

# Drexel and IRS Set Accord on Back Taxes

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Drexel Burnham Lambert Group Inc. and the Internal Revenue Service reached an agreement that will lower the agency's \$5.28 billion claim for back taxes—clearing the way for Drexel's bankruptcy-court settlement to be presented to creditors.

The amount that will be set aside for the IRS hasn't been disclosed. But U.S. Judge Milton Pollack of Manhattan, who has jurisdiction over the case, said the amount fits into the overall settlement of Drexel's bankruptcy-law case.

It's believed that the IRS will receive only a small fraction

of what it had requested, because under the terms of the proposed settlement almost all of Drexel's \$2.5 billion in assets will be distributed to creditors and securities-litigation claimants.

Judge Pollack, as well as Drexel and its creditors, have accused the IRS of seeking a grossly inflated claim. The IRS alleged that the \$5.28 billion was owed for back taxes, interest and penalties for the years 1980 through 1990.

Judge Pollack gave the IRS until July 26 to get the Justice Department and the Treasury Department to sign off on the tentative agreement. If the agreement falls apart, a bankruptcy-court hearing would be held in early August to determine how much the IRS should be paid. A hearing on the tax claim scheduled for today has been postponed.

Drexel is operating under Chapter 11 of the U.S. Bankruptcy Code. Under Chapter 11, a company continues to operate but has court protection against creditors' lawsuits while it tries to work out a plan for paying its debts.

Attorneys for Drexel and its creditors have said that the bankruptcy-court settlement would be stymied if the IRS claim exceeded the amount set aside in the plan, which was not specified. Drexel filed for bankruptcy-law protection in February 1990.

Judge Pollack, who helped engineer the settlement, said the tentative accord with the IRS "moves the plan a step further forward. . . . I regard it as a highly desirable event." Drexel expects to present its bankruptcy reorganization plan to creditors later this year.

Attorneys for Drexel and the IRS declined comment.

