M&A Negotiations and Lawyer Expertise

Christel G.J. Karsten
University of Amsterdam
c.karsten@uva.nl

Ulrike Malmendier
UC Berkeley and NBER
ulrike@berkeley.edu

Zacharias Sautner
University of Amsterdam
z.sautner@uva.nl

February 2014

Abstract

We use proprietary data to look into the "black box" of M&A negotiations and to shed light on the effects of lawyer expertise on M&A contract design, the bargaining process, and acquisition pricing. Measuring the effects of buyer relative to seller lawyer expertise, we document that more expertise is associated with more beneficial negotiation outcomes across several dimensions. Lawyer fixed effects and geographic-proximity instruments allow us to address concerns about the endogenous allocation of lawyers to deals or clients. Our results help explain the importance of league table rankings and the variation in legal fees within the legal M&A services industry.

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1. Introduction

How do corporate lawyers negotiate over contracts in M&A deals? Do lawyers who advise buyers and sellers mainly cooperate to write contracts that best resolve economic and legal issues surrounding an acquisition? Or do they negotiate competitively to achieve contract outcomes that are primarily favorable to their own clients, at the expense of the counterparty? To investigate these questions, we use the market for acquisitions of private targets as a laboratory. Specifically, we investigate whether lawyers with more legal expertise yield better negotiation outcomes for their own clients.

Negotiations in corporate acquisitions involve buyers and sellers, but also investment banks and lawyers. Prior literature has produced substantial evidence on how the characteristics of buyers, sellers, and investment banks affect M&A outcomes.[1] To the contrary, though very important, we know little about how lawyers affect acquisitions. This lack of empirical evidence is due to the difficulty of observing "outcomes" of lawyer negotiations, with—for example—acquisition contracts usually not being publicly available.

Our paper uses unique proprietary data to close this gap by shedding light on the role of lawyer expertise in the M&A negotiation process, which has usually been treated as a "black box". Our data allow us to quantify negotiation outcomes across three important dimensions, namely contract design, the bargaining process, and acquisition pricing. We contrast two views of how lawyer expertise may affect these outcomes. According to the *cooperative-advice hypothesis,* the main objective of lawyers is to jointly execute legal elements of a transaction to mitigate economic issues that arise between buyers and sellers. Under this view, lawyer expertise is used to maximize the joint surplus of both parties by reducing transaction costs and facilitating deal completion (e.g., Gilson (1984), Mnookin, Peppet, and Tulumello (2000)). Conversely, the *competitive-advice hypothesis* holds that lawyers compete with each other to primarily achieve negotiation outcomes that are in favor of their own clients. According to this view, lawyers with more legal expertise relative to the counterparty distribute value away from the opposing parties and towards their own clients. Whereas both hypotheses are not mutually exclusive, support of the *competitive-advice hypothesis* would help explain the importance of league tables and variation in lawyer fees within the legal services industry.

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[1] For buyer or seller characteristics see Shleifer and Vishny (1989), Lang, Stulz, and Walkling (1991), Harford (1999), Bargeron et al. (2008), Masulis, Wang, and Xie (2007), Moeller (2005), or Stulz, Walkling, and Song (1990). For investment banks see Kale, Kini, and Ryan (2003), Rau (2000), Servaes and Zenner (2000), Bao and Edmans (2012), Golubov, Petmezas, and Travlos (2012), or Ertugul and Krishnan (2011).

We investigate these hypotheses using the detailed files of 151 acquisitions of privately held targets that were executed between 2005 and 2010.[2] The files have been made available by one of the largest law firms in The Netherlands, and include the original contracts that were signed between buyers and sellers. They further allow us to identify the individual lawyers that were advising both buyers and sellers. We create for each transaction two indexes that capture the expertise of the buyer lawyer *relative* to the seller lawyer ("relative lawyer expertise"). We construct these indexes for the two parties' lead lawyers, who are usually partners at their firms and oversee all legal aspects of M&A negotiations for their clients. The two indexes span different dimensions of legal expertise, covering aspects of both experience and education. Our sample contains 112 different lead lawyers and 20 of them work for the law firm that provided the data. Our sample contains many leading international law firms, including eight top 10 law firms according to a Merger Market ranking based on deal volume.

To test whether a divergence in legal expertise results in outcomes that are favorable to one party at the expense of the other, we focus on negotiation outcomes where economic incentives of buyers and sellers are relatively diverging. We start with an analysis of the effects of relative lawyer expertise on contract design, typically one of the main duties of lawyers. We focus on provisions that allocate risk between the buyer and seller, as incentives are most conflicting there. For a given price, the buyer prefers to allocate a maximum level of risk to the seller, while the seller prefers the opposite.[3]

We first look at the allocation of risk through warranties, which are guarantee statements by the seller about the quality of the target. Due to their signaling value, warranties themselves are typically not used to allocate risk. Instead, risk allocation is negotiated through three clauses that affect their scope and enforceability of these warranties. First, warranties may come with the statement "*so far as the seller is aware,*" which means that they are unenforceable unless the buyer can proof that the seller was aware of a warranty violation (Freund (1975)). The buyer, therefore, prefers the inclusion of few knowledge qualifiers, whereas the seller prefers as many as possible. Our first measure is, thus, the percentage of warranties without knowledge qualifiers. Second, the seller can add an overarching qualifier, which states that any warranty needs to be violated in "*in a material respect.*" This clause also reduces enforceability as this condition provides sellers with

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[2] Acquisitions of privately held targets constitute a large proportion of mergers and acquisitions. For example, 96% of the cross-border transactions in Erel, Liao, and Weisbach (2012) involve privately held targets. Betton, Eckbo, and Thorburn (2007) document for US takeovers that about 63% of targets are privately held.

[3] As risk allocation and transaction prices may be traded-off against each other, our tests control for the acquisition price. Our results are robust to controlling for the rank of the involved law firms, relative bargaining power, and risk-bearing capacity of buyers and sellers.

strong counter-arguments upon enforcement by the buyer (see Kling, Simon, and Goldman (1996)). The buyer, hence, prefers that warranty breaches do not need to be material, whereas the seller prefers the opposite. Third, the buyer's risk exposure from warranties is larger if the seller has insufficient funds to cover future damages. The buyer can be protected against this risk by requiring that parts of the target payment are put aside as collateral. We measure what percentage of the purchase price is secured for the buyer.

After controlling for the acquisition price, we find that more relative legal expertise on the buyer side is associated with more risks allocated to the seller, consistent with the *competitive-advice hypothesis*. Specifically, more buyer lawyer expertise is associated with more warranties without knowledge qualifiers, a higher probability that warranties breaches do not need to be material, and a higher percentage of the purchase price being secured against future claims.

Another important risk in acquisitions arises because of potentially adverse events between signing and closing dates. In the default case, this risk lies with the buyer, who contractually agrees to purchase the target at a given price. However, contracts can shift this risk to the seller by including a MAC clause, which allows the buyer to cancel the deal if the target suffers a material adverse change (MAC) before the closing date. While the buyer prefers the inclusion of such a clause, the seller favors not to carry this risk (see Denis and Macias (2012), Gilson and Schwartz (2005)). Similar to warranties, MAC clauses can come with exceptions, and each exception states a scenario in which the MAC clause does not apply. We create an index that measures the strength of MAC clauses by calculating the number of embedded exceptions (similar to Denis and Macias (2012)). Consistent with the *competitive-advice hypothesis*, we find that more relative buyer lawyer expertise increases both the probability that a MAC clause is added and the strength of this clause (fewer exceptions). These results are again obtained after controlling for the transaction price.

We then assess the impact of lawyer expertise on the bargaining process, which lawyers may influence in order to push negotiations in their clients' favor. We first assess which party is allowed to provide the first draft of the acquisition contract; this creates a first-mover advantage by setting an anchor or reference point for the upcoming negotiations (e.g., Molod (1994)). We find that more relative legal expertise on the buyer side is associated with a higher probability that the buyer can come up with the first draft. Next, we examine the duration of deal negotiations and closing times. The buyer benefits from short negotiations as this reduces agency problems at target management,

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saves transaction costs, and avoids that the period of exclusive negotiations expires.[4] The seller also benefits from accelerated negotiations because of lower transaction costs, but this comes at a cost as it reduces opportunities to look for alternative bidders. Similarly, the buyer prefers shorter times between signing and closing, as the sellers keeps control over the target until the closing date, which allows her to extract private benefits. We find that more buyer legal expertise is associated with both shorter negotiation and closing times.

Finally, we study the impact of lawyer expertise on the prices paid for the targets. Whereas lawyers are generally not the primary parties bargaining over prices, the due diligence and contract drafting process often result in price adjustments. Buyer lawyer expertise can, for example, cause adjustments if lawyers spot target quality issues during the due diligence. Similarly, lawyers may demand discounts for the inclusion of seller-friendly clauses. We find that more buyer expertise is associated with lower transaction prices. Importantly, these results are obtained after controlling for financial advisors and contract design.

To corroborate that our results are consistent with the *cooperative-advice hypothesis* and do not reflect spurious correlations, we perform a set of placebo test by looking at negotiation outcomes where we expect relative expertise to be irrelevant. Specifically, we expect relative expertise to be unrelated to contract outcomes where incentives of the buyer and seller are aligned. Performing such falsification tests, we show that relative expertise is unrelated to the *number* of warranties and covenants, which serve important signaling and commitment functions. By facilitating deal completion, warranties and covenants are in the interest of both parties. Similarly, relative expertise is unrelated to the presence of earnout mechanisms, which reduce information asymmetry about future target profitability (e.g., Datar, Frankel, and Wolfson (2001), Cain, Denis, and Denis (2011)). This indicates that relative expertise only comes into play for outcomes where objectives are conflicting. These findings support theories by Sen (2000) and Inderst and Müller (2004), who show that bargaining over less-adversarial clauses is unlikely.

A concern with our analysis is that lawyers are endogenously assigned to deals or clients, implying that relative lawyer expertise spuriously reflects unobserved transaction characteristics. We mitigate endogeneity concerns in three ways. First, we use an instrument that provides us with arguably exogenous variation in relative lawyer expertise, but that is unrelated to negotiation outcomes. We exploit the idea that the expertise of lawyers is related to the distance between a lawyer and her client. Specifically, clients tend to have a "house lawyer" who advices them on a

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[4] Transactions usually start with a letter of intent, which specifies an exclusivity period during which the seller is not allowed to negotiate with other bidders.

plethora of legal issues. This is usually a lawyer that is chosen based on familiarity, convenience, connections or a home-bias, rather than primarily on expertise. House lawyers are therefore usually located in geographic proximity to their clients. However, clients may choose to obtain legal counsel from a more distant lawyer, for example when the house-lawyer has no availability, advises the counterparty, or lacks region-specific knowledge. It is likely that the choice of such a lawyer is more substantially driven by the need for specific legal expertise.[5] In other words, when buyers or sellers hire more distant lawyers, they are more likely inclined to select lawyers with higher expertise. Supporting this conjecture, we show that our two lawyer expertise ratios are statically significantly related to a relative geographic distance ratio, which is defined as the distance between the buyer and her lawyer divided by the distance between the seller and her lawyer. We use this relative distance ratio as our instrument for relative lawyer expertise (the first-stage F-statistics are above 13).

It is unlikely that the relative lawyer-client distance directly affects negotiation outcomes, expect through its effect on relative lawyer expertise. If more distant lawyers are chosen based on organizational arguments (e.g., the house lawyer's availability or conflicting interests), geographic distance should have no bearing on negotiation outcomes. To account for a choice based on a lack of region-specific knowledge, we estimate all regressions while controlling for cross-border transactions. When we use the distance ratio as an instrument for relative expertise, we find that higher legal expertise remains associated with more favorable negotiation outcomes.

Second, we show that our results hold in subsamples of deals where concerns over endogenous lawyer assignment are less severe. Specifically, we look at subsamples where it is likely that a client-lawyer relation has already been established prior to a deal as (i) clients and lawyers are located in the same country, and (ii) as clients and lawyers have collaborated on prior M&A transactions.[6] We also follow Calomiris and Hitscherich (2007) and show that our results are robust to controlling for newly initiated law firm-client relations that arise as clients switch law firms, possibly in response to endogenous deal or target characteristics.

Third, we exploit that several of the lawyers of our law firm advised on more than one sample contract, allowing us to estimate lawyer fixed effects. Recall that lawyers of our law firm

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[5] Suppose a buyer who is located in Australia wants to buy a Dutch target. It is likely that this buyer will scan the Dutch market for legal services to find a lawyer with a high level of deal-relevant legal expertise. To the contrary, a Dutch seller is likely to simply use her familiar "house" lawyer who is located nearby but may have less deal-specific expertise.

