



Morgan Lewis

**ADVANCED TOPICS IN
HEDGE FUND PRACTICES
CONFERENCE**

**Manager and Investor Perspectives
WEBINAR SERIES**

Track 4: Tax, AML, and Intellectual Property

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www.morganlewis.com/2021hedgefundconference

Tax Update for the Hedge Fund Industry in a Changing World

Speakers



Jennifer Breen
+1.202.739.5577
[jennifer.breen@
morganlewis.com](mailto:jennifer.breen@morganlewis.com)



Sarah-Jane Morin
+1.415.442.1231
[sarah-jane.morin@
morganlewis.com](mailto:sarah-jane.morin@morganlewis.com)



Richard Zarin
+1.212.309.6879
[richard.zarin@
morganlewis.com](mailto:richard.zarin@morganlewis.com)



Cosimo Zavaaglia
+1.212.309.6646
[cosimo.zavaaglia@
morganlewis.com](mailto:cosimo.zavaaglia@morganlewis.com)

New Guidance & Hot Topics

1

Tax Treatment of Carried Interest

- Final regs issued on January 7, 2021
- Significant improvement over proposed regs
- Potential hazards remain for investment principals
- Consider potential LPA amendments

2

Final Regs on Recognition of Gain or Loss on Sales & Withholding on ECI Partnership Interests

- Final regs issued September 21, 2020
- Retain basic structure and approach of proposed regs
- Complex calculations that will require access to partnership-level information
- Potential withholding obligation for underlying funds starting in 2022

3

Continued impact of new partnership tax audit rules

- Audits for years after December 31, 2017
- Audits ramping up
- Increased staffing and IRS focus
- Difficult procedural issues, TEFRA – BBA straddle audits

New Guidance & Hot Topics

4

Hot tax audit topics

- Self-employment tax audits
- Other IRS Campaigns: virtual currency, sales of partnership interests
- Global high-net-worth audits
- CARES Act issues

5

State and local tax matters

- Passthrough entities as workaround for SALT deduction limits
- Remote working and return to work
- Other emerging topics

6

Potpourri of Additional Tax Considerations

- Digital Assets
- SPACs
- IRS has released some new digital asset tax guidance
- SPAC tax issues ongoing

Carried Interest Tax Update



API Taint

- Once an API, always an API
- Distinguishing capital interests:
 - No deemed mark-to-market carry
 - Risks from use of borrowed funds
 - Complications of tiered structures



Exceptions to API

- Interest granted for services
- Corporations
- Capital interests
- Bona fide purchaser (added by final regs)



Exceptions to Recharacterization

- 1231 gain
- Qualified dividend income
- 1256 gain

How to Avoid or Minimize ECI Withholding

Certification of Nonforeign Status

- Transferor provides certification
- Transferee remains liable if certification is incorrect
- Transferee may also show that transferor had no gain subject to tax because it is not a foreign person

No Realized Gain Exception

- Transferor provides certification of no realized gain, including ordinary income under 751
- Transferor may rely on certification from partnership regarding 751 gain, but must attach to its own certification to Transferee

Effectively Connected Gain Exception

- Partnership provides certification to Transferee
- ✓ If partnership sold all assets at FMV, distributive share of EC Gain would be zero or less than 10% of total net gain from partnership
OR
- ✓ Partnership was not engaged in a US trade or business

De Minimis ECI Exception

- Transferor provides certification
- Distributive share of **Gross** effectively connected income was less than \$1M and less than 10% of transferor's total
- Three-year lookback period is unchanged

Certification of Nonrecognition

- Transferor provides certification
- Pursuant to the operation of a nonrecognition provision, no gain recognition
- Partial nonrecognition is not permitted

Treaty

- Transferor provides certification on Form W-8BEN or W-8BEN-E
- Transferee is permitted to rely on certification if it mails a copy of the form to the IRS within 30 days after transfer

How to Avoid or Minimize ECI Withholding

Provide a certification of maximum tax liability under Reg. Sec. 1.1446(f)-2(c)(4)

- Procedure to determine the amount to withhold that is intended to estimate the amount of tax that the transferor is required to pay on gain under Sec. 864(c)(8)
- Allows a transferee to withhold based on a certification received from the transferor containing information relating to the transferor and the transfer, including the transferor's maximum tax liability on the transfer

No Gain

- Reg. Sec. 1.1446(f)-5(b) provides that any person required to withhold under 1446(f) is not liable for failure to withhold, or any interest, penalties, or additions to tax, if it establishes to the satisfaction of the Commissioner that the transferor had no gain under Sec. 864(c)(8) subject to tax on the transfer

Controversy Update

IRS & State Revenue Agencies: The State of Play

Areas of Audit Interest: Where Is the Focus?

