Tax MVP: Latham & Watkins' Laurence Stein

By Alex Lawson

Law360, New York (December 03, 2014, 4:26 PM ET) --

Latham & Watkins LLP partner Laurence Stein’s efforts to marshal the tax prongs of billion-dollar transactions for pharmaceutical titans Actavis PLC and Allergan Inc. accounted for just a fraction of an impressive year that earned him a spot among Law360’s list of Tax MVPs.

Stein spent much of the past year engrossed in high-value corporate inversions and tax-free spin-offs, which have become increasingly popular structures in the transactional space. While Stein focused on navigating scores of complex tax rules, he stressed that he always attempted to keep client service at the forefront of his work.

“You're not just talking about a bunch of tax rules ... they really impact business decisions,” Stein told Law360. “When I counsel companies, I feel like I need to explain this to them and not tie them up in knots with a bunch of tax rules. I need to explain it crisply and tell them what it is they can and can’t do without burying them in a bunch of details that cloud the situation.”

Nearly a year after helping Actavis to close its $8.5 billion takeover of Warner Chilcott PLC in an inversion that moved Actavis under Ireland’s tax regime, Stein found himself on the other side of the ledger when Actavis forked over $28 billion for New York-based Forest Laboratories Inc.

While inversions have drawn scrutiny from regulators as an attempt for U.S. firms to elude a stringent tax code, Stein noted the such deals also pose substantial risks for the foreign purchaser, which in this case was Actavis.

“You need to make sure you navigate through [the inversion rules] because if you aren't in compliance with those rules, the acquiring foreign company can lose its status as a foreign company for U.S. tax purposes,” Stein said. “It's a matter of just making sure we meet the ownership tests and working that through, and that is an important thing because the downside is just so horrific.”

Stein led a Latham tax team that included attorneys from the firm’s Los Angeles, New York, Washington,
D.C., and London offices in an effort to untangle the various overlapping tax rules imposed on the cross-border, multi-jurisdiction arrangement.

More recently, Stein found himself across the table from Actavis when the company swooped in to purchase his client, Allergan, with a $66 billion dollar offer that put an end to an acrimonious hostile buyout attempt from Valeant Pharmaceuticals International Inc. and activist investor Bill Ackman.

Valeant and Ackman had pushed Botox manufacturer Allergan to accept their buyout offer, which eventually crept up to $55 billion. The company’s top brass thought the offer was unsatisfactory, leaving Stein and his team in the tough position of contemplating the tax ramifications of numerous potential deals that may have eventually gone through.

“That was quite an interesting saga for many, many months,” Stein said. “There were lots of twists and turns and different things that Allergan considered. During the course of this thing there were lots of different tax issues that came up in terms of what this would mean if they were acquired by Valeant, and there were other transactions they were going to consider.”

Stein's ability to juggle multiple tasks in the lucrative dealmaking process was also on display in his work to spin off the Red Lobster restaurant chain from Darden Restaurants Inc. and the subsequent sale of that unit to Golden Gate Capital for $2.1 billion.

Darden announced in March that it was pursuing a spin-off or sale of the popular Red Lobster chain, despite activist investor pushback. Stein explained that much of the legwork for carving Red Lobster out of Darden's portfolio was already done by the time Golden Gate came in, leading to a fairly painless sale process.

“It's often the case that when you do these spins, you expect incoming calls [from buyers] or you go out and market it as a division,” Stein said. “We were far enough along that we were comfortable doing the spin but kind of as a dual-track process as people were looking at the company as well.”

Stein's big year also included his representation of Questcor Pharmaceuticals Inc. in its $6.5 billion sale to Mallinckrodt Pharmaceuticals PLC and his work for Plains Exploration and Production Co. in its $10.75 billion tax-free merger with Freeport-McMoRan Copper and Gold Inc., and scores of other high-profile transactions.

While he takes great pride in his own work, Stein repeatedly stressed that his success is due in no small part to the rest of Latham's team, including its deep bench of seasoned mergers and acquisitions professionals.

“I've been at this place for 28 years, and it's a great firm,” he said. “It's got a great transactional practice, and it's hard to make an impact as a tax lawyer on deals unless you're at a firm that does deals. This firm has a great transactional practice, so I have a wonderful buffet of opportunities with this great team.”

--Editing by Philip Shea.

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