow which may prevent the PAA from reopening in the Club Parcel. **Specifically,**

in the event that the TCE-TIA Escrow is exhausted by the payment of tax liabilities the terms and conditions of the PAA Lease (as defined herein) will become null and void and Walnut PAA will no longer have any obligation to deliver the space contemplated under the PAA Lease to PAA.

The Amended Plan classifies holders of Claims and Interests by Class and is transparent on its face as to the timing of payment of all Classes of Claims and Interests. Holders of Allowed Claims of both Debtors will be treated the same. That is, holders of Allowed Claims in both the PAA and PAALC bankruptcy cases will be paid the same distribution on account of their Allowed Claims. The proceeds generated from the sale of assets will provide the Debtors with funds to pay all of the Allowed Claims against both Debtors in full or in accordance with agreed upon claim treatment pursuant to the terms of the Amended Plan.

E. Debtors' Post-petition Activities/DIP Loans

The Debtors obtained authority to obtain post-petition financing from JDI Loans, LLC/Rollover Fund, LLC ("JDI") for debtor-in-possession financing, consisting of the DIP Loan in the original principal amount of $750,000.00, and subsequently increased to $1,500,000. JDI has advanced $1,500,000 on the DIP Loan. The DIP Loan must be paid in full from the proceeds derived from the sale of the Sale Assets. Debtors reserve the right to seek additional debtor-in-possession funding if necessary to close the contemplated transaction with Walnut PAA.

Immediately upon filing their Chapter 11 petitions, the Debtors retained various professionals to analyze their prospects for reorganization, and concluded that the best course of action was a plan of reorganization through a sale and joint venture, as the Debtors lacked sufficient funds to maintain or restore their Assets. The Real Property Assets are the primary Assets of the Debtors. The Debtors' reorganization hinges on their ability to (i) partner with a

developer through a potentially tax-free sale of the Sale Assets; (ii) pay Allowed Claims in full; and (iii) reinvest the Sale Proceeds in replacement facilities to allow PAA to continue its tax exempt purpose.

F. The Developer Bid Process

On June 15, 2017, HFF sent a Request for Proposals (the "RFP") to real estate developers and investors throughout the country. More than 10,000 individuals and companies received copies of the RFP. Nearly 100 parties signed a non-disclosure agreement to review the RFP data room and from that group more than 20 requested to tour the Club and Hotel Parcels. On July 20, 2017, HFF sent a bid notice to all recipients of the RFP that set July 26, 2017 as the initial offer deadline. This process yielded ten (10) initial development proposals for the Sale Assets. After a comprehensive review of the initial offers by the Debtors and their professionals, HFF sent best and final letters to each interested developer with best and final offers due by August 15, 2017. Telephone interviews of each developer were conducted on August 17-18, 2017.

On August 20, 2017, pursuant to a Special Meeting Notice issued in accordance with the Debtors' Bylaws, the Board held a special meeting of members of PAA to present the results of the RFP process and request membership authorization to consummate a redevelopment plan for the Sale Assets. After presentations by the Board, HFF and TAPC regarding the redevelopment plan, a motion was made to authorize the Board to pursue the redevelopment plan and a vote was taken. A quorum of PAA's members overwhelmingly voted in favor of pursing the redevelopment plan, which would focus on the sale of the Sale Assets and a partnership whereby PAA would retain an ownership interest in the Sale Assets. During the RFP marketing and selection process, the Board met weekly and sometimes bi-weekly to discuss the progress of the

proposed offers. There were several rounds of revisions to the proposed offers based on the negotiations between the Debtors, through HFF, and the proposed developers.

On August 23, 2017, HFF sent a Letter of Intent ("LOI") request to all developers who submitted an offer with the deadline for LOI's to be delivered by September 5, 2017. Through this process, initial offers and then LOI's came in around $8+ million and eventually rose to above $11 million. In total seven (7) LOI's were received. The Board narrowed the LOI group down from seven to two and after careful consideration of all of the offers submitted, the Board chose to partner with Walnut Capital and the proposed purchaser, Walnut PAA, as its redevelopment partner. Walnut PAA is affiliated with Walnut Capital, a leading developer of residential and commercial real estate projects in western Pennsylvania.

Subject to Court approval and confirmation of the Amended Plan, Walnut PAA and the Debtors entered into the Agreement of Purchase and Sale on November 27, 2017 (the "2017 PSA"). The 2017 PSA was subsequently amended and restated in March of 2018 (the "PSA Amendment" and together with the 2017 PSA, collectively the "PSA"). A true and correct copy of the PSA is attached hereto as "**Exhibit C**". It is the intention of the Debtors to sell the Sale Assets to Walnut PAA under and in accordance with 11 U.S.C. §§1123(a)(5) and (b)(4). Pursuant to the PSA, Walnut agreed to pay the Debtors the purchase price of $12,613,000 plus the $325,000 success fee owed to HFF (the "Purchase Price") through a private sale for the Sale Assets. As part of the sales transaction, Debtors and Walnut PAA will enter into a perpetual lease (the "PAA Lease"). The PSA further provides that Walnut will fund the TCE-TIA Escrow with up to $3,500,000 at Closing, which shall be held, utilized and disbursed as set forth in the PSA and the Amended Plan. Further, the Ground Lease will be assumed by the Debtors assigned to Walnut PAA consistent with the terms of settlement reached between OFAHA and the

Debtors in connection with the OFAHA Action. Authorization for the Debtors to enter into the PSA and any and all rights and/or obligations of the Debtors and Walnut PAA under the PSA are conditioned upon Bankruptcy Court approval of the transaction and confirmation of the Amended Plan.

After payment in full of the Allowed Claims pursuant to the terms of the Amended Plan, the Reorganized Debtor will retain the Excluded Assets and any excess sales proceeds and operate out of the Real Property Assets pursuant to the terms of the PAA Lease. On December 4, 2017, Walnut made a deposit of $1,000,000, which is being held in escrow by the Title Company. The $1,000,000 deposit is non-refundable except for certain terms and conditions as set forth in the PSA. The closing on the sale of the Sale Assets will occur within thirty (30) days from date that the Confirmation Order becomes a final and non-appealable Order.

III. OVERVIEW OF THE AMENDED PLAN

The following is a brief summary of certain provisions of the Amended Plan and should not be relied on in lieu of a thorough and comprehensive review of the actual Amended Plan itself. This summary does not purport to be complete. Holders of Claims and/or Interests are urged to read the Amended Plan to ascertain the effect of the Amended Plan on their Claims and Interests and the other provisions of the Amended Plan. Holders of Claims and/or Interests are further urged to consult with their attorneys, tax advisors, financial consultants, or other professionals to understand more fully the Amended Plan or the effect of the Amended Plan as to their particular situation.

Under the Amended Plan, and consistent with 11 U.S.C. §§ 1123(a)(5)(D) and (b)(4) and 11 U.S.C. §1141(c), the Sale Assets will be sold to Walnut PAA free and clear of all claims, liens, encumbrances or interests with said claims, liens, encumbrances or interests attaching to

the proceeds of sale in order of priority as established under the Code and distributed to holders of Allowed Claims and Interests as set forth in the Amended Plan. In accordance with 11 U.S.C. § 1146, the Real Property Assets are being sold pursuant to a confirmed plan of reorganization and therefore the transfer is exempt from realty transfer taxes.

The net sales proceeds generated from the sale of the Sale Assets will be used to pay Allowed Claims in both the PAA and PAALC cases pursuant to the terms and conditions of the Amended Plan. The sale of the Sale Assets will provide the necessary funding to pay the holders of Allowed Claims in the Debtors' bankruptcy cases in full or in full satisfaction of agreed upon treatment of any Claims. After payment of the Allowed Claims in the PAALC case consistent with this Amended Plan, the remaining proceeds will be distributed to PAA on account of its Equity Interest in PAALC. PAA will use those funds to pay to its holders of Allowed Claims as set forth in the Amended Plan.

Additionally, in the event that all or some of the funds held in the TCE-TIA Escrow are not needed to pay the tax claims of the IRS and DOR resulting from the sale of the Real Property Assets, the unused funds will be distributed as follows: (i) the first $500,000 of the unused funds will be returned to Walnut PAA; (ii) second, the remaining balance of the unused funds up to $2,000,000 will be first distributed back to Walnut PAA to be utilized for tenant improvements as set forth in the PSA with any remaining money not to exceed $1,000,000 to be remitted to the Reorganized Debtor on account of the Equity Contribution (as defined herein).