State-Specific Tax Trends

COVID Impacts on Tax: How Much Longer Do We Need to Talk About This?

IRS: State of Play



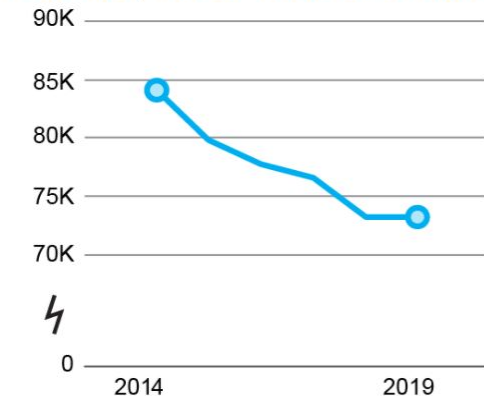
- **Operations During COVID & Post-Pandemic:**

- Mission-critical functions continue.
 - Delays in live phone support, tax return processing, opening mail, and reviewing tax returns.
 - Backlog in mailing notices to taxpayers, so many notices had outdated payment dates or deadlines.
 - Backlog in answering taxpayer mail responding to an IRS letter or notice.
- Examinations and appeals all conducted remotely.
- New examinations were halted through last summer; however, all compliance-related activity should be back to pre-pandemic levels.

IRS: State of Play

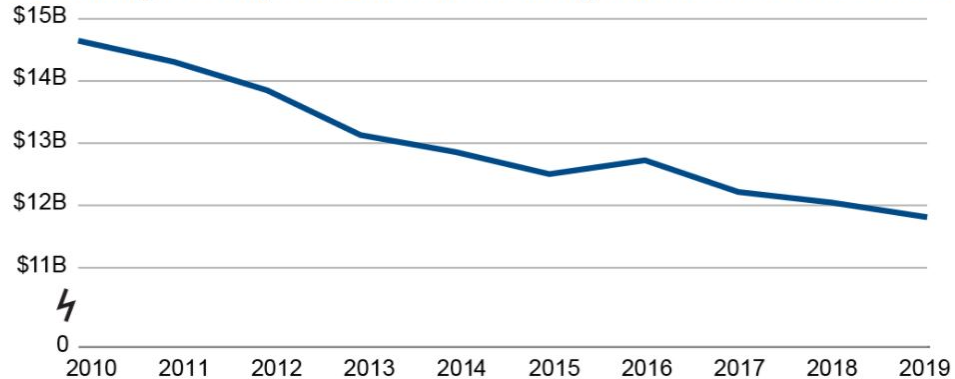
- Increased focus on compliance
 - Biden tax plan includes focus on increasing audits of taxpayers reporting more than \$1 million in income
 - Commissioner Rettig’s recent Congressional testimony indicating a \$1 trillion tax gap
- Call for continued increased funding to focus on increased audits of “large” taxpayers and the “wealthy”

Full-time Equivalent Positions Realized, Fiscal Years 2014–2019



SOURCE: IRS Data Book [Table 32](#)

Operating Costs (Constant 2019 Dollars), Fiscal Years 2010–2019



NOTE: Inflation-adjusted amounts were calculated using the U.S. Bureau of Economic Analysis, Nondefense Gross Domestic Product Chain-type Price Index with a 2019 base year.

SOURCE: IRS Data Book [Table 31](#)

State Revenue Agencies: State of Play

Budget Deficits

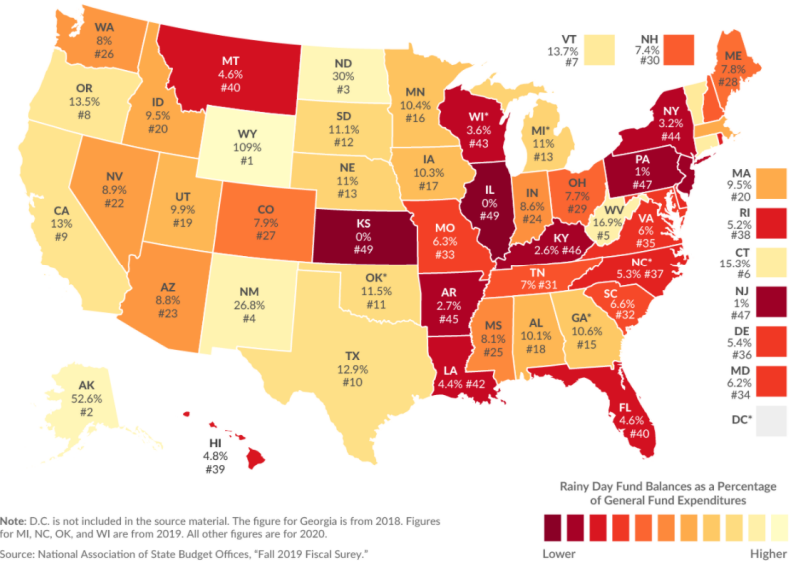
- Many states face fiscal challenges as a result of COVID-19
- Increased tax rates (both personal and corporate income tax)
- Expect increased audit activity
- Expect imposition of new taxes

