



Private Equity
LEGAL ALLIANCE

From Practice to Platform

A Practical Guide to Structuring
the Modern Law Firm MSO –
from LOI to Post-Transaction
Integration

*Prepared for Law Firm Founders, Managing
Partners, Private Equity Sponsors, Family Offices,
and Private Credit Investors*



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Executive Summary

by SETH DEUTSCH



Over the past several years, the legal services industry has entered the early stages of a structural shift driven by the increasing participation of private capital. Private equity firms, family offices, private credit funds, and growth equity investors are no longer evaluating the sector as a theoretical opportunity. They are actively deploying capital into law-adjacent structures — most commonly through Management Services Organizations (MSOs) and, in select jurisdictions, Alternative Business Structures (ABS).

As a result, two audiences now find themselves meeting at the same table, often for the first time. Law firm owners are encountering a new category of transaction that differs materially from traditional law firm mergers, partner buy-ins, or internal succession events. Investors and sponsors, meanwhile, are underwriting a services-layer business carved out of a regulated profession — a construct with meaningfully different risk, governance, and valuation dynamics than the healthcare, accounting, or veterinary platforms many of them have built before.

Because of the novelty of these business structures, there is a learning curve for both sides — often a steep one — and misunderstandings are commonplace. That is why we have developed this white paper: to address and clarify issues surrounding one of the most consequential areas of the entire transaction: the point of initial agreement.

Owners often approach a Letter of Intent (LOI) as the beginning of a process to sell their law firm. Investors often approach the same LOI as the acquisition of a practice with an adjacent services opportunity. Neither framing fully describes what is happening. The MSO is more accurately characterized as the creation of a services platform that is fully distinct from the legal entity. The legal side of the firm stays under the purview of the attorneys and remains subject to regulatory and ethical constraints governing the practice of law. With an MSO, the economic and operational infrastructure of the firm — finance, human resources, technology, marketing, intake, and administrative functions — is peeled off, reorganized, and positioned for scale within a distinct, fully separate entity.

This differentiation is not semantic. It is structural and absolutely essential to ensure compliance and to produce an asset that can be underwritten, scaled, and ultimately monetized under institutional standards.

The design decisions made between LOI and closing determine the functionality of the resulting platform, the ease with which additional firms can be integrated, and the degree to which the enterprise can support institutional capital. In multiple observed transactions, post-close operational challenges — including fragmented reporting, misaligned cash management, unclear governance boundaries, and ineffective management services agreements — have been traceable to incomplete or inconsistent design choices made prior to closing. These issues are not easily corrected after the fact. In a multi-acquisition environment, they tend to compound.

Executive Summary

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The Dual-Audience Thesis

For owners: The period between LOI and closing must be approached as a structured build phase rather than a transitional interval. Absent that discipline, the initial transaction may succeed in form but fail to produce a scalable or repeatable operating model — and the owner's rollover equity will underperform accordingly.

For investors: The same period is where the investment thesis is either validated or silently compromised. A deal that closes cleanly but on a weak structural foundation will not produce the replication economics that justified the entry multiple. Platform value is built in pre-close design, not in post-close remediation.

This white paper provides a practical framework for navigating that process. It outlines the key structural components of an MSO, identifies common failure points observed between LOI and the first 90 days following closing, and presents a phased approach — Practice-to-Platform™ — for developing an operation capable of supporting sustained growth through acquisition.

The objective is not to simplify the process, but to clarify it. For Owners evaluating a transaction, the relevant question is not solely whether to pursue outside capital, but how to structure the resulting business in a manner that preserves regulatory compliance, aligns economic incentives, and enables long-term scalability. For investors evaluating the same transaction, the relevant question is not solely whether the target is attractive on its own terms, but whether the structure being put in place will produce a platform capable of absorbing acquisitions two, three, four, and beyond without rebuild — and whether the thesis underwritten at entry can survive contact with live operations.

A Note on Terminology

Across the legal industry, the individuals leading firms are referred to by a range of titles—founders, owners, managing partners, and CEOs, among others. While these titles can reflect differences in structure, governance, or stage of growth, they collectively describe individuals serving a similar role: those responsible for setting direction, making key decisions, and ultimately driving outcomes for the business.

For the sake of clarity and consistency throughout this paper, we will refer to this group collectively as “owners.”

Regardless of your specific title, if you are in a position of leadership and accountability for the firm's performance and future, this paper is written with you in mind.

Executive Summary

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Private Equity
LEGAL ALLIANCE

Why PELA Is Publishing This

If you are reading this, you are part of a relatively small and influential group: leaders who are helping define what the legal industry will become.

The Private Equity Legal Alliance was formed to support that evolution. While we are proud to have established a position of authority within the legal community, that authority does not come simply from the fact that we are pioneers in this space, or that we have supported a number of highly successful transactions. Rather, our reputation is built on a broader commitment: to help shape a more modern, more scalable, and more sustainable future for the business of law, all without compromising the principles that have long defined the profession.

We believe that innovation and integrity are not opposing forces, but essential partners. As new structures emerge and capital enters the legal ecosystem in new ways, the responsibility to implement them thoughtfully becomes more important than ever. The long-term success of this model depends not just on what is built, but on how it is built.

Our aim is to be responsible stewards in that process, supporting owners and investors, strengthening organizations, and ultimately enhancing the client relationships at the center of every firm. This paper is part of that effort. It is intended to provide clarity, context, and practical guidance to those who are ready to take the next step.

When it comes to the business of law, the shift we are experiencing right now is unlike any other in living memory. We have before us an unparalleled opportunity to move forward together and build something enduring – with discipline, with purpose, and with a shared commitment to all those we serve.

As they say, a rising tide lifts all boats. And as the industry accelerates into this next phase of growth, we are here to support those owners and investors who are ready to take the next step and rise together.

Table of Contents

I. The Period Between LOI and Close: Where Platforms Are Actually Built	7
1.1 The Transaction Each Side Believes It Is Entering	7
The Owner's frame	7
The Investor's frame	8
1.2 The Transaction That Is Actually Occurring	8
1.3 Why This Phase Is Operationally Determinative	9
1.4 The Limits of Post-Close Correction	10
1.5 From Transaction to Platform	10
II. What an MSO Is — and What It Is Not	10
2.1 The Functional Definition of an MSO	10
2.2 The Legal and Regulatory Imperative for Separation	11
2.3 What an MSO Is Not	12
III. Roll-Up vs. True MSO Platform: A Strategic Fork	12
3.1 The Roll-Up Model	13
3.2 The Platform Model	13
3.3 The Integration Question	14
3.4 Operational and Organizational Implications	15
3.5 Regulatory and Compliance Considerations	16
3.6 Economic Outcomes and Valuation Implications	16
3.7 The Strategic Implication	17
IV. Failure Points Between LOI and the First 90 Days Post-Close	17
4.1 Treasury and Cash Management Misalignment	18
4.2 Weak or Incomplete Management Services Agreements	19
4.3 Fragmented Reporting and Financial Controls	19
4.4 HR, Payroll, and Benefits Transition Delays	20
4.5 Undefined Accountability Between the Legal Entity and the MSO	21
4.6 Transfer Pricing and Invoicing Discipline	21
4.7 Technology and Systems Rationalization Delays	21
4.8 Why These Problems Compound Rather Than Dissipate	22
4.9 The Practical Lesson	22

Table of Contents

V. The Practice-to-Platform™ Framework: A Structured Approach...	23
5.1 Phase 1: LOI Reality Check	23
5.2 Phase 2: Close-Ready Build	24
5.3 Phase 3: Post-Close Platform Launch	25
5.4 The Framework as a Coordinated System	26
VI. The Four Operating Pillars of a Scalable Legal Platform	27
6.1 People: Role Clarity, Continuity, and Incentive Alignment	27
6.2 Operations: Process Standardization and Integration Discipline	28
6.3 Finance and Accounting: Transparency, Control, and Predictability	28
6.4 Technology: Enabling Scale Without Creating Friction	29
6.5 Interdependence of the Pillars	29
6.6 From Structure to Performance	30
VII. Valuation Drivers in Legal Platform Transactions	30
7.1 Predictability as the Primary Driver of Value	30
7.2 Clean Separation of Legal and Services Entities	31
7.3 Standardized Operating Model	31
7.4 Reporting Transparency and Financial Discipline	32
7.5 Leadership Continuity and Incentive Alignment	32
7.6 Technology Integration and Data Visibility	33
7.7 What Buyers Discount	33
7.8 From Operating Model to Enterprise Value	33
7.9 Implications for Founders and Investors	34
VIII. The Compounding Effect of the First MSO	35
8.1 Replication as the Core Mechanism of Growth	35
8.2 Structural Weaknesses and Their Propagation	35
8.3 The Cost of Post-Hoc Correction	36
8.4 The Relationship Between Structure and Valuation Over Time	37
8.5 Governance, Discipline, and the Limits of Informality	37
8.6 The First MSO as a Strategic Decision	37
8.7 A Final Observation	38
Conclusion	39
Appendix A: Pre-Close Diligence Checklist	42
Appendix B: Platform Readiness Scoring Rubric	46
Scoring Interpretation	50

I. The Period Between LOI and Close: Where Platforms Are Actually Built

The execution phase between signing a Letter of Intent (LOI) and closing a transaction is frequently misunderstood by both sides of the table. In traditional professional services transactions, this period is often treated as confirmatory: diligence is completed, definitive agreements are negotiated, and the transaction proceeds toward closing with relatively limited impact on the underlying operating model.

In the context of legal services transactions involving Management Services Organizations (MSOs), this assumption does not hold.

The period between LOI and closing is not a passive interval. It is the phase in which the foundational structure of the post-transaction enterprise is defined. Decisions made during this period determine how the legal entity and the services platform will interact, how cash will flow through the system, how responsibilities will be allocated, and how future acquisitions will be integrated. These decisions are not ancillary to the transaction; they are the transaction.

Owners typically enter this phase under the assumption that they are transferring ownership interests in an existing business. Investors frequently enter it under the assumption that the operational complexity can be sequenced after signing. Both assumptions are mistaken. In reality, the parties are jointly participating in the creation of a bifurcated structure: a regulated legal entity and a separately organized services platform designed to support scale.

This structural separation introduces a level of complexity that is not present in conventional M&A transactions. The legal entity must remain compliant with professional responsibility rules governing the practice of law, including restrictions on fee sharing, ownership, and control. At the same time, the services platform must be designed to operate as a centralized, economically viable business capable of supporting multiple law firms, standardizing processes, and delivering consistent financial reporting to management, lenders, and LPs.

The tension between these objectives — regulatory compliance and operational scalability — must be resolved through deliberate structural design.

1.1 The Transaction Each Side Believes It Is Entering

At the LOI stage, each party frames the transaction in terms that are familiar to them:

The Owner's frame

- An ownership interest in the firm is being sold to a capital partner.
- The owner will continue practicing law with limited operational disruption.
- Growth will be accelerated through access to capital and shared resources.

