77-SBE-033

BEFORE THE STATE BOARD OF EQUALIZATION

OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of)
)
BEECHAM, INC.)

For Appellant: Richard M. Goltermann
Assistant Treasurer

For Respondent: Bruce W. Walker
Chief Counsel

Joseph W. Kegler
Counsel

OPINION

This appeal is made pursuant to section 25667 of the Revenue and Taxation Code from the action of the Franchise Tax Board on the protest of Beecham, Inc., against proposed assessments of additional franchise tax in the amounts of $9,793.98, $15,274.49, and $23,605.96 for the income years ended March 31, 1968, 1969, and 1970, respectively. The proposed assessment for the income year ended March 31, 1968, was issued to appellant Beecham, Inc. as successor in interest to Beecham Products, Inc. which was merged into appellant on March 27, 1968, pursuant to a tax-free reorganization.

Appeal of Beecham, Inc.

The issue for determination is whether appellant, its domestic and foreign subsidiaries, and its foreign parent and other foreign subsidiaries of the parent were engaged in a single unitary business.

Beecham Products, Inc. for the first year and Beecham, Inc. (hereinafter referred to as appellant or Beecham (US)) for the last two appeal years filed California returns reporting the income from their own operations and determining the California portion of that income by the three-factor apportionment formula. Beecham Research Laboratories, Inc. (hereinafter referred to as Beecham Labs (US)), a subsidiary of Beecham (US) engaged in the sale of pharmaceutical products, also filed California 'returns utilizing the apportionment formula to determine the California portion of the income from its own operations.

As the result of an audit, respondent determined that Beecham (US) and its several subsidiaries including Beecham Labs (US) were engaged in a single unitary business with.the parent corporation, Beecham Group Limited (hereinafter referred to as Beecham Group or Beecham (parent)), and other subsidiaries of the parent. Respondent determined the total wnitary net income of the combined group on the basis of a combined report and, by the regular three-factor formula, determined the California portions of both Beecham (US) and Beecham Labs (US) of that unitary net income. The resulting proposed assessments were issued to Beecham (US) under an agreed single billing arrangement, giving credit to previous payments by both Beecham (US) and Beecham Labs (US). Appellant's protest was denied and this appeal followed.

Beecham Group, the parent company, with its headquarters at Brentford, Middlesex, England, is the apex of the international pyramid of corporations, branches, and divisions comprising the Beecham family. Beecham Group was first registered in England in 19.28, as Beecham Pills Ltd., when it acquired both an existing pill business and a drug business. From that date it has expanded its product lines and its marketing operations through the formation of subsidiaries and the acquisition of other existing corporations. The sales of some of its products now extend

into the United States, the major countries in the Western Hemisphere, the countries. formerly or still part of the British Empire, the European Economic Community, other European countries, and Japan. The products of Beecham Group include a wide variety of prescription and proprietary pharmaceuticals, vitamins, veterinary products, toiletry articles, and food and drink products. A major development of its research and laboratory facilities in England was the discovery and marketing throughout the world of a number of patented and trademarked semi-synthetic penicillins.

In 1961, Beecham Products, Inc., which had been operating under a different corporate name since 1907, became a wholly owned subsidiary of Beecham Group. Its headquarters, manufacturing plant, and principal warehouse facilities *were* located in New Jersey. Some of the products manufactured and sold by Beecham Products, Inc. were: Rrylcreem hairdressing, Macleans Toothpaste, Eno (an antacid seltzer), and Silvikrin shampoo, all of which were products and trademarks originally developed by organizations controlled by Beecham Group. Nationwide distribution was through company salesmen, with deliveries from public warehouses in California, Washington, Texas, and other areas of the United States.

Beecham Labs (US) was incorporated in New York in 1962 with 51 percent of its stock owned by Beecham Group. Its purpose was to produce and market in the United States the antibiotic "Penbritin", one of the semi-synthetic penicillins developed, patented, and trademarked by Beecham Group. Beecham Labs (US) was headquartered in the same building with Beecham Products, Inc.

The acceptability and increasing demand for semi-synthetic penicillin products in the United States led to the decision to reorganize and expand United States production of penicillin. It was decided that Beecham Products, Inc., would build and operate *a* pharmaceutical plant at Piscataway, New Jersey. This facility was opened during the first appeal year.

Appeal of Beecham, Inc.

