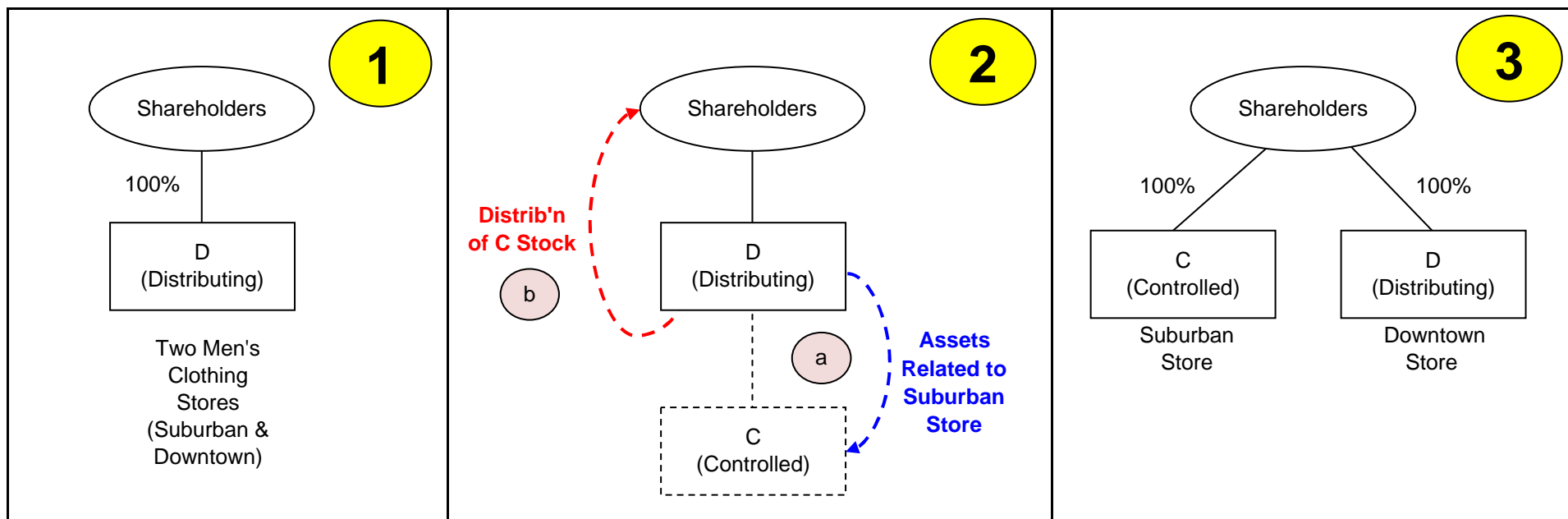


**Spin-Off -- Vertical
Division -- Location**

Initial Structure

Contribution / Spin-Off

Ending Point



For more than five years, D has engaged in the active conduct of owning and operating two men's retail clothing stores, one in the downtown area of the City of G and one in a suburban area of G. D transfers the store building, fixtures, inventory, and other significant assets related to the operations of the suburban store and the goodwill attributable to that store to new subsidiary C. D also transfers to C the delivery trucks and delivery personnel that formerly served both stores. Henceforth, D will contract with a local public delivery service to make its deliveries. D retains the warehouses that formerly served both stores. Henceforth, C will lease warehouse space from an unrelated public warehouse company. D then distributes the C stock to the D shareholders. D and C both satisfy the requirements of section 355(b).