The investor's frame

- A well-performing firm with attractive unit economics is being acquired as a platform asset.
- Existing operations can be refined and extended to support add-on acquisitions.
- Structural design can be finalized in parallel with, or shortly after, closing.

Each of these assumptions contains an element of truth, but none of them, on their own, fully describe the structure being created.

The capital partner is not acquiring the practice of law itself. Rather, the transaction is structured to isolate and acquire the non-legal components of the business — those functions that can be owned, scaled, and standardized outside the constraints of professional regulation. These functions typically include finance and accounting, human resources, marketing, intake, technology infrastructure, and vendor management.

The result is a services entity that operates alongside, but distinct from, the law firm. Increasingly, the economic value of the transaction is tied to this services platform, not solely to the performance of the originating firm. For Owners, that means the asset being built is not the one being sold; the rollover is into something new. For investors, it means the underwriting case rests on an entity that does not yet exist in the form being modeled.

1.2 The Transaction That Is Actually Occurring

When viewed from the perspective of either a platform-builder or an institutional capital provider, the transaction takes on a different character.

The initial MSO is not designed solely to support the originating firm. It is designed to serve as the foundation for a broader acquisition strategy. The structure, governance, and financial architecture established in the first transaction will be replicated — explicitly or implicitly — in subsequent transactions. As a result, the first MSO functions as a template.

This has two immediate implications. First, the design must accommodate future scale. Systems, reporting structures, and operational processes must be capable of integrating additional firms without requiring fundamental redesign. A structure that functions adequately for a single firm may prove insufficient when extended across multiple entities with differing practice areas, geographies, and operational profiles.

Second, errors introduced at this stage tend to propagate. Misaligned transfer pricing methodologies, unclear allocation of responsibilities between the legal entity and the MSO, or inadequately defined governance boundaries are not easily corrected once additional firms have been integrated. In practice, these issues often require restructuring at a higher cost and with greater operational disruption.

This is not a theoretical threat. We have seen a meaningful share of firms and sponsors struggle to overcome challenges of their own making. A substantial proportion of post-close disruption — ranging from cash management inefficiencies to disputes over operational authority — can be traced back to incomplete or inconsistent design decisions made prior to closing. In transactions we’ve observed, we estimate that 70 to 80 percent of post-close operational disruption is attributable to pre-close design choices, and correcting treasury or governance structures after the fact can delay growth initiatives by 6 to 12 months.

1.3 Why This Phase Is Operationally Determinative

The importance of the LOI-to-close period arises from the number of interdependent systems that must be defined simultaneously. At a minimum, the following elements require coordination:

- Financial architecture, including treasury management, cash flow allocation, and transfer pricing between the legal entity and the MSO
- Governance structure, including decision rights, reporting relationships, and the delineation of authority between legal and non-legal functions
- Operational scope, defining which functions are performed by the MSO and which remain within the law firm
- Compliance framework, ensuring adherence to applicable rules governing attorney independence, client confidentiality, and fee arrangements
- Human capital structure, including role definitions, compensation alignment, and retention strategies for key personnel

Each of these elements influences the others. Transfer pricing decisions affect both financial reporting and regulatory compliance. Governance structures influence operational accountability and the perception of independence by regulators. Technology ownership and deployment affect both operational efficiency and the allocation of costs between entities.

Because these systems are interdependent, they must be designed as a cohesive whole rather than as a series of discrete decisions.

1.4 The Limits of Post-Close Correction

A common assumption on both sides of the table is that operational imperfections can be addressed following closing. This assumption is often based on experience in other industries, where integration issues can be resolved through subsequent process improvement or system upgrades.

In MSO-based legal transactions, this approach is materially constrained. Certain structural decisions — particularly those related to entity design, contractual relationships, and regulatory positioning — are embedded in the legal documentation executed at closing. Modifying these elements post-close may require renegotiation among stakeholders, amendments to governing agreements, and, in some cases, can have the effect of inviting regulatory review.

Even where modification is possible, the presence of multiple integrated firms complicates the process. Adjustments that may be straightforward in a single-entity environment become significantly more complex once additional acquisitions have been completed and layered onto the initial structure.

For this reason, the LOI-to-close period should be viewed as the primary opportunity to establish a functional and scalable design. Subsequent adjustments are possible, but they are neither costless nor guaranteed.

1.5 From Transaction to Platform

The central shift required during this phase is conceptual as much as operational. The transaction is not simply a monetization event for the owner, nor a sourcing win for the investor. It is the initial step in the creation of a platform intended to support multiple firms, standardized operations, and institutional capital. The success of that platform depends on the coherence of its underlying structure.

This perspective reframes the role of owners. Under the MSO model, they become participants in the design of an enterprise that will extend beyond the original firm, rather than sellers of an existing one. It equally reframes the role of the sponsor, who is not simply deploying capital into a known asset but co-authoring the platform architecture that will determine whether capital deployed here can be recycled efficiently into deals two through ten.

Decisions made during this phase therefore carry implications not only for the immediate transaction, but for the trajectory of the platform as a whole. The sections that follow examine the components of that structure in greater detail, beginning with a precise definition of what an MSO is — and, just as importantly, what it is not.

II. What an MSO Is and Isn't

The term “Management Services Organization” (MSO) is widely used in discussions involving private capital and legal services, yet it is frequently misunderstood in practice. This lack of clarity contributes to misaligned expectations at the outset of transactions and, in some cases, structural decisions that are difficult to defend operationally or regulatorily. A precise understanding of the MSO construct is therefore essential before evaluating how it should be designed.

2.1 The Functional Definition of an MSO

At its core, an MSO is a services entity that performs the non-legal functions of a law firm. It is not a law firm, and it does not engage in the practice of law. Instead, it provides the infrastructure that allows the law firm to operate more efficiently and — in a multi-entity environment — more consistently.

In a properly structured model, the MSO encompasses substantially all business operations that are not required to remain within the regulated legal entity. These typically include:

- Finance and accounting, including billing, collections (excluding client trust funds), and financial reporting
- Human resources, payroll, and benefits administration
- Marketing, branding, and client acquisition infrastructure
- Intake operations and call center functionality
- Information technology systems, including case management platforms and data infrastructure
- Vendor management, procurement, and facilities

The legal entity, by contrast, retains responsibility for the practice of law. This includes attorney-client relationships, legal strategy, case management decisions, and the handling of client funds held in trust. The separation is not merely organizational. It is structural, contractual, and regulatory.

2.2 The Legal and Regulatory Imperative for Separation

The MSO model is shaped by the professional responsibility framework governing the practice of law. In most U.S. jurisdictions, these rules impose limitations on non-lawyer ownership, fee sharing, and control over legal judgment. As a result, any transaction involving outside capital must be structured in a manner that preserves the independence of the legal entity while allowing economic participation in the broader enterprise.

This is typically accomplished through a dual-entity structure:

- A law firm entity, owned and controlled by licensed attorneys, responsible for all legal services and subject to applicable ethical and regulatory obligations
- A services entity (the MSO), which contracts with the law firm to provide non-legal services in exchange for a management fee

The contractual relationship between these entities — typically formalized through a Management Services Agreement (MSA) — is central to the structure. It governs the scope of services provided, the economic arrangement between the entities, and the operational boundaries that must be maintained to ensure compliance.

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The critical issue is not whether the MSO provides value — it clearly does. The issue is whether the line between legal judgment and business operations is both real and defensible. Regulators evaluate not only form, but also substance. If that line is blurred in practice, the structure will not withstand scrutiny.

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— Trisha Rich, Partner, Holland & Knight

This principle has practical implications for both parties. For Owners, it means the MSO may provide recommendations regarding staffing, technology, or operational processes, but it cannot direct legal decision-making. For investors, it means that covenants, board rights, and consent provisions must be drafted to deliver economic protection without crossing into control of professional judgment — a distinction that regulators, and eventually exit buyers, will scrutinize. Similarly, while the MSO may manage billing and collections processes, it must not exercise control over client trust accounts or interfere with legal obligations owed directly to clients.

2.3 What an MSO Is Not

Equally important is clarity about what an MSO is not. It is not a holding company that owns the law firm. It is not a joint venture with shared legal responsibility. And it is not a mechanism for transferring control of legal decision-making to non-lawyer stakeholders.

Misunderstanding any of these points can produce structures that are either non-compliant or commercially unworkable. A holding company framing may appear simpler but runs afoul of ownership restrictions. A joint-venture framing tends to blur accountability and dilute the regulatory firewall. An “MSO as control vehicle” framing invites the very scrutiny the structure exists to avoid.

Properly designed, the MSO is a distinct services business. It has its own economics, its own governance, and its own operating discipline. Its relationship to the law firm is defined by contract, not by equity, and that distinction must hold in practice as well as in documentation.

III. Roll-Up vs. True MSO Platform: A Strategic Fork

Not every combination of law firms under common capital produces a platform. The distinction between a roll-up and a true MSO platform is one of the most consequential choices made during the LOI-to-close period. Many transactions drift into the roll-up posture by default — not by design — because the operational build required of a true platform is deferred in favor of transaction velocity.

3.1 The Roll-Up Model

In a roll-up model, ownership and capital are centralized, but operations remain largely decentralized. Each acquired firm retains its own systems, processes, and reporting conventions. The sponsor may extract synergies at the financing or tax layer, but operational integration is limited. Branding, some back-office functions, and certain vendor arrangements may be shared, but the firms continue to operate as distinct businesses beneath a common owner.



This approach offers certain advantages in the early stages of execution:

- Transactions can be completed relatively quickly, with limited need for pre-close operational integration
- Owners may experience less immediate disruption to existing workflows
- Capital can be deployed across multiple assets in parallel

However, these advantages tend to diminish over time. Without a centralized operating structure, each acquired firm retains its own processes, reporting frameworks, and cost structures. This fragmentation introduces complexity as the number of entities increases. Financial reporting becomes inconsistent, operational performance is difficult to compare across firms, and opportunities for cost efficiencies are limited.

More importantly, the absence of integration constrains the ability to create incremental value beyond the initial acquisition multiple. Growth is driven primarily by continued deal activity rather than by improvements in underlying operations — and at exit, the asset is valued accordingly.

3.2 The Platform Model

In contrast, a platform model is built around a centralized services entity that provides a consistent operational framework across all affiliated firms. Under this approach, the MSO is designed from the outset to perform core business functions — finance, human resources, marketing, technology, and intake — on behalf of multiple legal entities. Systems are standardized, reporting is aligned, and processes are defined with scalability in mind.

This structure requires greater effort during the initial transaction phase. Decisions regarding system selection, reporting architecture, governance, and service scope must be made with future integration in mind. However, once established, the platform enables a different growth dynamic. New firms are not simply added to the portfolio.

They are integrated into an existing operating system. This integration allows for:

- **Consistent financial reporting**, enabling performance comparison across entities and supporting institutional-grade oversight
- **Operational efficiencies**, as centralized functions eliminate duplication and benefit from economies of scale
- **Improved margin profile**, driven by standardized processes and more disciplined cost management
- **Faster integration of acquisitions**, as new entities adopt established systems and workflows rather than maintaining legacy processes

As a result, value creation is not limited to acquisition arbitrage. It is driven by the performance of the platform itself.