Prepare for Future Audits

- Stay up-to-date on state guidance
- Regularly consult with advisors

How Healthy Is Your State's Rainy Day Fund?

Rainy Day Fund Balances as a Percentage of General Fund Expenditures



Note: D.C. is not included in the source material. The figure for Georgia is from 2018. Figures for MI, NC, OK, and WI are from 2019. All other figures are for 2018.

Source: National Association of State Budget Offices, "Fall 2019 Fiscal Surey."

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@TaxFoundation

Areas of Federal Audit Interest



- **The Centralized Partnership Audit**

- Passed in 2015, effective for tax years beginning after December 31, 2017
- Intended to make it easier for the IRS to audit partnerships with a projected \$9.3 billion revenue raiser (federal alone)
- IRS trained and revamped its partnership audit function with 500 new agents added in 2019
- Myriad procedural issues coupled with pre-BBA TEFRA transition issues

- **IRS Campaigns**

- Currently 50+ campaigns, with full listing at:

<https://www.irs.gov/businesses/full-list-of-lb-large-business-and-international-campaigns>

- **Global High-Net-Worth Audits**

- **CARES Act Relief**

- Much of the IRS's guidance is in the form of FAQs, which is insufficient for penalty protection

The IRS and the SECA Tax Campaign



- Targets self-employment taxes paid on a partner's distributive share of income from a partnership
- Issue is whether limited partners in IM partnerships (or members in LLCs or LLPs) are subject to self-employment taxes on their distributions other than guaranteed payments
- Many IM funds take the view that these LP distributions are not subject to self-employment tax, relying upon a long-standing statutory provision, technical interpretations of Treasury Regulations, and market practice
- IRS focused on:
 - LPs that were recently converted from LLCs under state law
 - LPs whose partners overlap with the partners in the GP
 - Partners without “meaningful” capital contributions

State-Specific Tax Trends: Passthrough Entity (PTE) Level Tax

Overview

- Historically, a small number of states have used PTE level taxes.
- After TCJA, PTE taxes became viewed as a workaround for the SALT deduction cap for individuals.
- PTE tax is imposed on partnership rather than partners. The partnership can deduct state taxes paid without limitation.
- Partner is granted a credit for PTE tax paid on its behalf to be used against personal income tax owed on its distributive share of state taxable income.
- Unclear whether credit for PTE tax paid on partner's behalf is recognized by partner's resident state as "other state tax credit" – requires a state-by-state analysis.

IRS Guidance

- In Notice 2020-75, the IRS effectively signed off on the approach. The IRS announced proposed regulations would be forthcoming.

States with PTE Taxes

- Idaho, Maryland, New Jersey, New York, Louisiana, Oklahoma, Rhode Island, and Wisconsin have enacted election for PTE tax.
- Arkansas (effective Jan. 1, 2022) and Connecticut have enacted a mandatory entity-level tax.

State-Specific Tax Trends: New York's New PTE Tax Election



- **In its latest budget bill, New York created a PTE tax election.**
 - The entity level tax rates are the same as those applied to individuals.
 - The tax is imposed on “pass-through entity taxable income,” which includes all items of income, gain, loss, or deduction derived from or connected with New York sources to the extent that they are included in the taxable income of resident and nonresident partners under New York personal income tax code.
 - The corresponding credit is available to a “direct partner or member.” An entity that is disregarded for tax purposes is also disregarded for purposes of determining whether the taxpayer is a direct partner or member.
 - The irrevocable election is made annually, no later than the due date of the entity’s first estimated tax payment. For tax year 2021, the election must be made by October 15, 2021.
 - In the case of an S-corp, the election is made by an officer, shareholder, or manager.
 - For entities other than S-corps, the election is made by any member, partner, owner, or other individual with authority to bind the entity.

