



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

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INTERNAL REVENUE SERVICE NATIONAL OFFICE FIELD SERVICE ADVICE

MEMORANDUM FOR ASSOCIATE AREA COUNSEL (LMSB), ATLANTA

ATTN:

FROM: Lewis K Brickates, Acting Chief, Branch 4
CC:CORP:4

SUBJECT:

This Field Service Advice responds to your memorandum dated January 16, 2002. In accordance with section 6110(k)(3) of the Internal Revenue Code, this Field Service Advice should not be cited as precedent.

This writing may contain privileged information. Any unauthorized disclosure of this writing may have an adverse effect on privileges, such as the attorney client privilege. If disclosure becomes necessary, please contact this office for our views.

LEGEND

TP =
FC =

ISSUE

Should TP's warrants to acquire stock in FC be treated as options under I.R.C. §318(a)(4) to this transaction.

FACTS

The facts indicate that the warrants issued by FC, in this case, granted TP the right to acquire FC stock at TP's election. There were no contingencies on TP's right to exercise the warrants. Although TP had a limited time to exercise the warrants, there were no limitations on TP's right to exercise.

CONCLUSION

Therefore, we do not recommend that TP's warrants be disregarded. Nothing in the analysis or facts, as currently developed, justifies disregarding the warrants.

Case Development, Hazards and Other Considerations

[REDACTED] Usually, §318 is used as a straightforward, black letter test to determine attribution. The Service has historically considered any right to acquire stock as an option under §318. See Rev. Rul. 69-601; Rev. Rul. 89-64. [REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

Please call Aimee K. Meacham at (202) 622-7530, if you have any further questions.

Associate Chief Counsel (Corporate)

By: _____
LEWIS K BRICKATES
Acting Chief, Branch 4