

UNITED STATES DEPARTMENT OF JUSTICE -- TAX DIVISION
COLLATERAL AGREEMENT
Future Income -- Corporation

Name and Address of Taxpayer	Employer Identification Number

To: ASSISTANT ATTORNEY GENERAL -- TAX DIVISION

The taxpayer identified above ("the taxpayer" or "the corporation") has submitted a settlement offer dated _____ to compromise the following liabilities, plus statutory interest and additions: [SPECIFY TYPE OF LIABILITIES AND TAX PERIODS, INCLUDING NAME OF ANY OTHER CORPORATION FOR WHICH ANY 100% PENALTY WAS ASSERTED, AND DELETE THIS INSTRUCTION]

The purpose of this collateral agreement (hereinafter referred to as this agreement) is to provide additional consideration for acceptance of the offer referred to above. It is understood and agreed as follows:

1. In addition to any payments and other consideration under the settlement offer referred to above, the taxpayer will pay out of annual income for the fiscal years ending _____ to _____ inclusive--
 - (a) Nothing on the first \$ _____ of annual income;
 - (b) ___ percent of annual income in excess of \$ _____ and not in excess of \$ _____;
 - (c) ___ percent of annual income in excess of \$ _____ and not in excess of \$ _____;
 - (d) ___ percent of annual income in excess of \$ _____.

2. The term annual income, as used in this agreement, means the corporation's taxable income as defined in § 63 of the Internal Revenue Code ("Code") with the following additions, subtractions, and modifications:
 - (a) All tax-exempt, excludable, or other nontaxable income of the corporation shall be added.
 - (b) Federal, state, and local income tax reportable on the corporation's federal, state, and local income tax returns for the year for which annual income is

being computed shall be subtracted, provided that such tax has been reported and paid.

- (c) Any monthly, annual, or other regular periodic payment made under the terms of the underlying settlement during the year for which annual income is being computed shall be subtracted.
 - (d) The corporation's special deductions (dividends received and other deductions under Code §§ 241 through 250) shall not be allowed.
 - (e) The corporation's losses from sales or exchanges of property shall not be allowed.
 - (f) Consistent with paragraph 9 below, carryovers or carrybacks of net operating losses incurred before or after the period covered by this agreement shall not be allowed. Further, any net operating loss for any year during the period covered by this agreement shall be carried forward and only to reduce annual income for the immediately succeeding year.
3. The annual income subject to this agreement shall include the income of all subsidiaries and affiliates of the taxpayer which file a consolidated federal income tax return therewith and, in the event the taxpayer owns or controls, directly or indirectly, a majority of the stock of any other corporation with which it does not file a consolidated return, the computation of annual income shall include the taxpayer's proportionate share of such other corporation's annual income in excess of \$10,000 to the extent such sum is greater than any dividends actually received from such other corporation during the applicable year (and thus included under paragraph 2 above). The annual income of any other corporation covered by this paragraph shall be computed in the same manner as the annual income of the taxpayer under paragraph 2 above.
4. The annual payments provided for in this agreement (including interest pursuant to Code §§ 6621(a)(2) and 6622(a) on any delinquent payment computed from the due date of such payment) shall be paid to the Internal Revenue Service, without notice, on or before the 15th day of the 3rd month following the close of the calendar or fiscal year, except that the taxpayer will not be considered in default of this agreement if the payment, with interest, is made on such later date as may be allowed to the taxpayer to file its federal income tax return for such year; such payments to be accompanied by a sworn statement (in the form attached to this agreement) and copies of the taxpayer's federal, state, and any local income tax returns. The statement shall refer to this agreement and show the computation of annual income in accordance with

paragraphs 2 and 3 of this agreement, and the further computation of the amount being paid in accordance with paragraph 1 of this agreement. If the annual income for any year covered by this agreement is insufficient to require a payment under its terms, the taxpayer shall still furnish the Internal Revenue Service a sworn statement of such income and a copy of the taxpayer's federal, state, and any local income tax returns. All books, records, and accounts shall be open at all reasonable times for inspection by the Internal Revenue Service and the United States Department of Justice to verify the annual income shown in the statement. The taxpayer further hereby consents to the disclosure of information required to be provided hereunder for the purpose of administering this agreement. The annual payments (if any), the sworn statements, and copies of the applicable income tax returns shall be transmitted to:

Internal Revenue Service
Special Procedures Function

In the event that the taxpayer's taxable income for any year covered by this agreement is thereafter increased on any amended income tax return, the taxpayer shall recompute the annual payment required under this agreement for such year and send any portion that was not paid, together with interest at the rates referred to above, to the office indicated above, along with a copy of such amended return and a revised sworn statement (in the form attached hereto). If the taxpayer's taxable income for any year covered by this agreement is proposed by the Internal Revenue Service to be increased as the result of any audit or examination, the taxpayer shall immediately advise the office specified above of a potential need to recompute the payment that was due under this agreement for such year, shall pay any additional amount that the taxpayer agrees was due hereunder (with interest at the rates referred to above), and shall remain liable for any additional amount determined to be due by a court of competent jurisdiction.