State Specific Tax Trends: Remote Work and Return to Work Issues



- **Remote work and hybrid work arrangements inadvertently trigger state filing “nexus” and payroll tax issues**

- **Payroll Tax**

- Confirm payroll tax thresholds in relevant states
- Navigate requirements for states with reciprocal agreements
- Determine “Convenience of Employer” state implications if an employer has a location in CT, DE, NE, NY, or PA
- Revisit telecommuting policy

- **Corporate Income Tax**

- Determine economic and physical presence nexus standards in relevant states
- Consult with advisors to understand potential liability, including proper receipts factor sourcing
- Sales factor sourcing: COP v. Market
- File accordingly

Had Employees Working Remotely



- Pre-COVID away-from-home travel expense reimbursement standards have not changed nor have the rules on “temporary assignment.” This impacts the taxability of employer reimbursement of expenses.
- IRS liberalized rules impacting foreign individuals forced to remain in the US due to quarantine, but attention must still be paid to ensure US tax liabilities are not triggered.

As a result of COVID, you...

Deferred Your Payroll Tax Payments

The CARES Act permits employers to defer employer-side Social Security taxes due between March 27, 2020 and January 1, 2021.

50% of the taxes were due on December 31, 2021, and the remainder are due December 31, 2022.

The deferral is permitted regardless of workforce size, and regardless of whether the employer has taken a PPP loan or claimed the retention credit.

This is different from the employee Social Security tax deferral the Trump administration announced in August 2020, which very few employers adopted.

Action Item: Track amounts deferred so that you are prepared to pay the balance due in 2022.

Digital Asset Tax Considerations

IRS Notice 2014-21:
convertible virtual currency
is treated as property

IRS FAQs on Virtual
Currency Transactions

Rev. Rul. 2019-24: Airdrops
and forks

CCA 202114020 (March 21)

Many open questions:

Distinguish between types
of digital assets (staking,
stablecoins, lending)?

UBTI/ECI? FDAP?

FBARS?

SPAC Tax Considerations

Sponsor-level Planning

Non-US SPAC Targets & PFICs

Tax-free Treatment Challenges

Impact of Anti-Inversion Rules

UP-SPAC Structures

Anti-Money Laundering Developments

Speakers



Daniel Tehrani
+1.212.309.6150
[daniel.tehrani@
morganlewis.com](mailto:daniel.tehrani@morganlewis.com)

Morgan Lewis

Recent and Potential Developments



Anti-Money Laundering Act of 2020 (AMLA 2020)

- Corporate Transparency Act
- Whistleblower & Other Provisions



Formal AML Regulations for Hedge Funds

AMLA 2020

Part of the National Defense Authorization Act

- Effective January 1, 2021 after Congress overrode President Trump's veto

Significant revision of AML regime

- Improve coordination and information sharing among AML/CFT enforcement agencies, agencies that examine financial institutions for compliance with those requirements, federal law enforcement agencies, national security agencies, the intelligence community, and financial institutions
- Modernize AML/CFT laws
- Encourage technological innovation and the adoption of new technology by financial institutions to more effectively counter money laundering and the financing of terrorism
- Reinforce that the AML/CFT policies, procedures, and controls of financial institutions shall be risk-based
- Establish uniform beneficial ownership information (BOI) reporting requirements
- Improve whistleblower incentives

Corporate Transparency Act (CTA)



Requires certain entities (mostly small, unregulated companies) to provide information about the identity of beneficial owners to FinCEN



FinCEN will maintain the beneficial ownership information (BOI) in a national registry



Intended to close informational gaps that allow the use of shell companies to facilitate criminal conduct and evade detection



Broad bipartisan support



Reporting provisions enforced by civil and criminal penalties

CTA – Who Has to Report?



- Reporting company is defined broadly: “any corporation, limited liability company, or other similar entity”
 - Threshold issue – if not a “reporting company,” exceptions are irrelevant
- **Excludes**, among others:
 - Publicly traded companies
 - Large companies
 - Investment companies and investment advisers (as defined in section 202 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-2))
 - Pooled investment vehicles that are operated or advised by, among others, an investment adviser
 - **Others excluded by regulation**
- **Open questions:**
 - Family offices
 - Investors
 - Investments

CTA – Beneficial Owner

1

Who is a beneficial owner?

- An individual who, directly or indirectly (i) exercises “substantial control” over the reporting company, or (ii) has a 25% or greater ownership interest in the entity.
- Does not include, among others, employees, agents, creditors (unless exercising substantial control)

2

What must be reported?

