SOME THOUGHTS ON LAW FIRM MERGERS

By Morton Pierce

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Much attention has been paid recently to law firm mergers, due in large part to a number of recently-announced mergers, such as Hogan Lovells/Cadwalader and Winston & Strawn/ Taylor Wessing. According to the *American Lawyer*, law firm mergers rose 21% in the first half of 2025 compared to the same period in 2024, and 47 mergers had been completed by the end of third-quarter 2025 compared to 43 in the same period in 2024.

The fact that law firm mergers, including large scale combinations, are increasing should not be a surprise. The legal industry is no different than other businesses in the need to grow and continue to respond to market pressures, such as increased costs due to technology, competition for talent and practice area and geographic expansion. This is sometimes obscured by the view of law as a profession, but the emphasis on revenue and profitability growth by law firms underscores the business of law.

Law firm leaders should view mergers and acquisitions in the same way that leaders of other businesses do. The focus should be on business objectives and the best way to achieve them. The question should be whether those objectives can best be realized through internal growth or through mergers and acquisitions. Law firms have, in fact, engaged in M&A activity for decades through lateral acquisitions. Law firm mergers are an extension of this activity. Most corporations have an ongoing strategic planning function, and law firms should do the same. Law firm leaders should continuously analyze lateral acquisition and merger opportunities.

This ongoing analysis, and ultimately the decision to merge, requires real leadership. It requires law firm leaders to take a step back from monitoring day-to-day functions, such as billings, collections, client relationships and the partnership process. These are important areas of concern but, generally, have routines developed to address them and can be diversions from longer-range planning. Law firm leaders need to continuously assess whether the firm can continue to compete and grow independently or whether a merger is needed.

This should be an ongoing analysis and conducted while the firm is in a position of strength and relative calm. There will be greater flexibility to approach other firms and negotiate a beneficial combination if a firm is not perceived as weak and required to engage in an extraordinary transaction. Some firms in recent mergers might have been in a better position to choose a merger partner if they had undertaken the process before well-publicized partner departures or the perception that they were falling behind their peers in growth.

Leaders of firms should recognize the importance of the need to constantly evaluate the position of their firm and the need for growth because their partners are already doing it. The lateral market is proof that partners are engaged in an ongoing analysis of the prospects, both short and long term, or their firms. In the short term, a firm's willingness and ability to compensate partners as they deem appropriate certainly plays a role. However, a partner's decision to leave a firm also reflects their belief in the long term prospects of the firm they are leaving and the firm they are joining. Law firm leaders can attempt to prevent the departure of partners by being able to articulate a specific growth strategy which should include, where appropriate, an M&A strategy.

The reluctance to consider a merger may be due to the fact that it requires leaders to contemplate the surrender of their leadership roles. This may be the largest obstacle to consideration of a merger. Unlike other industries, there are no "golden parachutes" or other payments if law firm leaders relinquish their positions due to a merger. A loss of leadership may require a return to the full time practice of law, which may not be desirable after years away from the day-to-day practice. It may also involve less input into the firm's decision making. This can lead to a tendency to favor the status quo and not realistically assess the future. Leaders need to counter this tendency and plan for the future in a manner divorced from their personal interests and in the best interests of the entire firm.

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Law firm leaders should also retain experienced legal, financial and communications advisors in connection with their strategic planning and certainly when considering a merger, just as leaders in every other industry do. Lawyers may think that they are qualified to consider and execute deals since that is what deal lawyers do for their clients. They should recognize, however, that clients retain outside advisors because M&A transactions are outside the normal course of business. A merger of a law firm is also outside the normal course of business and should be aided by independent advice. This should help clarify issues and also counter any individual bias.

Independent advice should also help in communicating an M&A decision to a firm's partners and other constituents. In a merger, leaders must communicate the rationale for the transaction and why it is in the best interests of the firm. An independent assessment of that judgment and the decisions made to reach a deal should help with that process. Communications advice, as in any M&A deal, should also be viewed as essential in explaining the transaction to all of the firm's constituents.

Mergers and acquisitions in the legal industry are an increasingly integral part of law firm growth and development. Law firm leaders should recognize and embrace this trend. Law firm leaders should view M&A activity as a normal growth option, as do leaders of all other industries.

CONTINUATION VEHICLES IN PRIVATE EQUITY: DELAWARE DISPUTE SHINES A SPOTLIGHT ON PROCESS

By Grant McGlaughlin, Caitlin Rose, Kiran Singh and Paul Blyschak

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Continuation vehicles ("CVs") have become a common investment management device in the private equity ("PE") toolkit in recent years. That said, CVs can add additional complexity absent in typical PE transactions, and this requires thoughtful navigation.

A dispute between a sovereign wealth fund and a U.S. PE fund arising from a proposed CV transaction brought before the Delaware courts in December 2025 highlights the friction that can sometimes arise between general partners ("GPs") and limited partners ("LPs") in connection with CV deals.[1] We review the dispute, its unproven allegations, and the spotlight they shine on process in CV deals.

The Evolution and Benefits of CVs

As M&A lawyers know well, CVs are a type of GP-led secondary transaction whereby the GP selects one or more assets within a fund to sell or transfer to a new affiliated fund. Existing LPs are given the option to exit at the transaction price or to rollover into the CV. New LPs gain exposure to the asset(s) sold to the CV through investment in the CV.

CVs were historically used to manage underperforming or distressed assets of an otherwise successful PE fund. CVs are now regularly used to extract further value from well-performing assets that would benefit from additional time or capital. LPs are afforded the optionality of immediate liquidity or continued investment in a promising asset. GPs are afforded greater control over portfolio management and exit timing in pursuit of maximizing returns.

Complexities Raised by CVs

The principal complexity raised by a CV deal is the conflict of interest that can arise from the PE sponsor standing on both sides of the transaction. This can raise questions regarding timing, valuation, and fees.

The Institutional Limited Partners Association ("ILPA") issued guidance (the "ILPA Guidance") for LPs and GPs regarding CV transactions in 2023.[2] The ILPA Guidance highlights two key challenges of CV transactions for LPs:

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