[6] Coates et al. (2011) and Gilson, Mnookin, and Pashigian (1985) provide evidence lawyer-client relations are usually very long-lasting. It is argued that these relations arise because of uncertainty about lawyer quality. In the rare case that partners leave their law firms, they frequently take their clients with them.

participate in each transaction in the sample, either advising a buyer or a seller. Lawyer fixed effects alleviate the concern that lawyers attract or select specific deals by accounting for unobserved time-invariant lawyer characteristics. As our analysis estimates the effects of *relative* lawyer expertise, lawyer fixed effects allow us to identify the effect of relative legal expertise from variation in the expertise of the counterparty lawyers. Our results are very similar once we account for lawyer fixed effects.

Our analysis relates to papers that look at the effects of law firm characteristics on M&A outcomes. Coates (2012) studies acquisition contracts to assess how relative law firm expertise affects earnouts, price adjustments, and indemnification clauses. Krishnan and Masulis (2013) study how law firm rank affects completion rates and takeover premiums, and Krishnan and Laux (2007) relate law firm size to deal completion rates and acquirer returns. We further relate to Krishnan et al. (2012) who show that shareholder litigation affects M&A outcomes.

Section 2 presents the data. Section 3 describes the negotiation process and our measures of negotiation outcomes and expertise. Section 4 provides the results and Section 5 concludes.

2. Data

Our sample is built around the files of 151 acquisitions of privately held targets between 2005 and 2010.[7] The files have been made available by one of the largest law firms in The Netherlands, which specializes in corporate law and mergers and acquisitions. The law firm acted as advisor of either buyers (86 deals) or sellers (65 deals). The files contain the original acquisition contracts, information on the involved lawyers, and details on the bargaining and pricing. If missing, we complete information on the involved lawyers with data from Merger Market, which contains information on financial and legal advisors in M&A transactions. To measure lawyer expertise, we collect data on each lawyer from the webpages of their law firms, internet searches, and Merger Market. We focus for each deal on the two lead lawyers that are advising the buyer and seller, respectively. These lawyers are usually partners at their law firms and identified in our files and in Merger Market as the lead lawyers on a transaction.

Across our sample, lead lawyers of 49 different law firms are involved in the negotiations.[8] Out of those law firms, 25 are headquartered in The Netherlands, which implies that in 74% (75%) of the deals the buyers (sellers) are advised by a Dutch law firm. Across all deals, 112 individual lead

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[7] Details about sample construction and sample selection issues are provided in Karsten and Sautner (2013).
[8] A total of 30 (36) law firms advised the buyers (sellers), and 17 law firms occurred as advisors of both sellers and buyers.

lawyers negotiate on behalf of one of the two deal sides, with the average lead lawyer advising on 2.3 sample deals.[9] We complement these data with financial information on the buyers, sellers, and targets from Amadeus, national trade registers, or financial statements. All financial variables are based on the year preceding the closing of a transaction.

Table 1 Panel A contains summary statistics on the deals. Variable definitions are provided in Appendix A-1. The average transaction value in our sample is EUR 222m. Buyers and sellers are relatively equal in terms of size, with a median book value of EUR 1.4bn and EUR 2.0bn, respectively. Sellers and buyers also have similar levels of deal experience; both performed about twelve M&A transactions over the past five years. About half of all transactions are international and a quarter is executed as an auction. Appendix A-2 contains the sample's industry and country distribution. We also report the rank of the involved law firms and investment banks. As in Krishnan and Masulis (2013) and Beatty and Welch (1996), we categorize them based on whether they are ranked in the top 10 based on deal volume between 1995 and 2010.

3. M&A Negotiations and Lawyer Expertise: Process and Measurement

3.1 M&A Negotiation Process

The negotiation process preceding a private acquisition is in principle free of form and can be different for every deal. However, there are some conventions of the steps typically taken in such negotiations and this section provides a short overview of them for one-on-one negotiations (Appendix A-3 describes these patterns also for controlled auctions).

Negotiations usually begin with one party communicating interest in a deal. If a buyer initiates a deal, this can be a simple statement of interest, whereas a seller typically approaches potential buyers with a few pages of target information (a "teaser"). From then until the signing, the seller faces a trade-off between providing information to attract or improve an offer, versus withholding sensitive details in case the deal is cancelled. Consequently, if there is mutual deal-interest, both parties first enter into a non-disclosure agreement (NDA), whereby they commit to keep information confidential. The preparation of an NDA is generally the moment where lawyers are called into the negotiations.

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[9] The buyers (sellers) were advised by 66 (70) different lawyers, with 24 lawyers advising both sellers and buyers. In total, 20 (18%) of the lead lawyers come from the law firm that provided the data, with 16 (17) different lawyers advising buyers (sellers). On average, each lead lawyers of our law firm advised on seven deals in the sample. Naturally, this high number is an artifact of the data and does not reflect a bias in overall deal activity outside the sample.

In spite of the NDA, the seller often does not yet provide open access to the target's books and premises. The parties first want to assess whether they are thinking along a similar target price range. To facilitate an initial offer from the buyer, the seller will ask her lawyer to provide additional information about the target in an information memorandum (IM). Based on the IM, the buyer makes an initial non-binding offer, which is a high-end estimate, i.e. a price that the buyer offers if "no skeletons appear in the closet." If this offer does not discourage the seller, the lawyers write down initial agreements in a letter of intent (LOI). Most of the LOI is non-binding and its main purpose is to provide a structure to the deal to avoid miscommunication and to set a timeline for contract negotiations. In addition, the LOI contains a binding exclusivity clause, which prohibits the seller from entering into negotiations with other bidders for a specific period of time. After the signing of the LOI, the buyer is granted access to the most relevant target data in a due diligence process (DD). As a due diligence can be time-consuming, lawyers usually proceed simultaneously with contract negotiations.

Contract negotiations start with a draft contract provided by the lawyer of one of the two parties. This first draft is a combination of a standard sample contract used by the law firm and deal specific details. Law firms generally have different sample contracts, depending on whether they represent a buyer or seller, and the first draft contract is usually biased towards the own party. The counter-party lawyer then prepares a mark-up on this document and indicates preferred changes. The lawyers extensively discuss these changes and send various mark-ups of the contract back and forth by email. This exchange of mark-ups, and discussions about them, can continue over months. If the due diligence is on-going during the contract negotiations, any arising concerns about the target quality will affect the negotiations (e.g., by demanding warranties). The target price is often not part of these contract negotiations and mostly not even mentioned in the draft contract until late in the negotiation phase. As such, there is no explicit interaction between the pricing and the contract design. However, the price can be adjusted downward if issues appear that are not fully mitigated in the contract (e.g.,, through warranties or covenants).

If the transfer of control (closing) does not occur directly with the signing, the contract stipulates what conditions need to be met before the closing. If these conditions are satisfied, there is no renegotiation after the signing. However, if some conditions are violated, for example the MAC conditions, then the contract can be annulled and parties renegotiate.

3.2 Measuring Negotiation Outcomes

We test whether lawyers with more expertise negotiate outcomes that are more favorable to their clients. Our assumption is that lawyer expertise improves the bargaining position of the own party, such that more favorable outcomes can be negotiated. We revert to bargaining theory to guide our analysis and to predict for which negotiation outcomes we expect the strongest effects. Generally, negotiation outcomes can be separated into those that *create* value for both parties, and those that *distribute* value among them (e.g., Gilson (1984)). Rubinstein (1982) shows that relative bargaining power is crucial for surplus distribution if two trading parties negotiate over outcomes where incentives are opposite. To the contrary, Sen (2000) and Inderst and Müller (2004) show that relative bargaining power does not matter for provisions that create value for both parties, as incentives are more aligned over them. In light of these theories, we expect that relative expertise is most likely to direct negotiation outcomes over adversarial issues, which we measure along three dimensions: contract design, the bargaining process, and acquisition pricing.[10]

3.2.1 Contract Design

Acquisition contracts contain provisions that facilitate legal actions, mitigate information asymmetry or agency concerns, and allocate risk between buyers and sellers. Provisions facilitating legal actions address legal formalities or definitions and rarely require negotiations. Clauses that address information or agency concerns are usually instruments that *create* rather than *distribute* value and incentives are relatively aligned over such clauses (we will also show this for our data). To measure the impact of relative lawyer expertise, we therefore focus on provisions that allocate risks between buyers and sellers, and which are identified by legal literature as being subject to extensive negotiations (Gilson and Schwartz (2005), Martinius (2005), Freund (1975)).

The first set of provisions relates to warranties, which are statements about target quality that sellers make with the commitment to repay parts of the purchase price if any of them are violated (see Appendix A-5 for examples). Warranties can serve as a signaling device for target quality if sellers are better informed than buyers (Grossman (1981) and Spence (1977)). As such, to the extent that warranties relate to issues of which sellers are aware, the incentives of buyers and sellers are aligned as more warranties help to better reduce information asymmetry (Grossman (1981)). However, warranties can also cover issues that sellers are not entirely certain about;

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[10] Appendix A-4 provides an overview of these outcomes and the associated buyer and seller objectives.

warranties then provide insurance to buyers.[11] Sellers can circumvent this insurance by adding a knowledge qualifier, which states that a certain warranty is only true "*so far as the seller is aware.*" A warranty qualified with such a statement cannot be enforced unless the buyer can proof that the seller was aware of the breach at the time of signing (e.g., Freund (1975)). As a result, warranties without knowledge qualifiers provide insurance to buyers by allocating risk to sellers, while warranties with them allocate risk to buyers (see Kling, Simon, and Goldman (1996)). Our first measure of risk allocation is the fraction of warranties that come without knowledge qualifiers *(%Warranties w/o Qualifier)*.[12] For any given price, buyers want to include few qualifiers, while sellers have the opposite incentives. Table 1 Panel B shows that 86% of all warranties are written without a knowledge qualifier.

Sellers can also reduce the enforceability of warranties by adding a materiality qualifier, which is an overarching clause stating that warranty violations can only be claimed if they are material. This provides sellers with a strong defense as buyers need to prove both that a warranty is violated *and* that the damage is material (see Kling, Simon, and Goldman (1996)). As such, sellers can limit their risk exposure by adding a materiality qualifier. Our second measure of risk allocation is a dummy variable, which takes the value one if warranty breaches do not need to be material, and zero if they need to be (*Warranty Not Material*). About 80% of contracts specify that warranty breaches do not need to be material (see Table 1 Panel B).

A third warranty-related provision is the availability of money in case of a warranty breach. On average across our contracts, buyers can file a damage claim until up to one-and-a-half years after the closing date. If sellers have insufficient funds to pay for these damages, warranties are worthless. To prevent this scenario, parts of the purchase price can be collateralized by placing it in an escrow account, by a cash reserve requirement, or by a bank guarantee. Such secured funds are valuable for buyers as they increase the value of warranties, while they are costly for sellers. Our third measure of contract design is the percentage of transaction value which is collateralized *(%Payment Secured)*. Funds are secured in 47 deals, with the average collateral being equal to 16% of the transaction value. This corresponds to an unconditional average of 5% secured funds across the sample (Table 1 Panel B).

Risk can also occur between the signing and closing date. If a material event substantially reduces target value, buyers may want to cancel a deal. However, having signed a contract and fixed

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[11] That statement that there is no third party infringing on the target's intellectual property rights is an example of a warranty of which the seller may not be fully certain about.
[12] We define all contract-design variables such that higher (lower) values reflect more risk being allocated to sellers (buyers).

a price, buyers are required to complete the deal and bear this risk. Contracts can shift this risk back to sellers through inclusion of a MAC clause, which stipulates that buyers can refuse deal completion if the target suffers a material adverse change. As such, buyers prefer the inclusion of an MAC clause, while sellers have opposite incentives. Our measure is a dummy variable, which takes the value one if the contract contains a MAC clause. This occurs in 34% of our sample (Table 1 Panel B), compared with 99% of transactions in the case of public takeovers (see Denis and Macias (2012)).

As with warranties, the strength of a MAC clause can be reduced through exceptions (see Appendix A-5 for examples). These exceptions stipulate that buyers' rights to refuse deal completion are not applicable if the adverse event is due to specific circumstances (e.g., war, terrorism, natural disasters, or an economic downturn). To reflect this risk reallocation, we create an index (*MAC Strength Index*), which equals 0% if no MAC clause is included and 100% if a MAC is included without any exceptions. Contracts with MAC clause exceptions are placed in between this range such that more (few) exceptions move the index closer to 0% (100%). This approach is similar to Denis and Macias (2012). Correlations of all contract design variables are in Appendix A-9

3.2.2 Bargaining Process

While the bargaining process is not in itself a negotiation outcome, it has important implications for contract design and pricing. As such, lawyers have incentives to direct the process in a way that is favorable to their own clients. We look at three aspects of the bargaining process.