The Choice, Viewed From Both Sides of the Table

OWNER LENS	INVESTOR LENS
• Preserves near-term operational familiarity and partner autonomy	• Roll-up economics rely on continued deal activity; platform economics compound on installed base
• Lower disruption early — but rollover equity underperforms if the platform never consolidates	• Entry multiple arbitrage closes quickly; operational alpha is what sustains returns
• Ambiguity about the owner's evolving role tends to harden over time	• LP reporting, lender covenants, and audit scope all get harder without a centralized services layer
• Exit pool narrows: strategic buyers pay for systems, not collections of firms	• Exit multiple expansion requires a platform story supported by data, not narrative

3.3 The Integration Question

The distinction between these models often becomes most apparent in the approach to integration. In a roll-up, integration is frequently deferred or limited. Firms may share branding or certain administrative resources, but core systems — case management, financial reporting, intake processes — remain separate. Over time, this leads to a portfolio of loosely connected businesses rather than a unified enterprise.

In a platform model, integration is a central objective from the outset. The MSO is responsible for establishing the systems and processes that will be used across all entities. This requires not only technical implementation but also alignment among stakeholders.

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The key question is not how many firms are acquired. It is whether those firms can operate within a common system. Without that, you have aggregation, not a platform.

— Trisha Rich, Partner, Holland & Knight

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This emphasis on integration extends beyond technology. It includes alignment on reporting standards, performance metrics, and operational cadence. Without this alignment, the benefits of scale are difficult to realize — and without those benefits, the value case for institutional capital involvement weakens.

3.4 Operational and Organizational Implications

The choice between a roll-up and a platform model has implications for organizational design and workforce structure. In a decentralized roll-up, administrative functions are often duplicated across firms. Each entity may maintain its own finance team, human resources personnel, and operational staff. While this preserves autonomy, it limits efficiency and creates inconsistencies in execution.

In a platform model, these functions are centralized within the MSO. Centralization can create economies of scale, but it also requires careful planning. Decisions regarding staffing levels, role definitions, and reporting relationships must be addressed early to avoid disruption.

These are not abstract considerations. Questions frequently arise regarding:

- The extent to which administrative roles will be consolidated
- How existing personnel will be integrated into the MSO structure
- How performance expectations will be defined and managed across entities

These issues are best addressed prior to closing, when expectations can be aligned and communicated clearly to both legacy firm employees and incoming platform leadership.

3.5 Regulatory and Compliance Considerations

The structural differences between roll-ups and platforms also have regulatory implications. In a roll-up with limited integration, the separation between entities may be more apparent, but the absence of standardized processes can introduce inconsistencies in compliance practices. Each firm may interpret and apply professional responsibility obligations differently, increasing the risk of non-uniform adherence to regulatory requirements.

In a platform model, centralized processes can support more consistent compliance, provided that the governance framework respects the independence of the legal entity. Standardized policies for handling client funds, maintaining confidentiality, and managing conflicts can be implemented across the platform.

However, centralization also requires vigilance. The MSO must operate within clearly defined boundaries to avoid exerting control over legal judgment. As noted in the prior section, regulators focus on substance. A centralized structure that appears to direct legal decision-making may raise concerns, regardless of how it is documented, and those concerns, left unaddressed, will surface in buy-side diligence at exit.

3.6 Economic Outcomes and Valuation Implications

From an investor perspective, the distinction between roll-up and platform models is reflected in valuation. Buyers of legal services platforms are not solely acquiring revenue streams. They are evaluating the predictability, scalability, and transparency of the underlying operations. Platforms that demonstrate consistent reporting, standardized processes, and the ability to integrate acquisitions efficiently are typically viewed as lower risk and more scalable.

Conversely, portfolios of loosely connected firms with inconsistent systems and reporting may be discounted due to integration risk and operational complexity.

This dynamic is consistent with observed valuation drivers in legal services transactions, where emphasis is placed on:

- Repeatable and predictable cash flow
- Standardized operating models
- Transparent and consistent reporting
- Scalable financial and operational infrastructure

These attributes are more readily achieved in a platform model than in a decentralized roll-up.

3.7 The Strategic Implication

For owners and investors, the choice between a roll-up and a platform model is not simply a question of execution speed or short-term convenience. It is a strategic decision that shapes the trajectory of the enterprise — and the outcome for every stakeholder at exit.

A roll-up may provide an expedient path to initial scale, but it often requires subsequent restructuring to achieve operational coherence. A platform model requires greater upfront investment in design and implementation, but it establishes a foundation for sustained growth and multiple expansion.

In today's legal industry, there is momentum for consolidation in both directions. However, the tailwinds are clear. As the legal services sector continues to attract institutional capital — with 200+ private equity firms having now evaluated or participated in legal services transactions across North America — the emphasis is shifting away from traditional roll-ups and toward structures that support integration, standardization, and scalability.

This places increased importance on the design of the initial MSO. The extent to which it functions as a true platform rather than as a transactional artifact will determine the efficiency of future growth and the ultimate value of the enterprise.

IV. Failure Points Between LOI and the First 90 Days Post-Close

The period between signing an LOI and the conclusion of the first 90 days following closing is the stage at which structural weaknesses become operationally visible. By this point, the transaction has moved beyond theory. The parties are no longer discussing how the platform is expected to function; they are experiencing it under live conditions.

This is also the point at which many of the assumptions made during the deal process are tested. Treasury protocols are no longer conceptual once payroll must be funded, vendor invoices must be paid, and management fees must be calculated. Governance boundaries are no longer abstract once personnel decisions, technology implementation, and workflow changes begin to affect daily operations. Service agreements that appeared sufficient in diligence may prove inadequate once questions arise regarding scope, authority, or pricing.

For this reason, the early post-close period tends to reveal problems that were not created after closing, but merely exposed by it.

Observed Patterns

- **In reviewed MSO transactions, an estimated 70–80% of post-close operational disruption is traceable to pre-close design decisions.**
- **Correcting treasury or governance structure after close typically delays growth initiatives by 6–12 months.**
- **Inconsistent service agreements consistently create valuation friction at exit — often expressed as reduced multiples, extended diligence, or escrow concessions.**

4.1 Treasury and Cash Management Misalignment

One of the earliest and most consequential failure points in an MSO transaction is treasury design. The reasons are straightforward. Cash management sits at the intersection of operational continuity, financial control, regulatory compliance, and trust among the parties. If it is poorly designed, the resulting friction tends to be immediate.

In a legal services platform, cash architecture must distinguish among several categories of funds. Client trust accounts remain within the legal entity and are governed by professional obligations that cannot be delegated to the MSO. Operating accounts, by contrast, may sit within the services platform or be managed in coordination between the entities, depending on the structure adopted. Management fees, payroll flows, vendor payments, and other operating disbursements must be routed in a manner that is both commercially functional and regulatorily sound.

If these distinctions are not addressed in detail prior to closing, the consequences can include delayed payroll, vendor payment confusion, unclear authority over disbursements, and disputes regarding the timing and mechanics of intercompany transfers. In addition, poorly documented cash protocols can create concerns regarding the independence of the law firm, particularly if the MSO appears to exert de facto control over funds or decisions that should remain within the legal entity.

Treasury problems are especially disruptive because they are difficult to contain. They affect not only finance and accounting, but also personnel morale, vendor relationships, and management confidence in the platform. An owner who perceives that the post-close enterprise cannot reliably manage cash will often lose confidence in broader integration initiatives, even where those initiatives are otherwise well designed. An investor who identifies treasury chaos in the first management report faces the same erosion of confidence — and if the sponsor's lender becomes aware, the same issue can jeopardize covenant headroom and future delayed-draw capacity.

4.2 Weak or Incomplete Management Services Agreements

The Management Services Agreement is frequently described as the contractual core of the MSO structure. That characterization is accurate but often understated. The MSA does more than document an economic relationship; it defines the scope of services, allocates responsibilities, establishes pricing mechanics, and creates the operational boundary between the legal entity and the services platform.

As any experienced contract attorney knows, when agreements of this nature are drafted at a high level without sufficient operational precision, they become a source of ambiguity rather than clarity.

Common deficiencies include vague descriptions of service scope, inadequate articulation of performance expectations, poorly defined change-order mechanisms, and insufficient specificity regarding the basis for management fees. These issues may not appear material at signing, particularly if the parties assume that informal cooperation will resolve questions as they arise. In practice, ambiguity tends to become more problematic post-close, when incentives are more formalized and operating decisions carry direct economic consequences.

The compliance dimension is equally important. In jurisdictions that restrict fee sharing or non-lawyer control, the economic terms of the MSA must be designed carefully and supported by a defensible rationale. Overly aggressive management fee structures — particularly those that appear to fluctuate directly with firm revenues in a manner inconsistent with fair market value services — may create regulatory risk. The concern is not limited to how the structure is labeled; it extends to how it operates in substance. For sponsors, a poorly supported fee construct is a known friction point at exit: strategic and financial buyers will test it, and quality-of-earnings reviews will surface it.

As a practical matter, the strongest MSAs tend to do three things well: (1) they define the services in operationally meaningful terms; (2) they establish economics that are transparent and supportable; and (3) they delineate authority in a manner that preserves the independence of the legal entity while still permitting effective operational collaboration.

4.3 Fragmented Reporting and Financial Controls

Institutional capital requires institutional-quality reporting. Yet many law firms entering an MSO transaction do so with financial systems designed for owner-managed businesses rather than multi-entity platforms.

This gap becomes evident quickly after closing. If the originating firm has inconsistent chart-of-accounts design, non-standard expense classification, limited departmental visibility, or reporting practices driven primarily by tax or cash needs rather than management decision-making, those shortcomings will carry into the platform unless they are addressed as part of the close-ready build.

The problem is compounded when the services platform and the legal entity are not aligned in how they recognize costs, allocate shared expenses, or track performance. Under those conditions, post-close financial statements may be technically complete while still failing to provide decision-useful information. Management cannot evaluate margin by function, compare performance across operating units, or assess whether the services model is actually producing efficiencies.

Over time, fragmented reporting creates several additional risks. First, it weakens operating discipline because managers do not receive consistent performance data. Second, it complicates lender and LP reporting, which may undermine confidence in the platform's controls. Third, it creates valuation friction in future transactions or exits, particularly if buyers are asked to underwrite earnings quality without consistent historical reporting.

The issue is therefore not merely accounting hygiene. It is the ability of the platform to function as a managed enterprise — and to be valued as one.

4.4 HR, Payroll, and Benefits Transition Delays

Human capital issues are often described as integration challenges, but in many MSO transactions they are better understood as design failures. If the post-close organization has not defined roles, reporting relationships, compensation structures, and benefits transition plans before closing, uncertainty will persist precisely when clarity is most needed.

