

**Impath Bankruptcy Liquidating Trust  
2005 Federal Income Tax Information  
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# **Impath Bankruptcy Liquidating Trust**

## **2005 Federal Income Tax Information**

### **Introduction**

This booklet provides 2005 Federal income tax information which allows a beneficial interest holder to determine their pro rata share of taxable income and deductions attributable to their beneficial interests in the Impath Bankruptcy Liquidating Trust (the "Trust"). Capitalized terms used in this booklet unless defined herein shall have the meaning set forth in the IMPATH Inc., et. al. Debtors' Third Amended Joint Plan of Liquidation (the "Plan"), confirmed by the United States Bankruptcy Court, Southern District of New York (the "Court") on March 21, 2005.

The Trustee is required to furnish to the beneficial interest holders certain information with respect to Federal or state income taxes as required by law. For Federal income tax purposes, the Trust is treated as a "grantor" trust. As such, the Trust is not subject to Federal income tax. Instead, each beneficial interest holder is deemed to own his, her or its proportionate share of the underlying Trust assets and is required to report income and deductions associated with the Trust for the period ending concurrent with the beneficial interest holder's taxable year end. The information included in this booklet contains the information necessary to enable a beneficial interest holder to compute their Federal and state income tax liability with respect to his, her or its beneficial interest in the Trust. Class A Beneficial Interest holders (see "Background Information") ("Class Holders") are encouraged to read this booklet carefully and to retain the booklet as part of their Federal income tax records.

For certificated Class A Holders, this information is being sent directly to you. For Class A Holders whose units are held in brokerage or other types of custodial accounts that are not directly certificated by the Transfer Agent, this information has been provided to the registered holder, CEDE & Co., to distribute as provided under its procedures. This information is also provided on the Trustee's website at [www.bridgeassociatesllc.com/clients/impath](http://www.bridgeassociatesllc.com/clients/impath).

THE INSTRUCTIONS CONTAINED IN THIS WORKSHEET ARE DESIGNED TO ASSIST CLASS A HOLDERS IN THEIR INCOME TAX COMPLIANCE AND HAVE BEEN PROVIDED AS A CONVENIENCE BY THE TRUSTEE. THE TRUSTEE CAN NOT AND DOES NOT PROVIDE INCOME TAX ADVICE OR GUIDANCE TO ANY CLASS A HOLDERS AS EACH CLASS A HOLDER MAY HAVE INCOME TAX SITUATIONS THAT REQUIRE TAX REPORTING OTHER THAN WHAT HAS BEEN DESCRIBED IN THIS BOOKLET. THE TRUSTEE RECOMMENDS AND URGES EACH CLASS A HOLDER TO CONSULT HIS, HER OR ITS TAX ADVISOR ON ALL TAX COMPLIANCE MATTERS.

# **Impath Bankruptcy Liquidating Trust 2005 Federal Income Tax Information General Tax Information**

## **Background Information**

The Trust was established on July 22, 2005, pursuant to a Liquidating Trust Agreement (“Trust Agreement”) by and among IMPATH Inc., IMPATH Predictive Oncology Inc., IMPATH Physician Services Inc., IMPATH Information Services, Inc., IMPATH-T Inc. (formerly known as Tamtron Corporation), and IMPATH-M Inc. (formerly known as Medical Registry Services Inc.) (collectively, “IMPATH”) and Anthony H. N. Schnelling of Bridge Associates LLC, as Trustee (the “Trustee”), in accordance with the Plan confirmed by the Court on March 21, 2005. The Trust Agreement is governed by the laws of the State of New York.

Pursuant to the Plan, the Trust was established for the purpose of liquidating and distributing the assets of IMPATH and for prosecuting certain of the Debtors’ claims and causes of action, in accordance with Treasury Regulation section 301.7701-4(d), with no objective for the Trust to continue or engage in the conduct of a trade or business. Included in those assets, without limitation, were Impath’s claims against their former auditors relating to the accounting issues that were the subject of the Securities Litigation Claims defined in the Plan. The holders of Allowed Securities Litigation Claims and Equity Interests entitled to a distribution under the Plan received beneficial interests in the Trust on July 22, 2005 (the “Effective Date”), entitling them to share in the proceeds of the Trust.

Pursuant to the Plan, on the Effective Date, IMPATH transferred certain assets to the Trust. On the Effective Date, the common stock transfer books of IMPATH were permanently closed and all shares of its common stock were cancelled.