- (i) full legal name, (ii) date of birth, (iii) current residential or business street address, and (iv) unique identifying number from an identification document (driver’s license, passport)
 - Note: FinCEN ANPRM (April 1, 2021) contemplates more
 - e.g., reporting entity’s corporate structure and relationship to beneficial owners



- **When must the information be reported?**
 - Companies required to report must provide information at time of registration
 - Companies existing at time of implementing regulations have two years to report (after effective date of regulations)
- **Must provide updated information in a “timely manner” not later than one year after change in BOI**
 - Treasury to evaluate whether shorter period is appropriate



- **Who has access to information?**

- Federal agency engaged in national security, intelligence, or law enforcement for those purposes
- State or local law enforcement agency with court order
- Federal agency on behalf of foreign law enforcement
- Financial institution subject to customer due diligence rule (CDD)
 - Must be:
 - With **consent** of reporting company
 - For purposes of complying with CDD requirements

CTA – Regulations to Come



- **What remains to be fleshed out by regulation?**
 - Mechanics
 - How/when entities report BOI to FinCen (the “procedures and Standards” of reporting)
 - Treasury directed to “minimize burdens” and use “existing Federal, State, and local processes and procedures” as much as possible
 - States’ agencies responsible for registration must provide information and forms
 - “Substantial control”
 - Other included entities (e.g., “similar” entities) and exempted entities
 - Overlap with Customer Due Diligence (CDD) rule
 - Requirement to register exemption?

CTA – Timing



- **Timing**

- Takes effect on effective date of implementing regulations
- No later than one year after enactment of legislation (i.e., January 1, 2022)

- **ANPRM on April 1, 2021**

- FinCEN is actively seeking industry input

AMLA Whistleblower and Other Provisions



- **Enhanced whistleblower program**
 - Like the SEC and CFTC whistleblower programs, AML whistleblowers will be able to receive up to 30% of the money collected by the government in an enforcement action
 - Likely to result in increased enforcement activity
- **Expanded authority to subpoena records of foreign banks with US correspondent accounts**
 - Likely to result in more investigations focused on foreign entities and financial institutions

AML Regulations for Hedge Funds

Regulations Extending AML Requirements to Investment Advisers

- Initially proposed in 2003 (withdrawn in 2008)
- Proposed again in 2015 (limited to RIAs)
- Will new administration refocus on finalizing AML requirements?

Practical Effect

- Many investment advisers have AML programs already
 - Voluntary
 - Broker-dealer agreements
- Regulatory requirement permits government enforcement
- Must align with FinCEN priorities (part of AMLA)

IP Issues in Hedge Fund Practices

Speakers



Michael Ryan
+1.215.963.4964
michael.ryan@morganlewis.com



Gene Park
+1.415.442.1467
gene.park@morganlewis.com

Morgan Lewis

IP/Software Evaluation – Legal Considerations



Scenario

Evaluating third-party proprietary technology in an acquisition or investment context but may need flexibility to independently develop similar technology in the future



Key Issue

Software owner may allege trade secrets and/or confidential information software was stolen during evaluation



Key Considerations:

- Terms of Non-Disclosure Agreements (NDAs)
- Clean Rooms

Terms of Non-Disclosure Agreements

- **Consider whether to have one at all**
- **If an NDA is needed, consider modifying certain terms:**
 - Scope
 - Limit scope of any shared confidential information to a particular technology component
 - Term
 - Some NDAs might be indefinite; consider a limited term (e.g., 1-3 years)
 - Disclosure requirements
 - Require disclosing party to explicitly identify confidential information
 - Use
 - Broaden to use for internal purposes rather than evaluation/inspection purposes
 - Access
 - Specify whether samples and/or documents will be shared or whether inspection of technology is online only or on premises

Clean Rooms



- If people evaluating technology are the same people tasked with independently developing the technology, consider forming a **clean room**
- Clean Room Considerations:
 - Notify All Participants of the Clean Room
 - No Communication of Any Confidential Information
 - Secure All Documents
 - Name New Team Leads as Needed

IP Subject to Extra Scrutiny



Recent popularity of:

- Special Purpose Acquisition Companies (SPACs)
- Representation and Warranties Insurance Transactions (R&W Deals)



Both involve increased (or additional layer(s)) of scrutiny in terms of IP diligence



Key Considerations:

- IP Ownership and Chain of Title (does the target own the relevant IP?)
- Sufficient Rights to Use (if not owned, does the target have the right to use the IP?)