In 1967, as part of a complete reorganization, Beecham (US) 'was incorporated as a wholly owned subsidiary of Beecham Group. Shortly thereafter, Beecham Group transferred its 100 percent stock interest in Beecham Products, Inc. to Beecham (US). Next, early in 1968, Beecham Products-; Inc. was merged into Beecham (US), with the latter continuing all the operations and activities and retaining the management, employees, and properties of Beecham -Products, Inc.

During September 1967, Beecham Group transferred its controlling interest in Beecham Labs (US) to Beecham (US):, thereby facilitating the direct control of Beecham (US) over all United Statescorporations. In the same month, as part of this overall reorganization, Beecham Group transferred to Beecham (US) its 100 percent ownership interest in each of its Canadian, Argentine, Brazilian, Mexican, Venezuelan, and Australian subsidiaries. Beecham Western Hemisphere, Inc., was incorporated in 1968 as a wholly owned subsidiary of Beecham (US). It was formed co sell semi-synthetic penicillin manufactured by Beecham (US) in the Latin American markets. It was headquartered with its parent in New Jersey. In 1969, Reecham (New Zealand) Ltd. was incorporated as another wholly owned subsidiary of Beecham (US). Its headquarters were in Aukland, New Zealand.

The effect of this restructuring and reorganization was'to make Beecham (US) a major operating subsidiary of Beecham Group, controlling the operations of all Beecham subsidiaries in the Western Hemisphere, Australia, and New Zealand.

At the time of the appeal years, Beecham Group had organized its vast network of international operations into four major divisions: Beecham Pharmaceutical Division, Beecham Products Division, European Division, and Beecham (US).

While all four divisions engaged in both manufacturing and marketing operations, the most important from the standpoint of research, new product development, and manufacturing were the Pharmaceutical and Products Divisions. New-or improved products came both from the efforts of long established branches and subsidiaries as well as from the continuing program of Beecham Group to acquire as new subsidiaries going businesses producing well-known brands of toilet articles, food products, cosmetics, nonprescription

health remedies, and alcoholic and soft drinks. Generally, Reecham Group would retain the corporate name of an acquired subsidiary when that name had attained a high degree of product recognition. For example; Horlicks, Hunt Drinks, Lady Esther, and Margarete Astor. However, when Beecham Group expanded the affiliated family by forming new subsidiaries, the practice was to include the "Beecham" name in the corporate title of the subsidiary.

At the top of the affiliated family's management structure is the board of directors of Beecham Group. Of particular significance is the substantial interlocking of key directors of Reecham Group and the four divisions. One of the directors of Beecham Group was the chairman of the board of directors of each of the four Beecham Divisions. In the case of Reecham (US), four of its twelve directors were also directors of Beecham Group. Many of the division directors were also directors or officers of various corporate subsidiaries within that division.

During the ten year period ending with 1970, Beecham Group's sales increased from 56 million British pounds to-slightly more than 161 million British pounds. (During the years in issue, the British pound sterling was approximately equivalant to $2.40 in United States currency.) In the same period, profits increased from 8 million British pounds to over 29 million British pounds. An examination of these figures indicates that United Kingdom sales doubled while overseas sales quadrupled, and United Kingdom profits rose 40 percent while overseas profits rose over 900 percent.

The greatest contribution to the international rise of Beecham Group's sales and profits over the ten year period ending with 1970 was its semi-synthetic penicillins. The beginning.of this major activity of Beecham Pharmaceutical Division was in England in 1955 when the management of Beecham Group decided to establish a research organization. to investigate the possibility of producing new and improved penicillins by chemical means. Thereafter, the activities and facilities of Beecham Pharmaceutical Division which conducted all of Beecham Group's penicillin research expanded tremendously. In 1957, the Division identified and isolated 6-APA, the basic component in the production of semi-synthetic pencillins. The first and most important of these which was produced and successfully marketed

worldwide was ampicillin, which was patented and sold under the trademark Penbritin. Additional new penicillins were developed, patented, and trademarked.

These penicillins produced by Beecham Pharmaceutical Division were marketed worldwide within the Beecham affiliated group and to outsiders by three different methods: (1) as packaged trademarked brands; (2) by sale of 6-APA under licensing agreements with the buyer further processing the 6-APA into the trademarked packaged product; and (3) under licensing agreements where the licensee would produce 6-APA and 'further process it into the finished product for sale under the licensee's own trademark.

