Private Equity MSO Deals Heating Up In Legal Industry

By Ryan Boysen and Emma Cueto | 2026-04-23 16:52:37 -0400 · Listen to article

Private equity is driving a surge in managed services organization deals with U.S. law firms, with the focus on consumer-facing practices like personal injury for now and the potential to one day reshape how even BigLaw firms do business.

Attorneys, consultants and investment bankers who spoke with Law360 Pulse estimate that 30 to 40 deals have closed in the first quarter of 2026, but said it's difficult to give a precise number because the vast majority of these deals are not publicly disclosed.

The trend could have a seismic impact on the legal industry, as it intersects with law firms' race to deploy artificial intelligence and the talent wars still raging in BigLaw.

"By raising capital through the MSO structure, you can completely change how you compete for laterals, invest in AI and manage your business," aid Al Laufenberg, a managing director at investment bank Keefe Bruyette & Woods, a unit of the Stifel investment management company, which has worked on several of the largest private equity law firm deals to date.

"These aren't widget manufacturers that have just decided to sell themselves to private equity," he continued. "This is a transformational moment for the industry and these transactions are part of that."

Despite regulatory backlash in a handful of states fueled by lawmakers' distaste for mixing private equity and the legal profession, and lingering uncertainty about how the widespread adoption of legal managed services organizations will work in practice, industry players said that, for now, lawyers and investors are barreling ahead.

"In 2026, there is simply more volume and a greater seriousness" to managed services organization deals and discussions than there was last year, said Mike McNamara, chief executive officer of legal growth consultancy Baretz + Brunelle.

'The Market's on Fire'

Most managed services organization deals entail splitting off a law firm's back-office operations into a separate entity, the so-called managed services organization, which does not practice law and is therefore not subject to Rule 5.4 of the American Bar Association Model Rules, which prohibits fee-sharing between lawyers and non-lawyers.

The organization then charges the law firm a fee for handling things like internet marketing and human resources. Outside investors can purchase equity in the managed services organization, keeping them on the right side of Rule 5.4 while giving them "exposure to the law firm's economics," to use the careful phrasing of industry practitioners.

That workaround has allowed private equity firms to invest in other regulated industries such as healthcare and accounting, driving consolidation and injecting profit-maximizing practices into those professions.

Now it's beginning to happen in the U.S. legal industry.

"The big bang event was the explosion in private equity accounting deals that we saw in 2024 and 2025," said Larry Gresser, co-founder and managing partner of Cohen & Gresser LLP, an international law firm with roughly 70 attorneys that turned heads in November when it announced that it's considering a managed services organization deal.

"That made lawyers realize the MSO model could be applied to them, and it got private equity investors thinking," he continued. "They realized law firms are one of the last plump birds still waddling around in the valleys of late capitalism that haven't yet been rationalized by outside investment."

Given that law firms are not required to publicly disclose such deals and are often loath to discuss them even in private, it's nearly impossible to give a comprehensive tally. But all the sources who spoke with Law360 Pulse agree that they've spiked in recent months.

Seth Deutsch, a longtime private equity executive who now consults on law firm managed services organization deals and is a founder of the Private Equity Legal Alliance — a trade group that advocates for the emerging sector — said he's personally closed 10 such deals this year compared with 20 in all of 2025.

"If I worked on 10 myself in the first quarter, then how many happened in total?" he said. "I would estimate 30 or 40."

Most of the sources who spoke with Law360 Pulse declined to specify how many deals they've closed in 2026, but agreed with Deutsch's rough estimate for total deal volume thus far.

Adil Taha, like Deutsch a former private equity executive who's now a consultant on such deals, said he's currently involved in roughly 50 pending transactions, including deals in the U.K.

Trisha Rich and Joshua Porte of Holland & Knight LLP, two of the leading managed services organization deal attorneys in the U.S., said they've closed several deals this year and have roughly 70 more in the pipeline.

"The market's on fire," said Porte. "We're burning the candle at both ends" to keep up.

Right now, the majority of those deals are in consumer-facing practices like personal injury. Another big chunk is so-called AI native law firms like Norm AI, which seek to revolutionize the practice of law via generative artificial intelligence. Private equity giant Blackstone invested $50 million in Norm AI late last year, and the managed services organization is affiliated with New York law firm Norm Law LLP.

Some firms are also restructuring themselves as an MSO without a private equity sponsor, for various reasons.

No managed services organization deals are believed to have closed in BigLaw yet, but several observers said nearly every managing partner and executive committee at big corporate firms is **taking** a **close look** at the phenomenon.

