Building a Durable Law-Firm MSO Ahead of a Transaction

GTC operates the MSO before and after the transaction: it designs and stands up the structure ahead of the sale, coordinates the fee study prepared by an independent economist, whom it engages and pays, and services the MSO after closing.

MSO design and administration since 2018 · about 100 MSOs across 15 or more industries · attorney-owned law-firm MSOs since 2022
Prepared for law-firm owners, their counsel and investment bankers · November 2026

How a law-firm MSO works

Law firm

Attorneys, legal fees, client engagements, settlement authority, IOLTA and case files

OWNED BY THE ATTORNEYS

Non-legal services



under the services agreement

Management fee



fixed method, set in advance

MSO

Non-attorney staff, intake, marketing, technology, vendor and lease contracts, back office

SEPARATELY OWNED; OWNERSHIP MAY CHANGE IN A TRANSACTION

The MSO provides non-legal services to the law firm under a services agreement. The firm adopts a management-fee method fixed in advance and supported by a transfer-pricing study prepared by an independent economist and coordinated by GTC; the study's conclusions are the economist's. The method is not based on legal fees, revenue, profit or deal value. The firm's ethics counsel determines the state-specific line between the practice and the MSO. Operating before a transaction creates books, invoices and service records the banker, buyer and QoE team can evaluate.

HOW GTC ENGAGES

Feasibility, implementation and service

1 · Feasibility

The FGR: feasibility, governance and readiness

- Review the firm, its ownership, financials and the intended transaction
- Coordinate the independent economist’s fee and reasonable-compensation study: select the economist, assemble the data, review the result
- Map the proposed MSO with the firm’s counsel, ethics counsel, CPA and banker
- Deliver a documented go, conditional go or no-go and a roadmap, subject to counsel’s legal and ethics conclusions

Timing: two to three weeks once inputs are complete

Fee: fixed; the economist’s study is included

2 · Implementation

Formation to an operating MSO

- Coordinate formation, agreements and ethics review with the firm’s counsel
- Move the agreed non-legal people, contracts, systems, assets and IP into the MSO
- Set up banking, insurance, books, invoicing and governance records
- Start the management-fee cadence and the operating record

Timing: typically eight to twelve weeks, depending on complexity

Fee: fixed; a portion at kickoff, the balance at closing or, if the deal does not close, over time

3 · Service

The annual program, run quarterly

- Re-run the fee analysis on current payroll and financials each quarter
- Keep invoicing, minutes and service documentation current
- Quarterly controller review and ethics attestation with the firm
- Refresh the fee and reasonable-compensation analysis annually and when staffing, revenue mix or ownership changes

Timing: four quarterly cycles a year

Fee: a fixed annual fee, billed quarterly

What GTC does

Counsel handles the legal work, the banker runs the transaction, the accounting firm prepares the quality of earnings and the economist sets the fee. GTC operates the MSO and coordinates the workstream so the legal documents, fee study, books, operations and diligence record reflect the same facts.

WORKSTREAM	WHAT GTC DOES	WHAT THE DEAL TEAM RECEIVES
1 · Structure	Maps the proposed entity and services framework for the firm’s counsel to review, draft and finalize	Entity map and executed agreements
2 · Transfer pricing	Coordinates the fee study from start to finish: selects the economist, assembles the data package, reviews the study against the operating facts and carries its method into quarterly invoicing (page 6). The economist controls the study’s scope, method and conclusions	A fee study by an independent economist based on the MSO’s operating facts
3 · Pro forma	Builds the MSO pro forma from the economist’s work and the CPA’s books	A model traceable to the operating books
4 · Ethics	Assembles the facts for ethics counsel, implements the procedures counsel identifies, including the governance counsel designs to preserve attorney control over legal judgment, and runs the quarterly attestation. GTC does not give legal or ethics advice	The firm’s state-specific ethics review and the protocols it requires
5 · Operations	Moves the agreed staff, payroll and benefits, vendors, leases and contracts, systems, data, brand and other non-legal assets and IP into the MSO, as counsel directs; sets up banking, insurance, books and invoicing	An operating MSO with its own people, contracts, assets and records
6 · Diligence record	Keeps fee calculations, minutes and service documentation current; flags changes in staffing, revenue mix or ownership that call for a fee refresh	A current record for the banker, buyer and QoE team

The diligence package the buyer and QoE team receive: executed services agreement · the fee study and its non-reliance letters · quarterly fee calculations and invoices · payroll and staff roster · intercompany ledger · minutes and quarterly attestations · material contracts and leases

WHO GTC COORDINATES

Independent parties around one operating MSO



Each adviser is independent. The firm engages its own counsel, CPA and banker; GTC engages the economist with the firm’s written acknowledgment. GTC coordinates them on the firm’s behalf and is paid by the firm on fixed fees for the MSO work.

TRANSFER PRICING

What coordinating the fee study means

The management fee is a significant focus in diligence and in the firm’s professional-responsibility review. An independent economist sets it. GTC’s work is the operating inputs, implementation and record that support the study over time: the data, the fit with the operating facts, and the record that follows it year after year.

