

The Arizona ABS Program – A Fourth Year Update

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Arizona’s alternative business structure program, which allows entities owned or controlled by nonlawyers to provide legal services to third parties, fast approaches the end of its fourth full year.² This article updates readers on what has been a busy year for the ABS program.³

Overview

By the end of 2023, the Arizona Supreme Court (the “Court”) had granted ABS initial licenses to 65 entities. To date, the Court has granted at least **116** initial licenses, with only one known entity’s license being inactive. At least 18 initial license applications are pending with the Arizona Supreme Court Administrative Office of the Courts Certification and Licensing Division (the “Division”). Each of those applications likely contains multiple sub-applications for authorized persons, designated principals, and compliance lawyers. Applications undergo an anticipated 6-month processing period before being submitted to the Arizona Supreme Court Committee on Alternative Business Structures (the “Committee”), which evaluates the applications and recommends (or declines to recommend) them for the Court’s approval.⁴

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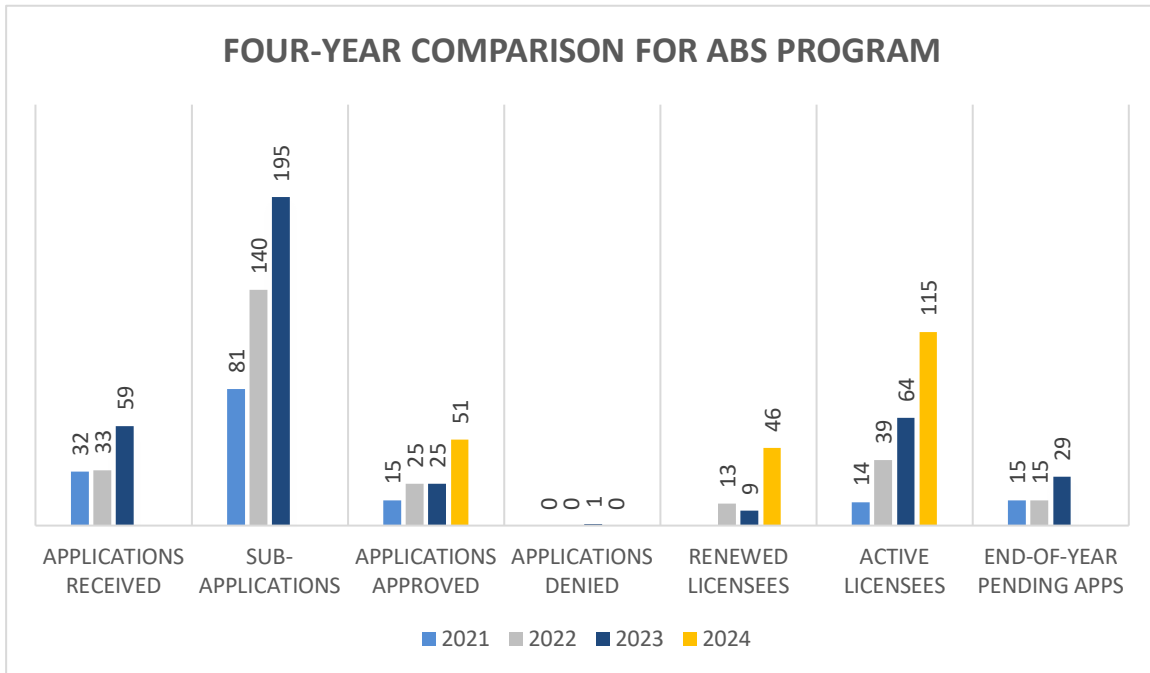
² See Arizona Code of Judicial Administration § 7-209; *see also* Andy Halaby & Zach Levy, *Arizona ABS Compliance Lawyers & the Attorney-Client Privilege* (Sept. 2022), available at gtlaw.com/en/insights/2022/9/arizona-abs-compliance-lawyers-and-the-attorney-client-privilege.

³ The information presented in this article is based on the authors’ personal knowledge and experience; materials published on the Arizona Supreme Court’s website; the Arizona Supreme Court’s published administrative orders; websites and Arizona Corporation Commission entries for licensed ABSs; and copies of ABS applications received as of August 2024 through public records requests.

⁴ The most recent available information on ABS application processing times is through August 2024.