First, we identify which law firm provided the first draft of the acquisition contract. Both parties prefer to deliver the first draft as it provides them with a first-mover advantage (e.g., Freund (1975), Molod (1994)).[13] We are able to identify this information based on the layouts of contracts, which contain the business labels of the law firms that drafted the first version. Table 1 Panel B shows that the first draft contract comes in 44% of the deals from the buyer law firm.

Second, we measure the time spent on negotiations, defined as the days between the start of negotiations and the signing of the contract. We define the start of negotiations as the date at which our law firm opened a file on a transaction. Buyers generally prefer shorter negotiations to minimize transactions costs, reduce moral hazard at the target, and avoid that the period of exclusive negotiations expires. Sellers, however, have mixed incentives—they prefer accelerated negotiations to also save on transaction costs, but they can benefit from long negotiations as the

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[13] Freund (1975, p.26) states that "in negotiating acquisitions, the axiom is: If you have an opportunity to draft the documents, do so; you will jump into the lead, and your opponent will never catch up completely."

expiration of the exclusivity period allows them to obtain competing offers and negotiate a higher price. Negotiations take, on average, 170 days in our sample (Table 1 Panel B).

Third, we measure the closing time, which is the time between the signing of a contract and the transfer of the target. Closing times are sometimes necessary to apply for regulatory approvals. Whereas the length of this period is largely affected by the number of required approvals, lawyers may influence it by filing documents more quickly or lobbying for fast responses. Buyers usually prefer shorter closing times as—with the transaction price already determined—sellers remain in control of the target before the closing and can exploit this by acting opportunistically. Incentives of sellers are mixed as shorter closings mean fewer opportunities for private benefits, but also earlier closing payments (this is important if they are financially constraint; this seems not the case for our sellers). Our data indicate a considerable time period—about 46 days—between the signing and closing, making opportunistic seller actions a realistic concern for buyers.

3.2.3 Acquisition Pricing

Whereas target prices are understandably an important negotiation outcome, it is less clear how lawyer expertise influences them. As described above, the price in one-on-one transactions is usually set prior to contract negotiations. Lawyers can affect this price in different ways. First, the initial price is normally only an upper bound, which is subject to issues that may arise during the due diligence or negotiation process. Buyer lawyers with more expertise may be better able to identify any "skeletons" during the due diligence, demanding price reductions as a result. Second, if lawyer expertise affects negotiation times and this again affects prices, then buyer lawyers can indirectly reduce (or prevent increases to) the price by keeping negotiations short.

We measure the acquisition premium as the price paid for the target divided by its book value. Buyers, *ceteris paribus*, prefer to pay a low price for the target, while sellers want a high price. The average acquisition premium in our sample equals 250%.[14]

3.3 Measuring Relative Lawyer Expertise: Experience and Education

We create two indexes to proxy for the expertise of the buyer lead lawyer relative to that of the seller lead lawyer. The first index, *Experience Index*, proxies for the relative experience level of the lawyers and consists of five components: (i) a lawyer's number of years as partner; (ii) her deal

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[14] This compares with a range of 131% to 146% as documented for public takeovers (e.g., Betton, Eckbo, and Thorburn (2009), Moeller (2005)). Masulis and Nahata (2011) report private takeovers mean (median) premiums of 1073% (469%), but the targets in their analysis are much smaller.

experience; (iii) her corporate sector experience; (iv) whether she is an M&A specialist; and (v) whether she listed as an M&A expert in the Chambers Expert Lawyer ranking. The second index, *Education Index*, proxies for the relative education of lawyers and consists of three components: (i) the ranking of her law school; (ii) whether she has a business degree; and (iii) whether she graduated from a US law school.

The exact construction of each component depends on the distribution of the underlying profile data, which can be continuous or binary. If the underlying lawyer data is continuous (e.g., years as partner), we divide the expertise value of the buyer lawyer by that of the seller lawyer, such that a higher ratio indicates higher relative buyer lawyer expertise.[15] A similar methodology is used in Coates (2012) and Kale, Kini, and Ryan (2003). We standardize these variables such that they range between zero and one. If the underlying profile data is binary (e.g., US law school education), we create the relative expertise variables such that they can take three values: 0 if the seller lawyer has more expertise; 0.5 if both have the same expertise; and 1 if the buyer lawyer has more expertise. Details are provided in Appendix A-1.

We create the *Experience Index* as the average of our five proxies for experience, and *Education Index* as the average of the three proxies for education. The indexes range between zero and one as the index component have been standardized to lie in the same range. Table II Panel A contains summary statistics for the two indexes as well as their components.[16] Table 2 Panel B indicates that the measures are positively, but far from perfectly correlated; they seem to capture different aspects of expertise.

4. Empirical Results

4.1 Negotiation Outcomes and Relative Lawyer Expertise

We next turn to the question whether more relative lawyer expertise is associated with more favorable negotiation outcomes, or whether relative expertise does not drive negotiations in one direction or another. To this end, we regress in Columns 1 to 5 of Table 3 and Table 4 our proxies for contract design on the two index of relative lawyer expertise. While the regressions in Table 3 look at *Experience Index*, those in Table 4 look at *Education Index*. Recall that higher (lower)

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[15] For the university rankings, we use inverse values of the underlying university rank.

[16] Sellers did not hire an external law firm and relied on internal in-house lawyers in 11% of the transactions. We assume that this reflects low legal expertise and give the relative expertise variables the value 1 for these observations (i.e., low relative seller expertise). Similarly, if the buyer has not requested any legal advice (5% of deals), observations are given the value 0 (i.e., low relative buyer expertise). This approach is similar to Yermack (1992) and Matsunaga, Shevling, and Shores (1992).

index values indicate more legal expertise on the buyer (seller) side. Appendix A-6 shows regressions separately for each index components.

The regressions in both tables control for different potentially important determinants of contract design. We include deal and target characteristics and proxies for client bargaining power.[17] When explaining contract design and the bargaining process, we further control for the acquisition price, as contract provisions and prices are likely to be interrelated. We control for the number of warranties in all regressions with design measures related to warranties.

As higher values of any contract design measure imply that more risk is allocated to sellers, the *competitive-advice hypothesis* implies a positive relation between relative lawyer expertise and contract design. Supporting this view, we find in Table 3 that more buyer lawyer experience is associated with both more warranties without a qualifier and a higher probability that a warranty breach does not need to be material. In terms of economic significance, an increase in *Experience Index* from the 25th (low buyer expertise) to the 75th percentile (high buyer expertise) is associated with a twice as high probability that a warranty breach need not be material. We further find that more legal experience it is associated with both a higher likelihood that a MAC clause is included and also a stronger MAC clause. In addition to experience, we find in Table 4 that relative education is also an important factor related to contract design. Specifically, buyers seem to benefit from more experience of their lawyers as it is associated with few warranty qualifiers, a higher probability that all warranty breaches can be claimed, and a stronger MAC clause. Moving from the 25th to the 75th percentile of *Experience Index* increases the MAC strength by 19%.

Columns 6 to 8 in both tables report regressions that relate the two indexes with the bargaining process . We find that more legal experience on the buyer side is associated with a higher probability that the buyer can provide the first draft. Similarly, lawyer education also seems strongly related to the probability of providing the first contract draft. In terms of the duration of the deal process, more experience is associated with both shorter negotiation and closing times. Moving from the 25th to the 75th percentile of the *Experience Index* reduces negotiation times by 32 days and closing times by 15 days.

The results in Column 9 of Table 3 suggest that more legal experience is associated with more favorable prices. Specifically, if the buyer lawyer has more experience, this is associated with a lower premium paid by the buyer. This suggests that experienced lawyers affect pricing in M&A

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[17] Appendix A-7 shows that results are robust to adding additional proxies for law firm rank, bargaining power, the financial position of the seller, and risk bearing capacity.

deals, even though price indications are generally being set prior to contract negotiations. Appendix A-8 shows that these results are robust to controlling for the rank of the involved investment bank. The results are further robust to controlling for our proxies of contract design.

Overall, our results are consistent with the *competitive-advice hypothesis* as higher relative lawyer expertise is reflected in more favorable negotiation outcomes across various dimensions. In terms of expertise drivers, it seems that both experience and education are relevant, but experience is generally more influential for the bargaining process and acquisition pricing.

4.2 Relative Lawyer Expertise: Placebo Tests

Bargaining theory suggests that bargaining power should not affect contract terms that create value for both parties by facilitating deal completion through reducing information asymmetry or agency problems (e.g., Sen (2000) and Inderst and Müller (2004)). This prediction allow us to perform a set of placebo tests to corroborate our previous results and to mitigate concerns about spurious correlation between relative lawyer expertise and negotiation outcomes.

To test whether relative expertise is indeed unrelated to value-creating contract outcomes, Table 5 contains regressions for three types of contract provisions that increase the joint surplus of both parties (e.g., Gilson (1984)). These provisions are (i) the number of warranties; (ii) the number of covenants; and (iii) whether an earnout-payment is included. We look at warranties as they reduce information asymmetry by signaling target quality to buyers (e.g., Grossman (1981), Spence (1977)). Thereby, they not only protect buyers against missing information, but also increase the probability that the target is sold to begin with. Warranties hence increase the joint surplus of both parties, making them an area of negotiations where incentives of buyers and sellers are relatively aligned. Similar arguments can be applied to covenants. Covenants are in the interest of both parties as they are commitment devices that mitigate opportunistic behavior by sellers between the signing and closing dates. The inclusion of covenants also facilitates deal completion and is beneficial for both parties. Finally, earnout mechanisms facilitate deal completion by reducing information asymmetry (e.g., Datar, Frankel, and Wolfson (2001), Cain, Denis, and Denis (2011)). Earnouts stipulate that part of the purchase price will be contingent on target performance after the closing date, thereby reducing uncertainty about future target profitability.

The regressions in Table 5 show that our proxies for relative lawyer experience and education are unrelated to these contract outcomes across both relative expertise indexes, with *t*-statistics not exceeding 0.65. This corroborates that expertise is primarily used to bargain for

outcomes that are favorable to the respective own clients, rather than to shape provisions that maximize joint surplus.

4.3 Endogenous Assignments of Lawyers

Our evidence suggests that negotiation outcomes are more favorable for buyers if the expertise of buyer lawyers exceeds that of seller lawyers. A concern to our analysis is that this relation is spurious rather than causal due to endogenous assignments (matching) of lawyers to deals.[18] We are able to mitigate concerns over endogenous lawyer assignment in three ways.

Instrumental-Variables Regressions

We are able to use an instrument that provides us with exogenous variation in relative lawyer expertise. We exploit the idea that the distance between a lawyer and her client is likely related to legal expertise. The legal services industry is structured such that clients, i.e., buyers or seller, tend to have a "house lawyer" that advices them on the vast majority of legal issues. This is usually a lawyer that is chosen based on familiarity, convenience, or a home-bias, and it is therefore usually a lawyer that is located in geographic proximity. Legal expertise is, of course, still a criteria that affects this choice, but it is not the only one. However, clients sometimes choose to obtain legal counsel from a more distant lawyer, for example when the house-lawyer has no availability, advises the counterparty, or lacks region-specific knowledge. It is likely that the choice of such a lawyer is more substantially driven by the need for specific legal expertise. In other words, when buyers or sellers hire more distant lawyers, they are likely to select lawyers with higher expertise.

Building on this idea, we expect that both expertise indexes take larger values (higher relative buyer expertise) if the distance between the buyer and her lawyer is larger than that between the seller and her lawyer. This relationship is confirmed in our data. Table 6 contains regressions where we regress relative legal expertise on a measure of relative distance, *Distance Ratio*, which we will use as an instrument for relative lawyer expertise. The variable is defined as the geographic distance between the buyer and the buyer lawyer, divided by the geographic distance between the seller and the seller lawyer.[19] Higher values of *Distance Ratio*, hence, suggest that the distance between the buyer and her lawyer is larger than the one between the seller and her lawyer.

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[18] Lawyer assignment could be based on unobserved deal characteristics (e.g., deal complexity) or the bargaining power of clients, implying that these variables rather than lawyer expertise are driving the observed relations.

