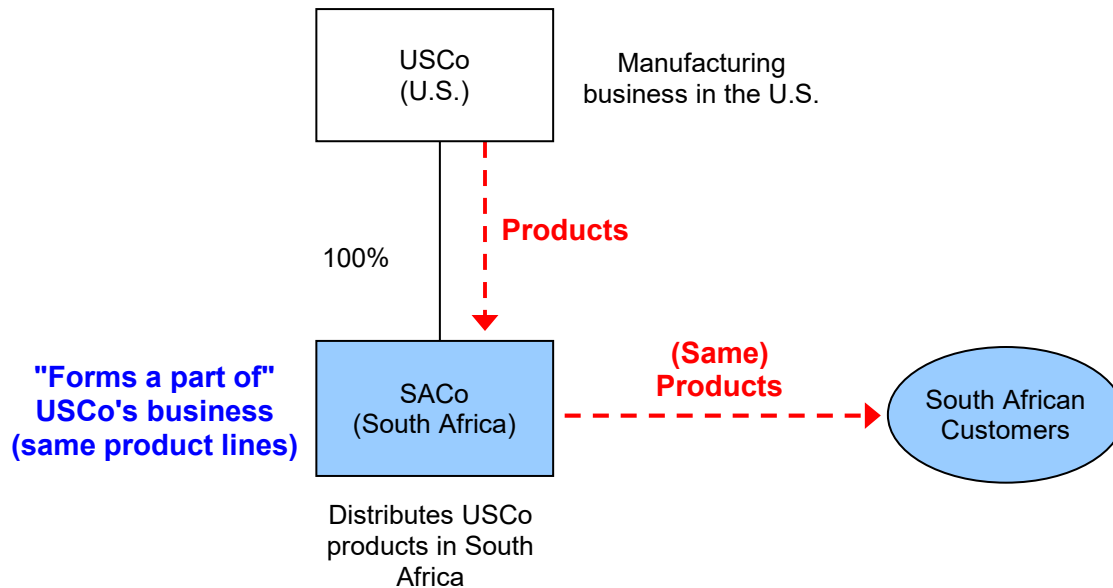


**South Africa Treaty (1997)
Treasury Tech. Explan.,
Article 22, Paragraph 3,
Example 1**

**South African 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 SACo, a corporation resident in South Africa. SACo distributes USCo products in South Africa. Since the business activities conducted by the two corporations involve the same products, SACo's distribution business is considered to form a part of USCo's manufacturing business within the meaning of subparagraph 3(d).