ABS Application and License Proliferation

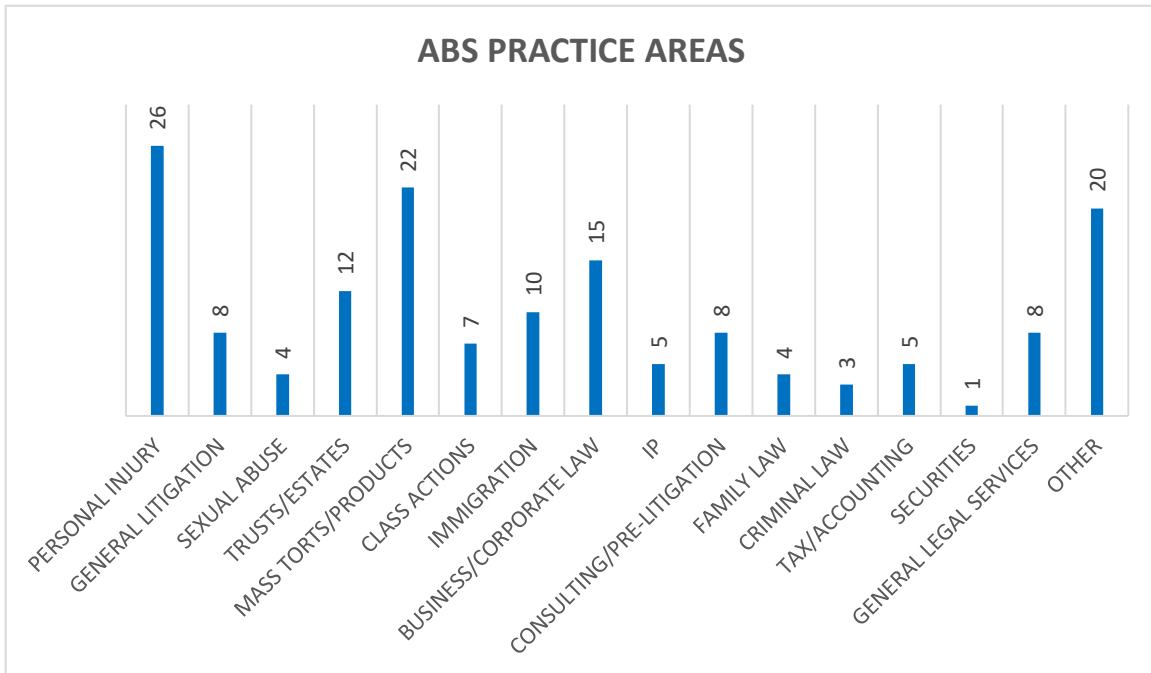
In the ABS program’s fourth year, the Division and Committee saw its largest increase in the number of newly-licensed ABSs—51. The Committee also renewed 46 licenses on application by their holders, suggesting that entities taking part in the ABS program are eager to remain.⁵ Below is a year-by-year comparison of certain data since the ABS program’s inception.



⁵ The Division has not yet announced the total number of applications and sub-applications it received in 2024. Nor has it announced the number of pending applications as of the year’s end. As of October 28, 2024, 32 initial ABS license applications were pending, at least 14 of which had been approved through December 2024.

