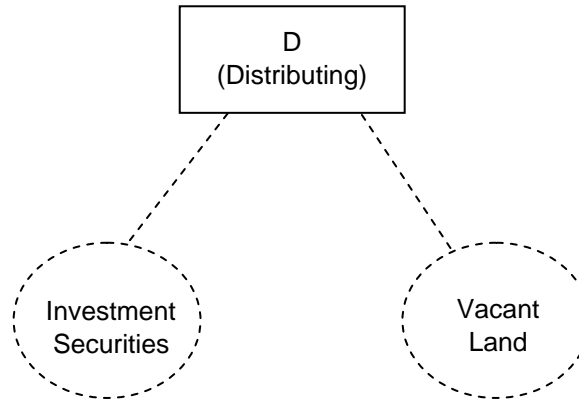


**Spin-Off With Securities  
and Vacant Land**



For more than five years, D has owned investment securities and vacant land. D has conducted no activities with respect to the vacant land, but D will subsequently subdivide the vacant land, install streets and utilities, and sell the developed lots to various homebuilders. D cannot currently satisfy the requirements of section 355(b) because the holding of investment securities does not constitute the active conduct of a trade or business. Furthermore, no significant development activities have been conducted with respect to the vacant land.