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February 27, 1989

FTB Notice 89-110
410:AJ:ds:DN-89-110

Re: ~~Mole Richardson, Inc.~~ v. ~~Franchise Tax Board~~
Superior Court of Los Angeles County, No. C 554842

On January 11, 1989, the Trial Court concluded that all the business activities of plaintiff and its affiliates constituted a single unitary business. The Court's conclusions were based upon its findings that the plaintiff's operations were controlled by a strong centralized management and that there were economies of "costs" realized through centralized activities. There was no discussion or finding regarding functional integration.

Because the Franchise Tax Board believes functional integration is a necessary element in diverse business cases, it will appeal the ~~Mole Richardson~~ decision. Pending a final court decision, the Franchise Tax Board will continue to require centralized management, economies of scale, and functional integration in order for diverse business to be regarded as unitary.

Glenn L. Rigby
Chief Counsel

NOTE: ((---)) = Indicates obsolete information.