Practice Areas

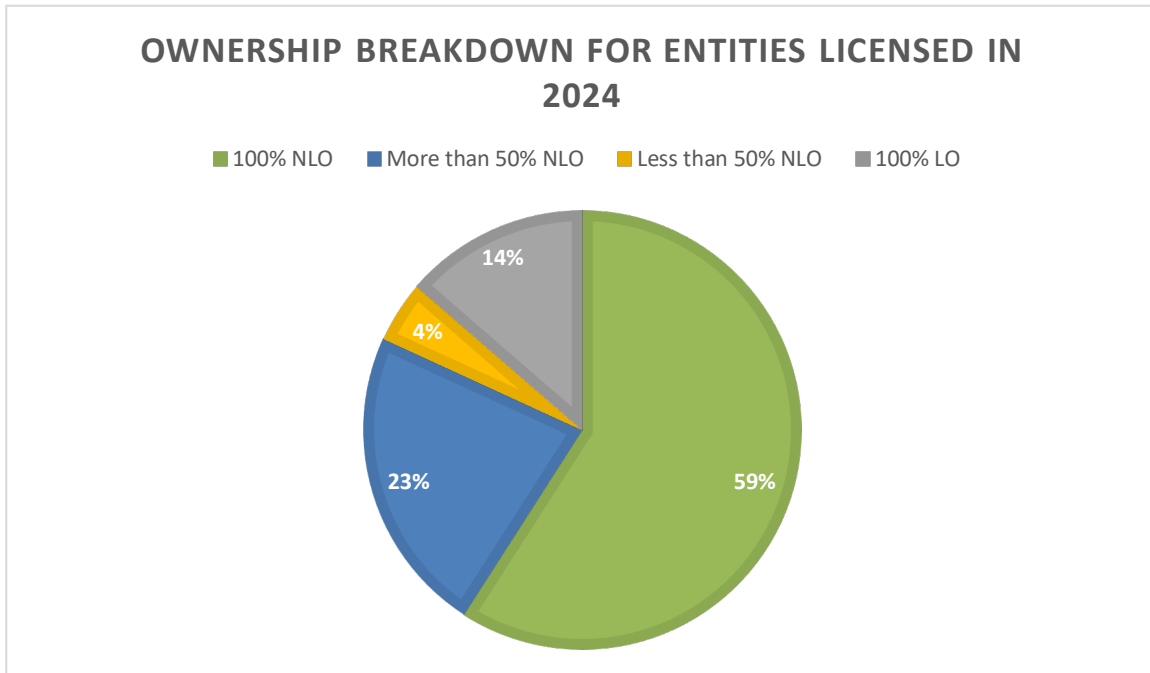
The distribution of legal services provided by Arizona’s licensed ABSs is shown in the chart below.⁶ ABSs continue to engage in a wide variety of practice areas. This year, an increasing portion of the newly licensed entities practice immigration and tax and accounting law. Personal injury and mass tort practice remain common among licensed ABSs, but do not predominate.



⁶ “Business/Corporate Law” includes ABSs that described their area of practice as related to corporations, in-house corporate counsel, business formation, business law, or general business legal services. The term “Consulting/Pre-Litigation” includes ABSs that described their area of practice as related to pre-litigation risk and claims consulting, data analytics, case management, or IT consulting. Some licensees practice in multiple areas, which explains why the total number in the figure exceeds the total number of licensed entities cited earlier.

