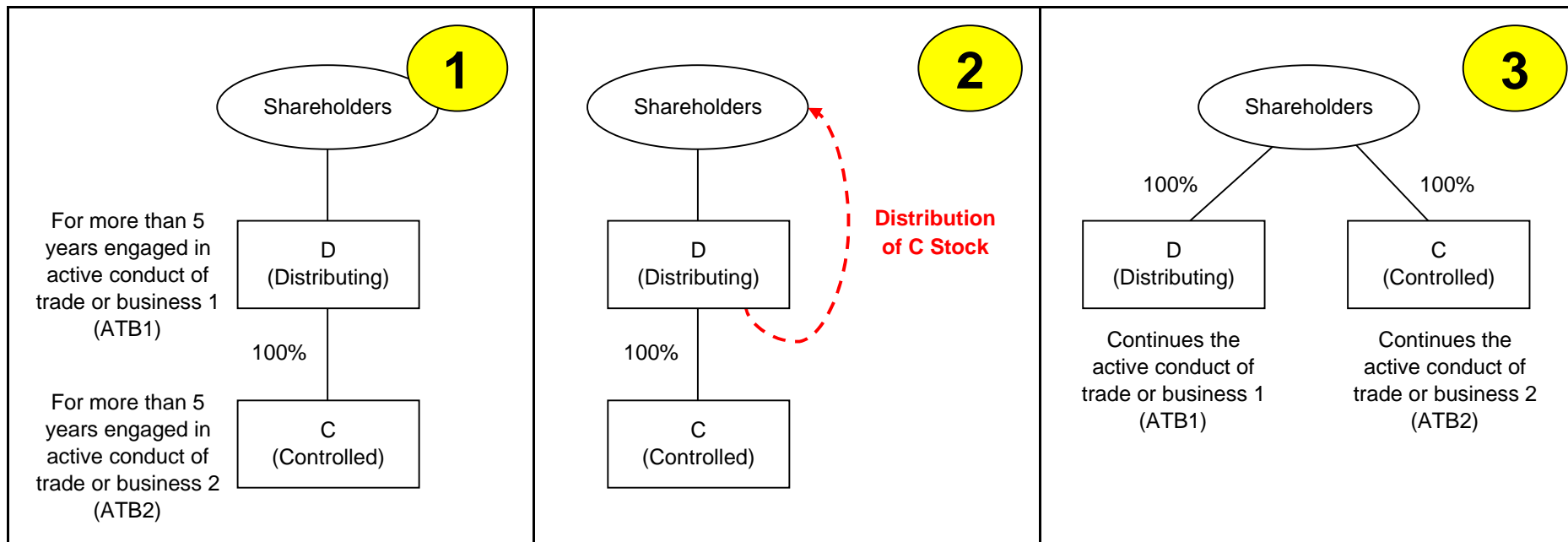


**Spin-Off Meets Section 355(b) Requirements**

**Initial Structure**

**Spin-Off**

**Ending Point**



For more than five years, D and C have engaged in the active conduct of ATB1 and ATB2, respectively. D distributes the C stock to the D shareholders, and each corporation continues the active conduct of its respective trade or business. Because both D and C are engaged in the active conduct of a trade or business immediately after the distribution and such trades or businesses have been actively conducted by such corporations throughout the pre-distribution period, the requirements of section 355(b) have been satisfied.