

**Annual Report of the Committee on
Alternative Business Structures to
the Arizona Supreme Court**



April 2025

Arizona Supreme Court Committee on Alternative Business Structures

Members as of December 31, 2024

**Chair: Hon Anni Hill Foster
Patrick Barnes
Steve German
John Hay
Andy Kvesic
Lynda Shely
Martin Shultz
Tracy Ward
Michael Widener**

Staff Support

Marquita Brazil
Ryan Lincoln
Daisy Cambron-Perez

Certification and Licensing Division
1501 W. Washington Street, Suite 104
Phoenix, AZ 85007

Committee on Alternative Business Structures Calendar Year 2024 Annual Report

This report outlines the 2024 successes and challenges of Arizona's Alternative Business Structures (ABS) program as required by Arizona Code of Judicial Administration (ACJA) § 7-209, which took effect on January 1, 2021.

Executive Summary:

In 2024, the ABS program experienced significant milestones, including the extension of the licensure renewal period from one to two years, the relaunch of an online application portal, and the licensure of the 100th ABS. A total of 51 licenses were granted, bringing the total number of active licensed ABSs to 114. The program addressed application backlogs with the help of internal resources and a third-party investigation firm, leading to a significant increase in approvals compared to 2023. Outreach and education efforts continued, along with regular committee meetings and new member appointments.

Background:

On August 27, 2020, the Arizona Supreme Court voted unanimously to adopt significant changes to the regulation of the practice of law, including the elimination of Ethical Rule 5.4 preventing nonlawyer ownership in a law firm and sharing of fees between lawyers and nonlawyers. To regulate entities that operate under rules for nonlawyer ownership, the ABS Committee (Committee), consisting of eleven positions appointed by the Chief Justice, with the assistance of staff from the Administrative Office of the Courts' (AOC) Certification and Licensing Division (Division), review applications for licensing and renewal.

Applications, Renewals and Licenses :

During calendar year 2024:

- Licenses granted by the Court: 51 – more than double the number of licenses granted in calendar year 2023.
- Licenses declined by the Court: 0
- Licenses Voluntarily Surrendered: 3

Total number of active licensed ABSs as of December 31, 2024: 114

ABS's are classified into traditional law firms, non-law firms and non-profit firms. Traditional law firm ABS's are firms whose primary business is providing legal services. Non-law firms are those whose primary business is not providing legal services and may be technological, marketing or business based. Of the 51 licenses granted, the applications were received between November 23, 2022 and May 23, 2024. As defined in ACJA § 7-209(J), the licensees consisted of 2 small (<100 employees) non-law firms, 2 large (>100 employees) non-law firms, and 47 traditional law firms. The practice areas of those licensed in 2024 include: Personal Injury; Contract Law; Immigration Law; Commercial Litigation; Employment & Civil Law; Real Estate Law; Family Law; Tax; Debt and Bankruptcy; Intellectual Property; Consumer Litigation; Administrative Services; Estate and Trust; Mass Torts and Class Actions; and General Business Law Services.

Since inception of the program, the ABS Program accumulated a backlog of 79 initial applications. In 2024, the Division dedicated resources to address this problem. In addition to training interim, internal staff to help process applications, the Division partnered with a third-party investigation company process the backlog of applications. The combined efforts resulted in Division staff presenting an average of five applications during each Committee meeting, an **84% increase in approvals** from 2023. The program continues to attract significant interest, as evidenced by the steady influx of applications. As of

December 2024, there were 31 pending initial applications.

On September 10th, 2024 the Committee on Alternative Business Structures celebrated the 100th initial ABS application recommended for approval to the Supreme Court.

In addition to initial applications, the Certification and Licensing Division (Division) processed 37 renewal applications that were approved by the Committee, a **68% increase** from calendar year 2023. As the backlog with the initial applications is cleared, the Division's focus will be directed to improving processing times for renewal applications which have been lagging.

Three ABS licenses were voluntarily surrendered by the licensees. Voluntary surrenders are presented by Division staff and approved by the ABS Committee under ACJA § 7-209(E)(6). The Division continued to report information about licensees to the State Bar of Arizona.

The Division maintains a directory of licensed ABS entities on the Arizona Supreme Court [ABS Program page](#). In 2024 following calls for greater transparency, the Committee directed that the ABS directory should require an ABS to provide an email, phone number, or address for the public to contact the ABS for more information about the services they provide.

Growth and Restructuring of the ABS Program:

Through calendar year 2023, the ABS and Legal Paraprofessionals programs operated as one unit in the Division. During calendar year 2024, the AOC split the programs. In doing so, the ABS program continued as a unit within the Division consisting of a program manager, investigator, and a shared support specialist. The Legal Service Innovations (LSI) unit continued within the Division to administer the Legal Paraprofessionals program and pilot programs, including advocates in the areas of housing and domestic violence, and community justice workers.

