

## Tax Group Of The Year: Davis Polk

By Joshua Rosenberg

*Law360 (December 2, 2020, 5:44 PM EST)* -- Davis Polk & Wardwell LLP's tax division has been named one of Law360's 2020 Tax Groups of the Year. From advising Sterling Equities and the New York Mets on the sale of the team to advising Morgan Stanley on its \$13 billion acquisition of ETRADE, the firm helped navigate some of the year's most noteworthy tax developments.

The firm's tax group includes over 60 attorneys who are primarily based in either New York or London.

One particularly high-profile case in which Davis Polk was involved in 2020 involved the sale of the New York Mets baseball team.

"It is absolutely fair to say that if you're a baseball fan, there's nothing cooler than working on the sale of a baseball team," David Schnabel, head of tax at the firm, told Law360.

Davis Polk advised Sterling Equities and the Mets on the tax dimension of the sale, which closed in early November after entities affiliated with Steven A. Cohen and Cohen Private Ventures stepped in to purchase the team.

The sale marks the end of a drawn-out process that moved in fits and starts and consistently attracted media attention, Schnabel said, but was nonetheless enjoyable.

The deal eventually went out to auction, Schnabel said, which was animated by the participation of many bidders.

"It was a bit of a long process just because we had it in one place. Then it stopped, and then it resumed," he said. "But reading about it in the paper on an almost daily basis just made it all the more cool."

The media attention added a unique flavor and dimension to the process, he said.

"There were points when you could pick up a newspaper, read something and learn about it before you'd otherwise learn about it," he said. "And at other points you'd pick up the same newspaper, and what you'd read wouldn't be quite right."



Davis Polk also advised the underwriters on SoftBank's \$20 billion monetization of its T-Mobile shareholdings, in a transaction that closed in June. The firm advised the underwriters for T-Mobile's registered offering, which resulted in \$16 billion aggregate gross proceeds, making it the largest follow-on in history.

"We have a very big capital markets practice, but it's unusual to have a transaction that large," Lucy Farr, a partner at Davis Polk, told Law360, adding that it felt more like a mergers and acquisitions deal, given its size and profile.

"Thinking about the issues for investors and how to disclose the tax consequences was interesting from a technical perspective."

The firm also advised Morgan Stanley regarding tax aspects of its \$13 billion acquisition of E-Trade Financial Corporation, which closed in early October.

The acquisition was a key move in buttressing Morgan Stanley's wealth management services, CEO and chairman James Gorman said in a press release at the time.

"The addition of E\*TRADE positions us as an industry leader in Wealth Management across all channels and segments, and significantly increases the scale and breadth of our Wealth Management franchise, which now oversees \$3.3 trillion in assets," he said.

The deal is especially noteworthy because Morgan Stanley operates in a highly regulated industry in which the government is often loath to approve acquisitions, Michael Mollerus, a partner at Davis Polk, told Law360.

"Many financial institutions for the last decade or so haven't really been able to grow by acquisition," he said. "For Morgan Stanley to be able to do that and get the regulator's approval was very welcome."

The challenge for the tax advisers in this deal was two-fold, Mollerus said: effectuating a tax-free reorganization for the companies and shareholders, while simultaneously allowing Morgan Stanley to effectively integrate the acquisition. As such, the team eventually decided that a two-step forward merger would suit their purposes well, he said.

"Balancing those two and coming up with the right structure was a challenge," Mollerus said, adding that Morgan Stanley is currently in the process of using the same merger framework to acquire Eaton Vance.

The company is "a leading provider of advanced investment strategies and wealth management solutions with over \$500 billion in assets under management, for an equity value of approximately \$7 billion," according to a press release Morgan Stanley issued in October.

"Literally, within one week after we closed the E-Trade deal, Morgan Stanley was right back at it again," Mollerus said.

--Editing by Peter Rozovsky.