

Houlihan
Lokey

HUNTON

Investing in Law Firms: Regulatory Put Overview

Spring 2026

What Is a Regulatory Put?

The Regulatory Put is gaining prevalence in processes as a mechanism to protect investors against sudden and unforeseen regulatory changes for a pre-negotiated period of time.



A Regulatory Put is a contractual provision embedded in an MSO investment agreement that allows an investor to require the law firm to buy back the assets sold to the MSO at a predetermined price if a “Regulatory Event” occurs.

TRIGGER:

A regulatory authority, such as a state bar association, formally determines that the firm’s structure is invalid or that continued operation risks disbarment of its lawyers.

PURPOSE:

Protects from regulatory or legal changes that invalidate the MSO structure (and therefore the economic interest in the platform) and provides the law firm with a path for continued operation after a Regulatory Event.

How It Works



Defining the “Regulatory Event”

Key Issue #1: Critical and increasingly contested as market matures; three distinct negotiation battlegrounds.

Who Determines the Triggering Event?



Which regulatory body’s decision counts? Do all appeals need to be exhausted before the put is triggered?

- Seller-friendly: Final, non-appealable order required
- Buyer-friendly: Any adverse determination triggers immediately
- Bar association vs. court vs. defined committee
- Can either party (law firm or investor) bring notice of a Regulatory Put?

MOST FUNDAMENTAL

What Is the Geographic Scope?



Does a ruling in one state trigger the put for a multi-state firm? What if that state is a small share of revenue?

- States where firm actively operates?
- Jurisdictions above a negotiated revenue threshold?
- Should a ruling in a minor market or market where law firm does not operate trigger a platform-wide event?

HEAVILY NEGOTIATED

What Is the Broader Platform Impact?



If the MSO is part of a larger platform, does one firm’s Regulatory Event trigger puts for all other firms on the platform?

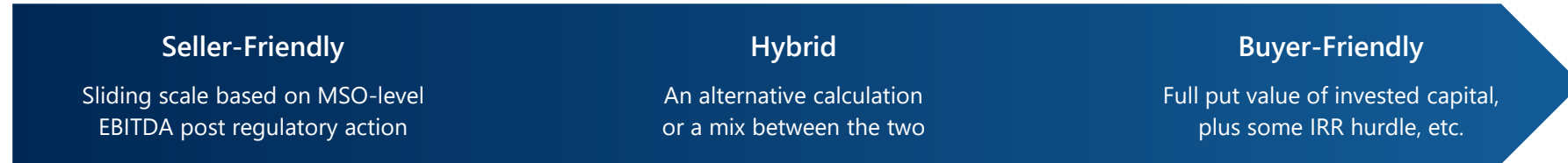
- How would this impact a potential acquisition strategy?
- Firms not practicing in the affected jurisdiction should be carved out
- Platform-level contagion risk is underappreciated in early MSO deals
- **Expect this to be a point of negotiation in multi-state acquisition strategies**

EMERGING ISSUE

Calculating the “Put Price”

Key Issue #2: Due to transaction dynamics, MSO rollover equity is wiped out in most cases.

Put Price Spectrum



Seller-Friendly

- ✓ Potential to build a sliding scale where there is an adjustment to the purchase price (up or down) based on MSO EBITDA after a set period of time
- ✓ Can be useful in cases where MSO-level EBITDA is found to be improper and therefore needs to be lowered

Hybrid

- ✓ A combination of the sliding scale and a full put, which protects in both scenarios
- ✓ Allows for a sliding scale for capital recovery (both ways) in some situations, while providing a mechanism for a complete MSO unwind in other triggering situations

Buyer-Friendly

- ✓ Full right to recover initial invested capital, plus any other terms added (e.g., IRR hurdle, portion of stated LTM MSO revenue, etc.) for any Regulatory Event
- ✓ Would be a dissolution of the MSO and provide a way to fully unwind the transaction, should the MSO be in breach of ethics standards

Critical Drafting Points

- The Regulatory Event itself may outlaw the primary formula (e.g., if the bar prohibits all MSO revenue structures), so alternative/fallback mechanics that remain valid regardless of the regulatory outcome must also be in place; backup/alternative formulas are always preferable to agreements to negotiate in good faith, hence flexibility to be able to create a structure that is agreeable to all parties involved is needed
- The ultimate goal of the Regulatory Put is to create a way to unwind or alter an investment, should regulations shift during a specified time window; this aims to protect both parties:
 - In a scenario where the MSO is found to be in violation, irrespective of how it is set up, then providing sellers a way to quickly and mutually unwind the investment will prevent any license or Bar risk
 - Investors are looking to mitigate any unforeseen regulatory risk, given the novelty of this vehicle
- A properly structured Regulatory Put is designed to be fair to both parties and aims to offer mutual benefits

Payment Mechanics

Key Issue #3: Structured to avoid placing an impossible financial burden on the law firm, while giving the investor some ability to recoup their investment; lump-sum payment is rare.