This uncertainty affects multiple constituencies. Administrative personnel need to know whether they remain within the law firm, move to the MSO, or support both under a new reporting structure. Leaders need clarity regarding who has authority over hiring, performance management, and compensation decisions. Owners need to understand how rollover equity, incentives, and go-forward responsibilities align with the expectations of the capital partner.

The practical consequences of delay are significant. Employees may become distracted or unsettled, key personnel may begin considering alternatives, and the platform may struggle to execute even routine tasks if basic organizational questions remain unresolved. These issues are especially sensitive in law firms, where informal working relationships and partner-driven management often substitute for formal structure prior to a transaction. Once institutional capital enters the picture, that informality becomes harder to sustain.

Well-executed HR transition planning does not eliminate change. It does, however, make change legible. It tells people where they sit, what they are accountable for, and how the organization intends to function going forward.

4.5 Undefined Accountability Between the Legal Entity and the MSO

Even where the legal documents are technically complete and the operating plan is broadly understood, many transactions encounter friction because accountability has not been defined with sufficient precision.

This often occurs in areas that sit near the boundary between legal and non-legal functions. Intake is a common example. It may involve marketing, call center processes, client experience design, and workflow standardization, all of which can sit comfortably within the MSO. But intake also touches client engagement, matter selection, and legal risk assessment, which implicate the judgment of the law firm. Similar tensions arise with technology deployment, staffing models, compensation frameworks, and performance management.

If these decision processes are not articulated clearly, each side may assume it holds more authority than the other believes it has granted. This tends to create operational hesitation and, in worst-case scenarios, open conflict. Projects stall, decisions are escalated unnecessarily, and participants begin to work around the formal structure rather than through it.

This is precisely the kind of friction that weakens platforms over time. A structure that requires constant negotiation to perform ordinary functions is not functioning as a platform. The objective is not to eliminate interaction or shared planning. It is to ensure that interaction occurs within a governance framework that allocates authority clearly enough to support execution without jeopardizing professional independence.

4.6 Transfer Pricing and Invoicing Discipline

Transfer pricing in an MSO environment is frequently treated as a downstream finance issue. In practice, it is a central operating issue with legal, tax, and governance implications.

The management fee arrangement between the law firm and the MSO must be designed so that it reflects the services actually provided and can be administered consistently. Once the transaction closes, that means invoices must be generated on a defined cadence, methodologies must be applied consistently, and the economics must be understandable to both parties. If the invoicing process is improvised or opaque, distrust tends to develop quickly.

The consequences extend beyond relationship strain. Inconsistent or poorly supported transfer pricing can undermine financial reporting, complicate tax treatment, and weaken the defensibility of the structure if challenged by a regulator or third party. It can also impair future scalability. A management fee arrangement that is difficult to administer for one firm will generally become more problematic as additional firms are added.

Accordingly, transfer pricing should be designed prior to close not merely as a legal mechanism, but as a live operating system that will need to function under monthly, quarterly, and annual reporting conditions — and withstand review by lenders, auditors, and, eventually, exit-stage diligence teams.

4.7 Technology and Systems Rationalization Delays

Technology is often one of the most visible areas of post-close activity and one of the most common sources of delay. This is not surprising. In many owner-led law firms, systems have evolved incrementally rather than strategically. Case management tools, intake platforms, accounting systems, marketing databases, and reporting workflows may each function adequately within a single firm but prove difficult to harmonize within a platform.

The problem is not simply one of software selection. It is one of ownership, governance, and implementation sequencing. If the MSO is expected to own or manage the core technology stack, those decisions must be accompanied by a clear roadmap for migration, data access, training, and support. Lawyers may use the systems, but that does not answer who selects them, who funds them, who administers them, and how exceptions are handled.

When systems rationalization is deferred, the platform may find itself operating through temporary workarounds that persist far longer than intended. Over time, these workarounds degrade reporting quality, weaken accountability, and reduce the benefits of centralization.

A recurring lesson in legal platform transactions is that technology integration should not be approached as an isolated IT project. It is an operating model decision that affects finance, intake, workflows, and management oversight simultaneously.

4.8 Why These Problems Compound Rather Than Dissipate

The most important feature of these failure points is that they tend not to self-correct. In a single-entity business, operational rough edges may sometimes smooth out over time as teams adapt informally. In a platform environment, especially one intended to pursue additional acquisitions, unresolved issues generally compound.

A poorly designed treasury structure becomes more difficult to manage when multiple firms are added. A vague MSA becomes harder to interpret once service scope varies across entities. Fragmented reporting becomes more problematic when leadership must compare performance across a broader portfolio. Unclear governance boundaries generate more friction as more stakeholders enter the system.

This is why the initial transaction matters disproportionately. The first MSO does not merely need to function for the originating firm. It must function as the architectural foundation for future growth.

4.9 The Practical Lesson

The practical lesson from early post-close disruption is not that these transactions are inherently unstable. It is that they require a level of pre-close operational design that Owners and capital partners alike often underestimate.

The firms and the sponsors that navigate this phase most successfully are not necessarily those with the simplest businesses or the most resources at signing. They are the ones that approach the period between LOI and close with the understanding that this is the point at which platform design, not just transaction mechanics, must be finalized.

That insight leads directly to the need for a more structured process. The next section introduces that process in detail: a phased framework for moving from LOI to a close-ready build and then to a post-close platform capable of absorbing future acquisitions.

V. The Practice-to-Platform™ Framework: A Structured Approach to MSO Execution

The failure points observed in MSO transactions are not random. They tend to arise in predictable ways when a complex structural transition is undertaken without a defined execution framework. In response, more disciplined approach has emerged — one that treats the period from LOI through early post-close operations as a coordinated build process rather than a sequence of discrete steps.



The Practice-to-Platform™ framework is intended to provide that structure. It organizes the transition into three phases, each addressing a distinct set of requirements: alignment at the point of LOI, operational design prior to closing, and execution during the initial post-close period. While these phases are presented sequentially, they are interdependent. Decisions made in the first phase constrain what is possible in the second, and the effectiveness of the third is largely determined by the quality of work completed in the first two.

Practice-to-Platform™ Framework at a Glance

PHASE	FOCUS	OWNER DELIVERABLE	INVESTOR DELIVERABLE
Phase 1 LOI Reality Check	Strategy alignment; MSO architecture; platform thesis validation	Clarity on what is actually being sold and what role remains	Validated investment thesis and architected replication plan
Phase 2 Close-Ready Build	Treasury; chart of accounts; HR/payroll; MSA economics; compliance	Day-One operational functionality; protected interests at close	Auditable opening balance sheet; defensible MSA; covenant-ready reporting
Phase 3 Post-Close Platform Launch	Transfer pricing discipline; KPI cadence; systems rationalization; next- acquisition readiness	Durable value in rollover equity; clear go-forward role	Repeatable integration playbook; platform positioned to absorb subsequent deals

5.1 Phase 1: LOI Reality Check

The first phase begins at the point where many parties assume the most significant decisions have already been made. In practice, the opposite is often true. The LOI establishes high-level economic terms, but it rarely resolves the structural questions that determine how the platform will function.

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The purpose of the LOI Reality Check is to convert a transaction concept into a defined operating model. This requires a level of specificity that you don't typically capture in early-stage deal discussions. All of the parties involved must move beyond general alignment on growth objectives and begin to define the mechanics through which those objectives will be pursued.

— Jordan McMillian, Partner, Samson Partners Group

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At a minimum, this includes a clear articulation of the platform thesis — whether the transaction is intended to support a single-firm optimization or a broader acquisition strategy. It also requires a determination of how the MSO will be structured, including whether a single services entity will support multiple firms or whether alternative structures are required to accommodate jurisdictional or operational differences.

Equally important is the delineation of scope. The boundary between the legal entity and the MSO must be defined in operational terms, not simply described at a conceptual level. This includes identifying which functions will be centralized, how responsibilities will be allocated, and where decision-making authority will reside. Without this clarity, the structure will rely on informal assumptions that are unlikely to hold up under operating conditions and could jeopardize regulatory compliance.

The output of this phase is not documentation, but alignment. It establishes a shared understanding of what is being built. When that understanding is incomplete, the resulting structure will reflect those gaps — regardless of how well the definitive agreements are drafted.

5.2 Phase 2: Close-Ready Build

The second phase translates the conceptual model into a structure capable of functioning in practice. It is the point at which design decisions are formalized, systems are defined, and the platform is prepared for initial operation.

This phase is often underestimated because it is perceived as an extension of legal documentation and diligence. In reality, it is an operational build. The objective is not simply to reach closing, but to ensure that the enterprise can operate on Day One without reliance on provisional arrangements.

The most critical work in this phase occurs in areas that are both technical and interdependent. Treasury design must establish how cash will move through the system, including the separation of client trust funds from operating capital and the mechanics of management fee payments. Financial infrastructure must be defined with sufficient rigor to support consistent reporting, including chart of accounts design, revenue recognition policies, and the development of an opening balance sheet that reflects the new structure.

At the same time, the economic relationship between the legal entity and the MSO must be translated into a workable model. Transfer pricing methodologies must be defined in a manner that can be administered consistently, aligns incentives between the parties, and remains defensible under regulatory scrutiny. These are not purely financial considerations; they influence governance, compliance, and the day-to-day experience of operating within the platform.

Human capital considerations are equally central. The transition from a partner-led organization to a bifurcated structure requires clarity regarding roles, reporting relationships, and compensation. Employees must understand whether they operate within the law firm or the MSO, how their responsibilities may change, and how performance will be evaluated. Absent that clarity, uncertainty tends to persist into the post-close period, where it becomes more difficult to address.

The concept of “Day One readiness” is often used to describe the objective of this phase. In practice, it should be understood as a threshold rather than an endpoint. The goal may be perfection, but even if that is not entirely realistic, effective functionality is absolutely essential. The structure must be sufficiently complete to support operations without reliance on informal workarounds that could become embedded over time.

5.3 Phase 3: Post-Close Platform Launch

The third phase begins at closing and extends through the initial operating period. It is frequently described as a stabilization phase, but that understates its importance. The objective is not merely to stabilize the structure created at closing but to validate and refine it under operating conditions.

During this period, the design decisions made in earlier phases are tested. Transfer pricing methodologies must function in real time, with invoices generated and payments executed according to the agreed cadence. Reporting systems must produce consistent, decision-useful information. Governance structures must support timely decision-making without creating ambiguity regarding authority.

Technology integration typically becomes a central focus in this phase. Legacy systems must be rationalized, data must be consolidated where appropriate, and a unified platform must begin to emerge. This process is rarely frictionless, particularly where firms enter the transaction with different systems and workflows. The effectiveness of integration is therefore highly dependent on the clarity of the technology strategy established prior to closing.

The human dimension also becomes more visible. Leadership continuity, retention of key personnel, and alignment of incentives all play a role in determining whether the platform can execute effectively. Early signs of misalignment — whether in expectations, communication, or performance — tend to surface during this period.

A defining characteristic of this phase is that it is forward-looking. While it addresses immediate operational requirements, it must also prepare the platform for subsequent growth. This includes establishing the reporting cadence, governance discipline, and integration playbooks that will be required to onboard additional firms.

