UTAH SUPREME COURT AD HOC COMMITTEE

REGULATORY REFORM
Nick Stiles, Co-Chair
Maryt Fredrickson, Co-Chair
Workgroup Meeting: Rule 5.4
May 1, 2026
12:00 – 1:00
Virtual Meeting Only
Meeting LINK

1. Welcome

2. Approval of April 3 Minutes (Tab 2)

3. Connor's Report of his meeting with Arete Financial Solution—an ABS entity in Arizona (Tab 3)

4. Introduction of Chase Hertel, Head of Compliance and Legal Innovation, Rasa

5. Discuss next steps for Sandbox Rule 5.4 waiver entities

6. Action Items

Tab 1

Current 5.4 Scope

Rule 5.4 Workgroup	
• Research pros and cons of allowing lawyers to partner or share fees with nonlawyers, including any multijurisdictional implications. • Analyze lessons learned from Sandbox ABS entities as well as Arizona's ABS program. • Consider recommendations from experts on legal regulation.	• Examine rule 5.4 language from other states. • Develop a recommendation on whether rule 5.4 should be amended. • Draft proposed rule changes, if any.

Tab 2

Meeting Minutes
Utah Supreme Court's Ad Hoc Committee on Regulatory Reform
Rule 5.4 Meeting Minutes
Friday, April 3, 2026
12:00 – 1:00
Virtual

The group approved the minutes from the previous meeting.

The group discussed the report on the Interim Summary Discussion with the Utah Supreme Court.

- The group discussed the broader question of whether Rule 5.4 reform should remain a priority. There was general agreement that while modifications to the rule carry potential business-oriented benefits—and possible indirect benefits to consumers—there is not sufficient evidence to demonstrate direct access-to-justice (A2J) impact. Rule 5.4 reforms can result in innovation in the practice of law. The group did not foreclose future study but acknowledged a shrinking appetite for broad Rule 5.4 reform in the near term, particularly given the resource requirements and the Court's stated priorities towards ATJ.
- Tracking consumer harm and the expansion of legal services was not an effective measuring stick for measuring ATJ impact. Tracking impact is also resource intensive; institutionalizing that part of regulation would require ample additional resources. It is not clear that any state using 5.4 reforms has yet figured out how to track that impact. And the potential for one-stop shops by inviting multi-disciplinary ownership structures was not realized on a broad scale. There were some one-stop models but not in a significant volume. While the increase in one-stop shops remains a possibility, the results of the Sandbox so far are inadequate.

Connor Dela-Cruz reports on his meeting with Professor Manuel A. Quilichini regarding Puerto Rico's Rule 5.4 reform.

- Professor Quilichini is a professor of legal ethics who served on the advisory committee that assisted the Puerto Rico Supreme Court in drafting revisions to its rules of professional responsibility including 5.4.
- The revised rule is new; it launched at the beginning of 2026. The ATJ impacts, if any, cannot be determined yet. The committee noted that while the Puerto Rico experience does

not currently provide a usable case study for A2J outcomes, it is instructive as an example of reform adopted with limited oversight infrastructure and data reporting to calculate a direct A2J rationale. The group agreed that any future report to the Court should acknowledge the innovation potential of Rule 5.4—particularly with multidisciplinary practices—even if recommending against broad reform at this time.

The group briefly discussed approximately nineteen entities that hold existing Rule 5.4 waivers, which were issued when the ABS-only portion of the Sandbox was closed following the Court's institution of Phase 2 in 2024. This will be the area to focus on for future meetings.

- The waivers function similarly to the Sandbox authorizations the entities previously held, providing Utah attorneys associated with these entities a safe harbor from Rule 5.4. Most waivers relate to non-lawyer ownership (5.4(d)) rather than fee-sharing (5.4(c)). The waivers do not permit entities to significantly change their ownership structure.
- The oversight for these entities is limited. The waiver exists but there is not a mechanism to determine which remain active. Like the D.C. program for 5.4, we have their names and the waivers but limited involvement. The next activity for entities with waivers would be request for extension near the end of the Sandbox.
- The waivers automatically terminate at the conclusion of the Sandbox on August 14, 2027, unless the Court determines there is good cause to revoke earlier. Prior to the termination date, the entity or associated Utah attorneys may petition the Court to extend the waiver by submitting a written request to the Office of Legal Services Innovation setting forth good cause.

In the next meeting, the group will discuss what to do with the entities currently holding Rule 5.4 waivers.

Tab 3

To:	Rule 5.4 Workgroup, Utah Supreme Court's Ad Hoc Committee on Regulatory Reform
From:	Connor Dela-Cruz, Regulatory Reform Fellow
Date:	May 1, 2026
Subject:	Meeting with Arete Financial Solutions, Arizona ABS Entity

Introduction

As part of the Rule 5.4 workgroup's ongoing review of regulatory reform in other jurisdictions, I spoke with Ted Ashton, the founder of Arete Financial Solutions, an Alternative Business Structure (ABS) operating under Arizona's regulatory reform program. Arete is a multidisciplinary firm offering tax, accounting, financial planning, and legal services under one roof. Mr. Ashton has been involved with the Arizona ABS program since its early stages and described himself as a strong proponent of the model. The purpose of this conversation was to obtain a practitioner's on-the-ground perspective on how the ABS program is functioning in practice, including both its benefits and its limitations.