[19] As the respective distances are skewed, we use for both the nominator and the denominator distance quartiles which range between 1 (low distance) and 4 (high distance). The mean (median) distance between the buyer and her lawyer is 754 km (54 km), while the mean (median) distance between the seller and her lawyer is 429 km (52 km).

The regressions show that relative distance is positively and statistically significantly related to both measures of relative expertise, even after controlling for deal characteristics and cross-border transactions. Relative lawyer-client distance is likely to be a relevant instrument as the *F*-statistics of the variable are well above the threshold of 10, which is commonly used to assess the quality of first-stage regressions (see Staiger and Stock (1997) or Stock, Wright, and Yogo (2002)). For several reasons, relative lawyer-client distance is unlikely to directly affects negotiation outcomes, expect through its effect on relative lawyer expertise. If more distant lawyers are chosen based on organizational arguments (e.g., the house lawyer's availability or conflicting interests), geographic distance should have no bearing on negotiation outcomes. To account a choice based on a lack of region-specific knowledge, we control for cross-border transactions.

Using the relative lawyer distance as an instrument for relative lawyer expertise, Table 7 provides regressions that relate negotiation outcomes to the instrumented expertise ratios. The 2SLS estimates show that higher legal expertise keeps affecting negotiation outcomes in a favorable way, though the effects are slightly weaker compared to the previous uninstrumented regressions.

Established Client-Lawyer Relations

We can also look at subsamples where concerns over endogenous lawyer assignment are less severe as a client-lawyer relation have been established prior to a deal. Specifically, we report in Table 8 regressions that are estimated for the subsample of deals where (i) both a client and her lawyer are located in the same country (Panel A), (ii) the client and her lawyer have worked together on prior M&A transactions (Panel B). While regressions in the first subsample are based on 44 deals only (as we require both parties to be located in the same country as the respective lawyer), those in the second subsample are based on 95 deals (data on prior deals is obtained from Merger Market).[20] The estimates in both panels show that our results largely hold in these better-identified subsamples. Building on a similar idea, the regressions in Table 8 Panel C show that our results are also robust to controlling for newly initiated law firm-client relations that arise as clients switch law firms, possibly in response to endogenous deal or target characteristics. To demonstrate this, we follow Calomiris and Hitscherich (2007) and create dummy variables that take the value one if a buyer (seller) switches to a new law firm from which she did not obtain M&A advice over the past five years.

Lawyer-Fixed-Effects Regressions

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[20] Coates et al. (2011) and Gilson, Mnookin, and Pashigian (1985) provide evidence lawyer-client relations are usually very long-lasting. It is argued that these relations arise because of uncertainty about lawyer quality. In the rare case that partners leave their law firms, they frequently take their clients with them.

Finally, we exploit that several of the lawyers of our law firm advised on more than one transaction in our sample, allowing us to estimate lawyer fixed effects. Regressions with lawyer fixed effects allow us to account for unobserved time-invariant lawyer characteristics that may endogenously affect the assignment of lawyers to deals. As our analysis estimates the effects of *relative* lawyer expertise, lawyer fixed effects obtain identification from variation in the expertise of counterparty lawyers. The regressions in Table 9 show that our results are very similar once we account for lawyer fixed effects. Note that the number of observations is slightly lower as some lawyer of our law firm advised one deal only.

5. Conclusions

We study M&A transactions to test whether lawyers with more legal expertise yield better negotiation outcomes for their own clients along three important dimensions: contract design, the bargaining process, and acquisition pricing. We find that more lawyer expertise is associated with more beneficial negotiation outcomes. Buyer lawyers with more legal expertise than seller lawyers negotiate contracts that have fewer warranty qualifiers, are more likely to require that any warranty breach can be claimed, and that have a higher propensity to include a MAC clause. With respect to the bargaining process, more legal expertise on the buyer side is further associated with shorter negotiation and closing times, and a higher probability that the buyer can provide the first contract draft. Lastly, legal expertise is related to more favorable acquisition pricing even after controlling for contract design and investment bank expertise.

A set of placebo tests that show that lawyer expertise is less important for provisions that increase the joint surplus of both parties by facilitating deal completion and reducing transaction costs. Further, our findings do not seem to be driven by an endogenous allocation of lawyers to deal or clients, as indicated by instrumental-variables regressions or estimations using lawyer fixed effects.

Our results are consistent with the *competitive-advice hypothesis*, which holds that lawyers with more legal expertise are better able to negotiate in favor of the interest of their clients. They provide less support for the *cooperative-execution hypothesis*, which argues that lawyers cooperate with each other to draft an objectively good contract that maximizes the joint surplus of both parties.

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Table 1
Transaction Characteristics and Negotiation Outcomes: Summary Statistics

Panel A provides summary statistics of transaction characteristics and Panel B summary statistics of negotiation outcomes. The sample covers 151 M&A transactions conducted in the period between 2005 and 2010. Not all data is available for all transactions. Detailed variable definitions are provided in Appendix A-1.

Panel A: Target, Buyer, Seller, and Deal Characteristics

	Mean	Median	10th	90th	Std. Dev.	Obs.
Target						
Transaction Value (mEUR)	222	34	2	371	795	151
Target Book Value (mEUR)	318	45	2	538	990	146
Target Market Value (mEUR)	434	80	6	864	1,290	146
Target Leverage	59%	60%	21%	97%	30%	146
Target EBIT/Assets	14%	14%	1%	32%	15%	151
Asset Deal	9%					151
Target Negative Equity	6%					146
Buyer						
Buyer Book Value (mEUR)	40,000	1,410	12	45,900	139,000	150
Buyer Deal Experience	12	5	1	33	16	147
Buyer Private Equity	22%					151
Seller						
Seller Book Value (mEUR)	90,800	2,080	2	124,000	316,000	147
Seller Deal Experience	13	5	1	36	16	151
Seller Leverage	55%	60%	0%	97%	35%	147
Seller Private Equity	15%					151
Seller Family	18%					151
Main Seller Percent	88%	100%	49%	100%	21%	151
Deal						
Cross-Country Deal	44%				50%	151
Approvals Required (number)	1	0	0	2	2	151
Deal After 2008	37%					151
Controlled Auction	23%					151
Distance Ratio	1.3	1	0.33	3	0.93	151

Panel B: Negotiation Outcomes

	Mean	Median	10th	90th	Std. Dev.	Obs.
Contract Design						
Warranties	98	100	27	152	49	150
%Warranties w/o Qualifier	86%	89%	76%	99%	12%	150
Warranties Not Material	81%					150
%Payment Secured	5%	0%	0%	21%	9%	149
Covenants	14	14	0	31	13	151
MAC Clause	34%					151
MAC Strength Index	27%	0%	0%	100%	42%	151
Bargaining Process						
First Draft By Buyer	44%					151
Negotiation Time	170	141	47	334	134	147
Closing Time	46	24	0	123	66	151
Pricing						
Acquisition Premium	244%	155%	100%	506%	230%	146
Earnout	18%					151

Table 2
Relative Lawyer Expertise: Summary Statistics

This tables reports summary statics of two relative experience indexes, *Experience Index* and *Education Index*, as well as the components that are used to create them. The indexes as well as their components have been standardized to range between 0 and 1. Higher values indicate more legal expertise on the side of the buyer lawyer. *Experience Index* is the average of five index components: *Years as Partner; Deal Experience; Corporate Experience*; *M&A Specialist;* and *M&A Expert Listing*. *Education Index* is the average of the three index components: *Law School Ranking*; *Business Education*; and *US Education.* Next to means and medians, we report for what percentage of the sample: (i) the seller lawyer has more expertise than the buyer lawyer; (ii) both have the same expertise; and (iii) the buyer lawyer has more expertise than the seller lawyer. *Years as Partner*, *Deal Experience*, and *Law School Ranking* are based on continuous variables and defined as the expertise value of the buyer lawyer divided by the expertise value of the seller lawyer. (For *Law School Ranking*, the inverse is used, such that higher values reflect higher university quality). *Corporate Experience*, *M&A Specialist*, *M&A Expert Listing*, *Business Education*, and *US Education* are based on dummy variables and can take three values: 0 if the seller lawyer has more expertise; 0.5 if both have the same expertise; and 1 if the buyer lawyer has more expertise. Panel B reports rank correlations of the relative expertise indexes as well as their components. * indicates significance at the 5% level.

Panel A: Measures of Relative Lawyer Expertise

	Relative Lawyer Expertise		Buyer Layer Expertise Relative to Seller Lawyer Expertise			
	Mean	Median	Buyer < Seller	Buyer = Seller	Buyer > Seller	Obs.
Index						
Experience Index	0.45	0.41	70%	0%	30%	105
Index Components						
Years as Partner	0.35	0.22	45%	2%	53%	117
Deal Experience	0.25	0.08	43%	0%	57%	127
Corporate Experience	0.54	0.50	15%	60%	25%	123
M&A Specialist	0.55	0.50	9%	71%	20%	132
M&A Expert Listing	0.59	0.50	17%	48%	35%	151
Index						
Education Index	0.44	0.38	57%	2%	42%	120
Index Components						
Law School Ranking	0.28	0.09	38%	10%	52%	127
Business Education	0.53	0.50	19%	56%	25%	125
US Education	0.50	0.50	19%	62%	19%	129

Panel B: Spearman Rank Correlations

	Exper. Index	Years as Partner	Deal Exper.	Corp. Exper.	M&A Specialist	M&A Listing	Educ. Index	Law School Ranking	Business Educ.
Experience Index	1								
Years as Partner	0.583*	1							
Deal Experience	0.824*	0.509*	1						
Corporate Exper.	0.477*	-0.149	0.269*	1					
M&A Specialist	0.745*	0.633*	0.663*	0.135	1				
M&A Listing	0.767*	0.293*	0.610*	0.19	0.513*	1			
Education Index	0.585*	0.453*	0.434*	0.279*	0.519*	0.364*	1		
Law School Ranking	0.498*	0.588*	0.442*	0.021	0.569*	0.274*	0.820*	1	
Business Educ.	0.398*	-0.045	0.324*	0.572*	0.134	0.303*	0.353*	-0.091	1
US Education	0.232*	0.339*	0.045	-0.072	0.265*	0.159	0.741*	0.681*	-0.187

Table 3
Negotiation Outcomes and Relative Lawyer Experience

This table reports OLS and logit regressions to explain the relation between relative lawyer experience and different negotiation outcomes in M&A transactions. We proxy for relative lawyer experience using the *Experience Index*. This index ranges between 0 and 1, where higher values indicate more legal expertise on the buyer's side. The sample consists of 151 acquisitions of private targets between 2005 and 2010. Each column contains a regression with a different dependent variable (listed horizontally). Detailed variable definitions are provided in Appendix A-1. We report in parentheses *t*-statistics, calculated using robust standard errors. The regressions have less than 151 observations because of missing data for some variables. *** indicates significance at 1%, ** at 5%, and * at 10%.