Holders of record of common stock of IMPATH as of the close of business on July 15, 2005 (the “Record Date”) became holders of Class A Beneficial Interest units (“Class A Interests”) in the Trust on the basis of one unit of Class A Interest for each share of IMPATH common stock held on the Record Date. All Class A Interests are certificated through American Stock Transfer and Trust Company. Class A Interests are transferable pursuant to the terms of the Trust Agreement and Plan. There are 16,794,309 Class A Interests units outstanding and such Class A Interests are traded under the symbol IBLTZ. The information contained in this booklet is intended for Class A Holders only.

Holders of Allowed Securities Litigation Claims were issued Class B Beneficial Interest units (“Class B Interests”). All Class B Interests are held by the Escrow Agent pursuant to a Stipulation of Settlement dated January 15, 2005 (the “Stipulation”). The Class B Interests are not certificated and are not transferable. Pursuant to the Stipulation and the Plan, the holders of Class B Interests also received the following on the Effective Date: (i) \$8,000,000 in cash and (ii) \$15,000,000 of proceeds recovered by the Debtors under their directors’ and officers’ liability insurance policies less \$400,000 paid to the Indemnity Reserve. The Escrow Agent is responsible for all Federal income and other tax reporting related to these amounts and any future amounts Class B Interests may receive. Specifically, the Class B Interests are entitled to receive 22% of the net proceeds, if any, recovered from the contingent and unliquidated claims against KPMG LLP arising from or relating to the accounting issues which were the subject matter of the Securities Class Action Lawsuit. **THERE IS NO INCOME TAX INFORMATION FOR 2005 TO BE REPORTED TO THE CLASS B INTERESTS BY THE TRUSTEE OR THE TRUST.**

## **Grantor Trust Status of the Impath Bankruptcy Liquidating Trust**

The Trust is treated as a "grantor" trust under Section 671 of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder by the United States Department of the Treasury. A grantor trust is not subject to Federal income tax. Instead, the Class A and Class B Interests (collectively, the "Interests") to the extent of their respective economic interests in the Trust are generally considered to own the Trust's income and deductions as though no trust were in existence. A grantor trust files a Form 1041, but it completes only the entity portion of the return and does not report any items of income and deductions that should be included in the Federal income tax returns of the Class A Interests. The Trust must prepare an attachment to the return that shows (a) the name, identifying number and address of each Class A Holder; (b) the income of the Trust that is taxable to the Class A Interest; and (c) any deductions and credits that apply to the income. Accordingly, each Interest is taxed on its pro rata share of the income, deductions or credit recognized or incurred by the Trust including, but not limited to, interest and dividend income earned from bank accounts or other investments. Furthermore, if a Trust asset is sold or otherwise disposed of by the Trust, the Class A Holder will be required to report gain or loss equal to the difference between its allocable share of any cash and/or the fair market value of any property received in exchange for the asset sold or otherwise disposed of less their adjusted basis in its allocable share of the asset sold or otherwise disposed of (which should be its allocable share of the fair market value of the asset on the date the Interest acquired its interest in the Trust). The character of the gain or loss recognized by the Class A Holder is determined by reference to the asset sold or otherwise disposed of.

The Trustee will file the Form 1041 for the Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a) and in accordance with Section 6.5( 1) of the Plan. For the Class A Interests, this booklet has been prepared to be used in the preparation of the information required for Federal income tax reporting. For certificated Class A Interests, this information is being sent directly to you. For Class A Interests whose units are held in brokerage or other types of custodial accounts that are not directly certificated by the Transfer Agent, this information has been provided to the registered holder, CEDE & Co, to distribute as provided under its procedures. This information is also provided on the Trustee's website at [www.bridgeassociatesllc.com/clients/impath](http://www.bridgeassociatesllc.com/clients/impath).

Allocation of Trust income or loss to the Interests will be determined with reference to their respective economic interests in the underlying assets of the Trust and the income earned therefrom (as reasonably determined by the Trustee). In addition, tax accounting principles prescribed by the Internal Revenue Code of 1986, as amended (the "Tax Code"), the applicable Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements will also apply to the allocation of any income or loss to the Class A Interests.

The income, deductions, and/or credits incurred by the Trust are deemed to be incurred, respectively, by each Class A Interest at the same time as the Trust. Thus, the taxable year for reporting a Class A Interest's share of the Trust's income and deductions is determined by the Class A Interest's taxable year and method of accounting rather than the taxable year and method of accounting of the Trust. For example, a cash basis Class A Interest should recognize income as such income is received by the Trust, and deductions attributed to the Class A Interest should be claimed when such deductions are paid by the Trust. Likewise, the cash or fair market value of property received by the Trust in a sale or exchange of the Trust asset should be recognized by the Class A Interest in the month of the sale or exchange for purposes of determining the Class A Interest's gain or loss on the sale or exchange of the Trust asset.