PAA, as the Reorganized Debtor, will reorganize through retention of its remaining Assets inclusive of some or all of the Equity Contribution, the surplus proceeds from the distribution it receives from the PAALC bankruptcy case (i.e. after payment of Claims in the PAA bankruptcy case pursuant to the terms of this Amended Plan) and reinvestment of Sale

Proceeds in the redeveloped facilities it will occupy and operate out of pursuant to the PAA Lease.

Importantly, the terms of the contemplated redevelopment partnership between PAA and Walnut PAA will result in a comprehensive amenity package with certain minimum features as approved by PAA Members on August 20, 2017 (the "Redevelopment Amenities") including but not limited to:

- Exclusive use of the Grille Room in a restored and updated manner;
- Fitness Center including locker rooms, spa, sauna, steam, classrooms and other components not less than 10,000 square feet;
- Regulation single and double squash courts; and
- Private office space for PAA of not less than 800 square feet.

In addition to the Redevelopment Amenities, Walnut PAA has committed to providing PAA Members with access to full service banquet facilities to be operated by a premium food and beverage vendor chosen by Walnut PAA. PAA Members will be able rent the banquet space to host social events, club activities and private parties within that space at appropriate market rates set by the food and beverage operator.

The PAA sold its Personal Property Assets at an auction process as approved by this Bankruptcy Court which took place on February 17, 2018. The auction of the Personal Property Assets generated gross funds in the amount of $110,108.50 and after payment of commission and fees the PAA realized a net recovery in the amount of $88,049.39. All proceeds realized from the sale of the Personal Property Assets will be used to fund the obligations of the Debtors pursuant to the Amended Plan.

In general, a chapter 11 plan of reorganization (i) divides claims and interests into separate classes, (ii) specifies the property that each class is to receive under the plan, and (iii) contains other provisions necessary to implement the plan. Under section 1124 of the Code,

a class of claims or interests is "impaired" under a plan unless the plan (a) leaves unaltered the legal, equitable and contractual rights of each holder of a claim in such class or (b) provides, among other things, for the cure of existing defaults and reinstatement of the maturity of claims in such class.

The Amended Plan has one (1) class of Equity Interest holders, PAA as sole shareholder of PAALC. PAA is Pennsylvania non-profit corporation and in accordance 15 Pa.C.S.A. § 5753 there are no owners or Equity Interest holders of PAA. However, because some of the benefits of PAA membership may be altered or reduced under the Amended Plan, PAA Members have been classified as Interest holders in Class 11 and are entitled to vote to accept or reject the Debtors' Amended Plan, notwithstanding their votes cast at the membership meeting held on August 20, 2017. Article 11.1 of the Amended Plan sets forth the conditions precedent to the "effectiveness" of the Amended Plan; the "Effective Date" of the Amended Plan means the date on which each of the conditions precedent to the occurrence of the Effective Date of the Amended Plan specified in section 11.1 of the Amended Plan have been satisfied or waived in accordance with section 11.2 of the Amended Plan.

IV. TREATMENT OF CLAIMS AND INTERESTS

For purposes of the Amended Plan, Claims and Interests are divided into the following classes and will receive the treatment summarized below and set forth in detail in the Amended Plan. The Claims Schedule is attached hereto as Exhibit B.

The Claims Schedule was prepared prior to review or objection of the scheduled and filed claims, and the amounts shown are simply the amounts reflected in proofs of claim filed with the Court, or in the absence of a filed proof of claim by any particular holder of a Claim and/or

Interest, by the amount estimated by the Debtors in the initial schedules or as agreed upon by the parties.

Identification of a Claim and/or Interest in the Claim Schedule does not constitute an admission, acknowledgement and/or agreement by the Debtors' as to the allowance of said Claim and/or Interest. The Debtors reserve all rights to object, contest and/or otherwise dispute any and all Claims and/or Interests other than those Claims and/or Interests that are already the subject of an Order of the Court allowing said Claim and/or Interest, or are the subject of an agreement by and between the holder of the Claim and/or Interest and the Debtors, the terms and conditions of which are set forth in the Amended Plan.

A. Secured Claims

(i) Holders of Allowed Secured Claims in the PAALC bankruptcy case which constitute valid liens on the Real Property Assets will be paid in full, or at a reduced amount as accepted by the respective creditors, on or before the later of: (a) the closing of the sale of the Real Property Assets to Walnut PAA; or (b) fifteen (15) days after the Secured Claim becomes an Allowed Claim.

(ii) Holders of Allowed Secured Claims that do not constitute valid liens upon the Real Property Assets, but otherwise constitute valid liens on the personal property of the Debtors, will be paid in full on or before the later of: (a) thirty (30) days after the Effective Date; or (b) fifteen (15) days after the Secured Claim becomes an Allowed Claim.

Payment to holders of Allowed Secured Claims under the Amended Plan shall constitute full and final satisfaction of said Allowed Secured Claims and all liens, Claims, security interests and/or encumbrances held by holders of Allowed Secured Claims shall be released and satisfied.

B. Secured Real Estate Tax and Municipal Claims.

Holders of Real Estate Tax Claims as set forth in the Claims Schedule attached hereto as Exhibit B, will be paid in full on or before the later of: (a) the closing of the sale of the Real Property Assets to Walnut PAA; or (b) fifteen (15) days after the Secured Claim becomes an Allowed Claim.

No liens, security interests or other encumbrances are being retained by holders of Allowed Real Estate Tax Claims under the Amended Plan. Payment to holders of Allowed Real Estate Tax Claims under the Amended Plan shall constitute full and final satisfaction of said Allowed Claims and all liens, Claims, security interests and/or encumbrances held by holders of Allowed Real Estate Tax Claims shall be released and satisfied.

C. Other Secured Tax Claims (IRS and Commonwealth of PA)

Holders of Allowed Secured Tax Claims will be paid on or before the later of: (i) thirty (30) days after the Effective Date or (ii) fifteen (15) days after the Secured Tax Claim becomes an Allowed Claim.

No liens, security interests or other encumbrances are being retained by holders of Allowed Secured Tax Claims under the Amended Plan. Payment to holders of Allowed Secured Tax Claims under the Amended Plan shall constitute full and final satisfaction of said Allowed Claims and all liens, Claims, security interests and/or encumbrances held by holders of Allowed Secured Tax Claims shall be released and satisfied.

D. Allowed Administrative Expense Claims and Professional Fee Claims

(i) Holders of Allowed Administrative Expense Claims will receive in full satisfaction of their Allowed Claim an amount in cash equal to the Allowed amount of such Administrative Expense Claim on or before the later of: (i) thirty

(30) days after the Effective Date; or (ii) fifteen (15) days after the Administrative Expense Claim becomes an Allowed Claim.

(ii) The DIP Loan is also entitled to an administrative priority claim status and will be paid in full at the Closing of the sale of the Sale Assets to Walnut PAA as set forth above for Allowed Secured Claims that constitute valid liens on the Real Property Assets.

(iii) Each holder of a Professional Fee Claim will receive in full satisfaction of its Allowed Claim an amount in cash equal to the Allowed amount of such Professional Fee Claim on or before the later of: (i) thirty (30) days after the Effective Date; (ii) fifteen (15) days after the Professional Fee Claim becomes an Allowed Claim; or (iii) on such other terms as may be mutually agreed upon between the holder of such Allowed Professional Fee Claim and the Debtors. Notwithstanding the aforementioned provisions, holders of unpaid Professional Fee Claims that have been approved by previous Order of the Court (i.e. pursuant to the Order Approving Procedures for Interim Compensation) will be paid in full at the Closing. Holders of Professional Fee Claims shall file final applications for fees and expenses within thirty (30) days after the Effective Date.

(iv) Professionals are granted and conferred a lien and security interest in all of the Reorganized Debtor's Artwork, effective upon the date of the Effective Date and without the necessity of the Reorganized Debtor executing a security agreement, financing statement or other proof and perfection of security interest. The Professionals' Lien is granted by the Reorganized Debtor to secure the prompt repayment of any Allowed Professional Fee Claims and expenses which

remain unpaid as of the Effective Date and any other Professional Fees and expenses incurred by the Reorganized Debtor following the Effective Date.

(v) IRS and DOR are not holders of Allowed Administrative Expense Claims. To the extent that there are any tax liabilities due to IRS or DOR incident to the sale of the Sale Assets, the money set aside in the TCE-TIA Escrow will be used to pay such liabilities.

No fee applications will be required for professional fees incurred after the Effective Date, except that payment on said fees and expenses shall not occur until all Allowed Claims under the Amended Plan have been paid pursuant to the terms of the Amended Plan or the appropriate reserves have been funded to pay said Claims pursuant to the terms of the Amended Plan pending their allowance.

