

Tax Group Of The Year: Cravath

By Anna Scott Farrell

Law360 (January 28, 2025, 4:03 PM EST) -- Cravath Swaine & Moore LLP helped secure high-profile mergers and acquisitions for major media and communications companies in 2024, having played key roles in Paramount's \$28 billion merger agreement with Skydance Media and a separate deal involving Verizon Communications, earning the law firm a spot among the 2024 Law360 Tax Groups of the Year.

Cravath gave tax advice to a special committee of Paramount's board of directors in connection with the Paramount Global-Skydance Media LLC merger through a negotiation process that involved multiple layers, the firm said.

It helped the committee manage competing bids and transaction structures, including a last-minute bid by media executive Edgar Bronfman Jr. that came in after Paramount had already signed its deal with Skydance and was later withdrawn.

Cravath partner Lauren Angelilli told Law360 that the deal was exciting on a personal level because Cravath had represented Viacom's special committee in connection with its combination with Paramount, with the Skydance merger feeling "like the next era" for the company.

One of the challenges was Skydance's status as a private company and, for tax purposes, a partnership, she said. Cravath attorneys had to use a structure often called a "double dummy," or chandelier structure, to create a holding company to execute the deal, she explained.

The firm also navigated the stakes of a number of shareholders, including National Amusements, the entity through which the Redstone family held their controlling state in Paramount. There were also several private equity funds invested in Skydance, according to Angelilli.

"Finding a structure and working with all of the different advisers to come up with a structure that met the commercial goals of all of those parties was interesting, and we really leaned on our relationships with everyone, with all of the parties and all of their advisers to get to the outcome that we ultimately got to," she said.

Cravath is representing Frontier Communications, the largest pure-play fiber internet provider in the U.S., in a deal announced in September, in which Frontier would be acquired by Verizon Communications Inc. for



\$20 billion. The law firm helped Frontier through a competitive bidding process to unload the entire company, while also advising the internet service provider on a joint venture it was alternatively considering, it said.

The firm also represented Amentum, a portfolio company of Lindsay Goldberg and American Securities, in a complex merger with Jacobs' government services businesses, Critical Mission Solutions and Cyber & Intelligence Solutions. The deal was structured as a reverse Morris trust, or RMT, a tax sensitive structure that involved a spinoff, in which ownership can only shift so much and remain tax-free.

While in most RMT deals the merger partner is a public company, Amentum was a private company with two controlling sponsors, so there was no available market valuation, making the deal unusual and challenging in tax terms, according to the law firm.

Cravath said it created unique purchase price adjustment mechanisms to ensure the tax-free RMT structures would work.

Len Teti, a partner at Cravath, told Law360 that adjusting the purchase price in the deal meant adjusting merger consideration shares or stock of the combined company — a generally complicated project made more so because of the rules surrounding spinoffs.

Cravath lawyers had to work with Jacobs' attorneys "to help solve a commercial problem, a commercial puzzle," in a way that was consistent with spinoff rules and would be acceptable to the Internal Revenue Service, which was evaluating the transactions, Teti recalled.

He also represented Vista Outdoor Inc. in two pending sales of its companies: the \$2.2 billion acquisition of The Kinetic Group, Vista's ammunition business, by Czechoslovak Group and the \$1.1 billion acquisition of Revelyst, a sporting goods subsidiary, by Strategic Value Partners LLC.

Shortly after becoming a partner at Cravath, Teti worked on a transaction that formed Vista in a spin-merge transaction, he said. The firm has represented the company for the last decade.

The Czechoslovak Group deal is taxable at the shareholder and corporate level, and the firm structured it to maximize after-tax proceeds for shareholders and to allow proceeds to be received as a part of a capital gain transaction allowing for full basis recovery as opposed to a separate dividend, the firm said.

Last year, Cravath also gave tax advice to a special committee for the board of directors of Endeavor Group Holdings Inc. in its \$25 billion acquisition by Silver Lake Technology Management LLC. The take-private deal is the largest ever in the media and entertainment industry, the firm noted.

Cravath's tax team took the committee through tax considerations including navigation of Endeavor's "Up-C" structures, it said.

Its tax practice is tight-knit, according to Angelilli, with six partners and about 14 associates, all working closely together out of the New York City office.

"We all really have a can-do mindset," she said. "Whatever is put in front of us, we try to find a way to say yes."

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