5. The aggregate amount paid under the terms of the settlement (including this agreement) shall not exceed an amount equivalent to the liability sought to be compromised plus statutory additions and interest that would have become due in the absence of the settlement.
6. Payments made under the terms of the settlement (including this agreement) may be applied, as among the various periods covered and as among tax, penalty, and/or interest for each period, in such order as the Internal Revenue Service, in its sole discretion, deems to be in its best

interests, and may be reapplied among the same to the extent deemed appropriate by the Internal Revenue Service.

7. Upon the United States' acceptance of the settlement offer (including this agreement), the taxpayer shall have no right to contest in court or otherwise the amount of the liability sought to be compromised and, in the event that the amount of such liability becomes the subject of any court proceeding, the taxpayer agrees to the immediate entry of judgment, if appropriate, for the full unpaid balance of such liability (unless a judgment for a lesser amount has already been entered pursuant to the settlement). It is understood and agreed that the taxpayer's full performance under the settlement (including this agreement), without impairment of any security interest of the United States prior to such full performance and without any unjustified preferential treatment of any other creditor, is a condition precedent to any forgiveness of the balance of liability sought to be compromised as provided in the settlement, and that default shall not be excused on grounds of any inability of the taxpayer to comply with any term of the settlement (including this agreement) resulting from any cause or circumstance whatsoever, including the taxpayer becoming the subject of a proceeding under the Bankruptcy Code. Therefore, the following is also agreed:

- (a) In the event of default in payment of any installment of principal or interest due under the terms of the settlement (including this agreement) or in the event any other provision of this agreement is not carried out in accordance with its terms, or in the event the taxpayer becomes the subject of any proceeding whereby the taxpayer's affairs are placed under the control of another party or under the control and jurisdiction of a court other than in a case under the Bankruptcy Code, the United States, at its sole option, may--
 - (1) proceed immediately (by suit if necessary) to collect the entire unpaid balance of the amount due under the settlement (including this agreement); or
 - (2) proceed immediately (by suit if necessary) to collect the full unpaid balance of the liability sought to be compromised (including the entry of a judgment, if one has not been entered), with statutory additions and interest pursuant to Code §§ 6621(a)(2) and 6622(a); or
 - (3) disregard the settlement (including this agreement) and apply all amounts previously paid thereunder against the amount of the liability sought to be compromised and, without further notice of any kind, assess (if not yet assessed) and collect, by

levy or by proceedings supplemental to judgment or by separate suit (any restrictions against assessment and collection being waived), the balance of such liability with statutory additions and interest pursuant to Code §§ 6621(a)(2) and 6622(a).

- (b) In the event that the taxpayer becomes the subject of a proceeding under the Bankruptcy Code, any claim filed with the court with respect to the liability that is the subject of this agreement may be allowed in the amount of the full unpaid balance of the liability sought to be compromised (unless theretofore otherwise fixed by judgment), and the United States shall have the right to terminate the settlement (including this agreement) and seek to enforce such claim in accordance with the Bankruptcy Code, unless the following conditions are met for assumption or reinstatement of the settlement (with the approval of the court as necessary):
- (1) the taxpayer must promptly cure any payment default (with interest, including post-petition interest, pursuant to Code §§ 6621(a)(2) and 6622);
 - (2) the taxpayer must demonstrate adequate assurance of future performance without deferral or delay both during the bankruptcy proceeding and after confirmation of a plan or other termination of the proceeding, and without impairment of any security interest of the United States arising by virtue of any tax lien; and
 - (3) no creditor with a claim of lower distribution priority may receive more than it would if the United States terminated this agreement and sought enforcement of the full amount of its tax claim in accordance with the Bankruptcy Code.

Further, the taxpayer agrees to provide notice to the appropriate Internal Revenue Service office and also to the Department of Justice, Tax Division, of its becoming the subject of any proceeding under the Bankruptcy Code, making reference in such notice to the settlement (including this agreement), and agrees that, unless both such notices are provided, the United States may be deemed not to have notice of the bankruptcy.

8. The taxpayer waives the benefit of any statute of limitations applicable to the assessment and/or collection of the liability sought to be compromised, and agrees to the suspension of the running of the statutory period of limitations on assessment and collection for the period during which the settlement offer (including this agreement) is pending or the period during which any install-

ment or payment under the settlement (including this agreement) remains unpaid or any provision of this agreement is not carried out in accordance with its terms, and for one year thereafter.