PAYMENT TIMING

Lump-sum payments are rare and generally avoided; they place an immediate and potentially impossible financial burden on the law firm at exactly the moment its operations may be impaired



At Closing

1

- An initial percentage of the total Put Price is paid in cash at the time the Regulatory Event closes
- Percentage is negotiated at signing but can be subject to adjustment based on performance and timing of Regulatory Event

Seller Note

2

- The remainder is structured as a promissory note (debt instrument) payable over time
- Installment periods of 3–5 years are typical in the current market, dependent on the economics of the buyback

NOTE SECURITY

Security on the seller note requires significant flexibility; the investor should have discretion over what collateral secures the note

Key Risk

- A Regulatory Event could make it illegal for the firm to pledge its Accounts Receivable or agree to cash sweeps, the most common forms of note security
- If the MSO fee structure is invalidated, A/R derived from legal fees may be off-limits entirely

Permissible Security Alternatives

- MSO-owned assets (equipment, IP, technology infrastructure)
- Firm real estate or leasehold interests (where permissible)
- Other non-legal, non-A/R collateral at investors' discretion
- For smaller/closer held firms, personal guarantees may be requested, but this is a negotiated point

Appendix:
Overview of Houlihan Lokey



Houlihan Lokey Is the No. 1 M&A Advisor

Houlihan Lokey is a leading global investment bank with expertise in mergers and acquisitions, capital solutions, financial restructuring, and financial and valuation advisory.

Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

Leading M&A Advisor, Driven by Industry Expertise

2025 M&A Advisory Rankings
All Global Business Services Transactions

	Advisor	Deals
1	Houlihan Lokey	92
2	Rothschild & Co	50
3	JP Morgan	47
4	Oaklins	42
5	Clearwater	41

Source: LSEG.
Excludes accounting firms and brokers.

2025 M&A Advisory Rankings
All U.S. Transactions

	Advisor	Deals
1	Houlihan Lokey	271
2	Goldman Sachs & Co	214
3	JP Morgan	197
4	Jefferies LLC	151
5	Morgan Stanley	138

Source: LSEG.

No. 1

M&A Advisor for All U.S. Transactions

No. 1

M&A Advisor for All Global Business Services Transactions

Fully Integrated Capital Solutions Coverage

~220

Professionals

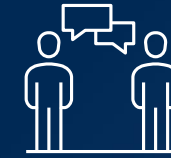
\$32B+

Capital Raised and Advised on in the Past 12 Months

Senior-Level

Contact Into All Major Credit Investors

Among the largest dedicated alternative investor coverage team in the industry, with real-time insights to market-clearing terms and investor appetite to support Houlihan Lokey sellside processes.



Learn more about how our advisors can serve your needs:

Corporate Finance →

Financial Restructuring →

Financial and Valuation Advisory →

Our Industry Coverage →

Global M&A Capabilities Bolstered by Local Presence

33 Locations Worldwide 850 Cross-Border Deals Since 2021 354 Managing Directors⁽¹⁾ 2,000+ Clients Served Annually \$10.80B Market Cap⁽²⁾ \$2.6B Annual Revenue⁽³⁾

AMERICAS

Atlanta	Los Angeles
Baltimore	Miami
Boston	Minneapolis
Charlotte	New York
Chicago	San Francisco
Dallas	São Paulo
Houston	Washington, D.C.

EUROPE AND MIDDLE EAST

Amsterdam	Milan
Dubai	Munich
Frankfurt	Paris
London	Stockholm
Madrid	Zurich
Manchester	

ASIA-PACIFIC

Beijing	Shanghai
Gurugram	Singapore
Hong Kong SAR	Sydney
Mumbai	Tokyo

(1) As of March 31, 2026. (2) As of April 30, 2026. (3) LTM ended March 31, 2026.

Fully Integrated Financial Sponsor Coverage

30+ Senior officers dedicated to the sponsor community in North America, Europe, and Asia

1,800+ Sponsors covered, providing proprietary data and knowledge of buyer behavior

850+ Companies sold to financial sponsors over the past five years

Benefits of Working With Houlihan Lokey—Among the Most Active Financial Sponsors Coverage Team



Access to Most Senior Partners Across Sponsors



Predictive Database on Investor Behavior



Influence as Key Source of Sponsor Deal Flow

About Our Business Services Industry Group

Houlihan Lokey's Business Services Group combines extensive industry relationships with substantial experience to offer a broad array of M&A, corporate finance, restructuring, and financial and valuation advisory services to the business services industry.

