

February 26, 1990

To: All Personnel
From: Martin Lipton

The Firm At Twenty-Five

Three years ago I jotted down some thoughts about the Firm and what makes it what it is. Those thoughts -- with some minor updating -- are as valid today as they were three years ago. I thought it would be interesting to share the updated version with you in connection with our twenty-fifth year.

1. The Firm is a meritocracy. Ability is the only requirement for success.

2. The Firm operates in a collegial manner. One-partner/one vote. Unanimity is required for any major Firm decision.

3. The Firm approaches all matters on a task force basis. An ad hoc group of tax, antitrust, litigation, creditor rights, real estate, corporate or other lawyers, as needed, is formed for each matter. The Firm is able to create a task force of whatever size and specialities necessary for each matter. The task forces overlap with a particular lawyer leading one or more and assisting on one or more. There is considerable overlapping of the composition of the task forces.

4. The success of the Firm is shared on an equitable basis with all who make it possible. Partner compensation is on an absolute lock-step basis. All partners in the same age group are equal. The younger age groups get an increasing share each year with the older partners' shares going down each year. Hours worked, client contact, firm administration all do not affect partnership shares which are affected only by seniority. Associate and nonlegal staff compensation includes substantial bonuses based on Firm performance.

WACHTELL, LIPTON, ROSEN & KATZ

5. The practice of the Firm is focused on a limited number of interesting and difficult specialities. Greengoods and all other repetitive or less demanding areas of practice are avoided. The Firm declines a significant number of the matters for which its services are sought.

6. The Firm follows a policy of slow growth, careful recruiting of outstanding people, and no lateral entry. The Firm nurtures carefully its traditions and culture. The Firm does not seek to maintain a specific market share or expand its practice into areas that do not fit with the Firm's basic culture and strategy.

7. Lawyers and nonlegal staff share great pride in the quality of the Firm's work.

8. The Firm encourages innovations and has been successful in developing many, such as cross-border equity mergers, mortgage-pass-through securities, the poison pill, the state business combination takeover laws, and innovative forms for merger and acquisition transactions.

9. The Firm has no branch offices. The Firm has close relations with firms in other cities and prefers to work on that basis. The Firm will not expand by merger.

10. There is no single major client. No one client accounts for as much as 10% of the Firm's revenues. The Firm encourages its clients to maintain relationships with other law firms.

11. The Firm encourages its lawyers to teach, lecture, write books and law review articles and participate in bar associations and other professional organizations.

12. The nonlegal staff is highly motivated and a real part of the team.

13. Associates get full responsibility as soon as ready. Partnership decision is made early with associates becoming partners at the end of six years. The basic premise is that every associate will become a partner. Partnership decisions are made solely on the basis of ability as a lawyer.

14. Day-to-day operations are handled by the office management, financial and library staffs.

WACHTELL, LIPTON, ROSEN & KATZ

Administration is by an administrative committee on which any interested partner may serve.

15. Close relationships are maintained with clients who desire such. Personal friendships frequently develop with clients, especially as a result of difficult and hard fought matters. The clients' interests are paramount in everything the Firm does.

16. The Firm carefully and strictly avoids client and issue conflicts. The Firm does not enter into retainer relationships and maintains complete professional independence.

17. Fees are based on value of services; Firm seeks to limit its availability to those clients who need the Firm's special services and who understand and accept the Firm's fees.

18. Now twenty-five years since it was founded, the Firm is entering a generation transition -- leadership has devolved on those who have demonstrated their ability to lead the Firm in the future.

19. Clients are Firm clients not those of individuals.

20. All competitive instincts are turned outward rather than inward; lock-step compensation and one-partner/one-vote democratic governance avoid internal competition.

21. Great Firm pride in accomplishing client's objective; winning is what counts; Firm always willing to risk litigation to sustain innovations the Firm believes will accomplish the client's objective.

22. Operations geared to needs of practice - 24-hour-7-day full service; always prepared to do a deal, fight an injunction or whatever on overnight basis.

23. Firm is not a business; old fashioned professional partnership; no partnership agreement -- only a handshake among friends.

24. Firm does not invest with or in clients -- only relationships are as lawyers; no partner or associate may serve as a director of a corporation.

25. Firm is a major participant in community philanthropy and maintains two charitable foundations; lawyers active in community. Firm devotes substantial time and funds to pro bono matters.

WACHTELL, LIPTON, ROSEN & KATZ

26. No nepotism.

27. Firm has not deviated from the basic premise on which it was founded twenty-five years ago -- if you do a superior job there will be more demand for your services than you can meet.

28. The Firm does not engage in marketing or public relations activities or otherwise seek clients in such manner.

29. The Firm is not a full service firm; it often works as co-counsel with other firms and will not continue a client relationship initiated by co-counsel beyond the matter in which it has acted as co-counsel; Firm does not use its takeover practice to expand other relationships; Firm does not have retainer relationships with the retainer fee applicable to any services the client desires.

30. The Firm's practice is national with most of it corporate and commercial bank clients outside of New York; the Firm has a substantial international practice in its areas of specialization.

31. One hundred lawyers; more than one-half partners; growing by 5 to 10 lawyers per year; one-half of lawyers who started with the Firm are still with the Firm; practice is very high pressured and not suitable for everyone, only those who are prepared to devote their lives to this type of professional practice.

32. Lawyers mostly law review, Phi Beta Kappa, clerkships with outstanding judges, assistant U.S. Attorneys.

33. Firm avoids rigidities of major Wall Street firms, therefore is attractive to the very talented and innovative people who are not happy in an hierarchal structure.

34. Firm's success in takeover field is not attributable to Wall Street firms not being willing to handle takeovers -- those firms were practicing in the takeover area before the Firm -- they were not successful and lost the practice because they were not structured to operate on a task force basis and were unwilling to test corporate innovations -- like the poison pill -- in litigation.

35. Very close personal relationships among the lawyers; close friendships; attitude much like fraternity-sorority; whenever there is a need, there are volunteers to help.