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If the first 90 days are spent stabilizing the initial deal without building the capability to do the next one, you haven't yet created a platform. You've created a transaction that needs to be repeated manually.

— Jordan McMillian, Partner, Samson Partners Group

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5.4 The Framework as a Coordinated System

Taken together, these phases form a coordinated system rather than a checklist. Each phase addresses a different aspect of the same underlying objective: the creation of a platform that is both compliant and scalable.

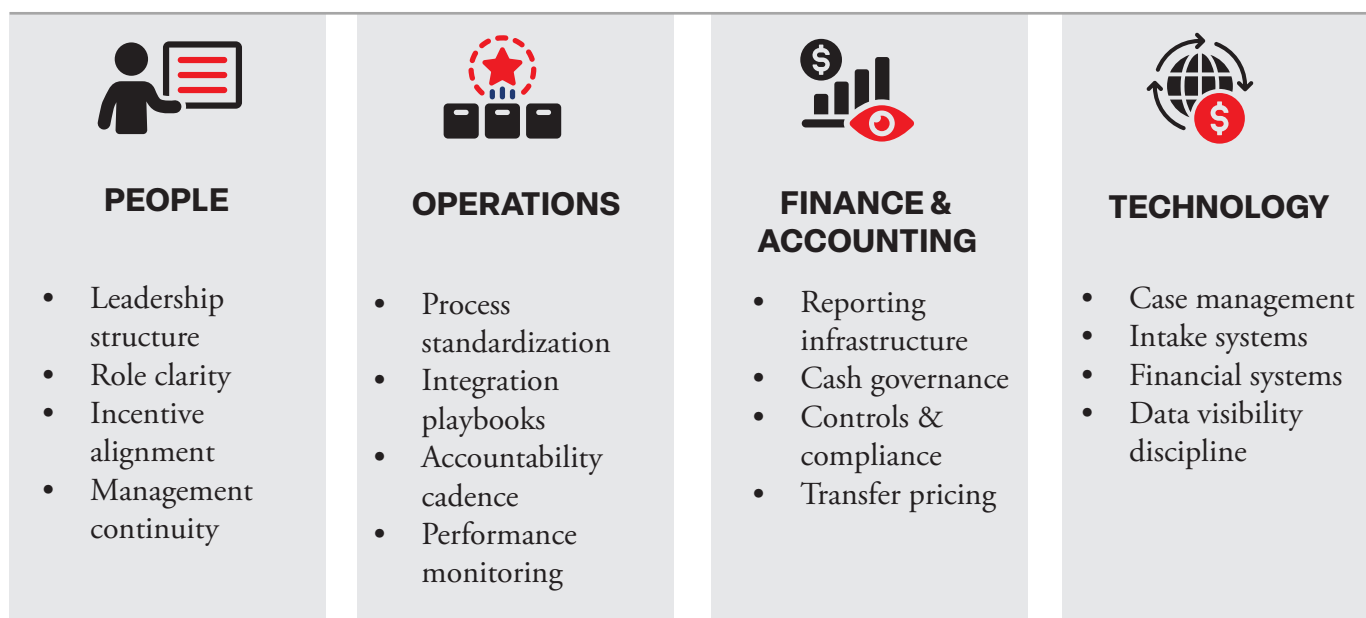
Rather than eliminating complexity, this framework organizes it. It ensures that structural, operational, financial, and compliance considerations are addressed in a sequence that reflects their interdependence. Where this sequence is disrupted — by deferring decisions, fragmenting responsibilities, or treating phases as interchangeable — the resulting structure tends to reflect those inconsistencies.

This is why the initial MSO carries disproportionate importance. It is not simply the outcome of the first transaction but the template for those that follow. The extent to which it is designed and executed with discipline will determine whether subsequent growth can be achieved in a streamlined manner through replication or requires costly, time-consuming, and error-prone ongoing reconfiguration.

VI. The Four Operating Pillars of a Scalable Legal Platform

While the Practice-to-Platform™ framework provides a structured approach to execution, its effectiveness ultimately depends on the underlying operating model. Across transactions, a consistent pattern emerges: platforms that scale successfully are not defined solely by their legal structure or capital base, but by the coherence and discipline of their operations.

In practical terms, this operating model can be understood across four interdependent pillars: people, operations, finance and accounting, and technology.



Each pillar represents a distinct domain of execution, but none functions independently. Weakness in any one area tends to manifest across the others. A misaligned organizational structure will undermine operational execution. Fragmented systems will degrade financial reporting. And inconsistent financial controls will limit the effectiveness of technology investments. For this reason, these pillars are best viewed not as functional silos, but as components of a single system.

6.1 People: Role Clarity, Continuity, and Incentive Alignment

The transition to an MSO-based structure introduces a level of organizational complexity that most owner-led law firms have not previously encountered. The separation of legal and non-legal functions, combined with the introduction of a capital partner, requires a more formal approach to defining roles, responsibilities, and reporting relationships.

At a minimum, the organization must address three questions. First, who is responsible for the performance of the services platform? Second, how does that responsibility intersect with the authority of the legal entity? And third, how are incentives aligned across those roles?

The challenge lies in balancing standardization with flexibility. Overly rigid processes may fail to accommodate differences in practice areas or local market conditions. Conversely, excessive flexibility can lead to fragmentation, undermining the benefits of centralization.

Integration discipline is therefore critical. Each acquired firm must be onboarded into the platform in a manner that aligns with established processes while accommodating necessary variations. This requires not only technical integration but also change management. Attorneys and staff must understand how their workflows will evolve and why those changes are necessary.

Where integration is treated as an ad hoc exercise, the platform tends to accumulate inconsistencies over time. Where it is approached as a structured process, supported by defined playbooks and clear expectations, the platform becomes progressively more efficient with each additional acquisition — the exact dynamic that sophisticated investors underwrite at entry and demand evidence of at exit.

6.2 Operations: Process Standardization and Integration Discipline

Operational effectiveness in a platform environment is defined by the ability to execute consistently across multiple entities. This requires a level of process standardization that is not typically present in standalone law firms.

Standardization does not imply uniformity in legal work. The practice of law remains inherently variable, shaped by the facts of each case and the judgment of individual attorneys. However, the processes that support that work — intake, case progression tracking, administrative workflows, and performance monitoring — can and should be systematized.

The MSO plays a central role in this systematization. By centralizing non-legal functions, it creates an opportunity to define and enforce consistent processes. This includes establishing intake protocols, defining key performance indicators, and implementing operating cadences that provide visibility into performance.

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6.3 Finance and Accounting: Transparency, Control, and Predictability

Financial infrastructure is often the least visible component of a platform at the outset, but it is among the most important over time. Investors, lenders, and management teams rely on financial data to evaluate performance, allocate resources, and make strategic decisions. Without consistent and transparent reporting, those decisions become more difficult and less reliable, from operating accounts must be maintained rigorously, and the flow of funds between entities must be documented and controlled.

Predictability is the ultimate goal. A platform that can produce consistent financial results, supported by reliable reporting, is more readily understood and valued by external stakeholders. Conversely, variability driven by inconsistent processes or incomplete data introduces uncertainty, which tends to be reflected in both operational decision-making and valuation.

6.4 Technology: Enabling Scale Without Creating Friction

Technology is the infrastructure through which the other pillars operate. It supports intake, case management, financial reporting, communication, and performance tracking. In a multi-entity environment, it also serves as the primary mechanism for standardization.

The challenge is not simply selecting appropriate systems, but integrating them in a manner that supports the operating model. Many law firms enter transactions with a patchwork of legacy systems that function adequately in isolation but are not designed for integration. Case management platforms, accounting systems, and marketing tools may each operate independently, with limited data connectivity.

In a platform environment, this fragmentation becomes a constraint. Data cannot be aggregated easily, workflows cannot be standardized, and reporting cannot be consolidated without manual intervention. The result is increased administrative burden and reduced visibility.

Effective platforms address this by defining a target technology architecture and implementing it systematically. This may involve migrating firms to a common case management system, standardizing financial software, and integrating intake and marketing platforms. The MSO typically owns or administers these systems, even though they are used by the legal entity.

Just as important as selection is implementation. Technology adoption requires training, support, and ongoing management. Without these elements, even well-chosen systems may fail to deliver their intended benefits.

6.5 Interdependence of the Pillars

The four pillars are most effective when they are aligned. A clearly defined organizational structure (people) supports consistent execution of standardized processes (operations). Those processes generate reliable data, which is captured and reported through financial systems (finance and accounting). Technology enables each of these functions to operate at scale.

When one pillar is underdeveloped, the effects are not isolated. For example, a lack of role clarity may lead to inconsistent process execution, which in turn degrades financial reporting. Similarly, fragmented technology systems may prevent the standardization of operations, limiting the platform's ability to scale efficiently.

This interdependence reinforces the importance of addressing all four pillars as equally essential parts of platform design. Focusing on one dimension in isolation — whether it be technology implementation or financial reporting — will not produce a fully functional operating model.

6.6 From Structure to Performance

The MSO structure provides the framework within which the platform operates. The four operating pillars determine how that framework translates into performance. A platform with a well-defined legal structure but weak operating discipline will struggle to achieve its objectives. On the other hand, a platform with strong operational execution, supported by aligned people, processes, financial systems, and technology, is positioned to generate consistent results and support sustained growth.

This distinction becomes particularly important as the platform expands. The ability to integrate additional firms efficiently, maintain consistent performance, and present a coherent financial profile to external stakeholders is dependent on the strength of these underlying pillars.

VII. Valuation Drivers in Legal Platform Transactions

As legal services platforms mature, the basis on which they are evaluated shifts. Early-stage discussions may focus on revenue, case volume, or partner reputation. Over time, however, investors and buyers place increasing emphasis on structural and operational attributes that support predictability and scalability.

This shift is consistent with patterns observed in other professional services sectors as diverse as veterinary practices, healthcare providers, and accounting firms. Uniformly, we have seen that as businesses transition from owner-led operations to institutional platforms, valuation becomes less dependent on individual performance and more dependent on the durability of the underlying system.



In the context of MSO-based legal platforms, this system is defined by the interaction of structure, operations, and financial discipline.

7.1 Predictability as the Primary Driver of Value

Across transactions, one theme is consistent: buyers pay for predictability, not presentation. Predictability in this context refers to the ability of the platform to generate consistent financial outcomes across reporting periods, supported by repeatable processes and transparent data. It is not a function of static performance, but of controlled variability — an understanding of how and why results fluctuate, and confidence that those fluctuations are manageable.

This emphasis reflects the nature of institutional capital. Investors are underwriting future performance, not past accomplishments. They seek evidence that the platform can operate as a system rather than as a collection of individual efforts.