2025 M&A Advisory Rankings
All Global Transactions

Rank	Advisor	Deals
1	Houlihan Lokey	458
2	Goldman Sachs	441
3	Rothschild	400
4	JP Morgan	364
5	Morgan Stanley	357

Source: LSEG.
Excludes accounting firms and brokers.

2025 M&A Advisory Rankings
All Global Business Services Transactions

Rank	Advisor	Deals
1	Houlihan Lokey	92
2	Rothschild	50
3	JP Morgan	47
4	Oaklins	42
5	Clearwater	41

Source: LSEG.
Excludes accounting firms and brokers.

Featured Business Services Industry Transactions

 Uplift ORION Dudley DeBozier Uplift Investors has completed the formation and investment in Orion Legal MSO, with Dudley DeBozier Injury Lawyers Buyside Advisor	 MGT VISTRIA MGT, a portfolio company of The Vistria Group Dividend Recapitalization Co-Lead Placement Agent	 MPLT ASAM CAPITAL PARTNERS CORTICE Group MPLT Healthcare, a subsidiary of F2P Staffing Corporation, a portfolio company of A&M Capital Partners, has been acquired by Cortice Group Financial Advisor	 GRIDIRON ablegal AQUILINE Gridiron Capital has acquired ABC Legal Services, a portfolio company of Aquiline Buyside Advisor	 Aline Accounting Partners \$5,000,000 Revolver \$37,200,000 Term Loan \$57,800,000 Delayed Draw Term Loan Acquisition Financing Exclusive Placement Agent	 SAX COBEPA SAX has received a strategic investment from Cobepa Sellside Advisor
 Goldman Sachs Alternatives AAB AUGUST Goldman Sachs Alternatives has acquired AAB, a portfolio company of August Equity Buyside Advisor	 BGSF INSPYR A&M CAPITAL PARTNERS BGSF has sold its Professional division to INSPYR Solutions, a portfolio company of A&M Capital Partners Sellside Advisor	 DCM NMS CAPITAL ALDARON PARTNERS TRUE WIND DCM Services, a portfolio company of NMS Capital, has been acquired by Aldaron Partners and True Wind Capital Sellside Advisor	 COOPER PARRY WATERLAND LEE Cooper Parry, a portfolio company of Waterland Private Equity, has been acquired by Lee Equity Partners Sellside Advisor	 INVESTCORP STOWE FAMILY LAW LIVINGBRIDGE Investcorp has acquired Stowe Family Law, a portfolio company of Livingbridge Buyside Advisor	 Blackstone alight Blackstone has sold its interest in a \$18N notional future cash flow TRA to Alight to an undisclosed buyer group Sellside Advisor

Tombstones included herein represent transactions closed from 2020 forward.

Industry Sector Coverage

We cover a broad array of sectors, with financial professionals dedicated to each of our primary coverage areas.



Accounting and Legal Services



Customer Experience and BPO



Education Technology and Services



Engineering and Infrastructure



Environmental Services



Equipment-as-a-Service



Facility and Residential Services



HCM Services



IT Services



Marketing Services



Specialty Consulting and Risk Services



Testing, Inspection, Certification, and Compliance



Transportation and Logistics

i Business Services Industry Coverage

Key Facts and Figures

~170

Dedicated Business Services Financial Professionals

92

Completed Business Services M&A/Private Placement Transactions in CY25

About Legal Services

Houlihan Lokey is one of the most active legal M&A advisors with 10 deals closed since 2024.