During the three appeal years, 99, 99, and 100 percent, respectively, of the total 6-APA produced by Beecham Pharmaceutical Division was either used by it to manufacture semi-synthetic penicillins or sold intercompany. Approximately 20 percent of its production was sold to Beecham (US) and its non-United States subsidiaries during the appeal years. After acquiring the 6-APA, Beecham (US) processed it into finished penicillin products for ultimate distribution. During the three appeal years, Beecham (US)'s 6-APA purchases expressed as a percentage of its total purchases were 15.3 percent, 21.2 percent, and 22.2 percent, respectively. The relationship of sales of semi-synthetic penicillin to Beecham (US)'s total sales for the same three years was 8.1 percent, 20.7 percent, and 25.6 percent, respectively. The sales for the last appeal year included $350,000 of finished penicillin products to Beecham Group to meet a temporary product shortage at the parent corporation.

The Beecham Products Division markets Beecham toiletries, -proprietary medicines, and food and drink products in the United Kingdom and in overseas territories, other than Europe and the Western Hemisphere, and carries out research work into these products for Beecham Group. From its inception it was the policy of Beecham Group to expand its product lines and marketing operations both by acquiring other corporations with established product lines, and by forming subsidiaries to develop new products. Some of these products include Horlicks food and drink products; Brylcreem, Macleans Toothpaste, Eno and Silvekrin Shampoo.:

Appeal of Beecham, Inc.

Beecham Products Division was responsible for manufacturing and marketing in the United Kingdom and for all overseas operations except Europe and the Western Hemisphere.

Rrylcreem and Macleans were two of Beecham (US)'s principal products and were manufactured and marketed from its New Jersey facilities. During the last appeal year Brylcreem accounted for 36 percent of Beecham (US)'s total sales, while Macleans accounted for 33 percent. In 1969, Brylcreem was the leading men's hairdressing sold at food stores in the United States. Similarly, Macleans held a substantial market share of United States toothpaste sales. Beecham (US) was also responsible for the manufacture and distribution of its toiletries, as well as of its proprietary and prescription drugs, through its subsidiaries, licensees and distributors in Canada, Latin America, Australia and New Zealand. Examples of some of these products, in addition to those mentioned above, are: Eno which was the largest selling proprietary antacid in Canada and Australia: and Mistral deodorant which was distributed in Latin America.

Beecham (US) was the registered owner of its various product trademarks, including Brylcreem and Macleans which it acquired from its parent, in the United States, Canada, Australia and New Zealand. Beecham Group was the owner of such. trademarks in the other countries in the Western Hemisphere. Additionally, Beecham (US) acquired, under license agreements from Beecham Group, non-exclusive rights relating to all of Beecham Group's products in the Western Hemisphere, Australia, and New Zealand. Although Beecham Group and Beecham (US) each had their own research staff, both made available to the other, on a continuous basis, research and technical information pursuant to the aforementioned license agreements.

Beecham's European Division markets Beecham prescription medicines, cosmetics, toiletries and proprietary medicines in continental Europe. During the appeal years the sales of Beecham's semi-synthetic penicillins accounted for the principal expansion of this Division. The European Division's Amsterdam plant packaged and formulated a substantial amount of the penicillin. However,, the bulk material was acquired from Beecham Pharmaceutical Division's plant in England.

Appeal of Beecham, Inc.

Beecham Products Division is the source of some of the toiletries and proprietary medicines marketed in Europe by the European Division. Among these products was Macleans Toothpaste. Various cosmetics are also manufactured and marketed by the European Division. Primarily involved in this aspect of the European operation are existing businesses which were acquired as subsidiaries by Beecham Group and placed under the operational control of this division.

Financing of acquisitions, major new facilities,. and major expansions throughout the affiliated group was either directed and implemented by, or approved by Beecham (parent) before implementation by a subsidiary. During the appeal years, Beecham (parent) handled some of that financing through its Luxembourg subsidiary, Beecham International Holdings, S.A.

At the beginning of 1968, Reecham Group owned all the outstanding common stock of Beecham (US). Aware of the need for substantial additional capital for plant expansion and working capital requirements, it was determined to offer approximately 11 percent or 400,000 shares of Beecham (US)'s stock for public sale. Beecham (US) was first required to obtain the consent of its parent before offering the stock. The sale realized $10 million. Of this amount, $3.5 million was used to repay current bank debts in connection with the construction of the new pharmaceutical facility at Piscataway, New Jersey. An additional $3.5 million was earmarked for expansion of the same facility.. Of the balance, $1 million was applied to reduce amounts owed to affiliated companies.