In early 2024, a new Program Manager and a new Investigator joined the ABS program and continue to operate as a team of three: The Program Manager, an Investigator, and a Program Specialist. In addition to the three ABS staff, the program receives support from a part-time Division staff member and an AOC staff member, both of whom handle in-house investigations. Outside contracted support continued in calendar year 2024, as described below.

In December 2024, the Division relaunched the first phase of the online portal for initial applications, correcting problems with the previous system that made the application onerous. The online system will streamline the application process for applicants, the Division, and the Committee.

Additionally, the Committee's working groups: Audits, Data Gathering, ACJA Rule changes, Application changes, and Training for nonlawyers and other applicants, began

meeting and prepared recommendations for improvements to be presented to the committee.

Committee on Alternative Business Structures:

The Committee met 11 times in 2024 to conduct regular business. The Honorable Anni Hill Foster, Judge of the Arizona Court of Appeals, Division One, was appointed as chair of the Committee, with a term ending December 31, 2026. Committee member Patrick Barnes was appointed this year, with a term ending December 31, 2026. Committee member Katie Bryant's term ended in November 2024, and she chose not to be considered for reappointment. The Honorable Charles Harrington (Retired Judge), who was one of the initial members of the original committee appointed in 2021, completed his term as Chair and member.

Complaints and Discipline:

An alternative business structure ("ABS") is a business entity that includes nonlawyers who have an economic interest or decision-making authority in a firm and provides legal services in accord with Arizona Supreme Court Rules 31 and 31.1(c). According to the Court's [Task Force on the Delivery of Legal Services](#), the purpose of the ABS program is "rooted in the idea that entrepreneurial lawyers and nonlawyers would pilot a range of different business forms" that will ultimately improve access to justice and the delivery of legal services. Complaints against ABS firms and compliance lawyers are received, investigated, and prosecuted by the State Bar.

In 2024, the State Bar initiated disciplinary action against two ABS law firms and two ABS compliance lawyers. One ABS law firm received probation and a reprimand for violations related to fee agreements and advertising. The other ABS law firm was placed on probation

and mandated to participate in the Law Office Management Assistance Program to address deficiencies in diligently managing client matters, communicating promptly with clients, supervising staff adequately, and avoiding the unauthorized practice of law. One compliance lawyer received a reprimand for violating Ethics Rule 7.1-Advertising, and 7.5 – fees. The other compliance lawyer received a reprimand for violating Ethics Rule 5.1 relating to a managing lawyer’s responsibilities for the firm, and Rule 5.3 relating to a lawyer’s responsibilities regarding nonlawyers.

Arizona Code of Judicial Administration (“ACJA”) § 7-209(D)(5)(f)(2)(b) directs the State Bar to make recommendations concerning modifications or improvements to the ABS program, if any. The State Bar did not make recommendations for this report.

The Alternative Business Structure Program publishes Annual Reports that can be found here:

azcourts.gov/cld/Alternative-Business-Structure/Resources

Outreach and Education:

Committee members and the Division continued outreach and education efforts in 2024 with a variety of stakeholders:

Committee Member Lynda Shely spoke at:

- The National Trial Lawyers’ Summit, Miami, Florida
- The Association of Professional Responsibility Lawyers’ Midyear Meeting, Louisville, Kentucky
- The American Bar Association Meeting, Louisville, Kentucky
- The American Bar Association Professional Responsibility Conference, Denver,

Colorado

- The National ABS Law Firm Association Meeting, Scottsdale, Arizona

Committee Member Andy Kvesic spoke at:

- The Federalist Society/Regulatory Transparency Project: Legal Licensing Reform: Does the World Need More Lawyers? Washington, DC.
- Vista Law Firm Leadership Summit: Alternative Business Structures in Arizona, Las Vegas, Nevada
- The BMO Insurance Summit Lunch Keynote: Changing Third-Party litigation funding dynamics within the U.S. Legal landscape and how they continue to impact insurers, New York, NY

Chair Anni Hill Foster spoke at:

- The National ABS Law Firm Association Meeting, Scottsdale, Arizona

Division staff:

- Provided a comment supporting Washington State's exploration of an Entity Regulation Pilot, encouraging the pilot, and sharing successes from Arizona's program.
- Shared information with outreach and education providers including the Institute for the Advancement of the American Legal System (commonly referred to as IAALS).
- Division leadership conducted an overview presentation for judicial branch employees on the Division's operations, including the Alternative Business Structures Program. This informative session provided an overview of how Arizona's highest court streamlines and oversees the certification and licensing processes for various legal professionals within the state