

Tax MVP: Latham & Watkins' David Raab

By Bryan Koenig

Law360, Washington (November 30, 2016, 2:24 PM EST) -- Latham & Watkins LLP partner David S. Raab spent his year structuring tens of billions of dollars' worth of mergers and acquisitions in deals that spanned semiconductors, aviation services, telecommunications and shampoo in the most tax-friendly way possible, netting him a spot among Law360's 2016 Tax MVPs.

Raab specializes in U.S. federal income tax law, and he applied that expertise to deals that crossed multiple national borders, leading a team of attorneys to devise and negotiate the most beneficial tax structures. Two of last year's deals involved Raab's biggest client, The Carlyle Group LP, selling its holdings in other companies.

"My role in each of these transactions was first and foremost to structure the deal and then negotiate the various documents," Raab told Law360. "Structuring on the one hand and then negotiating the tax-related provisions on the other. Behind me, of course, is a big M&A team."

The largest of Raab's deals in the past year was the February closing of a \$37 billion acquisition, announced the previous May, of Broadcom Corp. by chipmaker Avago Technologies Ltd. in what was billed as the largest semiconductor transaction ever. Raab and his team were working for Avago but much of the focus, he told Law360, was actually on the seller rather than the buyer, since the Singapore-based company was not the only suitor for Broadcom.

What Raab and the multidisciplinary team he worked with devised to sweeten the deal to Broadcom's shareholders was a three-menu option for the holding company set up to compose the new entity: cash, stock that could be sold later on, or a restricted limited partnership interest that came with a higher certainty of tax-free treatment and ensured equity instead of cash if too many shareholders asked for stock, a request that would have triggered a cash proration.

MVP

TAX



David Raab
Latham & Watkins

Raab, based in New York, has spent his entire legal career navigating these waters with Latham since he joined the firm in 1988 right out of law school. In March he finished a five-year term as Latham's global tax department chair.

One of the Carlyle sales Raab worked on in the last year was British aviation services company BBA Aviation PLC's \$2 billion cash purchase of Houston-based Landmark Aviation. Landmark provides aircraft maintenance in the U.S., Canada, France and the U.K. and had been majority owned by Carlyle affiliates since the private equity firm brought it back into the fold in 2012.

The Landmark purchase was announced in September 2015 and closed in February. Raab's role involved navigating the Carlyle structure that included both LLCs taxed as partnerships as well as taxable corporations. Under the deal, BBA was treated in part as if it was buying assets and in part as if it was buying stock.

According to Raab, saving Carlyle tax money required convincing BBA, at the right price, to also accept the purchase of the taxable corporations.

The other Carlyle deal was the \$3.3 billion sale of private hair company Vogue International LLC to Johnson & Johnson. Announced in June and finalized the following month, that deal saw Carlyle selling its large minority stake in Vogue, and it saw Raab helping get Johnson & Johnson to also buy the stock of the “blocker companies” — used as an intermediary by investors who cannot own direct LLC interests — as a “much more tax efficient exit” for those partners, he said.

Additionally, Raab helped British private equity firm BC Partners and the Canada Pension Plan Investment Board buy a 30 percent stake in U.S. cable company Cablevision Systems in a deal announced in October 2015 worth nearly \$1 billion. CPPIB and BC Partners were given the option to get in on European telecommunications giant Altice's \$17.7 billion play for Cablevision, a deal that was completed in June, as part of the funds' agreement to sell Altice a 70 percent interest in Suddenlink Communications.

The deal, Raab said, required structuring the rollover piece that clients BC Partners and CPPIB weren't selling in a way that wouldn't be recognized as taxable gains. CPPIB was easy since it doesn't have to pay Canadian taxes as a governmental entity, but BC Partners was more complicated, Raab said, because of ties to both the U.S and the U.K. Even so, the transaction was fashioned to be tax-free in both countries.

“There was a fair amount of work that had to go into making sure the transaction would fit within both countries' sets of rules,” Raab said, adding that it was an example where he worked with a Latham U.K. partner to structure the deal just right.

--Additional reporting by Maya Rajamani, Benjamin Horney and Chelsea Naso.