Dependent Variable:	Contract Design					Bargaining Process			Pricing
	%Warranties w/o Qualifier	Warranties Not Material	%Payment Secured	MAC Clause	MAC Strength Index	First Draft By Buyer	Negotiation Time	Closing Time	Acquisition Premium
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Experience Index	0.18***	2.92**	0.05	7.06***	1.01***	6.11***	-166.51**	-82.38**	-2.08**
	(3.14)	(2.09)	(1.21)	(2.81)	(3.72)	(3.39)	(-2.39)	(-2.57)	(-2.05)
Acquisition Premium	0.01	-0.03	-0.00	-0.37	-0.07**	-0.03	-16.20**	-2.20	
	(1.36)	(-0.21)	(-0.09)	(-1.52)	(-2.44)	(-0.18)	(-2.21)	(-0.52)	
Target Book Value (log)									-0.45***
									(-4.66)
Warranties	0.00	0.01	0.00*						
	(0.29)	(1.27)	(1.87)						
Cross-Country Deal	-0.01	-0.65	-0.02	-0.29	-0.17	-1.55**	32.79	-0.42	0.29
	(-0.47)	(-1.00)	(-0.90)	(-0.40)	(-1.53)	(-2.22)	(1.00)	(-0.03)	(0.94)
Asset Deal	0.03	-0.06	-0.01	-0.92	-0.00	-1.75	-22.86	35.23	0.59
	(0.61)	(-0.07)	(-0.37)	(-0.74)	(-0.01)	(-1.17)	(-0.47)	(1.20)	(0.89)
Target Leverage	-0.03	0.77	0.00	1.51	0.23	-1.01	-102.68**	10.13	0.01
	(-0.60)	(0.74)	(0.12)	(1.42)	(1.42)	(-1.00)	(-2.00)	(0.53)	(0.02)
Target EBIT/Assets	-0.05	-0.00	0.07	0.63	0.27	-4.75	41.81	-30.09	1.98*
	(-0.81)	(-0.00)	(1.54)	(0.23)	(0.77)	(-1.10)	(0.50)	(-1.14)	(1.86)
Approvals Required	-0.00	0.23	-0.00	-0.02	-0.02	-1.03***	0.52	10.41**	0.10**
	(-0.26)	(1.53)	(-1.10)	(-0.13)	(-1.19)	(-3.54)	(0.12)	(2.53)	(2.08)
Relative Size	0.00	0.22	0.01**	-0.07	0.02	0.22*	-5.36	5.19*	0.19**
	(0.26)	(1.41)	(2.07)	(-0.43)	(0.79)	(1.66)	(-0.86)	(1.69)	(2.37)
Constant	0.78***	-1.72	-0.04	-2.48	-0.04	-1.25	356.02***	48.34**	9.72***
	(18.03)	(-1.48)	(-1.61)	(-1.63)	(-0.22)	(-0.99)	(5.77)	(2.25)	(4.72)
Obs.	99	99	98	70	70	99	95	99	99
Adjusted/Pseudo R^2	0.086	0.177	0.145	0.216	0.319	0.427	0.148	0.117	0.365

Table 4
Negotiation Outcomes and Relative Lawyer Education

This table reports OLS and logit regressions to explain the relation between relative lawyer education and different negotiation outcomes in M&A transactions. We proxy for relative lawyer education using the *Education Index*. This index ranges between 0 and 1, where higher values indicate more legal expertise on the buyer's side. The sample consists of 151 acquisitions of private targets between 2005 and 2010. Each column contains a regression with a different dependent variable (listed horizontally). Detailed variable definitions are provided in Appendix A-1. We report in parentheses *t*-statistics, calculated using robust standard errors. The regressions have less than 151 observations because of missing data for some variables. *** indicates significance at 1%, ** at 5%, and * at 10%.

Dependent Variable:	Contract Design					Bargaining Process			Pricing
	%Warranties w/o Qualifier	Warranties Not Material	%Payment Secured	MAC Clause	MAC Strength Index	First Draft By Buyer	Negotiation Time	Closing Time	Acquisition Premium
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Education Index	0.13**	4.29***	0.01	2.77*	0.73***	2.88**	-70.47	-2.66	-0.74
	(2.33)	(2.70)	(0.26)	(1.92)	(3.25)	(2.48)	(-1.13)	(-0.07)	(-0.95)
Acquisition Premium	0.01**	-0.10	-0.00	-0.01	-0.01	-0.04	-16.00**	1.76	
	(2.08)	(-0.83)	(-0.87)	(-0.08)	(-0.20)	(-0.27)	(-2.40)	(0.55)	
Target Book Value (log)									-0.41***
									(-3.36)
Warranties	0.00	0.02***	0.00**						
	(0.11)	(3.15)	(2.18)						
Cross-Country Deal	-0.04	-1.55**	-0.03	-0.10	-0.11	-1.14**	77.32**	-0.95	0.79**
	(-1.59)	(-2.36)	(-1.61)	(-0.18)	(-1.00)	(-2.22)	(2.34)	(-0.06)	(2.48)
Asset Deal	0.00	0.35	-0.01	-1.24	-0.09	-1.33	-1.62	23.58	0.51
	(0.05)	(0.36)	(-0.66)	(-1.06)	(-0.47)	(-1.62)	(-0.04)	(0.75)	(0.74)
Target Leverage	0.00	0.75	-0.00	1.09	0.23	-0.49	-102.64**	19.18	-0.45
	(0.04)	(0.77)	(-0.08)	(1.12)	(1.29)	(-0.61)	(-2.10)	(0.82)	(-0.78)
Target EBIT/Assets	-0.04	2.59	0.03	0.43	0.29	-2.07	21.50	-52.36*	2.92***
	(-0.75)	(0.94)	(0.67)	(0.23)	(0.83)	(-1.33)	(0.29)	(-1.82)	(2.69)
Approvals Required	-0.00	0.43*	-0.00	0.00	-0.02	-1.06***	-1.80	11.40**	0.07
	(-0.58)	(1.68)	(-0.79)	(0.03)	(-1.08)	(-2.88)	(-0.37)	(2.55)	(1.53)
Relative Size	0.00	0.33**	0.01***	0.04	0.03	0.28***	-10.01**	-0.43	0.09
	(1.02)	(2.28)	(3.95)	(0.34)	(1.63)	(2.84)	(-2.21)	(-0.13)	(1.11)
Constant	0.79***	-3.67***	-0.04	-2.08*	-0.19	-0.95	326.33***	30.63	8.84***
	(21.44)	(-2.72)	(-1.41)	(-1.81)	(-1.02)	(-0.96)	(5.17)	(1.48)	(3.63)
Obs.	113	113	112	79	79	113	109	113	113
Adjusted/Pseudo R^2	0.074	0.272	0.178	0.083	0.161	0.304	0.146	0.064	0.319

Table 5
Contract Design and Relative Lawyer Expertise: Placebo Regressions

This table reports OLS and logit regressions to explain the relation between relative lawyer expertise and measures of contract design where incentives of buyers and sellers are aligned: *Warranties*; *Covenants*; and *Earnout*. We proxy for relative lawyer using *Experience Index* (Columns 1 to 3) and *Education Index* (Columns 4 to 6). Both indexes range between 0 and 1, where higher values indicate more legal expertise on the buyer's side. The sample consists of 151 acquisitions of private targets between 2005 and 2010. Detailed variable definitions are provided in Appendix A-1. We report in parentheses *t*-statistics, calculated using robust standard errors. *** indicates significance at 1%, ** at 5%, and * at 10%.

Dependent Variable:	Warranties	Covenants	Earnout	Warranties	Covenants	Earnout
	(1)	(2)	(3)	(4)	(5)	(6)
Experience Index	12.44	-5.20	0.02			
	(0.47)	(-0.65)	(0.01)			
Education Index				-8.97	0.69	-0.05
				(-0.42)	(0.12)	(-0.04)
Acquisition Premium	3.19	0.88		4.64**	1.15*	
	(1.02)	(0.87)		(2.25)	(1.72)	
Target Book Value (log)			-0.74***			-0.85***
			(-3.12)			(-2.78)
Cross-Country Deal	22.87*	-2.65	1.20	18.15*	-2.60	0.91
	(1.90)	(-1.40)	(1.47)	(1.73)	(-1.25)	(1.27)
Asset Deal	-37.28**	-13.98***	2.00*	-42.91***	-13.29***	1.00
	(-2.55)	(-5.62)	(1.76)	(-3.47)	(-5.78)	(0.94)
Target Leverage	33.40**	5.49	0.17	30.64**	5.06	-0.57
	(2.27)	(1.42)	(0.17)	(2.35)	(1.38)	(-0.56)
Target EBIT/Assets	4.15	-23.97*	-1.92	6.61	-21.15	-1.69
	(0.13)	(-1.70)	(-0.69)	(0.25)	(-1.63)	(-0.71)
Approvals Required	-1.53	1.39***	0.27	-1.46	1.41***	0.32
	(-0.81)	(3.14)	(1.30)	(-0.79)	(2.94)	(1.59)
Relative Size	1.32	0.62	0.12	1.59	0.46	-0.00
	(0.57)	(1.14)	(0.81)	(0.98)	(1.00)	(-0.01)
Constant	51.46***	18.06***	9.61**	59.93***	15.36***	12.69**
	(3.03)	(4.01)	(2.17)	(3.72)	(3.75)	(2.14)
Obs.	99	70	99	113	79	113
Adjusted/Pseudo R^2	0.120	0.295	0.275	0.137	0.238	0.280

Table 6
Client-Lawyer Distance and Lawyer Expertise: First-Stage Regressions

This table reports OLS regressions to explain relative lawyer expertise in M&A transactions. We proxy for relative lawyer expertise using *Experience Index* (Columns 1 to 4) and *Education Index* (Columns 5 to 8). Both indexes range between 0 and 1, where higher values indicate more legal expertise on the buyer's side. The main independent variable is *Distance Ratio*, which is defined as the geographic distance between the buyer and the buyer lawyer, divided by the geographic distance between the seller and the seller lawyer. As the respective distances are skewed, we use for both the nominator and the denominator distance quartiles which range between 1 (low distance) and 4 (high distance). Higher values of *Distance Ratio* suggest that the distance between the buyer and the buyer lawyer is larger than the one between the seller and the seller lawyer. The sample consists of 151 acquisitions of private targets between 2005 and 2010. Detailed variable definitions are provided in Appendix A-1. We report in parentheses *t*-statistics, calculated using robust standard errors. *** indicates significance at 1%, ** at 5%, and * at 10%.

Dependent Variable:	Experience Index				Education Index			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Distance Ratio	0.10***	0.08***	0.08***	0.07***	0.09***	0.09***	0.09***	0.08***
	(4.32)	(3.82)	(3.83)	(3.67)	(4.85)	(4.52)	(4.09)	(3.93)
Acquisition Premium		-0.01	-0.01			-0.00	-0.00	
		(-1.06)	(-1.06)			(-0.21)	(-0.40)	
Target Book Value (log)				-0.03**				-0.01
				(-2.47)				(-1.24)
Warranties		-0.00				-0.00		
		(-0.08)				(-1.16)		
Cross-Country Deal		-0.11***	-0.11***	-0.13***		0.01	0.00	-0.01
		(-2.83)	(-3.00)	(-3.56)		(0.29)	(0.04)	(-0.36)
Asset Deal		-0.06	-0.06	-0.10*		0.04	0.06	0.03
		(-1.20)	(-1.19)	(-1.97)		(0.61)	(0.94)	(0.50)
Target Leverage		-0.05	-0.05	-0.05		-0.06	-0.08	-0.08
		(-0.67)	(-0.71)	(-0.84)		(-0.91)	(-1.15)	(-1.16)
Target EBIT/Assets		0.02	0.02	-0.09		0.01	0.00	-0.06
		(0.11)	(0.11)	(-0.61)		(0.07)	(0.02)	(-0.61)
Approvals Required		-0.00	-0.00	0.01		-0.00	0.00	0.01
		(-0.48)	(-0.48)	(1.29)		(-0.01)	(0.07)	(0.55)
Relative Size		0.04***	0.04***	0.03***		0.02**	0.02**	0.01*
		(5.23)	(5.39)	(4.24)		(2.31)	(2.25)	(1.75)
Constant	0.32***	0.26***	0.26***	0.74***	0.32***	0.31***	0.29***	0.55***
	(9.87)	(3.99)	(3.96)	(3.55)	(12.24)	(4.40)	(4.22)	(2.70)
Obs.	105	99	99	99	120	113	113	113
Adjusted R^2	0.166	0.379	0.386	0.416	0.174	0.140	0.137	0.146
F-Statistic Distance Ratio	18.69	14.57	14.69	13.47	23.56	20.44	16.77	15.45

Table 7
Negotiation Outcomes and Lawyer Expertise: Instrumental Variables Regressions

This table reports instrumental-variables regressions to explain the relation between relative lawyer expertise and negotiation outcomes in M&A transactions. We proxy for relative lawyer expertise using *Experience Index* and *Education Index*. We instrument for *Experience Index* and *Education Index* using *Distance Ratio*, which is defined as the geographic distance between the buyer and the buyer lawyer, divided by the geographic distance between the seller and the seller lawyer. As the respective distances are skewed, we use for both the nominator and the denominator distance quartiles which range between 1 (low distance) and 4 (high distance). Higher values of *Distance Ratio* suggest that the distance between the buyer and the buyer lawyer is larger than the one between the seller and the seller lawyer. We report the coefficient (*t*-statistic) of the instrumented relative expertise indexes for regression with different dependent variable (listed horizontally). The regressions use the same control variables as those in Table 3 and 4 (not reported). The sample consists of 151 acquisitions of private targets between 2005 and 2010. Detailed variable definitions are provided in Appendix A-1. We report *t*-statistics in parentheses, calculated using robust standard errors. *** indicates significance at 1%, ** at 5%, and * at 10%.

