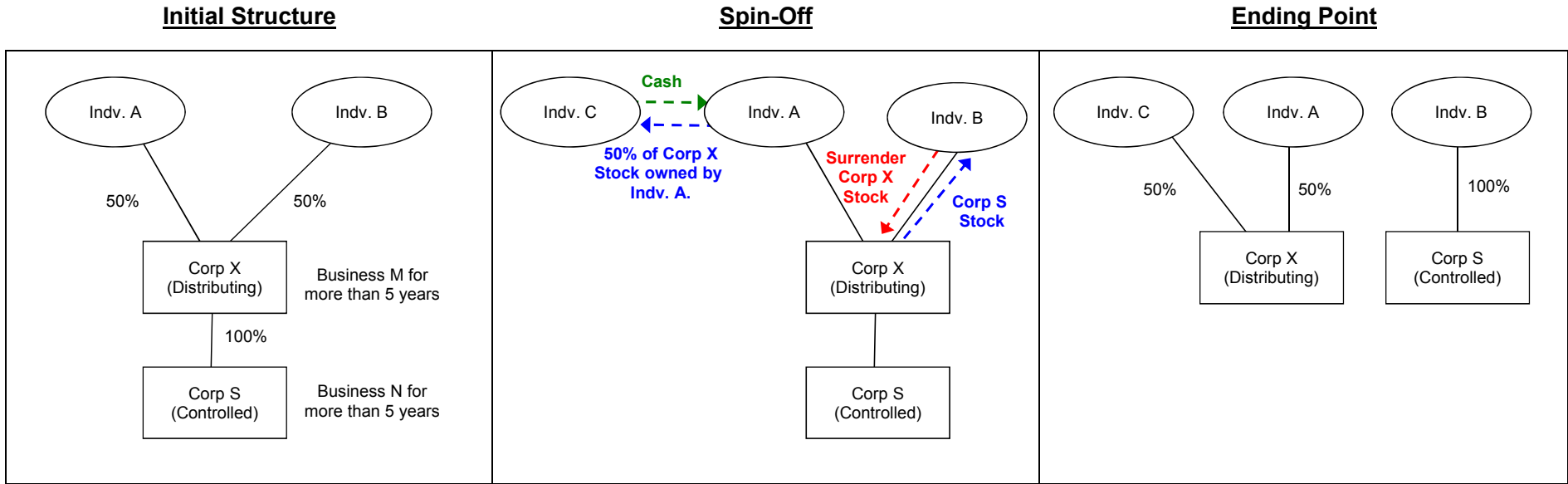


**§355 Spin-Off: Continuity of Interest -
Pre-Spin Sale of Shares (50%)**



For more than five years, Corp X has been engaged directly in one business, and indirectly in a different business through its wholly owned subsidiary, Corp S. The businesses are equal in value. At all times, the outstanding stock of Corp X has been owned equally by unrelated individuals A and B. Pursuant to a plan to acquire a stock interest in Corp X without acquiring, directly or indirectly, an interest in Corp S, C purchased one-half of the Corp X stock owned by A and immediately thereafter Corp X distributed all of the Corp S stock to B in exchange for all of B's stock in Corp X. After the transactions, A owns 50% of Corp X and B owns 100% of S.

The distribution by Corp X of all of the stock of Corp S to B in exchange for all of B's stock in Corp X will satisfy the continuity of interest requirement for Code §355 because one or more persons who were the owners of Corp X prior to the distribution (A and B) own, in the aggregate, an amount of stock establishing a continuity of interest in each of Corps X and S after the distribution.