Several factors contribute to this perception of predictability:

- The presence of recurring or repeatable revenue streams
- Consistent application of operating processes across firms
- Reliable financial reporting with minimal adjustment or reconciliation
- Evidence that growth can be achieved through replication rather than reinvention

7.2 Clean Separation of Legal and Services Entities

A second driver is the structural clarity of the separation between the legal entity and the services platform. This separation is not merely a compliance consideration. It is a signal of operational discipline and a determinant of how the enterprise can be valued and transferred.

Where the separation is well-defined — reflected consistently in governance, financial flows, contractual relationships, and day-to-day practice — buyers can evaluate the services platform on its own terms. They can assess the economics of the MSO, the quality of its operations, and the scalability of its infrastructure without persistent concerns about regulatory exposure or blurred authority.

Where the separation is ambiguous, the opposite dynamic takes hold. Due diligence becomes more extended, risk adjustments more substantial, and valuation more conservative. In some cases, remediation is required before a transaction can proceed. These outcomes are avoidable, but only with design choices made early in the platform's development.

7.3 Standardized Operating Model

Platforms are valued, in part, on the ability of their operations to scale efficiently. This capacity depends on the degree of standardization in the underlying operating model.

Standardization manifests in multiple ways. Processes for intake, case management, and administrative functions are consistent across firms. Key performance indicators are defined uniformly and measured routinely. Reporting cadences are established and followed, providing visibility into performance at both the entity and consolidated levels.

From a valuation perspective, standardization reduces perceived execution risk. It demonstrates that the platform can absorb additional firms without disruption, and that operational improvements in one area can be extended across the enterprise. Conversely, where operations vary significantly across firms, buyers tend to discount the value of scale, recognizing that integration effort will be substantial and outcomes uncertain.

7.4 Reporting Transparency and Financial Discipline

Financial reporting serves as the primary interface between the platform and its external stakeholders. The clarity and consistency of that reporting directly influence how the platform is evaluated.

Transparent reporting extends beyond periodic financial statements. It includes the ability to disaggregate performance by entity, function, and time period; to trace financial outcomes to operational drivers; and to provide timely visibility into trends and variances. These attributes support both internal management and external underwriting.

Financial discipline underpins this transparency. It encompasses the processes and controls that ensure data accuracy, the governance mechanisms that support consistent decision-making, and the operating cadence through which performance is monitored and managed.

Platforms that exhibit strong reporting transparency and financial discipline are more readily understood by buyers. They reduce the need for adjustments, simplify due diligence, and increase confidence in the sustainability of reported results. Conversely, platforms with fragmented or inconsistent reporting may face extended diligence processes, increased scrutiny, and potential valuation discounts.

7.5 Leadership Continuity and Incentive Alignment

While institutional investors seek to reduce reliance on individual partners, leadership continuity remains an important component of value.

In many legal platforms, partners continue to play a significant role, particularly in client relationships, brand development, and strategic direction. The question for buyers is not whether partners are involved, but how their involvement is structured and sustained.

Incentive alignment is central to this evaluation. Equity participation, compensation structures, and performance metrics must be designed to align the interests of owners, operating partners, and investors. Where alignment is strong, leadership can operate as a stabilizing force. Where it is weak, transitions may be disruptive.

This consideration extends to the broader leadership team. Platforms that have developed a management layer capable of operating independently of any single individual are generally viewed as more scalable and less risky.

7.6 Technology Integration and Data Visibility

Technology plays a dual role in valuation. It enables operational efficiency, and it provides the data necessary to evaluate that efficiency.

Integrated systems allow for the aggregation of data across entities, supporting more sophisticated analysis of performance. They enable the tracking of key metrics, the identification of trends, and the evaluation of operational effectiveness.

From a buyer's perspective, this visibility reduces uncertainty. It allows for more precise underwriting of performance and more informed projections of future results.

However, the presence of technology alone is not sufficient. Systems must be implemented consistently, and data must be reliable. Platforms that have invested in technology but have not effectively integrated them may not realize the full benefits of those investments.

7.7 What Buyers Discount

In contrast to the attributes outlined above, certain factors are consistently discounted in valuation discussions. These include:

- Cosmetic rebranding not supported by underlying process change
- Organizational chart changes that do not translate into measurable performance improvements
- Revenue growth driven by one-time events or temporary conditions
- Ad hoc cost reductions that are not sustainable under normal operating conditions
- “Partner heroics” — results attributable to a single leader rather than to an operating system
- One-time EBITDA spikes without a repeatable engine behind them

These factors may influence short-term results, but they do not contribute to the long-term predictability of the platform. As a result, they are typically viewed with skepticism and may be excluded from normalized earnings calculations.

7.8 From Operating Model to Enterprise Value

The relationship between operating model and valuation is direct. A platform that demonstrates structural clarity, operational consistency, financial transparency, and aligned leadership is more likely to be viewed as scalable and predictable. These attributes reduce perceived risk and support higher valuation multiples.

Conversely, a platform that lacks these characteristics may be evaluated more conservatively, regardless of its current performance.

This dynamic reinforces a central theme of this paper: the design and execution of the MSO structure are not merely operational considerations. They are determinants of enterprise value.

7.9 Implications for Owners and Investors

For owners, the implication is that value creation begins well before any future exit event. The decisions made during the initial transaction — how the MSO is structured, how operations are standardized, how financial systems are designed — shape the attributes that buyers will ultimately evaluate. These decisions influence not only the performance of the platform, but how that performance is interpreted by external stakeholders.

For investors, the implication is parallel but distinct. The underwriting case does not rest solely on the target's standalone performance; it rests on the quality of the platform that will be built around it. A transaction that closes cleanly but on a compromised structural foundation will struggle to produce the return profile modeled at entry, because the cost of remediation — in time, capital, and management attention — is precisely the cost that a thoughtful pre-close build was meant to avoid.

Understanding this relationship allows both sides to approach the transaction with a clearer perspective. The objective is not simply to complete a deal, but to build a structure that can be evaluated, scaled, and ultimately monetized under institutional standards.

Same Deal, Different Accountabilities

OWNER LENS	INVESTOR LENS
◆ Value creation begins well before any exit event — decisions at initial transaction shape the attributes buyers ultimately evaluate ◆ Rollover equity performance depends on platform integrity, not on the originating firm alone ◆ Role clarity and continuity directly influence personal outcomes across the hold period ◆ Quality of structure determines the caliber of future capital partners the platform can attract	◆ Entry multiple is only the first chapter; exit multiple is written by pre-close design choices ◆ Replication economics fail without a template; LOI Reality Check is where the template is specified ◆ Post-close surprises in treasury, MSA, or reporting directly erode LP confidence and fundraising narrative ◆ Integration speed for subsequent deals is set in Deal 1 — underwriting should price this explicitly

VIII. The Compounding Effect of the First MSO

The initial MSO created in a transaction is not an isolated construct. It establishes the structural, operational, and financial template upon which all subsequent growth is built. For this reason, its importance extends beyond the success of the originating transaction. It defines the trajectory of the platform itself.

This dynamic is not unique to legal services, but it is particularly pronounced in MSO-based models, where replication is central to the investment thesis. Each additional firm is expected to be integrated into an existing system. The efficiency of that integration — and the value ultimately created — depends on the integrity of the system into which it is introduced.

The first MSO, therefore, does more than support the initial firm. It sets the stage for what the platform can become.

The First Structure Sets the Ceiling for Every Future Deal

Under-governed at Deal #1 → Integration complexity compounds at Deals #2, #3, #4, etc.

Under-capitalized at Deal #1 → Treasury stress recurs at every subsequent close

Under-standardized at Deal #1 → Margin variability widens across the portfolio

Under-reported at Deal #1 → Exit valuation discount risk rises proportionally to AUM

8.1 Replication as the Core Mechanism of Growth

In a platform model, growth is achieved through a combination of acquisition and integration. The acquisition component introduces new revenue streams and expands the footprint of the enterprise. The integration component determines whether that expansion produces incremental value or simply increases complexity.

Replication is the mechanism through which integration is made efficient. A well-designed MSO provides a consistent framework that can be applied to each new entity with minimal modification. Systems, processes, and reporting structures are extended, rather than recreated. This reduces the time and cost required to onboard new firms and increases the likelihood that they will perform in line with expectations.

Where replication is not possible, integration becomes bespoke. Each new firm requires customized solutions, additional resources, and incremental decision-making. Over time, this approach limits scalability. The platform becomes dependent on continuous intervention rather than benefiting from established systems. The difference between these outcomes is determined at the point of initial design.

8.2 Structural Weaknesses and Their Propagation

Structural deficiencies in the first MSO tend not to remain contained. They propagate across the platform as additional firms are added.

For example, an underdeveloped governance structure may function tolerably in a single-entity environment, where informal coordination can resolve ambiguity. As the number of entities increases, the same ambiguity can lead to inconsistent decision-making, delays in execution, and disputes over authority.

Similarly, a financial reporting framework that lacks standardization may be manageable for one firm but becomes increasingly problematic when multiple entities must be consolidated. Differences in accounting practices, revenue recognition, or expense allocation can create inconsistencies that complicate analysis and reduce confidence in reported results.

Operational inconsistencies follow a similar pattern. Processes that are not clearly defined or consistently applied may vary across firms, leading to differences in performance that are difficult to diagnose or correct. Technology fragmentation compounds these issues, limiting the ability to aggregate data and enforce standard workflows.

These effects are cumulative. Each additional firm introduces new variation into an already imperfect system. Over time, the platform may find itself managing a portfolio of partially integrated entities rather than a unified enterprise.

8.3 The Cost of Post-Hoc Correction

When structural weaknesses become apparent, the instinct is often to address them through subsequent refinement. While this is sometimes possible, it is rarely straightforward.

Post-hoc correction in a platform environment involves more than revising internal processes. It may require renegotiating contractual relationships, modifying management services agreements, reconfiguring financial systems, and realigning personnel. Where multiple firms are already integrated, these changes must be implemented across all entities, increasing both complexity and cost.

In some cases, the required adjustments may be constrained by the original transaction structure. Legal documentation executed at closing may limit the ability to modify certain aspects of the relationship without agreement from multiple parties. Regulatory considerations may also restrict the range of permissible changes, particularly where the distinction between legal and non-legal functions is implicated.

As a result, the cost of correction tends to increase over time. Issues that could have been addressed during the initial design phase with relatively limited effort may require substantial restructuring once the platform has begun to scale.

8.4 The Relationship Between Structure and Valuation Over Time

The compounding effect of the first MSO is reflected in valuation outcomes. Platforms that are built on a coherent and scalable structure tend to demonstrate improving performance as they grow. Integration becomes more efficient, reporting becomes more consistent, and operational discipline is reinforced with each additional acquisition. These attributes contribute to a perception of increasing predictability, which is typically reflected in higher valuation multiples.

Conversely, platforms built on less robust structures may experience diminishing returns from growth. Integration becomes more complex, inconsistencies accumulate, and management attention is diverted toward resolving structural issues rather than driving performance. In these cases, additional acquisitions may increase revenue without producing commensurate increases in value.

This divergence is not always immediate. Early-stage growth may mask underlying structural weaknesses. However, as the platform expands, those weaknesses become more visible and more consequential.