The total of loans outstanding among the Beecham affiliates at the close of the appeal years exceeded 18 million British pounds. Of that amount, over 15 million pounds was loan capital of Beecham (parent).

When a taxpayer derives income from sources both within and without California it is required to measure its California franchise tax liability by the net income derived from or attributable to sources within this state.

Appeal of Beecham, Inc.

(Rev. & Tax. Code, § 25101.)[1/] If the taxpayer's business is unitary, the income attributable to California must be computed by formula apportionment rather than by the separate accounting method. (Butler Bros. v. McColgan, 17 Cal. 2d 664 [111 P.2d 334](1941), aff'd, 315 U.S. 501 [86 L. Ed. 991](1942); Edison California Stores, Inc. v. McColgan, 30 Cal. 2d 472 [183 P.2d 16](1947).)

1/ Appellant argues that the unitary concept derives from Rev. & Tax. Code, § 25102, not § 25101, and is thereby limited to situations where allocation "is necessary in order to reflect the proper income of any such person," and that, based on the facts, no such allocation is necessary here in view of the arm's length nature of the transactions between Beecham (US) and Beecham Group. This same argument has been uniformly rejected by the California Supreme Court and by this board. It is well settled that the authority for requiring a combined report flows from the general statute which authorizes such formula allocation (§ 25101). (See, e.g., Edison California Stores, Inc. v. McColgan, 30 Cal. 2d 472 [183 P.2d 16](1947); Appeal of Warner Bros. Pictures, Inc., Cal. St. Bd. of Equal., May 5, 1969; see also Keesling and Warren, California's Uniform Division of Income For Tax Purposes Act, 15 U.C.L.A. L. Rev. 156, 174, 175 (1967).) Appellant is also in error in contending that California is attempting to tax Beecham (parent). The disputed tax is proposed only against Beecham (US) and Beecham Labs (US) and, pursuant to § 25101, is measured by the portion of the unitary business income attributable to California sources as a result of their California activities. Beecham Group and the other affiliates were included in the combined report not as California taxpayers but only to determine what the unitary business income was.

The California Supreme Court has announced two general tests for determining whether a business is unitary. In Butler Bros. v. McColgan, supra, the court held that the existence of a unitary business is definitely established by the existence of: (1) unity of ownership; (2) unity of operation: and. (3) unity of use. Subsequently, in Edison California Stores, Inc. v. McColgan, supra, the court held that a business is unitary when the operation of the business within California contributes to or is dependent upon the operation of the business outside the state. More recent cases have reaffirmed these tests. (See, e.g., Superior Oil Co. v. Franchise Tax Board, 60 Cal. 2d 406 [34 Cal. Rptr. 545, 386 P.2d 33] (1963); Honolulu Oil Corp. v. Franchise Tax Board, 60 Cal. 2d 417 [34 Cal. Rptr. 552, 386 P.2d 401 (1963); RKO Teleradio Pictures v. Franchise Tax Board, 246 Cal. App. 2d 812 [55 Cal. Rptr. 299] (1966).) The California courts have yet to clearly delimit the unitary business concept, except to state, "It is only if [a foreign corporation's] business within this state is truly separate and distinct from its business without this state, so that the segregation of income may be made clearly and accurately that the separate accounting method may properly be used." (Butler Bros. v. McColgan, supra, 17 Cal. 2d at 669-668.)

Before addressing the question of whether a unitary business exists, we believe it appropriate to. comment, briefly, on the propriety of including the income of a foreign parent and the parents subsidiaries in the combined report. Initially we note that appellant has merely alluded to this potential problem and has not advanced any substantive argument against such a combination. In appropriate cases we have approved the inclusion of income from foreign subsidiaries in a combined report. (See, e.g., Appeal of Grolier Society, Inc., Cal. St. Bd. of Equal., Aug. 19, 1995; Appeal of The Anaconda Co., et al., Cal. St. Bd. of Equal., May 11, 1992; Appeal of F. W. Woolworth Co., Cal. St. Bd. of Equal., July 31, 1972.) We are unable to discern any difference when the foreign corporation is the parent rather than the subsidiary. The following quotation aptly summarizes our position:

