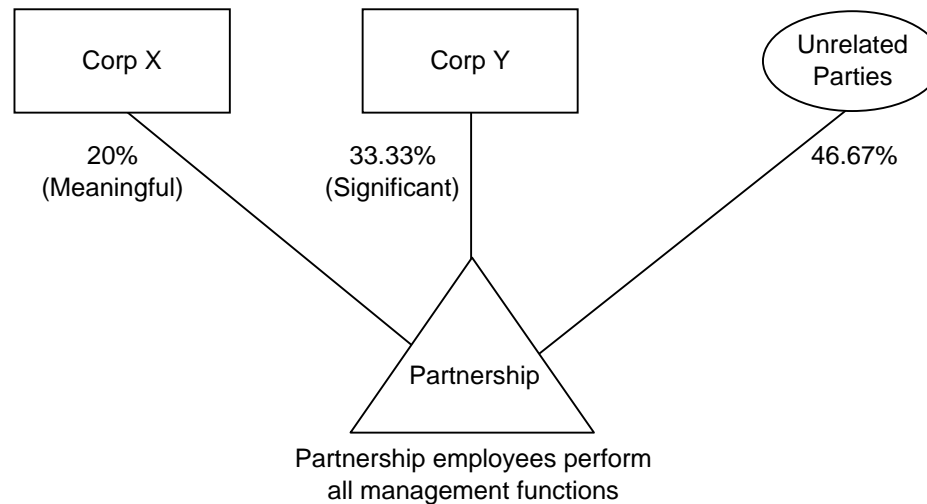


**Partnership - Meaningful /  
Significant Interest**



For more than five years, unrelated X and Y have owned a 20-percent and 33 1/3-percent interest, respectively, in Partnership. The remaining interests in Partnership are owned by unrelated parties. For more than five years, Partnership has manufactured power equipment. Partnership satisfies all the requirements of being engaged in the active conduct of a trade or business.

All the management functions related to the business of Partnership are performed by employees of Partnership. X neither owns a significant interest in Partnership nor performs active and substantial management functions with respect to the trade or business assets and activities of Partnership. Accordingly, X is not attributed the trade or business assets and activities of Partnership's business of manufacturing power equipment, and X is not engaged in the active conduct of the business of manufacturing power equipment. On the other hand, because Y owns a significant interest in Partnership, Y is attributed the trade or business assets and activities of Partnership's business. Accordingly, Y satisfies the requirements to be engaged in the active conduct of the business of manufacturing power equipment.