Dependent Variable:	Contract Design					Bargaining Process			Pricing
	%Warranties w/o Qualifier	Warranties Not Material	%Payment Secured	MAC Clause	MAC Strength Index	First Draft By Buyer	Negotiation Time	Closing Time	Acquisition Premium
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Experience Index (instrumented)	0.10	4.23***	-0.07	3.02	1.47	4.95***	-322.32*	-22.76	-2.10
	(0.70)	(3.10)	(-0.63)	(0.77)	(1.38)	(2.78)	(-1.76)	(-0.33)	(-1.03)
Estimator	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	99	99	98	70	70	99	95	99	99
F-Statistic Distance Ratio First-Stage	14.57	14.57	14.55	5.03	5.03	14.69	14.07	14.69	13.47
Education Index (instrumented)	0.06	4.61***	-0.08	2.29	1.21*	3.28**	-262.93*	56.40	-0.56
	(0.51)	(3.85)	(-0.88)	(1.08)	(1.68)	(2.41)	(-1.78)	(0.71)	(-0.34)
Estimator	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	113	113	112	79	79	113	109	113	113
F-Statistic Distance Ratio First-Stage	20.44	20.44	20.23	9.49	9.49	16.77	15.69	16.77	15.45

Table 8
Negotiation Outcomes and Lawyer Expertise: Established Client-Lawyer Relations

This table reports OLS and logit regressions to explain negotiation outcomes in M&A transactions. We proxy for relative lawyer using *Experience Index* and *Education Index*. We report the coefficient (*t*-statistic) of the relative expertise indexes for regression with different dependent variable (listed horizontally). The regressions use the same control variables as those in Table 3 and 4 (not reported). The regressions in Panel A are on the subsample of 44 deals where lawyers and clients are located in the same country. The regressions in Panel B are on the subsample of 95 deals where lawyer-client relations have been established already prior to a deal. The regressions in Panel C add, as additional controls, two dummy variables that take the value one if a buyer (seller) switched to a new law firm with which she did not have an established M&A relationship over the past five years. Detailed variable definitions are provided in Appendix A-1. We report *t*-statistics in parentheses, calculated using robust standard errors. *** indicates significance at 1%, ** at 5%, and * at 10%.

Dependent Variable:	Contract Design					Bargaining Process			Pricing
	%Warranties w/o Qualifier	Warranties Not Material	%Payment Secured	MAC Clause	MAC Strength Index	First Draft By Buyer	Negotiation Time	Closing Time	Acquisition Premium
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A: Clients and Lawyers Located in Same Country									
Experience Index	0.18***	0.45	0.09	7.78**	0.85*	6.10**	-240.14***	-119.09**	-1.65*
	(3.22)	(0.23)	(1.50)	(2.30)	(1.89)	(2.16)	(-3.01)	(-2.36)	(-1.70)
Education Index	0.16***	4.27**	0.01	3.26	0.65*	3.57**	-143.66*	4.49	-0.18
	(3.86)	(2.10)	(0.15)	(1.41)	(1.92)	(2.03)	(-1.69)	(0.06)	(-0.23)
Panel B: Existing Client-Lawyer Relations									
Experience Index	0.28***	4.45	0.12	3.68*	0.41	9.26	-150.79*	-80.42	-2.10
	(4.53)	(0.53)	(1.53)	(1.68)	(1.03)	(1.46)	(-1.83)	(-1.59)	(-1.38)
Education Index	0.31**	4.18	0.11**	5.86	0.56	7.60*	-96.60	-93.02*	-1.35
	(2.78)	(0.62)	(2.30)	(1.60)	(1.67)	(1.84)	(-0.77)	(-1.88)	(-1.15)
Panel C: Controlling for Client-Lawyer Switches									
Experience Index	0.18***	3.23**	0.05	7.40***	1.04***	6.07***	-173.72**	-75.09**	-1.93*
	(3.17)	(2.28)	(1.11)	(3.12)	(4.06)	(3.31)	(-2.38)	(-2.46)	(-1.92)
Education Index	0.13**	4.31**	0.01	2.80*	0.74***	3.13***	-68.93	1.45	-0.57
	(2.43)	(2.53)	(0.23)	(1.91)	(3.14)	(2.58)	(-1.10)	(0.04)	(-0.76)

Table 9
Negotiation Outcomes and Lawyer Expertise: Lawyer Fixed Effects

This table reports OLS regressions with lawyer fixed effects to explain the relation between relative lawyer expertise and negotiation outcomes in M&A transactions. Lawyer fixed effects are estimated for the lawyers of the law firm that provided the data. We proxy for relative lawyer using *Experience Index* and *Education Index*. We report the coefficient (*t*-statistic) of the relative expertise indexes for regression with different dependent variable (listed horizontally). The regressions use the same control variables as those in Table 3 and 4 (not reported). Detailed variable definitions are provided in Appendix A-1. We report *t*-statistics in parentheses, calculated using robust standard errors. *** indicates significance at 1%, ** at 5%, and * at 10%.

	Contract Design					Bargaining Process			Pricing
Dependent Variable:	%Warranties w/o Qualifier	Warranties Not Material	%Payment Secured	MAC Clause	MAC Strength Index	First Draft By Buyer	Negotiation Time	Closing Time	Acquisition Premium
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Experience Index	0.13*	0.01	0.02	1.35***	1.07***	0.78***	-134.23	-54.07	-2.32
	(1.93)	(0.06)	(0.34)	(3.00)	(2.98)	(3.42)	(-1.59)	(-1.25)	(-1.65)
Lawyer Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	92	92	91	64	64	92	89	92	92
Adjusted R2	0.068	0.194	0.087	0.087	0.279	0.308	0.248	0.148	0.393
Education Index	0.04	0.02	-0.02	0.89**	0.93***	0.38	-74.77	-30.83	-2.28**
	(0.53)	(0.11)	(-0.40)	(2.11)	(2.97)	(1.56)	(-0.96)	(-1.03)	(-2.10)
Lawyer Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	105	105	104	72	72	105	102	105	105
Adjusted R^2	0.032	0.277	0.174	0.022	0.244	0.194	0.310	0.167	0.464

Appendix A-1
Definition of Variables

Variable	Description
Target Characteristics	
Transaction Value	Total amount of payments by the buyer to the seller. This amount is equal the target's market value of the equity unless the buyer purchases less than 100% of the equity.
Target Book Value	Book value of the target's assets based on the last financial accounts preceding the acquisition.
Target Market Value	Market value of the target's equity (estimated as the amount paid for the equivalent for 100% of target shares) plus the book value of liabilities. Liabilities include short term debt, long term debt, and provisions.
Target Leverage	Book value of the target's liabilities divided by target's book value of assets. Liabilities include short term debt, long term debt, and provisions.
Target EBIT/Assets	EBIT of the target divided by the target's book value of assets. If EBIT data is not available (48 observations), we use the mean value of EBIT/Assets (13.6%) of the sample.
Asset Deal	Dummy variable which takes the value 1 if the transaction is an asset deal (i.e., the target is a list of assets and liabilities which will transfer to the buyer), and 0 if it is a share deal or a combination of a share and an asset deal.
Target Negative Equity	Dummy variable which takes the value 1 if the target's book value of equity is negative, and 0 otherwise.
Buyer Characteristics	
Buyer Book Value	Book value of the assets of the buyer. If there is more than one buyer, we use a weighted average of the assets of the buyers. We use the percentage of the shares bought by the different buyers as weights.
Buyer Deal Experience	Number of transactions that a buyer has been engaged in over the five years preceding the signing date of a deal.
Buyer Private Equity	Dummy variable which takes the value 1 if the buyer is a private equity firm, and 0 otherwise. If there are more buyers, the variable takes the value 1 if the company that buys the highest portion of the shares is a private equity firm, and 0 otherwise.
Seller Characteristics	
Seller Book Value	Book value of the assets of the seller. If there is more than one seller in a transaction, we use the weighted average of the assets of the sellers. We use the percentage of the shares sold by the different sellers as weights.
Seller Deal Experience	Number of transactions that a seller has been engaged in over the five years preceding the signing date of a deal.
Seller Leverage	Ratio of total debt to total assets of the seller. The variable is winsorized at 1%.
Seller Private Equity	Dummy variable which takes the value 1 if the seller is a private equity firm, and 0 otherwise. If there are more buyers, the variable takes the value 1 if the company that sells the largest portion of the shares is a private equity firm, and 0 otherwise.
Seller Family	Dummy variable which takes the value 1 if the seller is a private person or family, and 0 otherwise. If there are more sellers, the variable takes the value 1 if the party that sells the largest portion of the shares is a private person or family, and 0 otherwise.
Main Seller Percent	This variable indicates what percentage of the total amount of shares (or total value of assets) is sold by the main seller. If there are more sellers, the main seller is the one that sells the largest stake.
Deal Characteristics	
Cross-Country Deal	Dummy variable which takes the value 1 if the target is not located in the same country as the buyer, and 0 otherwise.
Approvals Required	Number of approvals which are to be obtained from competition or financial authorities between the signing and closing date. The closing date is the date at which there is a transfer of control of the target through the transfer of shares or assets.
Deal After 2008	Dummy variable which takes the value 1 if a deal is signed during or after 2008 (i.e., during the financial crisis), and 0 otherwise.
Controlled Auction	Dummy variable which takes the value 1 if the transaction is organized through a controlled auction, and 0 otherwise.
Relative Size	Size of the buyer relative to the seller. To create this variable, we first calculate the ratio of the assets of the buyer to the assets of the seller. We then divide this ratio into ten deciles such that the resulting variable ranges between 1 (buyer small relative to the seller) and 10 (buyer is large relative to the seller).

Contract Design	
%Warranties w/o Qualifier	Percentage of warranties in a contract which are not qualified with the statement: *"so far as the seller is aware"* (or any equivalent thereof).
Warranties Not Material	Dummy variable which takes the value 1 if a contract contains a clause that states that warranty breaches do not need to be material, and 0 if the contract stipulates that warranty breaches need to be material.
%Payment Secured	Percentage of the total transaction value which is secured to be available for claims the buyer may have at a later point in time towards the seller. This money is secured by placing it in an Escrow account, an obligation to maintain cash reserves, or a bank guarantee. The variable is winsorized at 5%.
MAC Clause	Dummy variable which takes the value 1 if the contract stipulates that the transaction does not have to be completed if a material adverse event occurs in the period between the signing date and the closing (transfer) date, and 0 otherwise.
MAC Clause	Dummy variable which takes the value 1 if the contract stipulates that the transaction does not have to be completed if a material adverse event occurs in the period between the signing date and the closing (transfer) date, and 0 otherwise.
MAC Strength Index	Index ranging between 0% and 100%. It reflects the extent to which the risk of a material adverse event is allocated to the seller (100%) or the buyer (0%). We construct the variable in the following way: Contracts which stipulate a MAC clause have a value of 100% minus a reduction for each exception to the MAC clause that is included in the contract. Each exception has a weight of 1/13 (the maximum number of exceptions is 13). The index therefore equals $(1 - (1/13 *$ number of exceptions) for contracts containing a MAC, and zero for those without a MAC clause.
Warranties	Number of warranties in a contract. Warranties provide statements about target (or seller) quality. Each separate quality statement is considered as a separate warranty.
Covenants	Number of covenants in a contract. Covenants prescribe the behavior of the target and the seller in the period between the signing date and closing (transfer) date. Each separate prescription of behavior is considered a separate covenant.
Bargaining Process	
First Draft By Buyer	Dummy variable which takes the value 1 if the first draft of the contract was provided by the buyer's lawyer, and 0 if it was provided by the seller's lawyer.
Negotiation Time	Number of days between the start of negotiations over a transaction and the signing of a contract. The start of the transaction negotiations is defined as the date at which the law firm which has provided the data has opened a file on a transaction.
Closing Time	Number of days between the signing date and the closing date. The closing date is the date at which control over the target is transfer from the seller to the buyer through the transfer of shares or assets.
Pricing	
Acquisition Premium	Market value of the target divided by the book value of the target. The market value of the target is estimated as the amount paid for the equivalent for 100% of target shares plus the book value of liabilities of the target. Liabilities include short term debt, long term debt, and provisions. The variable is winsorized at 2%.
Earnout	Dummy variable which takes the value 1 if the contract stipulates that part of the purchase price will be conditional on target performance after the closing date, and 0 otherwise.
Relative Lawyer Experience	
Years as Partner	Variable which reflects the years of experience of the buyer's lead lawyer relative to that of the seller's lead lawyer. Years of experience is the number of years between the year in which the lead lawyer has been promoted to partner status and the year in which a contract is signed. The ratio is standardized such that it ranges between 0 (more seller lawyer experience) and 1 (more buyer lawyer experience). Transactions where the seller (buyer) has not requested legal advice are coded such that the variable takes the value 1 (0). The variable is winsorized at 5%.
Deal Experience	Variable which reflects the deal experience of the buyer's lead lawyer relative to that of the seller's lead lawyer. Deal experience is the number of deals that a lawyer has advised on between 01/1995 and 05/2010. The ratio is standardized such that it ranges between 0 (more seller lawyer experience) and 1 (more buyer lawyer experience). Transactions where the seller (buyer) has not requested legal advice are coded such that the variable takes the value 1 (0). The variable is winsorized at 5%.
Corporate Experience	Variable which takes three values: 0 if only the seller's lead lawyer has worked in the corporate sector; 0.5 if both or neither lead lawyers have worked in the corporate sector; and 1 if only the buyer's lead lawyer has worked in the corporate sector. We classify as the corporate sector any company with commercial operation other than a law firm.