The aggregate amount of Allowed Administrative Claims and Professional Fee Claims is difficult to predict, as the fees of Professionals will be directly related to the time and effort required in connection with confirmation of the Amended Plan, liquidating the remaining Assets of the estate, addressing the potential tax claims of IRS and DOR, and reconciling Claims, which in turn will be related to the extent of the opposition and defenses raised by the parties involved. The fees and expenses of Professionals have been paid in part as and when allowed during the course of this case pursuant to the Order Approving Procedures for Interim Compensation. The Debtors estimate that the aggregate amount of Allowed and unpaid Administrative Expense Claims and Professional Fee Claims as of the Effective Date of the Amended Plan will be $1,500,000.00.

E. Allowed Priority Claims

Priority claims are those unsecured claims entitled to priority as set forth in § 507(a)(1) through (7) of the Code. Holders of Allowed Priority Claims will be paid in full on or before the later of: (i) thirty (30) days after the Effective Date; or (ii) fifteen (15) days after the Priority Claim becomes an Allowed Claim.

F. Allowed Priority Tax Claims

Priority tax claims are those unsecured claims entitled to priority as set forth in § 507(a)(8) of the Code. Holders of Allowed Priority Tax Claims that are not Allowed Secured Tax Claims will be paid, with interest at the applicable statutory rate from the Confirmation Date, on or before the later of: (i) thirty (30) days after the Effective Date; or (ii) fifteen (15) days after the Priority Tax Claim becomes an Allowed Claim.

G. General Unsecured Claims

The Amended Plan provides that holders of Allowed General Unsecured Claims will receive a distribution equal to 100% of a holder's Allowed General Unsecured Claims on or before the later of: (i) thirty (30) days after the Effective Date; or (ii) fifteen (15) days after the General Unsecured Claim becomes an Allowed Claim. The Excluded Assets and/or the proceeds of the Excluded Assets, shall not vest in the Reorganized Debtor free and clear of the Allowed Claims until such time as holders of Allowed Class 9 Claims are paid in full (i.e. 100%).

H. PAA Equity Interest in PAALC

PAA is the sole holder of the Equity Interest of PAALC. PAA's Equity Interest in PAALC is not impaired under the Amended Plan as it will receive the value of its equity as a distribution of the excess Sale Proceeds under the Amended Plan. As of the Effective Date, PAA will retain its Equity Interest in PAALC and PAALC may be dissolved at a later date and time

once its tax exempt purpose is no longer able to be realized as it would have sold all assets held for the benefit of PAA.

PAA will remain in existence as the Reorganized Debtor and will occupy and operate out of space in the redeveloped Real Estate Assets pursuant to the PAA Lease. In addition, once holders of Allowed Claims are paid pursuant to the terms of the Amended Plan, PAA, as the Reorganized Debtor, will retain the Excluded Assets and any surplus funds (collectively the "Retained Assets") to assist in the funding of its operations post-confirmation and reinvest in its replacement facilities. Subject to the terms and conditions of the Amended Plan, to the fullest extent permitted by 11 U.S.C. §§ 1141(b) and (c), the Excluded Assets shall vest in PAA, as Reorganized Debtor, free and clear of Claims and Interests.

I. PAA Member Interests

PAA is an uncertificated Pennsylvania not-profit corporation and in accordance with 15 Pa.C.S.A. § 5753 there are no owners or equity holders. Membership in PAA provides Members with access to the social and athletic services offered in compliance with PAA's tax exempt purpose and its mission as set forth in PAA's Bylaws. PAA Membership is not an "equity type" membership. The value of any alleged economic Interests of each PAA Member is not readily ascertainable and such value may only come to fruition through a formal dissolution of PAA in accordance with 15 Pa. C.S. § 5975. At no time during these bankruptcy cases have the Debtors ever contemplated formal dissolution proceedings as these Debtors have only pursued a reorganization. The PAA Members' rights and benefits may be effected by the Amended Plan upon reopening of the Clubhouse and based upon the resolution of the TCE-TIA Escrow and related tax issues. Out of the abundance of caution, the PAA Members are being solicited to vote on the Amended Plan. Each PAA Member is entitled to cast a ballot representing one vote.

PAA Members have been classified as Interest holders in Class 11. As set forth herein and for the reasons more particularly described above in Section I Paragraph B, the PAA Members are being solicited to vote on the Amended Plan, notwithstanding their votes cast at the membership meeting held on August 20, 2017.

V. CLASSIFICATION OF CLAIMS AND INTERESTS

Claims are classified for all purposes, including balloting (unless otherwise specified), confirmation, and distribution pursuant to the Amended Plan, as follows:

Class Number and Description	**Estimated Amount of Allowed Claim in Class**	**Will Liens Be Retained Under The Amended Plan**	**Status and Treatment under the Amended Plan**
Class 1 - Secured Claims of PITT AA LLC	$2,088,171.35	No	Not Impaired - Payment in full on or before the later of: (i) the Closing Date or (ii) fifteen (15) days after the Secured Claim becomes an Allowed Claim.
Class 2 - Secured Claim of OFAHA	$2,261,671.00 (or as reduced through settlement)	No	Impaired - Payment in full of their reduced Claim on or before the later of: (i) the Closing Date or (ii) fifteen (15) days after the reduced Secured Claim becomes an Allowed Claim.

Class 3 - Secured Claim of the Blanche Trust	$399,914.06	No	Impaired— Payment in full on or before the later of: (i) thirty (30) days after the closing of the sale of the Artwork or (ii) fifteen (15) days after the Secured Claim becomes an Allowed Claim.
Class 4 – Secured Tax Claims of the Internal Revenue Service	$345,348.00	No	Not Impaired— Payment in full on or before the later of: (i) thirty (30) days after the Effective Date or (ii) fifteen (15) days after the Secured Claim becomes an Allowed Claim.
Class 5 – Secured Tax Claims of the Commonwealth of Pennsylvania	$450,997.76	No	Not Impaired— Payment in full on or before the later of: (i) thirty (30) days after the Effective Date or (ii) fifteen (15) days after the Secured Claim becomes an Allowed Claim.
Class 6 – Secured Real Estate Tax and Municipal Claims	$198,475.58	No	Not Impaired - Payment in full on or before the later of: (i) the Closing Date or (ii) fifteen (15) days after the Secured Claim becomes an Allowed Claim.

Class 7 – Unsecured Priority Tax Claims	$342,768.37	No	Not Impaired—Payment in full on or before the later of (i) thirty (30) days after the Effective Date or (ii) fifteen (15) days after the Claim becomes an Allowed Claim
Class 8 – Unsecured Priority Non-Tax Claims	$176,394.86	No	Not Impaired—Payment in full on or before the later of: (i) thirty (30) days after the Effective Date or (ii) fifteen (15) days after the Claim becomes an Allowed Claim
Class 9 – General Unsecured Claims	$3,498,435.51	No	Not Impaired—Payment in full on or before the later of: (i) thirty (30) days after the Effective Date or (ii) fifteen (15) days after the Claim becomes and Allowed Claim
Class 10 - Equity Interest of PAA in PAALC	N/A	N/A	Not impaired – The value of the PAA Equity Interest in the PAALC is equal to the amount that the PAA will receive from the sale of the Sale Assets.

Class 11 - PAA Membership Interests	N/A	N/A	Impaired - Each PAA Member shall be entitled to Vote.

VI. PROVISIONS GOVERNING DISTRIBUTIONS

A. Effective Date Payments.

The Effective Date shall be the first Business Day following the Closing Date. Upon the occurrence of the Effective Date, the Reorganized Debtor shall file a notice of Effective Date and serve the same upon all holders of Claims and Interests, creditors and other interested parties.

On the Effective Date, the Debtors and/or Reorganized Debtor, as applicable, will remit to the Disbursing Agent the net proceeds from the sale of the Sale Assets (i.e. after payments made at Closing consistent with the Amended Plan), the proceeds from the sale of the Personal Property Assets and the proceeds generated from the sale, liquidation and/or other monetization of the Excluded Assets. It shall be the responsibility of the Disbursing Agent to ensure that all payments made at the Closing are consistent with the Amended Plan. The Disbursing Agent shall be responsible to make all distributions pursuant to the Amended Plan consistent with the terms and conditions under the Amended Plan. Other than the Disbursing Agent's duties under the Amended Plan, the Debtors and the Reorganized Debtor shall be and remain responsible and liable for all obligations under the Amended Plan.

The Disbursing Agent shall be responsible for establishing the Disputed Claims Reserve, which amount shall initially (i.e. after closing on the sale of the Sale Assets) be equal to 100% of the face amount of any and all Disputed Claims.

