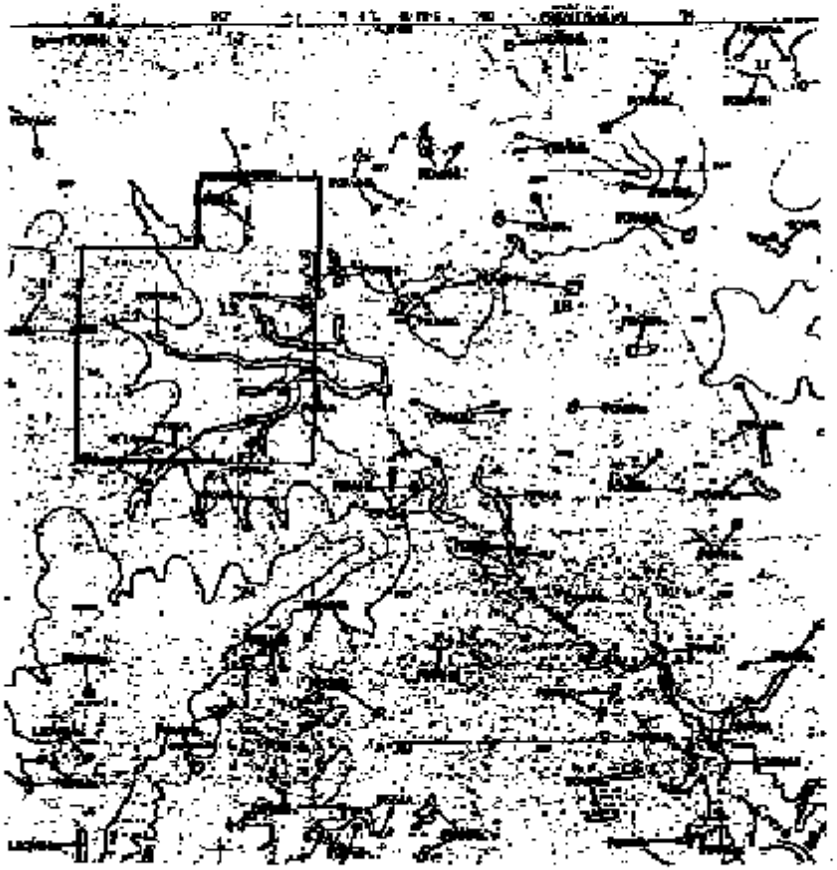EXAMPLE 3B, CONTINUED