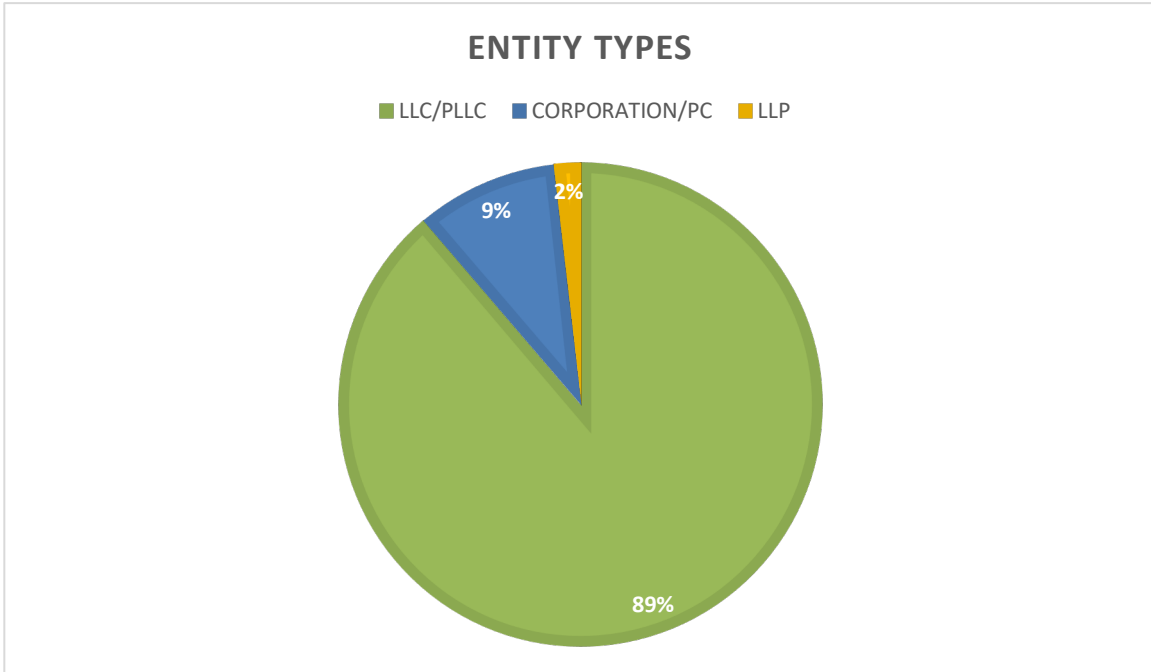
Nonlawyer vs. Lawyer Ownership

Of the ABSs newly licensed in 2024 with known ownership, 59% are wholly owned by nonlawyers; 23% have more than 50% nonlawyer ownership; 4% have less than 50% nonlawyer ownership; and 14% are wholly owned by lawyers. Thus, as at the end of 2023, a majority of the currently-licensed ABSs are majority-owned by non-lawyers. Very few have more than 50% lawyer ownership.



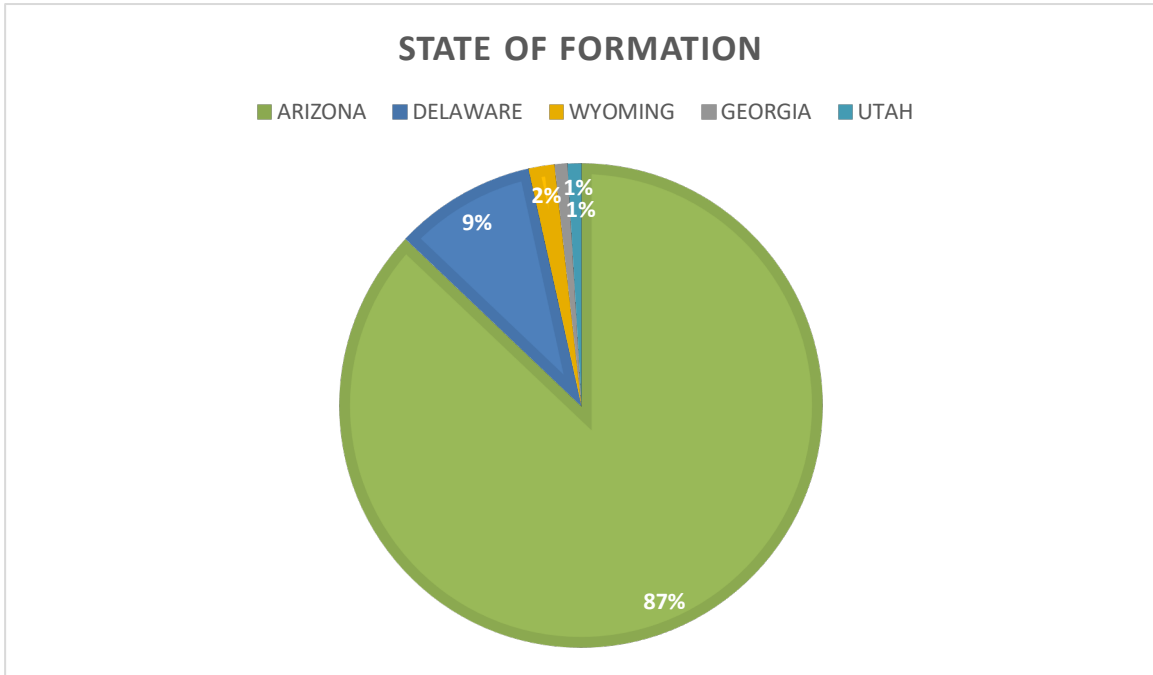
ABS Entity Type

Of currently licensed entities, the vast majority (89%) chose to form as a limited liability company or professional limited liability company. Corporations or professional corporations (9%) and limited liability partnerships (2%) are much less popular. Only five entities licensed in 2024 chose to form as a corporation. None chose to form as a professional corporation or limited liability partnership.



State of Formation

Of the entities licensed in 2024, six were formed in Delaware, one in Georgia, and one in Utah—all others were formed in Arizona. Thus, 87% of currently licensed ABSs were formed in Arizona, 9% in Delaware, 2% in Wyoming, 1% in Georgia, and 1% in Utah.



Conclusion

The ABS program reached a major milestone in 2024: 100+ active ABS entities. The many renewal applications submitted by current licensees imply growth, impact, and sustainability. The authors anticipate the program’s continued growth in 2025.