B. Subsequent Distributions.

Consistent with the provisions of Section VI Paragraph A above, once all Allowed Claims have been paid pursuant to the terms of this Amended Plan and the Disputed Claims Reserve has been funded, all excess cash held by the Disbursing Agent will be returned to the Reorganized Debtor for use in its ongoing operations.

C. Distributions of Cash.

Any payment of cash made by the Disbursing Agent pursuant to the Amended Plan may be made at the option of the Disbursing Agent either by check drawn on a domestic bank or by wire transfer from a domestic bank.

D. Delivery of Distributions and Undeliverable Distributions.

Distributions to holders of Allowed Claims will be made to the address of each such holder as set forth on the Schedules filed with the Bankruptcy Court, unless superseded by a new address as set forth (a) on a proof of claim filed by a holder of an Allowed Claim or (b) in another writing notifying the Disbursing Agent (at the address set forth in the Amended Plan) of a change of address. If any holder's distribution is returned as undeliverable, within sixty (60) days thereafter, the Disbursing Agent must be notified of the holder's current address. If that notice is not timely provided, no further distributions to such holder will be required.

E. Compliance with Tax Requirements.

In connection with the Amended Plan, to the extent applicable, the Disbursing Agent in making distributions under the Amended Plan will comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Amended Plan will be subject to such withholding and reporting requirements. The Disbursing Agent, may withhold the entire distribution due to any holder of an Allowed Claim until such

time as such holder provides the necessary information to comply with any withholding requirements of any governmental unit. Any property withheld will then be paid by the Disbursing Agent to the appropriate authority. If the holder of an Allowed Claim fails to provide the information necessary to comply with any withholding requirements of any governmental unit within six (6) months from the date of first notification to the holder of the need for such information or for the cash necessary to comply with any applicable withholding requirements, then the holder's distribution will be treated as an undeliverable distribution.

F. Time Bar to Cash Payments.

Checks issued in accordance with the Amended Plan by the Disbursing Agent to holders of Allowed Claims will be null and void if not negotiated within sixty (60) days after the date of issuance. Requests for reissuance of any check must be made to the Disbursing Agent by the holder of the Allowed Claim to whom such check was originally issued within sixty (60) days following the date of original issuance of the affected payment. Thereafter, the amount represented by such voided check will irrevocably revert to the Reorganized Debtor and the Claim for which the non-negotiated payment was made will be discharged and the Claimant forever barred from asserting such Claim against the Debtors and/or the Reorganized Debtor.

G. Setoffs.

After notice and hearing, the Debtors may, in accordance with section 553 of the Code and applicable non-bankruptcy law, set off against any Allowed Claim the distributions to be made pursuant to the Amended Plan on account of such Claim (before any distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Debtors may hold against the holder of such Allowed Claim. However, neither the failure to affect such a setoff nor the allowance of any Claim hereunder will constitute a waiver or release by the

Debtors or Reorganized Debtor of any such claims, rights and causes of action that the Debtors or Reorganized Debtor may possess against such holder. The amount necessary to satisfy any Claim that may be subject to setoff will be placed into the Disputed Claim Reserve pursuant to the Amended Plan.

H. Professional Fees and Expenses.

Each Professional retained by order of the Bankruptcy Court requesting compensation in the Chapter 11 Case pursuant to sections 330 or 503(b) of the Code will be required to file a final application for an allowance and payment of final compensation and reimbursement of expenses in the Chapter 11 Case incurred through the Effective Date no later than thirty (30) days after the Effective Date. Objections to any such application shall be filed on or before a date to be set by the Bankruptcy Court.

I. Transactions on Business Days.

If the Effective Date or any other date on which a transaction may occur under the Amended Plan will occur on a day that is not a Business Day, the transactions contemplated by the Amended Plan to occur on such day will instead occur on the next succeeding Business Day.

VII. MEANS FOR IMPLEMENTATION AND EXECUTION OF THE AMENDED PLAN

A. Sale of Assets.

Pursuant to 11 U.S.C. §§ 1123(a)(5)(D) and (b)(4), within thirty (30) days after the date that the Confirmation Order is entered, the Debtors will sell the Sale Assets to Walnut PAA pursuant to the terms of the PSA. Walnut PAA and the Reorganized Debtor shall execute the PAA Lease at Closing.

B. Tax Consequences of the Sale of Sale Assets and Creation of the TCE-TIA Escrow /Tenant Improvement Allowance Escrow

The Debtors submit that the sale of the Sale Assets to Walnut PAA is not a taxable event under the Internal Revenue Code § 512(a)(1) as modified by § 512(b)(5). There was no "acquisition indebtedness" within the meaning of Internal Revenue Code § 514(a) in this situation. *See generally* Rev. Reg. 1.501(c)(2)–1(a), 26 C.F.R. § 1.501(c)(2)-1.; Rev. Reg. 1-514(b)-1(c)(2), 26 C.F.R. § 1.514(b)(c)(2)[2]. PAA is a tax-exempt 501(c)(7) entity. As set forth above, PAALC was formerly a tax-exempt 501(c)(2) entity however its tax-exempt status was revoked by the IRS in 2010 due to a failure to file Form 990-N Cards for tax years 2007 through 2009, pursuant to 26 U.S.C. § 6033(j)(1). (The postcard, which was not filed, would simply have indicated that no other filing was required). Notwithstanding this revocation, PAALC has operated as a 501(c)(2) title holding company since obtaining that status in 1940. PAALC, relying on advice from its tax professionals and its past filing practices, was unaware of a change in the tax code that required exempt organizations with gross receipts normally under $50,000 to file a Form 990-N Card. Prior to 2006 and since 1982, PAALC was not required to file a Form

[2] According to a IRS private letter ruling, income collected by a § 501(c)(2) tax exempt entity and used to pay debts securing the property does not result in unrelated business income because:

> Section 1.501(c)(2)-1(a) of the regulations provides that a section 501(c)(2) organization cannot have unrelated business income other than income which is treated as unrelated business taxable income solely because of section 514 of the Code. Section 514(b)(1)(A)(i) of the Code excludes from the term "debt-financed property" any property where "substantially all" the use of the property is substantially related (aside from the need of the organization for income or funds) to the exercise or performance by such organization of its charitable, educational, or other exempt purpose or function constituting the basis for its exemption under section 501. Section 1.514(b)-1(c)(2)(i) of the regulations provides that property owned by an exempt organization and used by a related exempt organization or by an exempt organization related to such related exempt organization shall not be treated as debt-financed property to the extent such property is used by either exempt organization in furtherance of its exemption under section 501.

I.R.S. P.L.R. 9206034 (Jan. 7, 1992).

990. The Debtors began reporting PAALC's assets and liabilities on PAA's Form 990 Returns as early as 1989. The Debtors continued this filing practice through 2016.

During the tax years 2007 through 2009, the Debtors relied in good faith on the advice of their tax professionals, some of who actually prepared the tax documents, and continued to file only a PAA Form 990 Return, listing the PAALC's assets and liabilities. Upon information and belief and based upon PAALC's books and records the only "notice" that PAALC received from the IRS regarding the revocation of its tax exempt status was in the form of the IRS' published annual list of entities with revoked tax exempt status. A comprehensive review of PAALC's records failed to turn up any written notice to PAALC from the IRS.

Section 6033 of the Internal Revenue Code, in relevant part, provides that a party must file an application to have its tax-exempt status retroactively reinstated and that the party must show "reasonable cause" for failing to timely file the requisite notices which lead to revocation of its tax-exempt status. *See, 26 U.S.C. §§ 6033(j)(2) and (3)*. On March 8, 2018, PAALC filed its Form 1024 Application for Retroactive Reinstatement of its 501(c)(2) Tax-exempt Status (the "Form 1024"). A true and correct copy of the Form 1024 is attached hereto as "**Exhibit D**".