What GTC coordinates

- Selects the economist. GTC works with several independent transfer-pricing firms and matches the firm’s size, states and transaction to the right one
- Assembles the data package: payroll and staffing by role, the services list, contracts, leases, systems and the operating facts the study rests on
- Reviews the draft study against how the MSO will actually run, so the services described are the services provided
- Carries the method into the operating record: the quarterly fee calculation, invoices and minutes follow the study
- Flags the changes that call for a refresh, such as staffing, revenue mix or ownership, and coordinates the update
- Applies GTC’s experience coordinating prior studies and diligence reviews. Client information stays within its own engagement

What the economist owns

- Decides the scope, the method and the comparables
- Reaches the conclusions and signs the report
- Answers the buyer’s and the QoE team’s questions on the study
- Is engaged and paid by GTC with the firm’s written acknowledgment, and issues non-reliance letters so the study can be shared with the banker, buyer and QoE team. GTC does not direct the economist’s method or conclusions

After closing the business changes. Refreshing the analysis when the operating facts change keeps the documented fee method aligned with the services actually provided.

ON THE DEAL'S TIMELINE

Typically eight to twelve weeks from implementation kickoff to an operating MSO

1 SET UP

Weeks 1–6. Feasibility report in hand; structure confirmed; ethics review under way; entities formed and agreements drafted by the firm's counsel

Ready: Entities and agreements in draft; fee study in hand

2 OPEN THE MSO

Weeks 6–12. Bank accounts opened; staff, payroll, benefits and vendors moved; books set up; first management fee invoiced

Ready: An MSO that is operating, with a start date, a first invoice and a ledger

3 DURING MARKETING AND LOI

MSO operating on its fee cadence; pro forma built from the study and tied to the CPA's books

Ready: Operating records and a reconciled model, available to the banker for transaction materials

4 DILIGENCE

Fee study updated if facts change; minutes, service logs and intercompany records kept current

Ready: The binder, the study and the operating records for the QoE team

5 CLOSING

Services and ownership documents amended, assigned or replaced as deal counsel directs

Ready: Transition documents

6 AFTER CLOSING

If continued under new ownership, quarterly servicing goes on; fee analysis refreshed annually and when facts change

Ready: An established servicing process

Illustrative. Timing varies with the state ethics review, the firm's complexity and the deal calendar. If a transaction is already under way, the MSO work may run alongside it. The firm provides operating data, names the people and contracts that move, and makes the business decisions.

PROFESSIONAL RESPONSIBILITY

Issues for the firm’s ethics counsel to evaluate

THE ISSUE	HOW COUNSEL TYPICALLY APPROACHES IT
Fee sharing with non-lawyers	Counsel evaluates whether the fee method and payment terms meet state rules, including Rule 5.4. Different methods may raise different issues depending on the state and the facts; the applicable rules govern what is permitted, and the firm’s ethics counsel advises on their application. GTC’s model does not base the fee on legal fees, revenue or profit
Non-lawyer ownership	Counsel determines the permitted ownership. In traditional states the law firm stays attorney-owned; ownership of a separate MSO may differ
Professional judgment	Counsel designs the governance intended to preserve attorney control over legal work, matter staffing and settlement, and sets what the MSO may see and direct
Confidences and privilege	Counsel and the firm set reporting protocols to protect client confidences, privilege and matter-level data
Trust and client funds	IOLTA and client funds stay under attorney control, as state rules and counsel direct; the MSO does not handle them
Changes after closing	When staffing, revenue mix or ownership changes, the fee method is refreshed and documented so the documented method remains aligned with the services provided and the current operating facts. Counsel reviews any change in terms
Quarterly attestation	Each quarter the firm’s controller and GTC review the services provided and the fee invoiced against the procedures counsel identified, and the firm records its attestation. Counsel sets the required protocols; the record is available to counsel and, in a transaction, to the QoE team

GTC coordinates with the firm and its ethics counsel, assembles the facts and proposed operating terms for review, and implements the procedures counsel identifies. GTC does not give legal or ethics advice, decide the state-specific structure, draft or sign an ethics opinion, practice law or handle client funds. State rules vary and may change the design.

HOW GTC IS PAID

Fixed fees for each phase

Feasibility. A fixed fee. Includes the fee study prepared by the independent economist.

Implementation. A fixed fee set in the feasibility report from scope and complexity. A portion is paid at kickoff; the balance is due at closing. If the transaction does not close, the balance is still owed and may be paid over time. The fee does not change with deal value or price.

Annual servicing. A fixed annual fee, billed quarterly.

GTC engages and pays the independent economist with the firm's written acknowledgment. The economist controls the study's scope, method and conclusions and issues non-reliance letters so the study can be shared. The firm engages its own counsel.



REFERENCE

The Durable Law-Firm MSO

Reference Edition, GTC's practitioner reference on law-firm MSOs. More at msoplatform.com.

Read the Reference Edition →

RESOURCES

START

A feasibility review is the first step. Request one at msoplatform.com

LIBRARY

Practitioner articles and tax briefs on MSO structure, fees and governance, free at msoplatform.com/insights

NOV 10 PANEL

Law-firm MSO panel hosted by Fox Rothschild, November 10, 2026. Registration and replay at msoplatform.com

INTRODUCTIONS

On request, GTC introduces firms to ethics counsel, investment bankers, QoE teams and transfer-pricing economists who work in this space