There is no Federal income tax information for 2005 to be reported for Class B Interests by the Trustee or the Trust.

The following Tax Computation Worksheets are applicable to the holders of Class A Interests only for 2005.

## **Using the Tax Computation Worksheets**

In an attempt to simplify the information herein for Class A Holders, the Trustee has created specific worksheets for two types of Class A Holders: (1) those calendar year taxpayers who owned the same Class A Interests from the Effective Date through December 31, 2005; and (2) those who either acquired, sold or exchanged Class A Interests under circumstances such that they were not the holder of record of the same Class A Interests for the entire period from the Effective Date to December 31, 2005 or are fiscal year taxpayers. For those Class A Holders in category (1), Tax Computation Worksheet A provides information for Federal income tax purposes on a calendar year basis for a single unit of Class A Interest for 2005. For those Class A Holders in category (2), Tax Computation Worksheet B provides information for Federal income tax purposes on a monthly basis for a single unit of Class A Interest for each of the months of July through December 2005.

The appropriate Worksheet to be used depends on the dates Class A Interests were acquired, the date the Class A Interests were disposed, and the tax year end of the Class A Holder (for fiscal year taxpayers). A Class A Holder reporting on the calendar year basis who acquired Class A Interests on the Effective Date and who still owned only those Class A Interests on December 31, 2005 should use Tax Computation Worksheet A. A Class A Holder reporting on a calendar year basis who held their Class A Interest for less than the entire period from the Effective Date to December 31, 2005 should use Tax Computation Worksheet B. A fiscal year taxpayer should use the Tax Computation Worksheet B for the Income and Expense Factors corresponding to their own fiscal year.

The Tax Computation Worksheets reflect the Federal income tax information for the Trust for 2005 for Class A Interests. The information is presented on a per Class A Interest basis and is expressed in decimal fractions of one dollar. For purposes of allocating income and deductions to a single unit of Class A Interest, the Trust receives income and incurs expenses on a single monthly record date. The monthly record date for purposes of allocating income, deductions, and proceeds from asset sales is the last day of each month. For purposes of determining whether a Class A Holder is entitled to the income and deductions from the Trust for a particular month, if the Class A Holder did not hold the Class A Interests on the last day of a particular month, the Class A Holder will not report an allocation of income and deduction for that month. If a Class A Holder owns the Class A Interests on the last day of a particular month, the Class A Holder should use the appropriate monthly schedule of income and deductions.

Calculations on the Tax Computation Worksheets included in this booklet consist of multiplying the appropriate amounts in the respective Worksheet by the number of units of Class A Interests held by a Class A Holder. If you owned different groups of Class A Interests purchased at different times, you must make your computations for each separate group and period. Class A Holders who file Form 1040 for 2005 on a calendar year basis will find specific reference to the applicable lines of Form 1040 on the Tax Computation Worksheet in this booklet under the caption "Where to Reflect on the 2005 U. S. Treasury Form 1040."

**YOU ARE ENCOURAGED TO CONSULT WITH YOUR TAX ADVISOR ON THE APPLICABILITY OF THE FOLLOWING TAX COMPUTATION WORKSHEETS THAT HAVE BEEN PROVIDED BY THE TRUSTEE AS A CONVENIENCE TO THE CLASS A HOLDERS.**

## **Sale of Interests**

If a Class A Holder sold Class A Interests during the year, gain or loss on the sale of the Class A Interests is the difference between the selling price and the adjusted basis of the Class A Interests sold. The adjusted tax basis of a Class A Interest is the original basis of such Class A Interest adjusted for any income and deduction items recognized less any distributions of cash received by the Class A Holder. Trust income allocable to such Class A Interest up to the date of sale is taxable to the selling Class A seller. The purchaser of a Class A Interest is taxed on Trust income allocable to such Class A Interest from the date of purchase forward. For Federal income tax purposes, to determine the character of the gain or loss related to the sale of a Class A Interest, the holding period begins on the later of the Effective Date or the date that the Class A Interests were purchased or acquired.

## **Classification of Investment**

Based on the nature of the activity and involvement of the Class A Holder in the activity, Federal income tax law requires individuals, estates, trusts, closely held C corporations and personal service corporations to categorize income and expense into one of three classes, "active," "portfolio" or "passive". Since the Class A Interests are deemed to directly hold the Trust assets, the proper classification of the Trust income and deduction is dependent upon the relevant facts and circumstances of each Class A Interest. Generally, the income and loss resulting from a Class A Interest in the Trust is properly classified as portfolio and as such can be reported by a Class A Interest as indicated on the Tax Computation Worksheet A or B. However, under certain limited circumstances a different classification may be appropriate; accordingly, Class A Holders should consult their tax advisors concerning this matter.