> It seems clear, strictly as a logical proposition, that foreign source income is no different from any other income when it comes to determining, by formulary apportionment, the appropriate share of the income of a unitary business taxable by a particular state. This does not involve state taxation of foreign source income any more than does apportionment -- in the case of a multistate business -- involve the taxation of income arising in other states. In both situations the total income of the unitary business simply provides the starting point for computing the in-state income taxable by the particular state. This proposition, so far as foreign source income is concerned, was recognized in the early Supreme Court case of Bass, Ratliff & Gretton v. State Tax Commission [266 U.S. 271: 69 L. Ed. 282 (1924)]. While the Bass case involved a singie corporation, the rationale is just as applicable where a unitary business is being conducted by an affiliated group of corporations, and even though some of the corporations are beyond the jurisdiction of the taxing state. This wcs, in substance the holding in Edison Stores [30 Cal. 2d 472: 183 P.2d 16] (1947)]. (Rudolph, State Taxation of Interstate Business: The Unitary Business Concept and Affiliated Corporate Groups, 25 Tax L. Rev. , 205 (1970).)

Both the courts and this board have often recognized the presence of integrated executive forces, as evidenced by common officers and directors, as an important indicator of contribution and dependency. (Chase Brass & Copper Co. v. Franchise Tax Board, 10 Cal. App. 3d 496 [87 Cal. Rptr. 239], appeal dismissed and cert. denied, 400 U.S. 961 [27 L. Ed. 2d 381](1970); Appeal of Automated Building Components, Inc., Cal. St. Bd. of Equal., June 22, 1976; Appeal of Grolier Society, Inc., supra; Appeal of Harbison-

Walker Refractories Co., Cal. St. Bd. of Equal., Feb. 15, 1972 Appeal of F W Woolworth Co., supra.) One of the primary areas of disagreement between the parties is the effect of the interlocking officers and directors. Appellant argues that major policy decisions of appellant were made by its directors, while respondent contends that, in actuality, it was the top management of Beecham (parent) that made the major policy decisions with respect to appellant's overall operations. We believe that respondent is correct.

Initially, we note that a different director or officer of Beecham Group was positioned as chairman of the board of each of the four Beecham Divisions. Three of -these chairmen also served on Beecham (US)'s board. Thus, mutuality of interest was assured. throughout the affiliated Beecham family..

In this regard, respondent also points out that the shares of Reecham (US)'s common stock had non-cumulative voting rights so that the holder of more than 50 percent of the shares, Beecham (parent), could elect all the directors. Thus, the parent was able to assure itself that the overall operations of Beecham (US) were continuously subject to its authority and approval. Furthermore, the four so-called public directors were also selected by Beecham (parent). The only restriction was that each not be a director, officer, or employee of Beecham (US), Beecham (parent), or any other Beecham affiliate. Since Beecham (parent) had the authority to elect all directors, none were in any position to consistently advocate any action adverse to Beecham Group's interest. Thus, the absolute power to control appellant's board of directors and, therefore, its corporate destiny, rested with Beecham (parent).

It *was* the key management executives at Beecham Group who'were responsible for the decisions to expand and develop the affiliated family internationally both by acquisition and by creating new subsidiaries. Furthermore, the management of Beecham Group was responsible for all corporate reorganizations including which operating units

should 'be sold, or placed under the operational control of some other affiliate, or liquidated as unprofitable. It decided which subsidiaries were to be under the operational control of each of its four major divisions. Additionally, it was the management of Beecham Group who had the ultimate responsibility for decisions involving all major expansion projects throughout the affiliated corporate family.

Substantial intercompany financing has consistently been recognized as an important element in determining the existence of a unitary business. (Chase Brass & Copper Co. v. Franchise Tax Board, supra: Appeal of Automated Building Components, Inc., supra; Appeal of Grolier Society, Inc., supra; Appeal of Browning Manufacturing Co., Cal. St. Bd. of Equal., Sept. 14, 1972.) Beecham Group was the principal financial provider for the Beecham family, being the original borrower of 80 percent of the total affiliated corporate family loan capital in the final appeal year. The management of Beecham Group made the financing decisions and arrangements with respect to all new acquisitions and major new plant constructions throughout the affiliated family. In some instances, its wholly owned European subsidiary, Beecham International Holdings, S.A., was utilized to obtain the required capital..