Revenue Procedure 2014-11 sets procedural requirements for obtaining a retroactive reinstatement of tax exempt status. *See generally* Rev. Proc. 2014-11, 2014-3 I.R.B. 411 at § 6 (2014). The substantive requirement for reinstatement is that the taxpayer must demonstrate "reasonable cause" for its failure to file the requisite returns. "To establish reasonable cause the applicant must demonstrate that it exercised ordinary business care and prudence in determining and attempting to comply with its reporting requirements, taking all pertinent facts and circumstances into consideration." Rev. Proc. 2014-11 § 8.03. The Supreme Court has found that reliance on advice from tax professionals regarding a taxpayer's obligation to file a return

constitutes "reasonable cause" to avoid a penalty imposed for failure to file. *United States v. Boyle*, 469 U.S. 241, 105 S.Ct. 687, 83 L.Ed.2d 622 (1985). The Third Circuit, following the rule in *Boyle*, has held: "that a taxpayer's reliance on the advice of a tax expert may be reasonable cause" when that advice constitutes substantive advice, i.e. such as the obligation to file a return. *Estate of Thouron v. United States*, 752 F.3d 311, 315 (3d Cir. 2014) (citing *Boyle*, 469 U.S. at 251). Here, the Debtors, exercised ordinary business care and prudence in selecting their tax professionals, who were all certified public accounts with decades of experience in preparing tax documents and financials for tax exempt entities. Furthermore, the Debtors exercised ordinary care and prudence in relying on the advice of their tax professionals. This reliance coupled with Debtors' past filing practices, which were accepted by the IRS, demonstrates "reasonable cause" for PAALC's failure to file the Form 990-N Cards for tax years 2007 through 2009.

In addition, Rev. Proc. 2014-11 § 8.05 also sets forth a non-exclusive list of additional factors weighing in favor of a finding "reasonable cause" for the failure to file required returns. Several of those factors are present in this case and justify retroactive reinstatement, including but not limited to: the rapidly deteriorating financial conditions of the Debtors created an impediment to PAALC, operating with a volunteer Board of Directors, complying with the filing requirements, *See* Rev. Proc. 2014-11 § 8.05(2); the Debtors acted responsibly in trying to remedy the failure to file PAALC's Form 990-N Cards when they finally became aware of the revocation after the Bankruptcy filings, *See* Rev. Proc. 2014-11 § 8.05(3); the Debtors have a long and established history of complying with the IRS's filing requirements since PAA's formation in 1908, and continuing through several changes in the IRC and IRS regulations, including tax years 1982 through 2006, when no Form 990 Return was due from PAALC. *See*

Rev. Proc. 2014-11 § 805(4). Because PAALC has had no gross receipts since its formation in 1911, PAALC's failure to file its Form 990-N Cards has not left the IRS in any financial detriment as there would be no tax due for those tax years for which the Debtors are delinquent. Accordingly, the facts and circumstances demonstrate there is "reasonable cause" for PAALC's failure to file form 990-N's, and accordingly PAALC's § 501(c)(2) tax exempt status should be reinstated.

Upon the termination of the Reinstatement Process and after confirmation of the Amended Plan, the Debtors will evaluate the necessity of further administrative proceedings and/or immediately commence proceedings pursuant to 11 U.S.C. § 505 seeking an adjudication by the Bankruptcy Court of the legality and amount if any of potential tax claims associated with the sale of the Sale Assets to Walnut PAA and/or the appropriate amount of a cap for such alleged taxes to be applied against the funds set aside in the TCE-TIA Escrow. Upon reinstatement of the PAALC's tax exempt status under section 501(c)(2), the sale of the Sales Assets shall not be a taxable event and shall not create a tax liability due and owing to either the IRS or the DOR. Furthermore, a § 501(c)(2) entity may retain income for the purposes of paying debt related to the real property it holds for the benefit of the parent entity. *See* 26 C.F.R. § 1.501(c)(2)-1 (to maintain tax exempt status, income from property must be turned over to parent company "less expenses"); *See also* Rev. Rul. 77-429, 1977-2 C.B. 189 (1977).

However, all holders of Claims and Interests should note that in the event the sale of the Sale Assets is determined to be a taxable event, the Debtors will use all reasonable tax planning measures to account for basis in the Sale Assets, deductions, depreciation, operating losses, and tax credits to reduce the amount of any capital gains tax imposed by the DOR and IRS.

With respect to PAA, the Internal Revenue Code excludes gains arising from sale transactions under the § 512(a)(1) as modified by § 512(b)(5). Although PAA was not the legal owner of the property, if PAA were deemed to be the owner because the property, for tax purposes, was reflected on its books and records, the provisions in the Internal Revenue Code would exempt any gain on sale by PAALC as not taxable. Alternatively, assuming the property is deemed to be owned by PAALC and the tax exempt status of the PAALC is restored retroactively as discussed above, so that the gain on the sale by PAALC is not taxable to PAALC, any actual or deemed distribution by PAALC to PAA would be exempt under § 512(b)(1). Thus, under no circumstances should there be any tax on the sale of the property or the usage of the proceeds of the sale to pay PAA's indebtedness.

Notwithstanding that the Debtors' believe and aver that the IRS and the DOR are not, and will not become, holders of Allowed Administrative Expense Claims arising out of the sale of the Sale Assets. Respectively, the IRS and the DOR should agree to the creation of the TCE-TIA Escrow whereby funds in the amount of $3,500,000.00 will be held in escrow pending: (i) an adjudication by this Court under section 505 as to the allowance and amount of any tax; or (ii) approval by the IRS of the Form 1024 for PAALC and the final adjudication of any audit associated therewith. The TCE-TIA Escrow will be funded through a combination of money contributed by Walnut PAA, which funds have been marked by Walnut Capital as a tenant improvement allowance under the PSA, as well as through the monetization of PAA's five (5%) percent equity interest in Walnut PAA (the "Equity Contribution"). If upon a determination by the Bankruptcy Court under section 505 that a tax payment is required; funds from the TCE-TIA Escrow will be used to pay any liability due to IRS or DOR.

In the event that all or some of the funds held in the TCE-TIA Escrow are not needed to pay the tax claims of the IRS and DOR resulting from the sale of the Real Property Assets, the unused funds will be distributed as follows: (i) the first $500,000 of the unused funds will be returned to Walnut PAA; (ii) second, the remaining balance of the unused funds up to $2,000,000 will be first distributed back to Walnut PAA to be utilized for tenant improvements as set forth in the PSA with any remaining money not to exceed $1,000,000 to be remitted to the Reorganized Debtor on account of the Equity Contribution.

Conversely, in the event the sale of the Sale Assets is determined to be a taxable event, and despite the Debtors' best efforts as set forth herein to reduce any such tax liability there is a risk that the tax liability will consume the entire amount of the TCE-TIA Escrow. Exhaustion of the TCE-TIA Escrow will result in the PAA Lease becoming null and void and will absolve Walnut PAA from delivering any of the contemplated space under the PAA Lease thereby making it highly unlikely that PAA will reopen within the Club Parcel.

In accordance with 11 U.S.C. § 1146, the Real Property Assets are being sold pursuant to a confirmed plan of reorganization and therefore the transfer is exempt from realty transfer taxes. In the event that any realty transfer taxes arise, Walnut PAA shall be exclusively responsible to payment of such realty transfer taxes pursuant to the PSA.

C. Funding. The holders of Allowed Secured Claims and Allowed Secured Tax Claims which constitute liens on the Real Estate Assets shall be paid at the closing of the sale of the Sale Assets. The Disbursing Agent will subsequently pay all classes of Claims pursuant to the terms of the Amended Plan.

D. Distributions. The Disbursing Agent will make all distributions contemplated by the Amended Plan that are not paid at Closing.

E. Post-Confirmation Responsibilities. After the Effective Date, the Disbursing Agent shall administer the Disputed Claims Reserve. On and after the Effective Date, the Reorganized Debtor shall be solely responsible for filing any tax returns for, and for all other tax matters relating to, the Debtors or Reorganized Debtor.

F. Documents and Further Transactions. Each of the officers or directors of the Debtors is authorized and directed to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, including without limitation, the Amended Plan Documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Amended Plan.

G. Causes of Action.

(i) On November 30, 2017, the Debtors filed an adversary complaint against OFAHA at adversary case no. 17-02238-JAD seeking to: (1) Avoid and Recover Pre-Petition Fraudulent Transfers pursuant to 11 U.S.C. §§548, 550 & 544 and the Pennsylvania Uniform Fraudulent Transfer Act; and, in the alternative, (2) Avoid and Recover a Preferential Pre-Petition Transfer pursuant To 11 U.S.C. §§547 & 550. OFAHA has a motion to dismiss pending and the Debtors have served written discovery requests on OFAHA. Debtors and OFAHA agreed to stay all activity and deadlines in the adversary case pending a potential settlement between the parties thereto; (ii) Before the later of the Effective Date or the expiration of any applicable statutes of limitations, the Debtors, or the Reorganized Debtor, as the case may be, may file and prosecute any or all Causes

of Action of the Debtors, and the Debtors may settle any Causes of Action with Bankruptcy Court approval. On the Effective Date, all remaining Causes of Action, whether filed or unfiled, will be transferred to the Reorganized Debtor and may thereafter be prosecuted, settled, or abandoned without Bankruptcy Court approval by the Reorganized Debtor. Notwithstanding anything to the contrary herein, pending the Effective Date, the Debtors, and after the Effective Date, the Reorganized Debtor, in its sole discretion reserve the right to commence any Cause of Action or Avoidance Action and to defend any Cause of Action. Prosecution and settlement of such claims, rights, defenses, and Causes of Action will be the responsibility of the Debtors prior to the Effective Date and then to the Reorganized Debtor after the Effective Date, pursuant to the provisions of the Amended Plan. The Reorganized Debtor will or will not pursue those claims, rights, defenses, and Causes of Action, as appropriate, in accordance with the Reorganized Debtor's commercially reasonable judgment.