## **Foreign Persons**

Nonresident alien individuals and foreign corporations ("Foreign Taxpayer(s)") who are Class A Interests are subject to special tax rules with respect to their Class A Interests. Due to the complexity of these rules, it is recommended that such Foreign Taxpayers consult their tax advisors regarding their individual income tax circumstances with respect to their Class A Interests.

## **State and Local Income Tax**

Class A Holders may be required to file state and local income tax returns and may be liable for state income tax as a result of their ownership of Class A Interests. Class A Holders will need this information to comply with the state income tax filing requirements in those states imposing a state income tax. The laws pertaining to income tax in any given state may vary from those of another state and from those applicable to Federal income tax. **CLASS A HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THIS MATTER.**

## **Backup Withholding**

A payor is required under specified circumstances to withhold tax on "reportable interest or dividend payments" and "other reportable payments". Generally, this "backup withholding" is required on payments if the payee has failed to furnish the payor a Taxpayer Identification Number or if the payor is notified by the Secretary of the Treasury to withhold income taxes on such payments with respect to the payee.

Amounts withheld by payors pursuant to the backup withholding provisions are remitted to the Internal Revenue Service and are considered a credit against the payee's Federal income tax liability. If the payee does not incur a Federal income tax liability for the year in which the income taxes are withheld, the payee will be required to file the appropriate income tax return to claim a refund of the income taxes withheld.

**Impath Bankruptcy Liquidating Trust  
2005 Federal Income Tax Information  
Tax Computation Worksheet A**

For Class A Interest Holders who owned Class A Interests for the Period  
July 23, 2005 through December 31, 2005

Item	(a) Number of Class A Interests Owned		(b) Factor Per Class A Interest		(c) Total Amount to be Reported  (a x b)=	Where to Reflect on the 2005 US Treasury Form 1040  (Note 1)
Interest Income		x	\$0.00418	=		Line 1, Part 1, Schedule B
Other Income		x	\$0.00044	=		Line 21, Form 1040
Administrative Expense		x	\$0.04613	=		Line 22, Schedule A

Note 1: Please consult with your tax advisor on the reporting of the factors on your income tax return. The following is a general guideline that may not apply to your specific tax situation.

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## Impath Bankruptcy Liquidating Trust 2005 Federal Income Tax Information Tax Computation Worksheet B

For Class A Interest Holders who did NOT own Class A Interests for the  
entire period from July 23, 2005 through December 31, 2005

Part I: Income and Deduction Factors for each relevant Month of 2005:

Item	July	August	September	October	November	December
Interest Income	\$0.00000	\$0.00179	\$0.00167	\$0.00022	\$0.00025	\$0.00025
Other Income	\$0.00000	\$0.00003	\$0.00014	\$0.00000	\$0.00027	\$0.00000
Administrative Expense	\$0.00000	\$0.01798	\$0.01359	\$0.00316	\$0.00273	\$0.00867

Part II: Calculation of the Reportable Amounts based on the holding period

Item	(a) Number of Class A Interests Owned  (Note 1)		(b) Factor Per Class A Interest  (Note 2)		(c) Total Amount to be Reported  (Note 3)	Where to Reflect on the 2005 US Treasury Form 1040 (Note 4)
Interest Income		x		=		Line 1, Part 1, Schedule B
Other Income		x		=		Line 21, Form 1040
Administrative Expense		x		=		Line 22, Schedule A

Notes for the Tax Computation Worksheet B:

Note 1: It is recommended that a separate calculation be performed for each group of Class A Interests purchased or sold during 2005. You should make copies of this worksheet to facilitate such calculations.

Note 2: The amount to be used in column (b) of Part II should be calculated from Part I based on the period for which the Class A Interests were owned. If the Class A Interests were owned as of

the last date of a calendar month then the factors for that month should be included by the taxpayer in the calculation of the factor of column (b) of Part II.

Note 3: The amount to be reported is determined by multiplying the number of Class A Interests in column (a) by the factor in column (b). The number of Class A Interests used in column (a) should include only those Class A Interests that were held for the same periods of time. A separate Worksheet should be prepared for each group of Class A Interests that may have been acquired or sold at different times during the period July 23, 2005 through December 31, 2005.

Note 4: Please consult with your tax advisor on the reporting of the factors on your income tax return. The following is a general guideline that may not apply to your specific tax situation.

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