In an attempt to minimize the existence of intercompany financing, appellant argues that Beecham Group provided it with no financing during the appeal years. In so arguing, appellant ignores the 1968 transaction whereby $10 million was realized from the public offering of 400,000 shares of appellant's previously unissued stock. At the beginning of 1968, Beecham Group, the regular source of financing, for the affiliated family, was aware of the need for substantial additional capital for Beecham (US)'s Piscataway plant expansion. In this instance, instead of facilitating the expansion by the usual route of borrowing, Beecham Group decided to approve the public stock offering to obtain the needed capital. As a result of its approval and the ultimate public offering, Beecham Group's stock interest in Beecham (US) was diluted from

100 percent to 89 percent. Although this particular financing arrangement among affiliates is not typical, it is clear that Beecham (US) obtained the needed capital only because Beecham Group made it possible. In an appropriate case such as this one, equity financing, as well as debt financing, facilitated by a parent is a substantial unitary feature. (Cf. Miller, State Income Taxation of Multiple Corporations and Multiple Businesses, 49 Taxes 102, 106-107 (1971).)

The existence of intercompany product flow, such as that present in this appeal, is also an important element of contribution or dependency. (Appeal of Grolier Society, Inc., supra; Appeal of Swift & Co., Cal. St. Bd. of Equal., April 7, 1970; Appeal or The Weatherhead Co., Cal. St. Bd. of Equal., April 24, 1967.) The degree of mutual contribution and dependency between Beecham Group, the Pharmaceutical.Division, and Beecham (US) and its'affiliates is particularly striking when the semi-synthetic penicillin operations are considered. During the appeal years, 99 to 100 percent of Beecham Group's production of 6-APA, the basic ingredient for the semi-synthetic penicillins, was utilized by it or its affiliates in manufacturing the finished products for sale to the public worldwide. Significantly, Beecham (US) provided from 19 to 21 percent of the market outlet for the total production of 6-APA. The dependency of Beecham (US) and its subsidiaries on Beecham Group for 6-APA was complete since it was not available from any other source during the appeal years. It is also significant to note that the requirements of Beecham (US)'s New Zealand and Australian subsidiaries were furnished directly by the Pharmaceutical Division.

The intercompany relationships between Beecham Group and Beecham (US) with respect to the manufacture and sale of its toiletry products also exemplify substantial mutual contribution and dependence even in the absence of a physical flow of finished products between the corporations. Beecham (US) was entirely dependent on Beecham Group for the United States and Western Hemisphere rights under cross-licensing agreements to manufacture and distribute its toiletry products, to use the formulas, to use trade names, and to participate in the exchange of technical

information and "know-how". The free and constant exchange of research, product information, new formulas, and product improvements is a further illustration of mutual dependence and contribution. Additionally, the usage of common corporate names and trademarks was present throughout the affiliated corporate family.'. The existence of all these factors, singularly or in conjunction, have been held to constitute evidence of the existence of a unitary business. (Appeal of Grolier Society, Inc., supra; Appeal of Automated Building Components, Inc., supra; Appeal of F. W. Woolworth Co., supra; Appeal of Browning Manufacturing Co., supra; Appeal of Perk Foods Co. of California, Cal. St. Bd. of Equal., Nov. 23, 1966.)

In support of its contention that a unitary business'does not exist, appellant argues that much of the intercorporate activity is unrelated to the business it conducts in California. However, a determination that a business is unitary does not require an interdependence between one segment of that business and every other segment of it. This argument was considered and rejected by this board in Appeal of Monsanto Company, decided November 6, 1970, where we stated:

> The argument misconceives the unitary business concept. All that need be shown is that during the critical period Chemstrand formed an inseparable part of appellant's unitary business wherever conducted. By attempting to establish a dichotomy between appellant's California operations and Chemstrand, appellant would have us ignore other parts of appellant's business which cannot justifiably be separated from either Chemstrand or the California operations. . ..

In view of all the factors considered above, we believe that there is a substantial basis for determining that appellant and its subsidiaries were engaged in a single unitary business with Beecham Group and its other subsidiaries.

Appeal of Beecham, Inc.

ORDER

Pursuant to the views expressed in the opinion . . of the board on file in this proceeding, and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, pursuant to section 25667 of the Revenue and Taxation Code that the action of the Franchise Tax Board on the protest of Beecham, Inc., against proposed assessments of additional franchise tax in the amounts of $9,793.98, $15,274.49, and $23,605.96 for the income years ended March 31, 1968, 1969, and 1970, respectively, be and the same is hereby sustained.

Done at Sacramento, California, this 2nd day of March, 1977, by the State Board of Equalization.

William M. Bennett, Chairman

George R. Reilly, Member

Robert Nevins, Member

________________, Member

________________, Member

ATTEST: W. W. Dunlop, Executive Secretary