9. Any net operating losses or capital losses sustained for tax years ending before the date on which the settlement offer (including this agreement) is accepted, and any unused credits from any such years, are waived and shall not be claimed as loss carryovers or credit carryovers in computing federal income taxes for the tax year in which the settlement offer (including this agreement) is accepted or any subsequent year and, accordingly, shall not be reported on any such federal income tax return. If this agreement is submitted by the taxpayer in the second half of the current tax year, then this paragraph shall also extend to any net operating loss, capital loss, or unused credit from the current tax year.
10. Any overpayment of any federal tax liability (income, excise, employment, or otherwise) made by the taxpayer with respect to any tax period ended before the date on which the settlement offer (including this agreement) is accepted, to the extent claimed as an overpayment within the applicable period of limitations, shall be applied to the tax liabilities sought to be compromised under the settlement offer (including this agreement).
11. All federal taxes due and owing with respect to any tax period ending while any other provision of this agreement is still in effect will be timely reported and paid in accordance with the provisions of the Code (and the failure of the taxpayer to do so shall constitute non-compliance entitling the United States to take any of the actions described in paragraph 7 above).
12. The taxpayer understands that the settlement offer (including this agreement) is evaluated on the premise that any financial information provided by the taxpayer or other information bearing on the collectibility of the liability sought to be compromised is fully truthful and accurate. Upon the discovery that any information supplied to the Internal Revenue Service or the Department of Justice in such regard contains a material misstatement of fact or a material omission, the United States may take any of the actions described in paragraph 7 above.
13. The taxpayer shall not attempt or otherwise take any action the effect of which would be to lessen the amount of income coming within the definition of annual income subject to this agreement by causing the taxpayer's assets, or income attributable to the taxpayer's assets, services, or production to be transferred to or realized by an affiliate, shareholder, or other nominee of the taxpayer (and a breach of this provision shall entitle the

United States to take any of the actions described in paragraph 7 of this agreement).

14. In the event that any paragraph of this agreement or any provision within any paragraph of this agreement is declared invalid or unenforceable, the other provisions of such paragraph and the other paragraphs of this agreement and the terms of the underlying settlement shall remain in full force and effect.

This agreement shall be of no force or effect unless the underlying settlement offer is accepted.

Name of Corporation	Signature and Title of Officer	Date

Statement of Annual Income -- Corporate

Applicable year: _____

To Chief, Special Procedures Function	Kind of Tax Compromised
From Name and Address of Corporation	Years or Periods Compromised
	Employer Identification No.

- | | | |
|--|----------|----------|
| 1. Taxable income from line _____ of Form 1120 ("TI") | | \$ _____ |
| 2. Add: (a) Tax-exempt, excludable, or other nontaxable income | \$ _____ | |
| (b) Special deductions taken (dividends received, certain dividends paid, amortization of start-up costs, etc., Code Sections 241 through 250) | _____ | |
| (c) Losses from sale or exchange of property | _____ | |
| (d) Deduction taken for NOL carry back/forward | _____ | |
| (e) Pro rata share of undistributed income (over \$10,000) of any partially owned subsidiaries not included on consolidated return | _____ | |
| (f) Other (attach explanation) | _____ | |
| Total additions and excluded deductions: | _____ | _____ |
| 3. Sum of items 1 and 2 above: | | _____ |
| 4. Less: (a) Installment payments made under settlement during applicable year | _____ | |
| (b) Income taxes reported and paid with respect to applicable year: | | |
| (1) Federal | \$ _____ | |
| (2) State | \$ _____ | |
| (3) Local | \$ _____ | |
| Total subtractable income taxes | _____ | |
| Total subtractions: | _____ | _____ |
| 5. Annual Income (item 3 minus item 4): | | \$ _____ |

6. Computation of payment due under the collateral agreement:
- (a) Nothing for the first \$_____ of annual income.
 - (b) ___% of \$ _____ (annual income from \$ _____ to \$ _____) = \$ _____
 - (c) ___% of \$ _____ (annual income from \$ _____ to \$ _____) = \$ _____
 - (d) ___% of \$ _____ (annual income in excess of \$ _____) = \$ _____
- TOTAL PAYMENT DUE UNDER COLLATERAL AGREEMENT: \$ _____
7. Interest due on above amount (see paragraph 4 of the collateral agreement) \$ _____
8. Total amount due under the collateral agreement with respect to the applicable tax year. (Pay in full herewith.) \$ _____

This statement of annual income for the applicable tax year indicated above is filed as required by the terms of a collateral agreement executed as part of a settlement respecting the tax liability for the periods shown above. I am attaching a copy of my income tax returns (federal, state, and local if applicable), including any schedules, for the applicable tax year.

Under penalty of perjury, I declare that I have examined this statement and that it is true, correct, and complete.

Signature of President or
Other Principal Officer

Title

Date