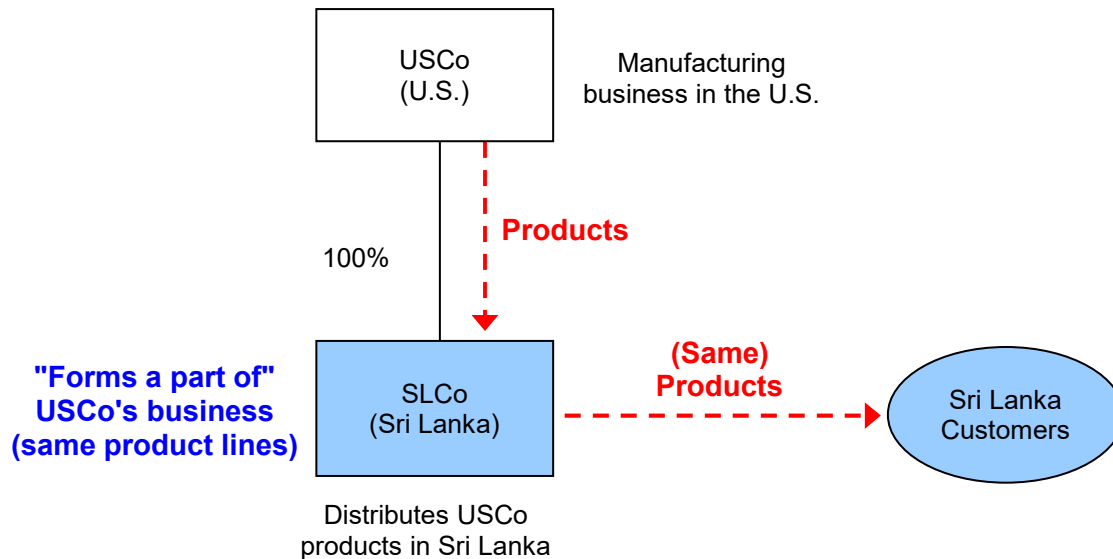


**Sri Lanka Protocol (2002)
Treasury Tech. Explan.,
Article 23, Paragraph 3,
Example 1**

**Sri Lanka 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 SLCo, a corporation resident in Sri Lanka. SLCo distributes USCo products in Sri Lanka. Because the business activities conducted by the two corporations involve the same products, SLCo's distribution business is considered to form a part of USCo's manufacturing business.