Key Agreements – IP Assignments



- **Ownership and IP Assignments**
 - Default rules of IP ownership absent an express agreement
 - Employees vs. contractors
 - IP assignments need present-tense assignment language (not merely acknowledgment of ownership)
 - Sufficient consideration?
 - Is the assignment merely confirmatory, or a new term?
 - Consider local laws of relevant jurisdictions (if offshore resources are used in development), even if agreement states US law governs

Key Agreements – Terms of Use



License Rights and Terms of Use

- EULAs, Website Terms of Use, Terms and Conditions, etc., often overlooked
 - May place important restrictions on use of relevant content, e.g., limitations on distribution, prohibition on data scraping
 - Can carry heavy penalties (e.g., statutory damages for infringement of copyrightable works that are registered range from \$750 to \$30,000 per work for non-willful infringement and up to \$150,000 per work for willful infringement)
 - Reporting violations to Business Software Alliance, Software & Information Industry Association
- Publicly (or readily) available \neq Public Domain
- Rights of publicity/privacy and use of images

Lawyer Biographies

Morgan Lewis

Jennifer Breen



Washington, DC

T +1.202.739.5577

F +1.202.739.3001

jennifer.breen@morganlewis.com

Jennifer Breen concentrates her practice on tax controversy and planning matters, with an emphasis on audits and controversies and Internal Revenue Service (IRS) administrative proceedings. Jennifer routinely handles matters involving US federal income tax, foreign tax, state and local corporate and business tax, and sales and use tax. She has experience representing major corporations, partnerships, S corporations, and individuals in resolving domestic and international compliance and controversy issues before the IRS.

Prior to joining Morgan Lewis, Jennifer served as director of tax controversy at Mattel, Inc., where she developed and executed audit strategies, responded to information requests from respective tax authorities, and negotiated and resolved controversy matters. She was also responsible for accounting for income taxes under ASC 740, managing the company's global reportable transaction compliance, and ensuring compliance under the Foreign Account Tax Compliance Act.

Jennifer also served as director of tax controversy and regulatory services at PricewaterhouseCoopers LLP for more than seven years. She began her legal career as a lawyer with the IRS Office of Chief Counsel in Washington, DC, where she represented the IRS before the US Tax Court and advised on issues relating to practice and procedure.

Sarah-Jane Morin



San Francisco

T +1.415.442.1231

F +1.415.442.1001

sarah-jane.morin@morganlewis.com

Sarah-Jane Morin's practice encompasses a variety of transactions with a focus on representation of public and private companies, private equity funds, venture capital funds, real estate funds, portfolio companies, and alternative investment vehicles in the tax aspects of complex business transactions and fund formations, including domestic and cross-border investment strategies, sponsor investment strategies, limited partner investment strategies, mergers, acquisitions, integrations, buyouts, recapitalizations, debt and equity restructurings, and ongoing operations and tax compliance issues. Additionally, she advises on international tax issues, including the tax aspects of offshore vehicles (CFC/PFIC/GILTI regimes), anti-deferral rules (Subpart F), withholding, cost sharing, and transfer pricing.

Sarah-Jane advises on the tax aspects of non-profit entity formation and operation, with an emphasis on IRC Section 501(c)(3). She has worked with a number of tax-exempt investors in their limited partner investments, as well as for clients in their applications for tax exemption.

She has lectured and published on topics ranging from the tax aspects of mergers and acquisitions to international tax planning.

Prior to joining Morgan Lewis, Sarah-Jane was a senior director in Oracle's tax planning department. Prior to joining Oracle, she was an associate at a multinational law firm.

Gene K. Park



San Francisco

T +1.415.442.1467

F +1.415.442.1001

gene.park@morganlewis.com

Gene K. Park counsels clients on the full range of trademark and copyright matters, including licensing, prosecution and portfolio management, and enforcement. Gene advises companies in the financial services, technology, pharmaceutical, and other industries, as well as non-profits and trade associations on IP matters related to mergers and acquisitions, licensing, and franchising. Gene also drafts and negotiates all forms of IP transactional, eCommerce, and software agreements.

Before coming to Morgan Lewis, Gene was an associate at a general practice, commercial litigation firm in Washington, DC. While in law school, Gene worked as a student attorney for the Glushko-Samuelsan Intellectual Property Law Clinic and co-authored an amicus brief in *Moseley v. V Secret Catalogue, Inc.*, a landmark US Supreme Court case interpreting the Federal Trademark Dilution Act.

