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Attorneys for Anthony H.N. Schnelling, as Post-Dissolution Trustee and Trustee of the Liquidating Trust of Impath Inc.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

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IN RE: : Chapter 11
: :
IMPATH INC., et al., : Case No. 03-16113 (PCB)
: :
Debtors. : (Jointly Administered)
-----X

**SECOND POST-CONFIRMATION STATUS REPORT OF THE POST-DISSOLUTION
TRUSTEE OF IMPATH INC. AND THE TRUSTEE OF THE IMPATH BANKRUPTCY
LIQUIDATING TRUST PURSUANT TO SECTION 1106(a)(7) OF THE BANKRUPTCY
CODE, LOCAL RULE 3021-1 AND THE POST-CONFIRMATION ORDER**

TO THE HONORABLE PRUDENCE C. BEATTY,
UNITED STATES BANKRUPTCY COURT JUDGE:

Anthony H.N. Schnelling, as Post-Dissolution Trustee of Impath Inc. and Trustee of the Impath Bankruptcy Liquidating Trust (collectively, the "Trustee"), by his undersigned counsel and pursuant to Section 1106(a)(7) of Title 11 of the United States Code (the "Bankruptcy Code"), Local

BKT. NO. 1468
DT. FILED 4/13/06

Bankruptcy Rule (“Local Rule”) 3021-1 and this Court’s Post-Confirmation Order and Notice dated October 4, 2005 (the “Post-Confirmation Order”), represents:

I. Background

1. On September 28, 2003 (the “Petition Date”), Impath Inc. (“Impath”) and its debtor subsidiaries, as debtors and debtors in possession (together, the “Debtors”), each filed in this Court voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

2. During the course of these proceedings, substantially all of the Debtors’ assets were sold and a plan of liquidation was filed, subsequently amended, and confirmed by the Court (the “ Plan”).

3. The Plan became effective on July 22, 2005 (the “Effective Date”), at which time the Debtors' estates were substantively consolidated and are being liquidated under the supervision of the Trustee.

4. On October 5, 2005, the Post-Confirmation Order was entered requiring the Trustee to file on January 15th, April 15th, July 15th and October 15th of each year following the Effective Date until a final decree has been entered “a status report detailing the actions taken by the Trustee and the progress made toward consummation of the Plan”.

5. The Trustee's First Post-Confirmation Report was filed on January 23, 2006 [Docket No. 1461]. A copy may be found at the Trustee's website at <http://bridge6.bridgellc.com/clients/impath/index.htm>.

6. The Trustee files this Second Post-Confirmation Report to describe the actions he has taken and the progress that has been made towards consummation of the Plan since January 23, 2006.

II. Progress Made Toward Consummation of the Plan

A. Claims Resolution

(i) Administrative Claims.

7. Twenty claims were filed as a result of the Administrative Claim Bar Date order entered by the Court in October 2005. On March 22, 2006, the Trustee filed the Trustee's First Omnibus Objection to Certain Administrative Expense Claims (Late) (Insufficient Documents) in respect to these claims. Responses are due on or before April 21, 2006 and a hearing is scheduled for May 4, 2006. Five previously-filed administrative claims totaling \$126,672 have been resolved by paying the sum of \$77,706 in the aggregate.

(ii) Pre-Petition Claims.

8. Prior to confirmation of the Plan, the Debtors filed eight omnibus objections to pre-petition claims filed against the Debtors' estates. On November 18, 2005, the Trustee filed the Ninth Omnibus Objection to Proofs of Claim (Late) (Books and Records) (CBOE and Adelson Claims) (Docket No. 1444) (the "Ninth Omnibus Objection"). All but two claims were resolved on or before the scheduled hearing date of January 11, 2006. The two claims were adjourned, consisting of a priority tax claim in the amount of \$443,296 and an administrative claim in the amount of \$688,439, to allow the parties to attempt to resolve them consensually. The Trustee disputes his liability for both claims and is working to resolve each.

9. Since the Effective Date, the Trustee has resolved 23 pre-petition claims filed or scheduled in the aggregate amount of \$7,030,923.00 by paying only \$1,890.351.00 in the aggregate.

B. Recovery of Assets

The following is a summary of the Trustee's efforts to recover significant assets:

(i) Tax Returns

10. The Trustee is pursuing federal, state and local tax refunds, together with interest thereon, of approximately \$28 million. These refund claims arise from the amended federal income tax returns filed by the Debtors for the years 1999 through 2002, state income returns for the year 2004 and federal income tax refunds and returns to be filed by the Trustee for the years 2005 and 2006 requesting refunds as a result of loss carrybacks from those years to the year 2004.

11. The Internal Revenue Service (the "IRS") has advised the Trustee that it will conduct an audit of tax years 1999 through 2004, and has issued Informational Document requests to the Trustee for the production of all accounting system transaction data and other documentation for the tax years under audit. To date, the Trustee and his professionals have produced and delivered a substantial portion of the data requested and continue to work to produce the remaining portion as quickly and efficiently as possible. It is expected that the IRS will make additional requests which the Trustee and his professionals will respond to, on a timely basis, in an effort to expedite the audit process.

12. The Trustee has collected \$1,857,059 of state and local income tax refunds to date.

13. While it is not possible to predict when and in what amount the taxing authorities will finally allow the refund claims, the Trustee is confident that the extensive work product presented to the Agent by the Trustee, as outlined in the First Post-Confirmation Report, and timely responses to each of the IRS' Informational Document Requests will

facilitate the audit process. The Trustee's professionals continue to meet with the IRS agent assigned to the matter on an ongoing basis.

(ii) The KPMG Lawsuit

14. On July 27, 2005, the Trustee filed a Complaint in the U.S. District Court for the District of New Jersey (Case No. 05-cv-03756-DMC-MF) (the "New Jersey Court") against KPMG for damages arising out of KPMG's alleged knowing and/or reckless participation in Impath's pre-petition accounting fraud.

15. KPMG subsequently filed a Motion to Dismiss the Complaint. A hearing on KPMG's Motion to Dismiss the Complaint occurred on February 2, 2006, at which the New Jersey Court denied the motion in its entirety.

16. Thereafter, on February 8, 2006, KPMG filed a motion requesting that the Court certify the Order for immediate appeal to the United States Court of Appeals for the Third Circuit pursuant to 28 U.S.C.A. § 1292 (b). On February 27, 2006, the Trustee's counsel filed the Trustee's Opposition to KPMG's motion, arguing that there is no reasonable basis for certification of the order for immediate interlocutory appeal. KPMG's motion is still pending.

17. On April 4, 2006, the New Jersey Court entered a Discovery Order governing pretrial discovery procedures and timing. Among other things, the Discovery Order contemplates a completion of fact discovery by January 1, 2007 and completion of expert discovery by April 1, 2007. Consistent with the New Jersey Court's Order, the parties have exchanged a first round of documents.

Trustee's website (*see supra* ¶ 5). The Trustee has also filed the U S Treasury Form 1041, the annual report required of grantor trusts, for the Impath Bankruptcy Liquidating Trust.

Dated: April 13, 2006

SAUL EWING LLP

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