They believe that a handful of BigLaw firms are deep into discussions and could potentially close deals as soon as late 2026.

David Morley, the former head of law firm Allen & Overy, who now guides outside investment in law firms, said that if and when the first BigLaw firm closes a managed services organization deal. it will act as a catalyst for the rest of the industry.

"It would echo around the world," Morley said. "That's the same way it happened in accounting. You saw smaller rollup deals as capital came into the sector, and then as both sides got more comfortable, the deals got bigger and bigger."

Turning Point

So far, most of the managed services organization deals in the U.S. legal sector involve personal injury firms and similar practices like insurance defense, creditors' rights and construction defect litigation.

These are attractive to private equity because they're high-volume, process-driven practices that rely more on the overall business model for success than the contributions of any one attorney. That makes investing in advertising — the lifeblood of personal injury firms — worthwhile and reduces the risk that rainmakers will leave and take valuable business with them.

These firms are often owned by just one or two equity partners, which also means that negotiating a deal is relatively straightforward.

Many of these deals involve a law firm partnering with a private equity investor to pursue a so-called rollup strategy, where the firm uses a capital injection to make hires, buy other firms, invest in technology and benefit from economies of scale.

In one of the few publicly announced such deals, Arizona-based Rafi Law Group **announced** earlier this month that it has spun off its back-office operations into Rafi Legal Services. An unnamed investor paid $125 million to take a minority stake in Rafi and valued the managed services organization at $450 million, the firm said.

Firm founder Brandon B. Rafi said he hopes to stay ahead of the curve and use that money to expand nationwide.

"I think the practice of law is at a turning point," Rafi told Law360 Pulse when the deal was announced. "We want to be a leader in this space, not a follower."

A similar deal was announced in January, when Louisiana personal injury firm Dudley DeBosier Injury Lawyers **revealed** it's spun off its back-office functions into a managed services organization and will seek to expand with the help of private equity firm Uplift Investors.

In the U.K., where outside investments are allowed in law firms, private equity investment in the legal industry has surged over the past few years. The most conspicuous effect thus far has been a **wave of consolidation** in consumer-facing practices such as personal injury, family law and regional full-service firms.

"I think investors are making the same play here," said Deutsch, the private equity executive. "Ten years from now you could see five private equity-backed personal injury firms the size of Morgan & Morgan," the largest such firm in the U.S.

Sweet Equity

For BigLaw firms, one appeal of restructuring as a managed services organization is that it allows senior partners to cash out. Even more alluring than the initial infusion of capital, however, is how the use of long-term equity might change their business model.

"The traditional bonds of partnership that held partners together have dissolved under market pressure," said Morley.

"The primary challenge now is how do you keep all the frogs in the wheelbarrow," he added, referring to the challenge of BigLaw firms retaining key rainmakers.

By giving partners equity in a managed services organization that only vests after several years, the thinking goes, BigLaw firms might be able to finally end the talent wars that now see partners flitting from firm to firm and **fetching** $20 million annual guaranteed salaries in the process.

That would essentially mean introducing to BigLaw the same financial incentives for top executives that exist in nearly every other industry.

If a top firm spins out a managed services organization that's producing a steady revenue stream, managing partners could dole out equity to reward top partners and lure new rainmakers.

Those shares wouldn't vest for several years, so if the partners jump ship in the meantime they'll be walking away from a major payday.

And unlike the law firm itself, the managed services organization can sell shares to outside capital that are valued at a multiple of its current earnings. If an organization is generating $10 million per year, for example, a private equity firm might value it at $100 million and pay $30 million for a 30% stake, allowing the organization to turn predicted future value into an upfront lump sum.

"When the MSO equity vests it's taxed at the lower, capital gains rate and there's a multiple applied to it," Morley said. "In the partnership model one dollar is one dollar. With true equity one dollar can be multiplied 10, 20, 30 times. That's what most partners don't fully appreciate yet."

There are still a host of risks involved. If the deal isn't structured just right, for instance, and key partners are scared off in the process, a firm could collapse before it even has a chance to reap the potential benefits of the structure.

That's on top of general anxieties about who the winners and losers will be when AI has been fully integrated into the legal profession, and the regulatory risk of embracing a structure that three state legislatures have discussed trying to ban.

Nonetheless, Morley said, at least some firms and investors will see the cost of doing nothing as higher than taking the plunge.

"The investors with a track record of success have plenty of cash to deploy," Morley said. "They have to put it somewhere. They are condemned to invest."

--Editing by Karin Roberts.