Michael S. Ryan



Philadelphia

T +1.215.963.4964

F +1.215.963.5001

michael.ryan@morganlewis.com

Drawing on a background in electrical and computer engineering, Michael S. Ryan works with clients to protect and maximize the value of their intellectual property, preparing and prosecuting US and foreign patents, performing patent due diligence, and providing noninfringement and invalidity opinions and freedom to operate reviews in the business method/software, computer, and mechanical arts.

Michael's technical experience spans many disciplines, including semiconductor devices, storage devices, artificial intelligence, machine learning, telecommunications, photolithography, computer software, computer networking, printing systems and devices, image processing, and OLED displays and driving circuitry. He also has experience with medical and healthcare related technologies including medical devices, healthcare monitoring systems, imaging and diagnostic systems, healthcare analytics systems, and healthcare information technology systems. In addition, he has experience with control systems, business methods, and consumer products.

Before joining Morgan Lewis, Michael was an associate with a boutique intellectual property law firm in Virginia. He has an M.S. in electrical engineering and a B.S. in computer engineering.

Daniel B. Tehrani



New York

T +1.212.309.6150

F +1.212.309.6001

daniel.tehrani@morganlewis.com

Daniel Tehrani, a former federal prosecutor, represents clients in white collar criminal matters, government investigations, and appeals. Dan handles a wide range of matters including anti-money laundering (AML), insider trading, accounting fraud, healthcare fraud and False Claims Act (FCA) violations. He also advises clients facing securities litigation and enforcement matters.

Prior to joining Morgan Lewis, Dan served for more than nine years as an Assistant US Attorney in the US Attorney's Office for the Southern District of New York (SDNY), where he was deputy chief of the Appeals Unit. During his time at the US Attorney's Office, Dan was also a member of both the Securities & Commodities Fraud Task Force and Complex Frauds & Cybercrime Unit, where he investigated and prosecuted a wide range of securities and other sophisticated white collar offenses, including accounting fraud, insider trading, fraud involving complex financial instruments, healthcare fraud, structuring, money laundering, embezzlement, and cybercrime. He was lead prosecutor in several jury trials and argued numerous appeals before the US Court of Appeals for the Second Circuit.

As deputy chief of Appeals, Dan briefed and supervised oral arguments in more than 70 appellate cases, including matters relating to public corruption, securities fraud, violations of the International Emergency Economic Powers Act, and asset forfeiture. Dan also served as the SDNY's healthcare fraud coordinator. As a federal prosecutor, he worked closely with numerous federal and state law enforcement and regulatory agencies, including the US Securities and Exchange Commission, Federal Trade Commission, US Department of Labor, Consumer Fraud Protection Bureau, and the Special Inspector General of the Troubled Asset Relief Program.

Before joining the US Attorney's Office in 2010, Dan was an associate at a national law firm, and previously worked in mergers and acquisitions at an international investment bank.

Stephen C. Tirrell



Boston

T +1.617.951.8833

F +1.617.951.8736

stephen.tirrell@morganlewis.com

Stephen C. Tirrell's practice focuses on advising private investment funds (U.S. and non-US) and investment advisers in relation to all aspects of their businesses. Steve assists clients in the structure and organization of hedge funds, hybrid funds and private equity funds, including equity, arbitrage, distressed, global macro, funds of funds, first-loss funds, real estate funds, infrastructure funds and others. Steve counsels clients on seed capital arrangements, compensation arrangements among partners and employees, complex fund restructurings, co-investments and compliance with the Investment Advisers Act of 1940 and other relevant U.S. securities laws.

In addition to his private fund practice, Steve represents and advises a variety of entities, including banks, broker-dealers, CDOs, and hedge funds, with respect to issues involving joint venture arrangements, derivatives products and new product development.

At a previous firm, Steve was a member of both the investment management and structured products groups and split his time between structuring a variety of hedge funds and negotiating complex derivative transactions.

Before joining Morgan Lewis, Steve was at another international law firm, where he was a partner in their investment management practice.

Richard S. Zarin



New York

T +1.212.309.6879

F +1.212.309.6001

richard.zarin@morganlewis.com

Working with businesses in industries such as media, financial services, aviation, shipping, and education, Richard S. Zarin counsels clients on tax matters involving international and US transactions. He also advises clients on ongoing tax planning. Richard's experience includes mergers, acquisitions, the formation and operation of joint ventures, debt and equity restructurings, and securities offerings. In addition, he represents organizers of and investors in onshore and offshore investment funds and other alternative investment vehicles.

Richard's work with investment funds and alternative investment vehicles includes those with a range of investment objectives, including private equity, venture capital, and hedge funds.