(iii) The Debtors have claims against, *inter alia*, (1) Pittsburgh History & Landmarks Foundation related to a façade easement, and (2) Meyer Unkovic & Scott, LLP for legal malpractice, and preserve all rights with respect to each and all claims. The entry of the Confirmation Order shall not bar any Causes of Action that may be brought by the Debtors or the Reorganized Debtor.

(iv) The Debtors intend to prosecute all necessary administrative proceedings after the conclusion of the Reinstatement Process including but not limited to the filing of an adversary proceeding pursuant to section 505 to determine whether

the Debtors are required to pay any tax claims of the IRS and DOR resulting from the sale of the Sale Assets.

(iv) Any compromise or settlement of a Cause of Action by the Debtors before the Effective Date will be subject to approval of the Bankruptcy Court. After the Effective Date, the Reorganized Debtor will not be required to (but may, in its sole discretion) seek approval of the Bankruptcy Court to commence, pursue, prosecute, settle, compromise, or abandon any Causes of Action.

Any and all claims, Causes of Action and/or Avoidance Actions, and any proceeds realized there from and transferred to the Reorganized Debtor, are preserved for the benefit of the Debtors' bankruptcy estates and the holders of Allowed Claims and Interests until such time as all Allowed Claims are paid pursuant to the terms of the Amended Plan.

VIII. PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS OTHER THAN CLAIMS COVERED BY THE TCE-TIA ESCROW

A. No Distribution Pending Allowance. Notwithstanding any other provision of the Amended Plan, no cash or other property will be distributed under the Amended Plan on account of any Disputed Claim or Interest, unless and until such Claim or Interest becomes an Allowed Claim or Interest.

B. Resolution of Disputed Claims. Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Debtors and the Reorganized Debtors, as the case may be, will have the right to make and file objections to Claims and/or Interests and will serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than sixty (60) days after the Effective Date or any extension thereto. From and after the Effective Date, all objections will be litigated to a Final Order except to the extent the Reorganized Debtors elect to withdraw any such objection or the Reorganized

Debtors and the claimant elect to compromise, settle or otherwise resolve any such objection, in which event they may settle, compromise or otherwise resolve any Disputed Claim without approval of the Bankruptcy Court.

C. Reserve Accounts for Disputed Claims. On and after the Effective Date, the Disbursing Agent shall establish the Disputed Claims Reserve and shall hold in the Disputed Claims Reserve: (i) cash in an aggregate amount sufficient to pay to each holder of a Disputed Unsecured Claim the amount that such holder would have been entitled to receive under the Amended Plan if such Claim had been an Allowed Claim on the Effective Date; and (ii) net earnings on such cash. All cash and earnings thereon shall be used to satisfy any expenses incurred in connection with the maintenance of the Disputed Claims Reserve, including taxes payable on such interest income, if any.

D. Investment of Disputed Claims Reserve. The Disbursing Agent will be permitted, from time to time, in its sole discretion, to invest all or a portion of the cash or cash equivalents in the Disputed Claims Reserve in United States Treasury Bills, interest-bearing certificates of deposit, tax exempt securities or investments permitted by section 345 of the Code or otherwise authorized by the Bankruptcy Court, using prudent efforts to enhance the rates of interest earned on such cash without inordinate credit risk or interest rate risk.

E. Allowance of Disputed Claims. If, on or after the Effective Date, any Disputed Claim becomes an Allowed Claim, the Disbursing Agent will, within fifteen (15) days after the Claim becomes an Allowed Claim, distribute from the Disputed Claims Reserve to the holder of such Allowed Claim (i) cash in an aggregate amount sufficient to pay to each holder of a Disputed Claim the amount that such holder would have been entitled to receive under the

Amended Plan if such Claim had been an Allowed Claim on the Effective Date; and (ii) net earnings on such cash.

F. Release of Funds from Disputed Claims Reserve. To the extent a Disputed Claim is disallowed, the cash attributable to such Disallowed Claim will be distributed to Holders of Class 9 Allowed Claims until paid pursuant to the terms of the Amended Plan. Thereafter to the Reorganized Debtor; provided, however, that the Disbursing Agent will retain at all times until closing of the Disputed Claims Reserve at least $25,000 cash from which the Reorganized Debtor will pay the costs and fees, if any, of administering the Disputed Claims Reserve.

G. Closing of the Disputed Claims Reserve. After the last Disputed Claim is resolved, whether by Final Order of the Bankruptcy Court or by stipulation between the Reorganized Debtor and the holder of such Disputed Claim, the Disbursing Agent will (i) pay all remaining costs and fees, (ii) distribute all remaining cash to holders of Allowed Claims in Class 9 until paid pursuant to the terms of the Amended Plan. Thereafter to the Reorganized Debtor and (iii) close the Disputed Claims Reserve.

IX. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. **Club Lease**. On the Closing Date, PAA and PAALC will each respectively assume the Club Lease. PAA and PAALC agree that there are no defaults and no amounts due and owing under the Club Lease. The Club Lease will be assigned to Walnut PAA for valuable consideration to be allocated and paid from the Purchase Price.

B. **Collective Bargaining Agreements**. On or about the Petition Date, PAA shut its doors and has had no union employees other than a single engineer who was/is responsible for boiler system maintenance (until the Clubhouse was winterized) and basement sump pump

operation. It is anticipated that this employee will be terminated at or around the Closing Date. The Clubhouse is closed and will remain closed through and beyond the Closing Date.

PAA and the Pennsylvania Joint Board of UNITE HERE, Local 57 are parties to a collective bargaining agreement dated November 1, 2008 (the "UNITE HERE CBA"). The UNITE HERE CBA expired on February 28, 2011 and continues on a year to year basis until a party gives the other party notice of its intent to terminate the agreement within sixty (60) days prior to the expiration date. PAA has given notice of termination to UNITE HERE in accordance with applicable law and provisions of the UNITE HERE CBA. Pursuant to its contractual terms, the UNITE HERE CBA terminated on February 28, 2018.

PAA and the International Union of Operating Engineers Local 95-95A, AFL-CIO ("OE") are parties to a collective bargaining agreement dated February 1, 2012 (the "OE CBA"). The OE CBA expired on January 31, 2014 and continues on a year to year basis until a party gives the other party notice of its intent to terminate the agreement within sixty (60) days prior to the expiration date. PAA has given notice of termination to OE in accordance with applicable law and provisions of the OE CBA. Pursuant to its contractual terms, the OE CBA terminated on January 31, 2018.

C. **Ground Lease**. PAALC has filed the OFAHA Complaint challenging, *inter alia,* the validity and extent of the Ground Lease. As of the date of this Amended Disclosure Statement, PAALC and OFAHA have reached an agreement resolving the OFAHA Complaint and will file a Motion for Approval of Settlement. The terms of the settlement of the OFAHA Complaint are conditioned upon *inter alia* the sale of the Sale Assets to Walnut PAA. The settlement between the Debtors and OFAHA provides that the Debtors shall assume the Ground Lease and assign it to Walnut PAA on the Closing Date.

D. **All Remaining Executory Contracts and Unexpired Leases.** On the Confirmation Date, all remaining executory contracts and unexpired leases that exist between the Debtors and any Person, whether or not previously listed by the Debtors on Schedule "G" of their Schedules, shall be deemed rejected as of the Confirmation Date, except for any executory contract or unexpired lease (a) that has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Confirmation Date, or (b) as to which a motion for approval of the assumption or rejection of such contract or lease is pending on the Confirmation Date including but not limited to, as part of the sale of the Sale Assets.

E. **Approval of Rejection of Executory Contracts and Unexpired Leases.** Entry of the Confirmation Order shall constitute the approval, pursuant to section 365 of the Code, of the rejection or assumption and assignment, as the case may be, of the executory contracts and unexpired leases rejected or assumed and assigned pursuant to the Amended Plan.

