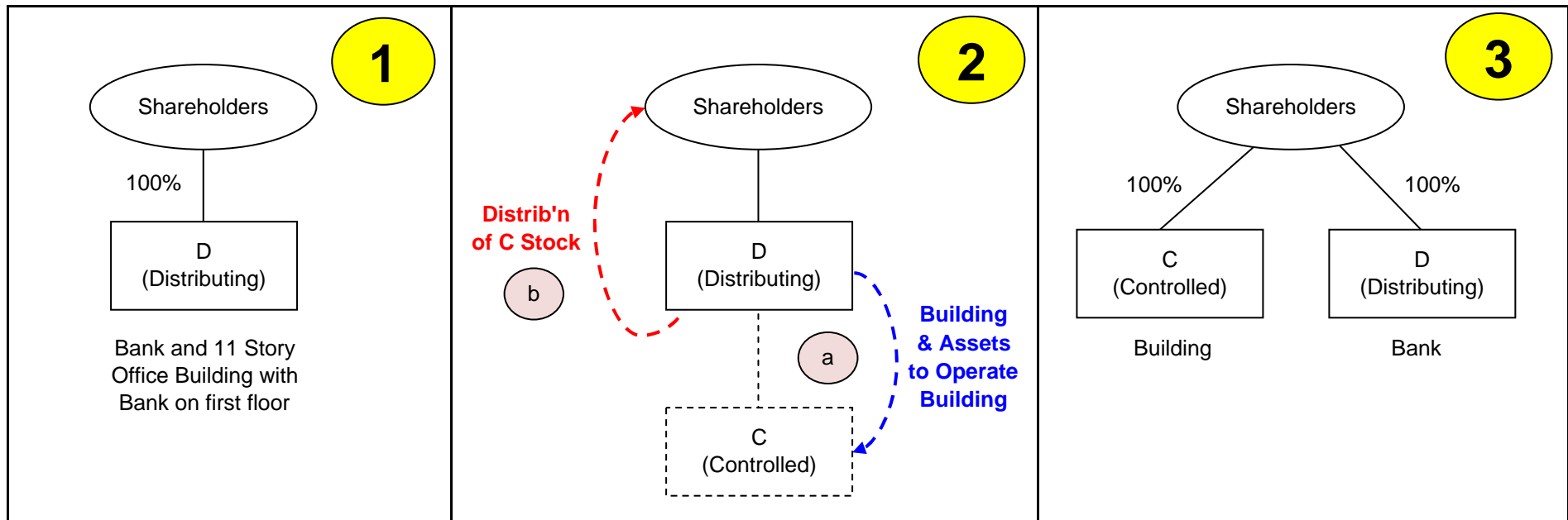


Spin-Off With Occupied Real Estate

Initial Structure

Contribution / Spin-Off

Ending Point



For more than five years, D, a bank, has owned an eleven-story office building, the ground floor of which D has occupied while engaged in the active conduct of its banking business. The remaining ten floors are rented to various tenants. Throughout this period, the building has been managed, operated, repaired, and maintained by employees of D. D transfers the building along with the significant assets used to operate the building and the goodwill associated with the building to new subsidiary C and distributes the C stock to the D shareholders. Henceforth, C's employees will manage, operate, repair, and maintain the building. D and C both satisfy the requirements of section 355(b).