Cosimo A. Zavaglia



New York

T +1.212.309.6646

F +1.212.309.6001

cosimo.zavaglia@morganlewis.com

Cosimo A. Zavaglia advises corporations, partnerships, and individuals on state and local tax controversy, planning, and transactional matters. Cosimo routinely represents clients in high-stakes state and local tax audits, appeals, and litigations in matters throughout the United States, including defending clients in state False Claims Act cases and sales and use tax, individual residency, withholding tax, corporate income tax, and real estate transfer tax audits and disputes. He also advises clients on developing state and local tax planning strategies for corporate acquisitions, dispositions, restructurings, and mergers.

Cosimo works closely with a broad range of clients, including Fortune 500 companies, enterprising startups, and high-net-worth individuals, to develop solutions to mitigate state and local tax risks. He advises in all stages of state and local tax controversy—from initial information gathering, through negotiations and settlement, as well as litigation and appeals, if necessary. Cosimo also obtains formal and informal rulings from state and local tax authorities in many jurisdictions on several issues across tax types and has represented companies and industry groups in legislative and regulatory matters. Prior to joining Morgan Lewis, Cosimo worked in the state and local tax practice of PricewaterhouseCoopers LLP.

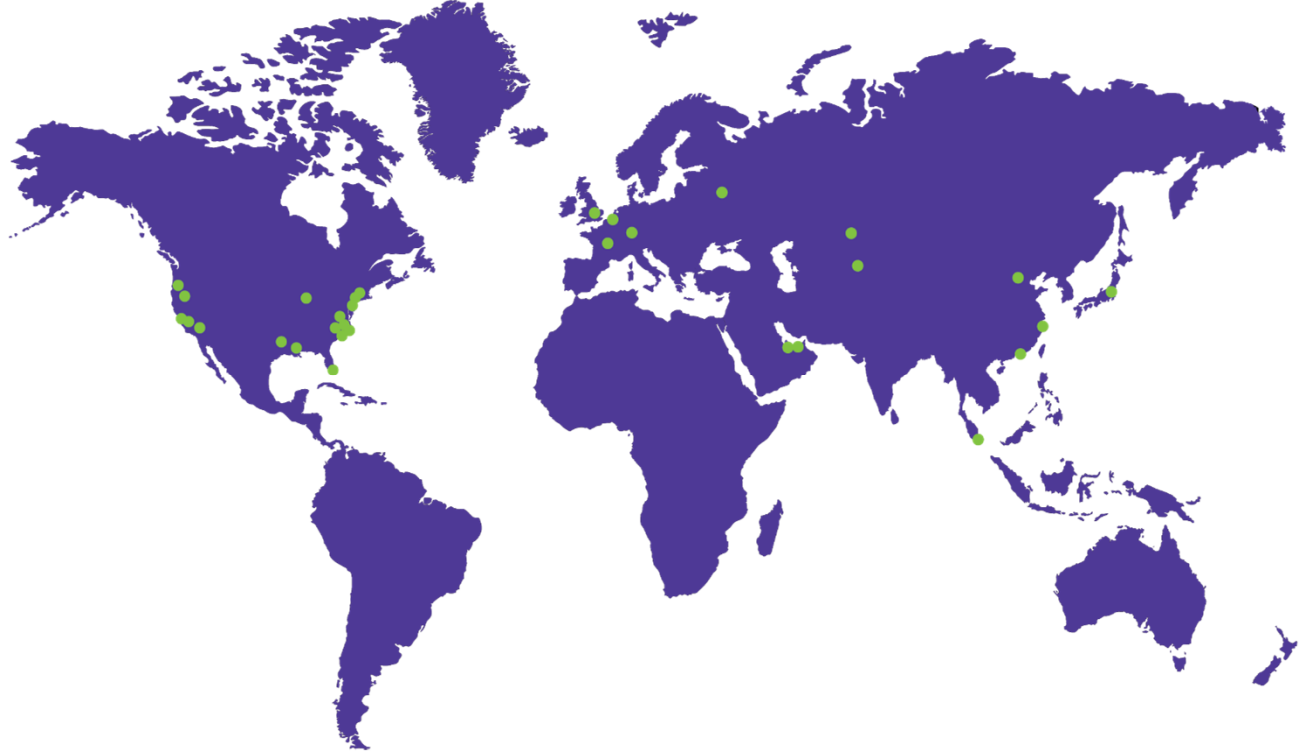
In addition to writing extensively on tax subjects, Cosimo has lectured on a broad range of state and local tax topics throughout the country, including for the Tax Executives Institute. He is also active in pro bono work, and is a member of the pro bono committee for the New York office.

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