8.5 Governance, Discipline, and the Limits of Informality

A recurring theme in owner-led organizations is the reliance on informal processes and relationships. These approaches can be effective in a single-entity context, where communication is direct and decision-making is centralized. In a platform environment, informality becomes a detriment.

Governance structures must be sufficiently defined to support consistent decision-making across entities. Roles and responsibilities must be articulated clearly enough to avoid ambiguity. And financial and operational processes must be applied consistently to produce reliable results.

However, this does not imply rigidity. Effective platforms retain the ability to adapt to changing circumstances, but that adaptability must operate within a defined framework. Without that framework, flexibility can devolve into arbitrariness and inconsistency.

The transition from informality to structured governance is often one of the more challenging aspects of platform development. It requires a shift in mindset as well as in process. Leadership and management teams must move from managing a single business to participating in the operation of a system.

8.6 The First MSO as a Strategic Decision

Given its long-term implications, the design of the first MSO should be viewed as a strategic decision rather than a transactional requirement. This perspective has several practical implications.

First, sufficient time and resources must be allocated to the design process. Compressing structural decisions into the final stages of a transaction increases the likelihood of incomplete or inconsistent outcomes.

Second, coordination among advisors is essential. Legal, financial, and operational considerations are mutually dependent, and decisions in one domain often affect others. Fragmented advice can lead to structures that are technically sound in isolation but misaligned in practice.

Third, the interests of all stakeholders must be aligned. Firm leadership, capital partners, and management teams must share a common understanding of the objectives of the platform and the means by which those objectives will be achieved.

When these conditions are met, the initial MSO can function as a durable foundation for growth. When they are not, the platform may struggle to achieve its intended trajectory.

8.7 A Final Observation

The development of an MSO-based legal platform is not a single event. It is an ongoing process that begins with the initial transaction and continues through each subsequent phase of growth.

However, the initial conditions established at the outset have a disproportionate impact on the outcome. They shape the systems, processes, and relationships that define how the platform operates.

Conclusion

The increasing participation of private capital in the legal services industry has introduced new opportunities for growth, scale, and value creation. At the same time, it has introduced a level of structural and operational complexity that is not present in traditional law firm models.

The transition from a standalone firm to an MSO-based platform requires more than agreement on economic terms. It requires deliberate design across multiple dimensions, including structure, operations, finance, governance, and technology. The period between LOI and closing is the primary opportunity to establish that design, and the effectiveness of the first 90 days post-close determines whether it functions as intended.

The Practice-to-Platform™ framework provides a structured approach to navigating this transition. By organizing the process into defined phases and focusing on the interdependence of key operating elements, it offers a way to address complexity in a coordinated manner.

The broader lesson is that these transactions are not solely about capital. They are about the creation of systems capable of supporting scale. Owners who approach them with that perspective are better positioned to build platforms that extend beyond the initial firm and deliver sustained value over time. Investors who approach them with that perspective are better positioned to underwrite outcomes they can actually deliver — and to earn the multiples the thesis requires.

As the legal services sector continues to evolve, the distinction between transactions and platforms is likely to become more pronounced. Those who recognize and act on that distinction on both sides of the table will shape the next phase of the industry's development.

Contributors



Seth founded Samson Partners Group and Samson Partners Capital to assist other founders and CEOs in achieving their goals. He is a proven growth leader, acting as an operating partner, board member, and CEO with a successful track record delivering profitable growth for private equity-backed, founder/family-owned, and public companies. In particular, Seth has had numerous successful exits and has architected nine buy-and-build platforms, executing over 70 platform and add-on acquisitions.

Seth is also one of the foremost leaders in helping lawyer-entrepreneurs and private equity investors to form partnerships in North America. He has served as an Operating Partner at one of the first MSO-ABS roll-ups in the US. His firm has advised founders and private equity groups across 7 submarkets within the legal industry in the US.

Prior to founding Samson, Seth held executive leadership positions at AECOM, one of the world's largest professional technical services firms, where he was the President and CEO of two multi-billion-dollar divisions. He also served as CEO of a national, private equity-backed HVAC and refrigeration services company. Seth also previously served as a board member and Chief Growth Officer at a leading provider of finance and accounting services to the private equity industry. In a two-year span, he scaled the business from 50 to over 400 employees and successfully recapitalized the company, resulting in a 6.5X MOIC.

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Jordan McMillian is a seasoned executive known for driving operational transformation in professional services organizations. She joined Samson Partners after establishing a reputation for implementing “back-to-basics” disciplines and building governance, accountability, and metric-oriented cultures across firms.

Before Samson, Jordan served in C-suite roles, most often as COO, for legal services firms and in the construction sector, where she led large operational platforms and guided growth, process optimization, and margin improvement.

Jordan's expertise lies in turning strategy into scalable execution: she helps founders and managing partners codify workflows, set meaningful performance metrics, and build teams that can operate autonomously. She is often the operational backbone in high-growth transitions, helping firms shift from founder-driven models to systems-driven organizations.

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Trisha Rich is a nationally recognized litigator and preeminent authority on legal ethics, the legal industry, and the regulation and business of law. With two decades of courtroom experience in complex commercial disputes, business torts, and partnership litigation, she has led high-stakes trials and appellate matters while also counseling law firms, legal tech companies, and investors on regulatory compliance, data governance, and structural innovation.

As leader of Holland & Knight's national Legal Profession Team, Trish routinely guides clients through emerging frameworks like ABS models and MSO partnerships. She frequently serves as outside general counsel to law firms and law-adjacent enterprises, overseeing everything from conflicts and privilege issues to lawyer transitions and fee disputes.

Trish is deeply engaged in bar leadership and ethics discourse. She is the incoming President of the Chicago Bar Association and is a past president of the Association of Professional Responsibility Lawyers, the national legal ethics bar association.

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Josh Porte is an attorney in Holland & Knight's Nashville office and co-leader of the firm's Legal Services Transactions Team. He focuses his practice on legal services transactions, including law firm management services organization structuring, alternative business structures, private equity investment in law firms, as well as healthcare mergers and acquisitions. He regularly represents private equity sponsors, venture capital investors, law firms, and legal technology companies on M&A, financings, recapitalizations, and strategic growth initiatives across the legal services sector.

Recognized by Law360 as "one of only a few attorneys with experience putting together law firm MSO deals in the U.S.," Josh is widely regarded as a leading advisor on the evolving legal services marketplace. He is a frequent speaker and commentator on legal services innovation, MSO structuring, and nonlawyer investment in law firms. His insights have been featured in The Wall Street Journal, Reuters, and Bloomberg Law.

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Appendix A: Pre-Close Diligence Checklist

The checklist below organizes the diligence items most frequently underestimated in MSO transactions into seven domains, mapped to the failure points described in Section IV. Each item is presented from two perspectives: what the owners should confirm is in place before signing definitive agreements, and what the investor should verify before approving the structure for close.

This is not a legal diligence checklist — it complements, rather than replaces, the work of transaction counsel. It is a structural readiness checklist designed to surface the operating and architectural issues that tend to re-emerge as post-close friction.

A.1 Structural & Entity Design

ITEM	OWNER CONFIRMS	INVESTOR VERIFIES
Dual-entity separation	Law firm entity and MSO are formally distinct, with clear ownership of each documented	Regulatory firewall between legal judgment and services functions is defensible in substance, not just form
Platform thesis documented	Clear statement of whether this is a single-firm optimization or the first of multiple acquisitions	Replication economics modeled; Deal #2 profile and sourcing pipeline defined
MSO scope boundary	Specific list of functions moving to MSO vs. staying in law firm, with edge cases (intake, IT, compensation) resolved	No function is structurally ambiguous; boundary can be defended to regulators and buyers
Jurisdictional fit	Structure works under the rules of every state where the firm operates	ABS-eligible jurisdictions identified; future expansion paths mapped

A.2 Treasury & Cash Management

ITEM	OWNER CONFIRMS	INVESTOR VERIFIES
Trust account segregation	Client trust accounts remain under exclusive law firm control with documented protocols	No pathway exists by which MSO could access or direct trust funds; audit trail exists
Operating cash flow map	Diagram showing how client receipts, operating costs, and management fees move between entities	Cash map reviewed by tax and audit advisors; supports covenant reporting
Payroll funding mechanics	Day-One payroll is funded without reliance on manual intervention	Payroll process tested in a dry run before close
Intercompany transfer cadence	Timing and authorization protocol for all intercompany movements is defined	Authorization ladder documented and resistant to single-point-of-failure

A.3 Management Services Agreement (MSA)

Scope of services	Services are described in operationally meaningful terms, not at a conceptual level	Scope supports actual cost base; no unpriced services or unstated exclusions
Fee methodology	Management fee formula is transparent, supportable, and explainable	Fair-market-value rationale documented; passes reasonable regulatory and exit-diligence scrutiny
Change-order mechanism	Process for adjusting services over time is defined without requiring renegotiation	Change control preserves economic protection without compromising governance
Authority delineation	MSA makes explicit what the MSO can recommend vs. decide vs. execute	No implied authority over legal judgment; exit-buyer counsel can sign off
Termination & transition	Termination provisions protect firm continuity and client relationships	Termination provisions do not strand invested capital or impair recovery

A.4 Financial Reporting & Controls

ITEM	OWNER CONFIRMS	INVESTOR VERIFIES
Chart of accounts	Standardized chart designed for multi-entity consolidation from Day One	Chart supports entity-, function-, and segment-level reporting without rework
Opening balance sheet	Reviewed and signed off by firm finance lead and external accounting advisor	Opening balance sheet is auditable and aligns with purchase price allocation
Revenue recognition policy	Consistent across firm and MSO; documented	Policy survives audit and quality-of-earnings review at exit
Expense allocation methodology	Shared expenses allocated on a documented, consistent basis	Allocation methodology is reproducible across additional firms without rebuild
Reporting cadence	Monthly management reporting cycle defined with owners named	Cadence matches LP and lender reporting requirements

A.5 Transfer Pricing & Intercompany Economics

Pricing methodology	Transfer pricing approach is administrable on a monthly basis, not just annually	Methodology withstands tax and regulatory review under observed models
Invoicing workflow	Invoice generation, approval, and payment flow is defined and testable pre-close	Workflow produces an audit trail; no reliance on informal processes
Economic reasonableness	Fee levels reflect actual cost base plus defensible margin	Benchmarked against observed transactions and comparable industries
Dispute resolution	Path for resolving disagreements on fee calculations is defined	Governance body has authority to adjudicate without stalling operations

A.6 Governance, People & HR

ITEM	OWNER CONFIRMS	INVESTOR VERIFIES
Board / governance structure	Composition, authority, and meeting cadence of governing bodies documented	Board rights preserve protective provisions without implicating legal judgment
Role mapping	Every current employee knows whether they will sit in the firm or the MSO	Organizational design supports MSO scalability, not just Day-One continuity
Compensation & incentive design	Attorney comp remains at the law firm; MSO comp is separate and platform-aligned	Incentives align owners and operators with platform (not single-firm) outcomes
Rollover equity terms	Owner rollover reflects platform upside, not just originating firm performance	Rollover structure retains key human capital through the hold period
Key person retention	Retention agreements in place for identified key personnel	Attrition risk is understood and priced; succession contingencies exist
Benefits transition	Benefits plan continuity or transition is communicated to staff before close	No unfunded liabilities or transition gaps on the opening balance sheet

A.7 Technology & Systems

Target technology architecture	Defined roadmap for which systems the MSO will own and operate	Architecture supports consolidation of subsequent deals without rebuild
Data ownership & access	Clear which entity owns which data; access controls documented	Data rights survive termination events and support exit diligence
Case management continuity	Case management system selection and migration plan in place	No workflow disruption risk in first 90 days; migration timeline realistic
Reporting & analytics	KPI dashboard design agreed before close; data sources identified	Analytics stack supports board, lender, and LP reporting from Day One
Cybersecurity & privilege	Client confidentiality and privilege protections preserved across the new architecture	Cyber posture meets institutional standards; breach liability allocation is clear

Appendix B: Platform Readiness Scoring Rubric

The rubric below provides a structured way to evaluate platform maturity across the dimensions examined in this paper. It can be used at three points: (1) prior to close, to identify gaps that should be addressed before Day One; (2) at the end of the first 90 days post-close, to measure progress against the Practice-to-Platform™ framework; and (3) before each subsequent acquisition, to confirm that the platform is ready to absorb another firm.