M&A Specialist	Variable which takes three values: 0 if only the seller's lead lawyer is an M&A specialist; 0.5 if both or neither lead lawyers are M&A specialists; and 1 if only the buyer's lead lawyer is an M&A specialist. A lead lawyer is considered an M&A specialist if the corporate web-profile of the lawyer explicitly specifies M&A law as the specialization of the lawyer (rather than other specializations such as tax law or competition law).
M&A Expert Listing	Variable which takes three values: 0 if only the seller's lead lawyer is recommended in the Chambers Expert Lawyer ranking; 0.5 if both or neither lead lawyers are recommended in the ranking; and 1 if only the buyer's lead lawyer is recommended in the ranking. The Chambers Expert Lawyer ranking provides information on "the world's leading lawyers."
Experience Index	Variable which averages the above five relative lawyer experience measures. The variables ranges between 0 (more seller lawyer expertise) and 1 (more buyer lawyer expertise).
Relative Lawyer Education	
Law School Ranking	Variable which reflects the quality of the law school at which the buyer's lead lawyer has studied relative to that of the seller's lead lawyer. We employ the 2012 law school ranking from www.topuniversities.com. We use the inverse of the rank to ensure that higher values indicate higher quality. The ratio is standardized such that it ranges between 0 (seller lawyer from better university) and 1 (buyer lawyer from better university). The variable is winsorized at 5%.
Business Education	Variable which takes three values: 0 if only the seller's lead lawyer has a business degree; 0.5 if both or neither lead lawyers has a business degree; and 1 if only the buyer's lead lawyer has a business degree. We consider as business degree an MBA, a PhD in business or economics, or an undergraduate degree in any business or economics related area.
US Education	Variable which takes three values: 0 if only the seller's lead lawyer has studied at a US law school; 0.5 if both or neither lead lawyers have studied at a US law school; and 1 if only the buyer's lead lawyer has studied at a US law school.
Education Index	Variable which averages the above three relative lawyer education measures. The variables ranges between 0 (seller lawyer better educated) and 1 (buyer lawyer better educated).
Other Advisor Variables	
Buyer Law Firm Top 10	Dummy variable which takes the value 1 if the buyer's law firm is ranked in the top 10 based on a ranking that uses the number of transactions advised on between 1995 and 2010, and 0 otherwise.
Seller Law Firm Top 10	Dummy variable which takes the value 1 if the seller's law firm is ranked in the top 10 based on a ranking that uses the number of transactions advised on between 1995 and 2010, and 0 otherwise.
Buyer Bank Top 10	Dummy variable which takes the value 1 if the buyer's bank is ranked in the top 10 based on a ranking that uses the number of transactions advised on between 1995 and 2010, and 0 otherwise.
Seller Bank Top 10	Dummy variable which takes the value 1 if the seller's bank is ranked in the top 10 based on a ranking that uses the number of transactions advised on between 1995 and 2010, and 0 otherwise.
Distance Ratio	Geographic distance between the buyer and the buyer lawyer, divided by the geographic distance between the seller and the seller lawyer. We use for both the nominator and the denominator distance quartiles which range between 1 (low distance) and 4 (high distance).

Appendix A-2
Additional Summary Statistics

Panel A provides summary statistics of the industry, location and advisor distribution of the targets, sellers, and buyers in the sample. The sample consists of 151 acquisitions of private targets between 2005 and 2010. Panel B provides an overview of the legal expertise of the lead lawyers representing the buyer and seller, respectively. This data is used to create the relative legal expertise variables. Note that the variables reported in this panel are therefore not yet standardized to range between 0 and 1. Across all panels, statistics are reported at the acquisition level.

Panel A: Industry, Location, Type, and Advisor Distribution of Sample

Industry	Target	Buyer	Seller
Insurance & Real Estate	11%	37%	45%
Manufacturing	28%	17%	23%
Public Administration	0%	0%	1%
Services	32%	16%	5%
Transportation & Communication	9%	10%	7%
Wholesale Trade	12%	13%	11%
Other Industry	8%	7%	8%
Location	**Target**	**Buyer**	**Seller**
The Netherlands	85%	59%	79%
Western Europe (excl. NL)	9%	26%	15%
Eastern Europe	1%	0%	0%
North America	2%	9%	3%
Rest of the World	2%	2%	2%
Advisors	**Target**	**Buyer**	**Seller**
In-House Lawyer	n/a	5%	11%
Lawyer Switch	n/a	31%	11%
Law Firm Top 10	n/a	15%	15%
Client/Law Firm Different Countries	n/a	29%	13%
Bank Top 10	n/a	19%	12%

Panel B: Underlying Lawyer Expertise Variables: Summary Statistics

	Advisor of Buyer				Advisor of Seller			
	Mean	Median	Std. Dev.	Obs.	Mean	Median	Std. Dev.	Obs.
Experience								
Years as Partner (in years)	7.9	7.0	6.2	139	6.7	6.0	5.7	132
Deal Experience (number of deals)	34.5	32.0	25.4	144	32.7	30.5	28.3	134
Corporate Experience	29%			140	21%			133
M&A Specialist	89%			143	79%			140
M&A Expert Listing	64%			151	46%			151
Education								
Law School Ranking (inverse of rank)	0.07	0.02	0.17	140	0.07	0.02	0.18	135
Business Education	27%			139	22%			137
US Education	25%			143	21%			136

Appendix A-3
Overview of Negotiation Process

This table provides an overview of the negotiation process for the acquisitions of privately targets, based on the acquisition files and interviews with 14 lead lawyers (partners) of our law firm. It is complemented with information from Freund (1975), Frankel (2005), and Clifford Chance (2011). We report the negotiation process separately for acquisitions organized with and without auctions.

Step	Issue	One-on-One Negotiations	Auction
Step 1	Signaling Interest	• Buyer or seller initiates the contact, either directly or via advisors. • If seller initiates the sale, often a "teaser" is provided: a two-page document with initial information on the target.	• Seller initiates negotiations and searches (via banks) for potentially interested buyers. • Bidders are contacted with a "teaser": a two-page document with initial information on the target.
Step 2	Non-Disclosure Agreement	• Parties sign a non-disclosure agreement (NDA), where they commit to keep information confidential.	• Interested bidders sign a non-disclosure agreement.
Step 3	Information Memorandum	• Seller provides more detailed information about the target, often in a formal information memorandum (IM).	• Seller provides more detailed information about target financials and performance.
Step 4	Letter of Intent	• Buyer indicates an initial (non-binding) offer price. • Parties may sign a Letter of Intent (LOI), which outlines the initial price, the structure of the deal, and exclusivity during negotiations. Usually prepared by a law firm.	• Bidders indicate their initial offers through (i) an offer LOI, or (ii) an offer mark-up of a seller-provided contract draft (which includes the price). • Seller selects a few bidders and continues negotiations with them.
Step 5	Due Diligence	• Buyer engages in an in-depth due diligence investigation of the target, usually with the help of an investment bank.	• Seller provides a due diligence report containing detailed target information.
Step 6	Contract Negotiation	• One party provides a first draft of an initial acquisition contract, based on a sample provided by the advising law firms. • Negotiations take place and are reflected in the contract through mark-ups of the draft. • This can continue for many rounds of mark-ups. • Adjustments to the initial offer price are typically only downwards as new information arises and warranties or covenants are not granted to the buyer.	• Unless done in Step 4, the seller provides a draft acquisition contract. • Bidders provide a binding offer, which contains a combination of a price and a mark-up of the draft acquisition contract. • Price and contract provisions are determined jointly in the offers that bidders make. • Seller selects the final bidder(s) to finalize negotiations.
Step 7	Signing	• Parties sign the acquisition contract, specifying the conditions that need to be fulfilled before the closing. • Closing conditions may also allow for renegotiations if information arises and/or adverse events occur.	• After final negotiations, the seller chooses the winning bidder and both parties sign the contract. • A set of closing conditions may apply as in the one-on-one negotiations.
Step 8	Closing	• Transfer of control of the target from the seller to the buyer.	• Transfer of control of the target from the seller to the buyer.

Appendix A-4
Negotiating Outcomes: Buyer and Seller Interests

This table provides an overview of the negotiation outcomes considered in our analysis and the economic interests of buyers and sellers, respectively.

	Buyers		Sellers	
	Prefer	Reason	Prefer	Reason
Contract Design				
%Warranties w/o Qualifier	High	Warranties can come with the statement: *"so far as the seller is aware"*. Without such a qualifier, warranties also cover issues that sellers are unaware of (i.e., sellers provides insurance). So buyers prefer more warranties without knowledge qualifiers.	Low	Warranties can come with the statement: *"so far as the seller is aware"*. This implies that the sellers do not provide insurance for issues they are unaware of. Sellers prefer more warranties with a knowledge qualifier.
Warranties Not Material	Yes	If warranties breaches need to be material, they are more difficult to enforce. Buyers prefer that this provision is not included, so that all warranty breaches can be enforced.	No	If warranties breaches need to be material, they are more difficult to enforce. Sellers prefer that this provision is included, so that warranty breaches are difficult to enforce.
%Payment Secured	High	Buyer wants to secure as much money as possible to ensure that seller can pay any damage claims that may come up.	Low	Sellers want to place as little money as possible in a secured account, as this implies that sellers cannot yet have access to this money.
MAC Clause	Yes	A MAC clause allows buyers to cancel a deal if an adverse event occurs between signing and closing. Buyers prefer including a MAC clause, as this places the risk of such events on sellers.	No	Sellers prefer not including a MAC clause, as this places the risk of adverse events on buyers, and increases deal certainty.
MAC Strength Index	High	Each exception to the MAC clause reduces the right of buyers to cancel a deal if an adverse event occurs between signing and closing. As such, buyers prefer few exceptions, implying a high MAC index.	Low	Each exception to the MAC clause allocates risk of adverse events occurring between signing and closing back to buyers. This reduces buyers' right to cancel a deal. As such, sellers prefer many exceptions, i.e., a low MAC index.
Bargaining Process				
First Draft By Buyer	Yes	Buyers prefer to deliver the first draft contract, as this provides a first-mover advantage due to path dependence in negotiations.	No	Sellers prefer to deliver the first draft contract, as this provides a first-mover advantage due to path dependence in negotiations.
Negotiation Time	Short	Buyers prefer short negotiation times to minimize transactions costs and to reduce moral hazard on the side of the target's management once it hears that a deal is pending. Buyers also prefer short negotiation times to avoid that the period of exclusive negotiations expires. These periods (specifying that sellers may not contact other bidders) are usually set at the start of negotiations in an LOI.	Mixed	On the one hand, sellers prefer short negotiation times to minimize transactions costs. On the other hand, sellers prefer long negotiation times so that the period of exclusive negotiations expires. Upon expiration of this period, sellers can shop around for higher offers by alternative bidders.
Closing Time	Short	Buyers prefer short closing times (time between signing and closing) as sellers still control the targets until closing even though the price has been fixed. Until the closing, sellers can act opportunistically and extract private benefits from targets.	Long	Sellers prefer long closing times (time between signing and closing) as sellers still have control over the target until closing whereas the prices have been fixed. Until closing, sellers can act opportunistically and extract private benefits from targets.
Pricing				
Acquisition Premium	Low	Buyers prefer to pay a low price.	High	Sellers prefer to receive a high price.

Appendix A-5
Examples for Warranties, Covenants and MAC Exceptions

This table provides examples of warranties, covenants, and MAC exceptions typically observed in acquisition contracts.