X. EFFECT OF THE AMENDED PLAN ON CLAIMS

A. **Exculpation and Related Injunction.**

(i) **Satisfaction of Claims in the Debtors**. The treatment to be provided for respective Allowed Claims against the Debtors pursuant to the Amended Plan shall be in full satisfaction, settlement, and release of such respective Claims.

(ii) **Discharge and Injunction**.

(1) As to PAA, except as otherwise provided in this Amended Plan, the rights afforded in the Amended Plan and the treatment of all Claims herein shall be in exchange for and in complete satisfaction and release of all Claims of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against PAA, or any of the Assets or any other assets of PAA in existence on or after the Petition

Date. Except as otherwise provided in the Amended Plan or the Confirmation Order and the obligation of the PAA thereunder: (i) on the Effective Date, PAA shall be deemed discharged and released to the fullest extent permitted by section 1141 of the Code from all Claims, including, but not limited to, demands, liabilities, Claims, that arose before the Confirmation Date and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Code, whether or not: (a) a Proof a Claim or proof of interest based on such debt or Interest is filed or deemed filed pursuant to section 501 of the Code, (b) a Claim or Interest based on such debt or interest is Allowed pursuant to section 502 of the Code, or (c) the holder of a Claim or Interest based on such debt or interest has accepted the Amended Plan; and (ii) all entities shall be precluded from asserting against the Disbursing Agent, his successors or its Assets or properties any other or further Claims based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date. Except as otherwise provided in the Amended Plan or the Confirmation Order and the obligations of the PAA thereunder, the Confirmation Order shall act as a discharge of any and all Claims against any and all debts and liabilities of PAA, as provided in Sections 524 and 1141 of the Code, and such discharge shall void any judgment against PAA at any time obtained to the extent that it relates to a Claim discharged.

(2) As to PAALC, which is selling substantially all of its property through the Amended Plan, there will be no discharge in accordance with Section 1141(d)(3) of the Code.

(3) Except as otherwise provided in the Amended Plan or the Confirmation Order, on and after the Effective Date, all entities who have held, currently hold or may

hold a debt, Claim or Interest paid pursuant to the terms of the Amended Plan are permanently enjoined from taking any of the following actions on account of any such debt, Claim or Interest: (i) commencing or continuing in any manner any action or other proceeding against the Debtors and its successors or their respective Assets or properties; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree, or order against the Debtors and its successors or their respective Assets or properties; (iii) creating, perfecting, or enforcing any Lien or encumbrance against the Debtors and its successors or their respective Assets or properties; (iv) asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due to the Debtors and their successors or their respective Assets or properties; and (v) commencing or continuing, any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Amended Plan or the Confirmation Order. Any Entity injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' fees, and, in appropriate circumstances, may recover punitive damages from the willful violator.

(iii) **Indemnification**. Notwithstanding anything to the contrary in this Amended Plan, other than for acts constituting willful misconduct or gross negligence, the Debtors' obligations, in all cases net of applicable insurance proceeds, to indemnify Persons who served during the Chapter 11 Case as the Debtors' members, employees, directors, officers and Professionals existing under applicable non-bankruptcy law (including but not limited to acting as employee benefit plan fiduciaries or employee benefit administrative trustees), whether arising under contract, bylaw, or articles of organization, with respect to all present and future actions, suits, and proceedings against any of such indemnified Persons, based upon any act or omission related

to service with, for, or on behalf of the Debtors at any time during the period from the Petition Date through the Effective Date, shall not be released.

(iv) **Exculpation**. As of the Effective Date, neither the Debtors, Walnut, Walnut PAA the Committee, the members of the Committee, the Debtors' Professionals, directors, officers, Walnut's Professionals, Walnut PAA's Professionals nor the Committee's Professionals will have or incur any liability to any Person for any act taken or omission occurring on or after the Petition Date in connection with or related to the Case, including but not limited to: (i) the Debtors' consent to the entry of an order for bankruptcy relief under Chapter 11 of the Code; (ii) the administration of the Chapter 11 Case; (iii) the operation of the Debtors' business during the pendency of the Chapter 11 Case; (iv) the formulating, preparing, disseminating, implementing, confirming, consummating, and administering of the Amended Plan (including soliciting acceptances or rejections thereof); (v) the submission of and statements made in, the Amended Disclosure Statement or any contract, instrument, release, or other agreement or document entered into, or any action taken or omitted to be taken in connection with the Amended Plan; and (vi) any distributions made pursuant to the Amended Plan, except for acts constituting willful misconduct or gross negligence, and in all respects such parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Amended Plan. The entry of the Confirmation Order shall constitute a determination by the Bankruptcy Court that Persons or Entities covered under this section of the Amended Plan have acted in good faith and in compliance with the applicable provisions of the Code, pursuant to, among other provisions of law, Sections 1125(e) and 1129(a)(3) of the Code, with respect to the foregoing.

XI. EFFECTIVENESS OF THE AMENDED PLAN

A. Conditions Precedent to the Effective Date. The following are conditions precedent to the Effective Date of the Amended Plan:

(i) The Bankruptcy Court shall have entered the Confirmation Order, in form and substance satisfactory to the Debtors and the Committee;

(ii) No stay of the Confirmation Order shall then be in effect and the Confirmation Order is a Final Order;

(iii) The Closing on sale of the Sale Assets shall have occurred and the Debtors shall have sufficient cash to pay in full the Allowed Secured, Administrative, and Priority Claims and 100% of the Allowed General Unsecured Claims and to fund the appropriate Disputed Claims Reserve as provided under the Amended Plan;

(iv) The TCE-TIA Escrow shall be funded in the total amount of $3,500,000.00; and

(iv) All agreements and instruments contemplated by, or to be entered into pursuant to, the Amended Plan and its provisions, including without limitation, the Amended Plan Documents necessary for the effectuation of the Amended Plan, shall have been duly and validly executed, shall be consistent with terms and conditions of the Amended Plan and delivered by the parties thereto and all conditions to their effectiveness shall have been satisfied or waived.

B. Waiver of Conditions. Notwithstanding the foregoing, the Debtors, only after obtaining the consent of the Committee, may waive the occurrence of any of the foregoing conditions precedent. Any such waiver of a condition precedent hereof may be affected at any time, without notice, without leave or order of the Bankruptcy Court, and without any formal

action other than proceeding to consummate the Amended Plan. Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action. If the Debtors decide that one of the foregoing conditions cannot be satisfied and the occurrence of such condition is not waived, then the Debtors shall file a notice of the failure of the Effective Date with the Bankruptcy Court.

XII. EFFECTS OF CONFIRMATION

A. Vesting of Assets in Reorganized Debtor. As of the Effective Date, and only upon payment of Allowed Claims pursuant to the terms of the Amended Plan, the funding of the Disputed Claim Reserve and the funding of the TCE-TIA Escrow, the property of the Estate shall vest in the Reorganized Debtor, free and clear of all Claims and Interests.

B. Binding Effect. Except as otherwise provided in section 1141(d)(3) of the Code, on and after the Confirmation Date, the provisions of the Amended Plan shall bind any holder of a Claim or Interest against the Debtors and its successors and assigns, whether or not the Claim or Interest is impaired under the Amended Plan and whether or not such holder has accepted the Plan.

C. Term of Injunctions or Stays. Unless otherwise provided, all injunctions or stays provided for in these Chapter 11 Cases pursuant to sections 105 or 362 of the Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the closing of these Chapter 11 Cases.

D. Rights of Action. Except as otherwise provided in the Amended Plan, on and after the Effective Date, the Reorganized Debtor will have the exclusive right to enforce any and all present or future rights, claims or causes of action against any Person. The Reorganized

Debtor may pursue, abandon, settle or release any or all such rights of action, as it deems appropriate, without the need to obtain approval or any other or further relief from the Bankruptcy Court. The Debtors and/or the Reorganized Debtor may, in their sole discretion, offset any such claim held against a person against any payment due such person under the Amended Plan; provided, however, that any claims of the Debtors arising before the Petition Date shall first be offset against Claims against the Debtors arising before the Petition Date.

E. Injunction. On and after the Confirmation Date, all Persons are permanently enjoined from commencing or continuing in any manner any action or proceeding (whether directly, indirectly, derivatively or otherwise) on account of or respecting any claim, debt, right or cause of action of the Debtors for which the Debtors or the Reorganized Debtor retain sole and exclusive authority to pursue in accordance with the Amended Plan. The PAA intends that the Amended Plan will operate as a discharge of all debts to the fullest extent permitted by 11 U.S.C. §1141(d).