Each dimension is scored on a five-point scale. The thresholds are deliberately conservative: a score of 3 indicates functional sufficiency, not excellence. Platforms aiming to produce institutional-grade outcomes should target consistent 4s and 5s across all dimensions before pursuing add-on acquisitions.

A quick note about scoring: As you work through this rubric, it is critical that your assessment reflects the business as it exists today, not as you expect it to evolve. Scores should be based on demonstrated performance, established processes, and outcomes that are already in place. Planned initiatives, in-progress changes, or anticipated improvements should not factor into your evaluation until they are fully implemented and producing consistent results. The objective of this exercise is not to project readiness, but to measure it accurately. An honest assessment will provide the clearest view of where you stand and, more importantly, what must be addressed to move forward successfully.

How to Use the Rubric

- **Score each dimension independently using the descriptions below. Do not average or round up.**
- **Where owner and investor scores diverge, the gap itself is diagnostic — it usually points to an unresolved structural question.**
- **A platform with any dimension scored below 3 at close is carrying known risk into post-close operations. Those dimensions should be addressed during the first 90 days.**
- **Before committing capital to Deal #2, the platform should demonstrate consistent 4+ scores across all pillars, with governance and reporting discipline evidenced over at least two quarterly cycles.**

B.1 People — Leadership, Roles, and Incentive Alignment

SCORE	MATURITY LEVEL	WHAT THIS LOOKS LIKE IN PRACTICE
1	Undefined	Roles informal; owners and operating leadership indistinguishable; incentives remain firm-centric with no platform alignment.
2	Partially Defined	Some roles documented but authority overlaps; retention and rollover terms negotiated deal-by-deal; no management layer beyond Owners.
3	Functional	Clear delineation between legal and operational leadership; rollover terms aligned to platform outcomes; key-person risk identified and mitigated.
4	Repeatable	Management layer operates independently of any single individual; succession contingencies documented; compensation frameworks are consistent and platform-
5	Institutional	Independent leadership team with track record across multiple acquisitions; governance supports disciplined decision-making; leadership development is a formal program.

B.2 Operations — Process Standardization & Integration Discipline

SCORE	MATURITY LEVEL	WHAT THIS LOOKS LIKE IN PRACTICE
1	Ad Hoc	Processes vary by matter, partner, or office; no documented workflows; intake and case progression are improvised.
2	Documented Only	Core processes written down but not enforced consistently; adherence depends on individual discipline rather than system design.
3	Consistent in One Entity	Processes standardized within originating firm; performance metrics defined and measured; no integration playbook yet exists.
4	Replicable	Integration playbook tested on at least one add-on; workflows operate consistently across entities; variance is monitored and managed.
5	Industrialized	Platform onboards new firms on a predictable timeline with minimal disruption; process improvements propagate systematically across all entities.

B.3 Finance & Accounting — Transparency, Controls, and Predictability

SCORE	MATURITY LEVEL	WHAT THIS LOOKS LIKE IN PRACTICE
1	Undefined	Roles informal; owners and operating leadership indistinguishable; incentives remain firm-centric with no platform alignment.
2	Partially Defined	Some roles documented but authority overlaps; retention and rollover terms negotiated deal-by-deal; no management layer beyond Owners.
3	Functional	Clear delineation between legal and operational leadership; rollover terms aligned to platform outcomes; key-person risk identified and mitigated.
4	Repeatable	Management layer operates independently of any single individual; succession contingencies documented; compensation frameworks are consistent and platform-
5	Institutional	Independent leadership team with track record across multiple acquisitions; governance supports disciplined decision-making; leadership development is a formal program.

B.4 Technology — Systems Integration and Data Visibility

SCORE	MATURITY LEVEL	WHAT THIS LOOKS LIKE IN PRACTICE
1	Fragmented	Multiple disconnected systems; manual data movement; no single source of truth for operational or financial data.
2	Partial Integration	Target architecture defined but not yet implemented; some systems consolidated, others still legacy; data quality inconsistent.
3	Unified Core	Case management, financial, and intake systems integrated within the originating firm; MSO owns or administers core stack.
4	Platform-Ready	Systems support onboarding of additional firms; data governance and cyber controls meet institutional standards; analytics layer delivers KPIs.
5	Enterprise-Grade	Integrated technology platform with demonstrated ability to absorb acquisitions rapidly; real-time visibility across all entities; data is a competitive asset.

B.5 Governance & Compliance — Independence, Controls, and Authority

SCORE	MATURITY LEVEL	WHAT THIS LOOKS LIKE IN PRACTICE
1	Informal	Authority resolved through relationships; no documented decision rights; firm and MSO boundaries blurred in practice.
2	Documented But Untested	Governance structure exists on paper but has not yet been exercised; authority edges unresolved; compliance policies not uniformly applied.
3	Operating	Decision rights exercised consistently; compliance policies applied across the entity; legal/non-legal boundary is defensible.
4	Disciplined	Governance bodies meet on cadence with documented minutes; compliance reviewed regularly; boundary tested and refined through observed edge cases.
5	Institutional	Governance withstands regulatory, audit, and exit-diligence scrutiny; platform operates with professional independence intact across all entities.

B.6 Financial Structure — MSA Economics, Transfer Pricing, and Capital Discipline

SCORE	MATURITY LEVEL	WHAT THIS LOOKS LIKE IN PRACTICE
1	Unexamined	MSA economics set deal-by-deal; transfer pricing not documented; capital structure not designed for add-ons.
2	Documented	MSA and transfer pricing methodology documented but not tested under operating conditions; reliance on informal resolution of edge cases.
3	Operational	Invoicing cadence runs consistently; pricing survives basic regulatory and tax review; capital structure accommodates at least one add-on.
4	Defensible	Methodology reviewed by external tax and regulatory advisors; capital structure supports committed pipeline; lender and sponsor aligned on covenant framework.
5	Institutional	Economic architecture supports unlimited replication; survives QoE and exit-buyer diligence; platform capital structure is an asset, not a constraint.

Scoring Interpretation

Aggregate score 24 or below (average under 4 across six dimensions): The platform is not yet ready to absorb additional acquisitions. Pursuing Deal #2 at this stage will compound unresolved issues and is likely to generate post-close disruption that erodes the returns from both deals.

Aggregate score 25–28: The platform is functional but carrying identifiable risk. Further acquisitions are possible but should be sequenced carefully, with explicit remediation plans for the lowest-scoring dimensions.

Aggregate score 29 or above: The platform is operating at or near institutional-grade discipline across all dimensions. It is positioned to absorb additional acquisitions efficiently, and the quality of its operating model should be reflected in how it is valued at exit.

Owner/investor divergence: Where the owner and investor score the same dimension more than one point apart, that gap is a signal to investigate, not to split the difference. Divergence typically indicates an unresolved expectation about scope, authority, or the pace of change, and is more productively addressed in a structured conversation than in the rubric itself.

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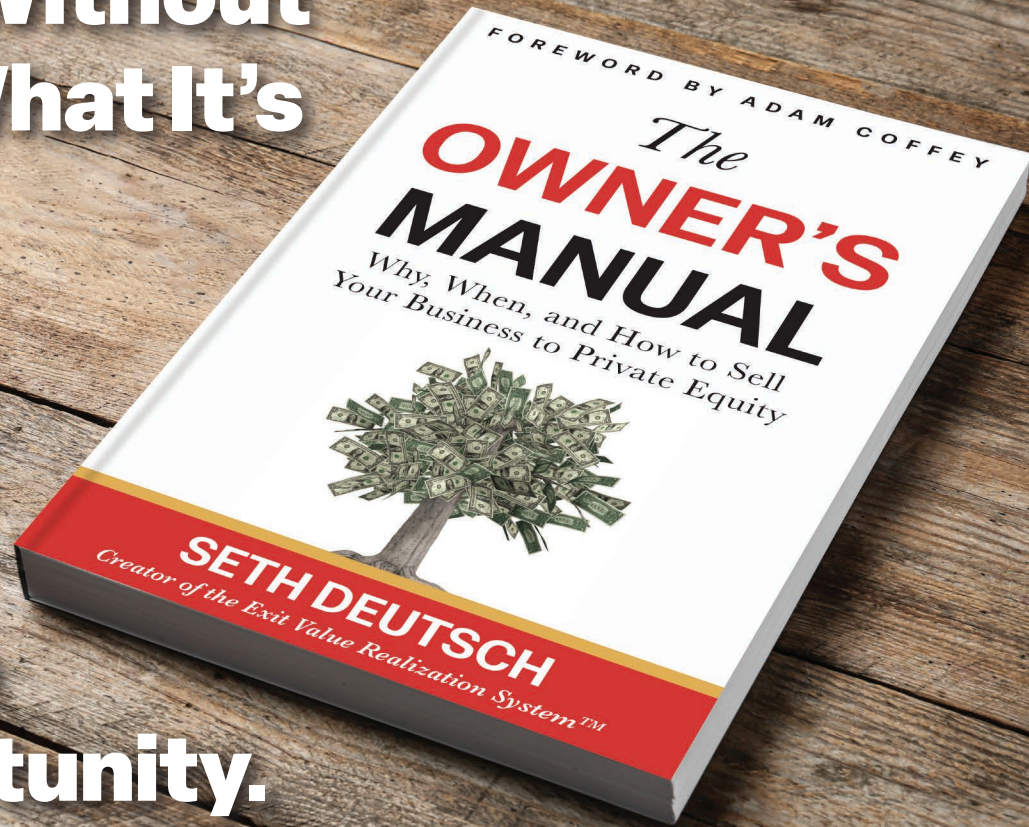
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