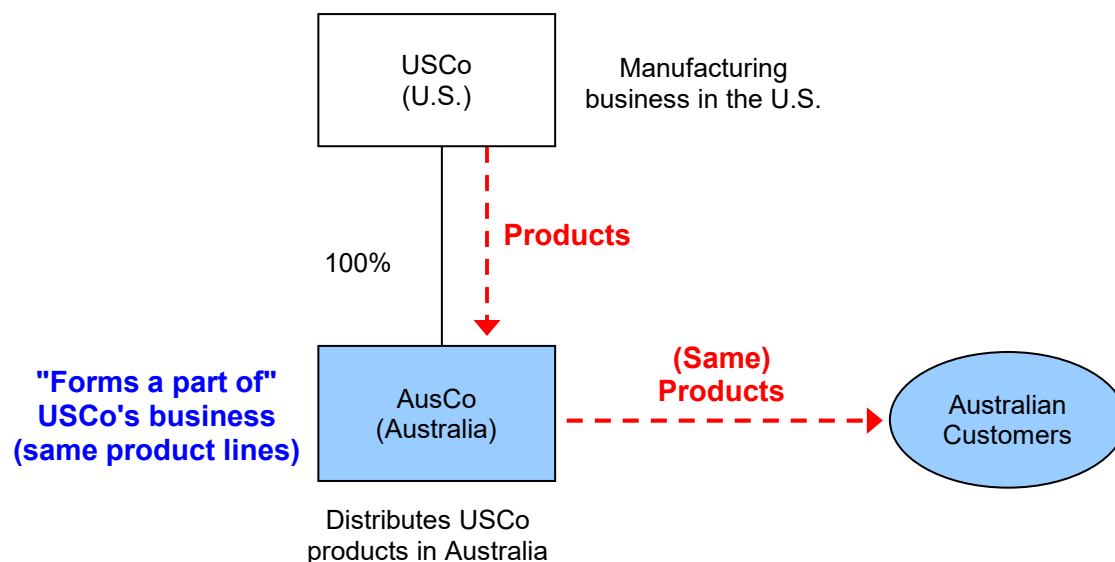


**Australian Protocol (2001)
Treasury Tech. Explan.,
Article 16, Paragraph 3,
Example 1**

**Australian Distributor Activity
"Forms a Part of"
U.S. Manufacturer Activity**

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Limitation on benefits:

Active trade or business test ("derived in connection with")

USCo is a corporation resident in the United States. USCo is engaged in an active manufacturing business in the United States. USCo owns 100 percent of the shares of AusCo, a corporation resident in Australia. AusCo distributes USCo products in Australia. Because the business activities conducted by the two corporations involve the same products, AusCo's distribution business is considered to form a part of USCo's manufacturing business.