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Tax Group Of The Year: Cravath

By **Dylan Moroses**

Law360 (December 1, 2020, 3:26 PM EST) -- Cravath Swaine & Moore LLP's tax division has been named one of Law360's 2020 Tax Groups of the Year. Whether the group helped navigate corporate clients through the tax consequences of major restructurings or mergers and acquisitions, Cravath was on the forefront of some of this year's most noteworthy corporate transactions.

Cravath, one of the oldest law firms in the U.S., turned 200 years old last year and has built a large reputation in the corporate tax advisory field given its group's relatively small size. The firm's tax group has six partners and one of counsel, and it was one of Law360's 2019 Practice Groups of the Year.

This year, Cravath played a key part in advising Peugeot, a French automobile manufacturer, in its $50 billion merger with Fiat Chrysler, which was announced late last year but was finalized in November.

Stephen L. Gordon, one of the tax team's co-leaders, told Law360 that the Peugeot transaction is a great example of the kind of complex tax work that Cravath specializes in, which often involves cross-border transactions and mergers that have tax implications in several countries.

Fiat Chrysler, a Dutch-based company with a U.K. tax residence, was acquiring a French company in Peugeot, and to complicate matters, Fiat Chrysler has a U.S. presence and significant shareholder base, Gordon said.

Achieving the intended tax result, Gordon said, required that each party coordinate with its own partners and cooperate with international law firms with which the practice has built a relationship over decades to "thread a needle" and comply with international and domestic tax laws in various jurisdictions.

"We had to create a transaction that took about seven different steps of mergers, exchanges of stock, dissolutions, all under the laws of the two European countries," Gordon said, adding that the end result was to have the deal treated under U.S. tax law as Peugeot merging into a subsidiary of Fiat Chrysler.

Cravath's tax work isn't reserved for major corporate mergers, and Gordon said the practice prides itself on bringing a "generalist's view" to its highly technical work, so its attorneys are prepared for any issue on which its clients might seek advice. The group has built its reputation on its skill in crafting corporate transactions with favorable tax outcomes for its clients, and on its attorneys' abilities to explain the tax implications of complex transactions in simple terms to those clients, Gordon said.

"I think our outstanding feature is our ability to communicate, and it's something we select for, train for, and choose for very explicitly," Gordon said. "Our colleagues know they can put us in front of business executives, boards of directors, and have very, very complicated tax issues explained in very clear plain English terms."

Cravath advised Deutsche Telekom AG, a major stakeholder in T-Mobile, in its entry into a Master Framework Agreement with the U.S. mobile company and SoftBank Group Corp. earlier this year.

According to a June filing with the Securities and Exchange Commission, T-Mobile will receive a structuring fee of $300 million from SoftBank, and the result will be Deutsche Telekom being able to raise its stake in T-Mobile from 43% to 51%. More specifically, Deutsche Telekom has the ability to buy more than 198.3 million shares of SoftBank's T-Mobile stock.

Cravath partner Kara L. Mungovan said the work with Deutsche Telekom AG was "high stakes, high profile, and highly complex," requiring the tax group to work in harmony with other practice groups within the firm to achieve the eventual result.

Showcasing another aspect of Cravath's work, partner Andy W. Needham has advised Pacific Gas & Electric Co. on tax matters related to its Chapter 11 bankruptcy proceedings that began last year and closed in July after a U.S. bankruptcy judge approved a reorganization plan. PG&E came to Cravath seeking tax advice "in a battle for their future corporate survival," Needham said.

The PG&E bankruptcy stemmed from large liabilities it incurred as result its role in starting California wildfires in 2017 and 2018, including the most devastating wildfire in the state's history, the 2018 Camp Fire, which destroyed the town of Paradise.

The unique position that the nation's largest utility had when it entered bankruptcy proceedings, in which it was not insolvent and had not yet generated substantial net operating losses but would generate those valuable tax deductions through its reorganization plan, presented a unique set of tax issues, Needham said.

To finance the plan, PG&E will be saddled with more debt than it had when it entered bankruptcy. The plan involves issuing new debt and equity to help pay for $25.5 billion in wildfire-related claims.

"The main tax challenge in that bankruptcy was preserving the value of the large net operating losses, and that involved a very complicated set of transactions," Needham said.

This year, Needham has also advised The Unilever Group, a Cravath client for over 100 years, in its efforts to reorganize under a single parent company. Needham's work with PG&E, as well as his work with Unilever, shows how Cravath's tax partners and associates are well-equipped to advise clients on widely different aspects of business transactions with multi-jurisdictional tax implications, Gordon said.

--Additional reporting by Benjamin Horney, Joshua Rosenberg, Hannah Albarazi and Chelsea Naso. Editing by Peter Rozovsky.