F. Retention of Jurisdiction. The Bankruptcy Court shall retain jurisdiction of all matters arising under, arising out of, or related to, the Chapter 11 Case and the Amended Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Code and for, among other things, the following purposes:

(i) To hear and determine any motions for the assumption, assumption and assignment or rejection of executory contracts or unexpired leases, and the allowance of any Claims resulting there from;

(ii) To determine any and all pending adversary proceedings, applications, and contested matters;

(iii) To hear and determine any objection to any Claims;

(iv) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

(v) To issue such orders in aid of execution of the Amended Plan to the extent authorized by section 1142 of the Code;

(vi) To consider any modifications of the Amended Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(vii) To hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331, and 503(b) of the Code;

(viii) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Amended Plan;

(ix) To determine and recover all Assets of the Debtors and property of the Estates, wherever located;

(x) To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Code (including any requests for expedited determinations under section 505 of the Code filed, or to be filed, with respect to tax returns for any and all taxable periods ending after the Commencement Date through the closing of the Chapter 11 Case);

(xi) To hear and determine all matters concerning the sale of the Sale Assets;

(xii) To hear any other matter consistent with the provisions of the Code; and

(xiii) To enter a final decree closing these Chapter 11 cases.

G. Modification of Amended Plan. The Debtors reserve the right, in accordance with the Code and the Bankruptcy Rules, to amend or modify the Amended Plan at any time

prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Reorganized Debtor may, upon order of the Bankruptcy Court, amend or modify the Amended Plan, in accordance with section 1127(b) of the Code, or remedy any defect or omission or reconcile any inconsistency in the Amended Plan in such manner as may be necessary to carry out the purpose and intent of the Amended Plan. A holder of an Allowed Claim that is deemed to have accepted the Amended Plan shall be deemed to have accepted the Amended Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such holder.

XIII. ALTERNATIVES TO THE PROPOSED AMENDED PLAN

The Amended Plan reflects the efforts of the Board to market, sell and redevelop the Debtors' assets. Debtors have determined that the Amended Plan is the most practical means of providing maximum recoveries to creditors. Alternatives to the Amended Plan that have been considered and evaluated by the Debtors during the course of these Chapter 11 Cases include (a) liquidation of the Debtors' assets under chapter 7 of the Code, and (b) an alternative chapter 11 plan. The Debtors' thorough consideration of these alternatives to the Amended Plan has led the Debtors to conclude that the Amended Plan, in comparison, provides a more certain and expeditious recovery to creditors on a more efficient timetable, and in a manner that minimizes certain inherent risks including but not limited to, delay in executing a transaction, possibility of additional broker's commissions, administrative expenses, and/or the permanent cessation of the social and athletic activities of PAA.

A. Liquidation Under Chapter 7 of the Bankruptcy Code. If the Amended Plan or any other chapter 11 plan for the Debtors cannot be confirmed under section 1129(a) of the Code, the Chapter 11 Case of PAALC may be converted to a case under chapter 7 of the Code,

in which case, a trustee would be elected or appointed to liquidate any remaining assets of PAALC for distribution to creditors pursuant to chapter 7 of the Code. If a trustee is appointed and the remaining assets of PAALC are liquidated under chapter 7 of the Code, there will be an additional layer of administrative costs and commissions that will negatively affect distributions. Furthermore, under a liquidation scenario, PAA may not receive any distribution on account of its Equity Interest in PAALC and therefore the creditors of PAA may not recover any money on account of their claims.

PAA is the sole owner of the PAALC and must approve the sale of the Sale Assets and the payment to all creditors with Allowed Claims. Due to the substantially intertwined relationship between the Debtors, one could not have operated independently without the other. PAALC has few creditors but substantial secured claims to pay. A review the Debtors' claims registry evidences that the vast majority of the unsecured claims were filed against PAA. For the claims against PAA to be satisfied, the Sale Assets of PAALC must be sold for the benefit of all of the Debtors' creditors. The Debtors believe that conversion of these Chapter 11 Cases to Chapter 7 cases would result in (i) significant delay in distributions to all creditors who would have received a distribution under the Joint Amended Plan; and (ii) diminished recoveries for creditors.

B. Case Dismissal. If the Debtors' cases are dismissed, creditors would be free to pursue non-bankruptcy remedies in their attempts to satisfy claims. The Secured Creditors will most certainly foreclose on the Real Property Assets, with the Real Property Assets likely being sold at a sheriff's sale for the amounts due to satisfy the secured creditors' liens. It would be unlikely that any excess proceeds from a Sheriff sale would be returned to the PAA which would eliminate any recovery to other creditors.

XIV. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE AMENDED PLAN

The following discussion summarizes certain material federal income tax consequences of the implementation of the Amended Plan to the Debtors and to certain holders of Allowed Claims. Accordingly, the following summary of certain material federal income tax consequences has been provided for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a holder of an Allowed Claim. Each holder of an Allowed Claim is urged to consult its own tax advisors for the federal, state, local and foreign income and other tax consequences applicable under the Amended Plan.

A. Gain or Loss. In general, each holder of an Allowed Unsecured Claim may recognize gain or loss in an amount equal to the difference between (i) the "amount realized" by such holder in satisfaction of its Claim (other than any Claim representing accrued but unpaid interest) and (ii) such holder's adjusted tax basis in such Claim other than any Claim representing accrued but unpaid interest. The "amount realized" by a holder of an Allowed Claim will equal the sum of the cash, less any amount required to be treated as imputed interest in respect of any distributions received after the Effective Date.

B. Information Reporting and Withholding. All distributions to holders of Allowed Claims under the Amended Plan are subject to any applicable withholding (including employment tax withholding). The foregoing summary of certain material federal income tax consequences has been provided for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a holder of an Allowed Claim. Each holder of an Allowed Claim is urged to consult its own tax advisors for

the federal, state, local and foreign income and other tax consequences applicable under the Amended Plan.

XV. CONFIRMATION OF THE AMENDED PLAN

The Bankruptcy Court will confirm the Amended Plan only if all of the requirements of section 1129(a) of the Code are met. The Debtors submit that all applicable provisions of section 1129 have been met by the Amended Plan.

A. Best Interests Test. One requirement for confirmation of a plan is called the "best interests test." Notwithstanding acceptance of the plan by each impaired class of claims or interests, in order to confirm a plan, if even one member of an impaired class votes to reject the plan, the bankruptcy court must determine that the plan is in the best interests of each holder of a claim or interest in such class. The best interests test requires that the bankruptcy court find that the plan provides to each member of such impaired class a recovery on account of the class member's claim or interest that has a value, as of the Effective Date of the plan (generally, at least 14 days after confirmation), at least equal to the value of the distribution that each such class member would have received if the debtor's assets were liquidated under chapter 7 of the Code on such date. Under the Chapter 7 liquidation analysis provided in this Amended Disclosure Statement, all holders of claims within Classes 2, and 3 (the impaired classes) and PAA Members, will receive more under the Amended Plan than they would if the Debtor was liquidated and its most valuable assets, certain personal property (no real property is owned by the Debtor), was sold.

B. Feasibility of the Amended Plan. Section 1129(a)(11) of the Code provides that a Chapter 11 plan may be confirmed only if the Bankruptcy Court finds that such plan is feasible. A feasible plan is one that will not lead to a need for further reorganization or liquidation of the

debtor. As of the closing of any sale as contemplated under the Amended Plan, the Debtors will have the funds necessary to satisfy their obligations under the Amended Plan. Therefore, the Amended Plan is financial feasibility as required by the Code. The Debtors' feasibility analysis is attached hereto as "**Exhibit E**".

C. Classification of Claims and Interests Under the Amended Plan. The Debtors believe that the Amended Plan meets the classification requirements of the Code which provide that a Chapter 11 plan place each claim or interest into a class with other claims or interests that are "substantially similar." The Amended Plan establishes classes of Claims and Interests as required by the Code and summarized above. Administrative Expense Claims and Priority Tax Claims are not classified.

XVI. CONCLUSION

The Debtors submit that the Amended Disclosure Statement and the Amended Plan comply in all respects with sections 1125 and 1129 of the Code and that the Amended Disclosure Statement should be approved and the Amended Plan confirmed.

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Respectfully Submitted,

TUCKER ARENSBERG, P.C.

/s/*Jordan S. Blask*
Jordan S. Blask, Esq. (Pa. I.D. 308511)
Jillian Nolan Snider, Esq. (Pa. I.D. 202253)
Matthew J. Burne, Esq. (Pa. I.D. 314888)
1500 One PPG Place
Pittsburgh, PA 15222
Phone: (412) 566-1212
Fax: (412) 594-5619
jblask@tuckerlaw.com
jsnider@tuckerlaw.com
mburne@tuckerlaw.com

Counsel for the Debtors