Warranty Area	Examples
Corporate Records	• Target and all subsidiaries validly exist. • Constitution documents/articles of association are true, complete and accurate.
Financial Accounts	• The accounts give a true and fair view of the state of financial affairs of the company. • The accounts have been prepared and filed in compliance with legal requirements. • Target has properly and accurately filed all tax returns. • All tax returns filed by the target are in compliance with applicable laws. • No material adverse effect has occurred since the last balance sheet date. • Target has not paid any dividends or made any other distribution to shareholders. • Target has not incurred any new loans, debt or issued debt securities.
Assets	• All assets listed in the accounts are legally and beneficially owned by the target. • The target's assets are in good operating state, subject to normal wear and tear. • The assets owned or leased by the company are sufficient to continue the operations.
Contracts	• All contracts have been complied with by the target. • Target has not defaulted on its debt obligations or failed to pay for any obligation. • Target has not received a notice of termination or intent to terminate a contract.
Insurance	• The insurance policies of the target have been disclosed and are accurate. • Target carries insurance for amounts and risks that are customary in the industry. • Target has paid all insurance premiums.
Intellectual Property	• Target has valid ownership or licenses to the intellectual property. • Target does not infringe on any intellectual property rights of a third party.
Legal	• Target is conducting the business in compliance with all applicable laws. • Target is not involved in any legal dispute (claim, proceeding, litigation, etc.). • All environmental permits have been obtained, are in full force and are complied with.
Covenant Area	**Examples**
Employees	• Target shall not adopt or amend any pension or retirement plan. • Target shall not increase any salaries or wages. • Target shall not pay any bonuses other than those under existing contracts. • Target shall not enter into new/terminate employment contracts.
Dividend Payments	• Target shall not declare or pay any dividends. • Target shall not make any payments to any of the sellers. • Target shall not issue or sell any shares in its capital stock. • Target shall not issue or sell any options, or warrants on the target shares.
Debt	• Target shall not issue any debt securities. • Target shall not amend the debt contracts, or agree to a higher interest rate. • Target shall comply with all payment obligations of debt contracts. • Target shall not make or extend a loan to any other person.
Business Conduct	• Target will carry on the business in the ordinary course as conducted so far. • Target shall maintain the equipment in good condition, subject to wear and tear. • Target will preserve the relationship with customers and suppliers.
Acquisitions	• Target shall not enter into any contract or commitment to acquire any assets.
Divestments	• Target shall not sell, lease, or dispose of any of the assets of the business. • Target shall not pledge, encumber or mortgage any of the assets of the business.
MAC Exception	**Examples**

	• Any change is not considered a material adverse change if it is the result of:
	    ○ An event arising from (the announcement of) this transaction.
	    ○ A change in economic conditions or financial markets in general
	    ○ Changes in economic or market conditions in the industry of the target.
	    ○ A change in laws or regulations.
	    ○ A change in generally accepted accounting principles.
	    ○ Acts of war, armed hostilities, sabotage or terrorism.

Appendix A-6
Negotiation Outcomes and Lawyer Expertise: Effects of Index Components

This table reports OLS and logit regressions to explain negotiation outcomes in M&A transactions. The sample consists of 151 acquisitions of private targets between 2005 and 2010. We report the coefficient (*t*-statistic) of the different expertise index components for regression with different dependent variable (listed horizontally). The regressions use the same control variables as those in Table 3 and 4 (not reported). The regressions in Panel A look at the components of *Experience Index*, while those in Panel B look at the components of *Education Index*. Detailed variable definitions are provided in Appendix A-1. We report *t*-statistics in parentheses, calculated using robust standard errors. *** indicates significance at 1%, ** at 5%, and * at 10%.

Dependent Variable:	Contract Design					Bargaining Process			Pricing
	%Warranties w/o Qualifier	Warranties Not Material	%Payment Secured	MAC Clause	MAC Strength Index	First Draft By Buyer	Negotiation Time	Closing Time	Acquisition Premium
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A: Experience Index Components									
Years as Partner	0.08**	2.04*	0.04	1.00	0.20	1.87**	-100.04***	-57.87***	-0.71*
	(2.06)	(1.89)	(1.27)	(1.15)	(1.17)	(2.17)	(-3.04)	(-3.71)	(-1.69)
Deal Experience	0.09**	3.95**	0.01	1.11	0.21	1.26*	-81.63**	-46.01***	-1.00*
	(2.61)	(2.46)	(0.50)	(1.20)	(1.14)	(1.66)	(-2.24)	(-3.10)	(-1.97)
Corporate Experience	0.06*	0.27	-0.02	0.29	0.15	0.21	30.23	16.34	-0.87
	(1.74)	(0.27)	(-0.70)	(0.38)	(1.04)	(0.26)	(0.64)	(0.93)	(-1.57)
M&A Specialist	0.15**	2.04*	0.03	2.00	0.36	2.70**	-68.88*	-70.52**	-1.32**
	(2.08)	(1.96)	(0.81)	(1.53)	(1.49)	(2.05)	(-1.81)	(-2.41)	(-2.36)
M&A Expert Listing	0.03	1.17*	0.04**	1.76**	0.27*	1.21*	-48.59	-20.52	-0.75*
	(1.08)	(1.77)	(2.09)	(2.41)	(1.95)	(1.83)	(-1.33)	(-0.90)	(-1.82)
Panel B: Education Index Components									
Law School Ranking	0.06*	2.37**	-0.01	1.39*	0.31**	1.85***	-79.71**	-24.20*	-0.77*
	(1.77)	(2.28)	(-0.56)	(1.94)	(2.34)	(2.87)	(-2.50)	(-1.68)	(-1.81)
Business Education	0.01	0.42	0.05*	-0.17	0.01	-0.95	-0.69	46.77**	0.02
	(0.58)	(0.49)	(1.93)	(-0.22)	(0.10)	(-1.16)	(-0.02)	(2.41)	(0.05)
US Education	0.11***	2.64**	-0.01	1.38*	0.37**	2.18***	-16.69	-8.60	-0.13
	(2.76)	(2.43)	(-0.56)	(1.88)	(2.36)	(2.61)	(-0.42)	(-0.34)	(-0.25)

Appendix A-7
Negotiation Outcomes and Lawyer Expertise: Additional Control Variables

This table reports OLS and logit regressions to explain the relation between relative lawyer expertise and negotiation outcomes in M&A transactions. We proxy for relative lawyer using *Experience Index* and *Education Index*. We report the coefficient (*t*-statistic) of the relative expertise indexes for regression with different dependent variable (listed horizontally). The regressions use the same control variables as those in Table 3 and 4 (not reported). The regressions in Panel A, in addition, control for *Seller Law Firm Top 10* and *Buyer Law Firm Top 10* (not reported). The regressions in Panel B, in addition, control for proxies of bargaining power using the following variables: *Buyer Deal Experience*; *Seller Deal Experience; Deal After 2008*; and *Controlled Auction* (not reported). The regressions in Panel C, in addition, control for proxies of seller financial distress: *Seller Leverage* and *Target Negative Equity* (not reported). The regressions in Panel D, in addition, control for proxies of risk-bearing capacity of buyers and sellers using the following variables: *Buyer Private Equity*; *Seller Private Equity; Seller Family;* and *Main Seller Percent* (not reported). Detailed variable definitions are provided in Appendix A-1. We report *t*-statistics in parentheses, calculated using robust standard errors. *** indicates significance at 1%, ** at 5%, and * at 10%.

Dependent Variable:	Contract Design					Bargaining Process			Pricing
	%Warranties w/o Qualifier	Warranties Not Material	%Payment Secured	MAC Clause	MAC Strength Index	First Draft By Buyer	Negotiation Time	Closing Time	Acquisition Premium
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A: Controlling for Law Firm Rank									
Experience Index	0.16***	2.60*	0.06	5.76**	0.83***	6.46***	-153.58**	-57.34**	-1.87*
	(2.81)	(1.77)	(1.22)	(2.13)	(2.80)	(3.27)	(-2.39)	(-2.02)	(-1.97)
Education Index	0.12**	4.20**	0.01	1.98	0.60**	2.63**	-60.71	26.32	-0.53
	(2.46)	(2.45)	(0.15)	(1.19)	(2.51)	(2.08)	(-0.95)	(0.71)	(-0.66)
Panel B: Controlling for Bargaining Power									
Experience Index	0.17***	2.59	0.05	6.94**	0.86***	7.59***	-190.55***	-79.87**	-2.03*
	(2.89)	(1.45)	(1.08)	(2.56)	(2.87)	(3.47)	(-2.99)	(-2.40)	(-1.87)
Education Index	0.13**	4.72***	0.02	2.40	0.57**	3.37***	-107.99*	-7.77	-0.78
	(2.17)	(2.70)	(0.47)	(1.47)	(2.12)	(2.61)	(-1.76)	(-0.19)	(-0.94)
Panel C: Controlling for Financial Distress									
Experience Index	0.17***	2.74*	0.06	7.01***	0.98***	6.11***	-151.38**	-79.46**	-1.84*
	(3.24)	(1.83)	(1.40)	(2.66)	(3.57)	(3.22)	(-2.26)	(-2.55)	(-1.81)
Education Index	0.13**	4.36**	0.01	2.49	0.68***	2.72**	-60.59	-5.67	-0.63
	(2.38)	(2.52)	(0.27)	(1.49)	(2.73)	(2.31)	(-1.02)	(-0.16)	(-0.82)
Panel D: Controlling for Risk-Bearing Capacity									
Experience Index	0.18***	3.81**	0.02	7.85***	0.94***	7.05***	-168.94**	-73.81**	-2.19**
	(3.12)	(2.15)	(0.44)	(2.73)	(3.40)	(2.97)	(-2.35)	(-2.44)	(-2.06)
Education Index	0.13**	5.03***	-0.00	2.43	0.65***	2.74**	-80.11	4.64	-0.67
	(2.34)	(2.61)	(-0.14)	(1.54)	(2.70)	(2.04)	(-1.19)	(0.13)	(-0.79)

Appendix A-8
Robustness Checks on Acquisition Premium

This table reports OLS regressions to explain the relation between relative lawyer expertise and pricing in M&A transactions. The regressions use the *Acquisition Premium* as dependent variable. All regressions also control for the variables used in Table 3 (not reported). Detailed variable definitions are provided in Appendix A-1. We report *t*-statistics in parentheses, calculated using robust standard errors. *** indicates significance at 1%, ** at 5%, and * at 10%.

Dependent Variable:	Acquisition Premium			
	(1)	(2)	(3)	(4)
Experience Index	-2.08**	-1.86*		
	(-2.04)	(-1.69)		
Education Index			-0.82	-0.87
			(-1.00)	(-1.01)
Buyer Bank Top 10	-0.04		0.05	
	(-0.13)		(0.15)	
Seller Bank Top 10	0.49		0.73*	
	(1.12)		(1.96)	
%Warranties w/o Qualifier		0.94		1.12
		(0.94)		(1.11)
Warranties Not Material		-0.23		-0.20
		(-0.75)		(-0.66)
%Payment Secured		-1.25		-2.95
		(-0.63)		(-1.50)
MAC Strength Index		-0.61**		0.03
		(-2.11)		(0.06)
Controls	Yes	Yes	Yes	Yes
Obs.	99	98	113	112
Adjusted R^2	0.359	0.366	0.322	0.312

Appendix A-9
Negotiation Outcomes: Correlations

This table reports the correlation coefficients between negation outcomes variables. * indicates significance at least at the 5% level.

		Warranties	%Warrant w/o Qual.	Warranties Not Material	%Payment Secured	Covenants	MAC Clause	MAC Strength Index	First Draft By Buyer	Negotiation Time	Closing Time	Earnout
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Warranties	(1)	1.00										
%Warranties w/o Qual.	(2)	0.01	1.00									
Warranties Not Material	(3)	0.26*	0.21*	1.00								
%Payment Secured	(4)	0.26*	0.15	0.18*	1.00							
Covenants	(5)	0.20*	0.00	0.22*	-0.05	1.00						
MAC Clause	(6)	0.22*	-0.02	0.08	0.05	0.34*	1.00					
MAC Strength Index	(7)	0.20*	0.03	0.15	0.10	0.28*	0.91*	1.00				
First Draft By Buyer	(8)	0.23*	0.28*	0.22*	0.31*	-0.29*	0.10	0.18*	1.00			
Negotiation Time	(9)	-0.03	-0.09	-0.18*	-0.15	0.04	0.15	0.08	-0.13	1.00		
Closing Time	(10)	-0.01	-0.12	0.13	-0.12	0.48*	0.21*	0.17*	-0.29*	0.06	1.00	
Earnout	(11)	0.05	0.12	0.05	0.12	-0.17*	0.03	-0.05	0.11	-0.05	-0.10	1.00
Acquisition Premium	(12)	0.19*	0.12	0.07	0.16	-0.10	-0.05	-0.02	0.16	-0.20*	-0.09	0.31*