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APRIL 2022

## 2022 DEALMAKERS OF THE YEAR



**Melissa Sawyer, Isaac Wheeler  
& Eric Krautheimer**

Sullivan & Cromwell

WHEN TEAMS FROM SULLIVAN & CROMWELL AND Debevoise & Plimpton were tasked with shearing off WarnerMedia's news and entertainment assets from AT&T and combining them with Discovery, they had two weeks to execute on a deal structure that ordinarily would require four to eight months of effort.

"This is an industry where everybody knows everybody. There was a strong sense on both sides of the deal that we didn't want this to leak. We wanted to do it when we had momentum and commitment and a powerful narrative of the industrial logic behind this," says Debevoise corporate department chair Jeffrey Rosen, who represented Discovery along with colleagues Sue Meng and Jonathan Levitsky.

The deal was structured as a Reverse Morris Trust, with the WarnerMedia unit spun off from publicly traded AT&T and then positioned to acquire Discovery. This mechanism ensured that the entire transaction was tax-free.

"Spinoffs from a tax perspective are inherently complex and highly technical, and when you add on Reverse Morris Trusts, the complexity multiplies," says Isaac Wheeler, co-head of Sullivan & Cromwell's tax group. "The other element of this transaction that adds even more complexity is just the sheer size. This was the largest Reverse Morris Trust in history."

Another wrinkle came from the need to create a special committee to work out issues with two Discovery shareholders holding large voting blocks. There was also \$43 billion in financing on the line.

"We had fully negotiated five or six different agreements. None of them are simple agreements. They require a lot of thought, a lot of discipline," says Sullivan & Cromwell partner Eric Krautheimer. "You could throw an entire firm at something, but that's not efficient nor practical for confidentiality reasons. You need to have a core group of people who have command over everything."

Unfolding as COVID-19 vaccinations became broadly available in the spring of 2021, the work offered "a way of testing out whether complex transactions can get done in a hybrid environment," according to Sullivan & Cromwell M&A global head Melissa Sawyer. She hadn't seen Krautheimer in person in two years until they showed up in a conference room to start negotiating, and then they brought in Wheeler on nightly Zoom sessions.

Their counterparts at Debevoise also found value in getting the work done in both physical and virtual rooms concurrently.

"We enjoyed a very good relationship with Eric and Melissa. It's important when doing a complex transaction of this type to have some amount of in-person contact," Levitsky says. "What we've learned is combining those things allows deals to move along at a clip that wasn't available otherwise."

—Dan Packel