Featured Transactions

 Uplift Investors has completed the formation and investment in Orion Legal MSO, with Dudley DeBosier Injury Lawyers Buy-side Advisor	 Single-Asset Continuation Vehicle £240,000,000 Financial Advisor	 Gridiron Capital has acquired ABC Legal Services, a portfolio company of Aquiline Buy-side Advisor	 DCM Services , a portfolio company of NMS Capital, has been acquired by Aldaron Partners and True Wind Capital Sell-side Advisor	 Datavant , a portfolio company of New Mountain Capital, has acquired Ontellus, a portfolio company of Aquiline and Capstreet Buy-side Advisor	 Levine Leichtman Capital Partners has acquired Expert Institute, a portfolio company of Spectrum Equity Buy-side Advisor
 Intensity, LLC , a portfolio company of Tide Rock, has been acquired by Secretariat International, Inc., a portfolio company of JLL Partners Sell-side Advisor	 Odyssey Investment Partners, LLC has acquired Magna Legal Services, LLC, a portfolio company of CIVC Partners Buy-side Advisor	 Investcorp has acquired Stowe Family Law, a portfolio company of Livingbridge Buy-side Advisor	 Kleinfelder Group, Inc. , a portfolio company of Wind Point Partners, has been acquired by affiliates of Lindsay Goldberg, LLC and Kleinfelder Management Sell-side Advisor	 OutSolve, LLC , a portfolio company of LNC Partners, has been acquired by Riverside Sell-side Advisor	 ARCHER Systems has been recapitalized M&A Advisory & Debt Financing Exclusive Sponsor Advisor & Placement Agent

Tombstones included herein represent transactions closed from 2022 forward.

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Legal Services Subsector Coverage



Law Firm MSOs and ABSs



E-Discovery



Legal Process Outsourcing (LPO)



Witness, Investigations, Resolutions, and Disputes



Alternative Legal Service Providers



IP Services



Litigation Support Services



Litigation Consulting/ADRs

Key Facts and Figures

~\$4.5B

Overall Transaction Value (Since 2024)

10

Number of Transactions (Since 2024)

4

Dedicated Senior Professionals

8

Active Subsectors Covered

Appendix:
Overview of Hunton



Hunton by the Numbers

With 900 lawyers in the United States, Asia, Europe, and the Middle East, Hunton Andrews Kurth LLP serves clients across a broad range of business, transactional, regulatory, and complex litigation matters. We take a contextual, multi-disciplinary approach to clients' business needs and legal issues, believing that each client matter exists within a larger set of organizational objectives, diverse cultural forces, and market regulatory pressures.

For more than 125 years, Hunton has served clients across the globe with a collaborative and purposeful approach. The firm is known for its strength in the energy and infrastructure, financial services, real estate, retail and consumer products, and technology industries, as well as its considerable depth across numerous practice areas. Hunton fosters a strong culture built upon an unwavering commitment to its clients, colleagues, and communities.

“

As a team and individually, they are fantastic. They really commit themselves and learn a lot about the company. It is real teamwork.

Chambers, USA



900
Lawyers



17
Locations worldwide



125+
Years of service



People you can
count on
around the corner
and around the world

34%
of our top client
relationships have lasted
more than 25 years

8
of the Fortune 10 are
current Hunton clients

50%
of Fortune 100
Companies are
current Hunton clients

Contact



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Professional Services M&A

Our practice brings together the strengths of two industry-leading teams. One consists of lawyers with decades of experience representing professional services firms in regulatory matters—including SEC, PCAOB, and state board investigations—and issues related to professional standards, with a particular focus on independence rules and alternative practice structures. The other is a team of corporate M&A lawyers who advise strategic and private equity clients across industries on a wide range of transactions, including minority investments, control investments, and joint venture structures.

Our Practice at a Glance

- 360-degree experience gained from representing sponsors and sellside and buy-side professional services firms
- Understanding of key legal and economic drivers from the view of sponsors and professional services firms
- Detailed understanding of the regulatory review and consultation process regarding deal structure and auditor independence rules
- Knowledge of what has worked well, what has caused problems, and how to navigate efficiently the complex and rapidly developing alternative practice structure landscape
- Unparalleled ability to conduct sellside or buy-side professional services firm due diligence and assess compliance and regulatory risk
- Developed template structures, term sheets, purchase agreements, services agreements, employment agreements, and related documents for every variety of professional services firm transactions



Counsel on 100+ Professional Services M&A transactions worth approximately \$20 billion in the past five years

Learn more about our Professional Services M&A Practice

 [Hunton M&A Services](#)



Comprehensive, Multidisciplinary Understanding of Professional Services Firm Transactions, Including:

- Regulatory
- Labor and Employment
- Employee Benefits
- Tax
- Insurance
- Corporate Governance
- Intellectual Property
- Finance

Our Approach



Responsiveness to clients



Creative solutions



Common sense approach to doing deals



Comprehensive advice from initial structuring to successful post-closing integration



Teamwork



Completed transactions consistent with our clients' strategic goals

“

They are able to take complex matters and break them down to make the most difficult situations smooth. Attorneys at Hunton are down to earth, practical, creative and just pleasant to work with—even during difficult transactions.

Chambers & Partners

“

Part of what makes them so amazing is their responsiveness and quality.

Chambers & Partners

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Corporate Finance
Financial Restructuring
Financial and Valuation Advisory

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