Background: Arizona's ABS Program

Arizona launched its ABS program approximately five years ago, with initial adoption that was relatively slow (approximately 10 to 15 entities approved in the first year). Adoption accelerated significantly in subsequent years, reaching roughly 50 approvals in the third year, and applications have continued to grow since.

Arete Financial Solutions began as a tax and accounting firm approximately twelve years ago. Over time, Mr. Ashton added legal services under the ABS program and later added financial planning services. The firm currently employs one attorney (Mr. Ashton), two

financial advisors, a tax team of approximately seven, and an accounting team of six to seven people.

Multidisciplinary Practice as a Core Benefit

Mr. Ashton identified the opportunity for multidisciplinary practice as the primary advantage of the ABS model. He described the traditional client experience as fragmented—a client needing tax, accounting, financial planning, and legal services must navigate separate providers who may refer to one another but rarely coordinate. In his view, the ABS model replaces that experience with a single integrated engagement in which client information flows across disciplines within one team, enabling a more cohesive and efficient service.

He framed this not merely as a convenience but as an access-to-justice mechanism. This model allows a firm to offer services at more competitive prices. He also noted that clients who remain within the same professional ecosystem may benefit from discounts unavailable when engaging multiple providers separately. Mr. Ashton expressed optimism that advances in AI and legal technology would further amplify these efficiencies over time, with his long-term goal being to reduce the cost of legal work delivered through the firm.

He pointed to an example of an entity that started in Utah's own Sandbox. The entity provided expungement services at approximately $250 per matter, compared to a market rate of $1,500 to $3,000, made possible by a team of software developers and investors working alongside the supervising attorney. In his view, this kind of model exemplifies the access-to-justice potential of ABS reform when properly structured.

Access to Capital for Smaller Practices

Mr. Ashton identified access to outside capital as a second significant benefit of the ABS model, particularly for solo practitioners and small firms. There is a substantial technology and resource gap between large and small law firms and the ability to bring in equity investors significantly mitigates risk for smaller practices. Rather than placing the full financial burden on a single attorney, an ABS structure allows profit-sharing with a capital partner who has independent incentives to improve efficiency, marketing, and technology adoption. He also noted that access to capital enables smaller firms to take on higher-value contingency matters that would otherwise present prohibitive cash-flow risk.

Attorney Independence

Regarding attorney independence under Rule 5.4, Mr. Ashton noted that the financial pressures that exist in any law firm regardless of ownership structure. In his view, the pressure to be profitable is inherent to running any legal practice—not just ABS entities—and the ethical obligations of the practicing attorney remain constant in either context.

Compliance

Mr. Ashton believes Arizona's compliance infrastructure is robust; he described it as even "bordering intrusive" relative to the requirements applicable to traditional law firms. A conventional law firm of any size may operate with no auditing or reporting obligations until a complaint is filed. By contrast, ABS entities are subject to semi-annual compliance audits conducted by a designated compliance attorney, who serves as a structural buffer between business ownership and the practicing lawyers. That compliance attorney is responsible for ensuring that ownership-level financial pressures do not cross into territory that would compromise attorneys' ethical duties.

At Arete, the compliance function is relatively straightforward given the firm's limited litigation practice and deliberate effort to avoid complex conflict scenarios. The firm conducts annual training for all staff on conflicts of interest, confidentiality, and related issues. He drew an analogy to the medical profession, where private equity ownership has long been present without, in his view, systematically undermining physicians' clinical judgment.

Limitations and Concerns

Mr. Ashton has observed some areas where the ABS model has produced unintended consequences. The personal injury and tort sector is an area of concern, where large influxes of investment capital have driven up the cost of client acquisition through aggressive advertising without a corresponding increase in the volume of tort cases. This can place downward pressure on settlement values as firms carrying heavy marketing overhead seek to resolve cases efficiently.

He also acknowledged that most disciplinary actions taken against ABS entities in Arizona have arisen in the personal injury and tort context, typically involving case mismanagement at firms that scaled their caseloads rapidly following access to significant marketing budgets.

More broadly, not every actor in the ABS space operates with the same intentions, and that some entities may utilize the program in ways the Arizona Supreme Court did not anticipate. He expressed confidence that the reviewing committee's growing sophistication in evaluating applications would help address this over time.

Conclusion

While Mr. Ashton may not represent the entirety of the ABS program in Arizona, his perspective offers a practitioner's account of the ABS model functioning largely as intended. Based on his experience, he believes that the model allows for access to justice, but also multidisciplinary practices and access to capital. Mr. Ashton believes that Arizona's compliance framework is robust and even demanding relative to the requirements applicable to traditional law firms. His concerns about ABS models, particularly in the litigation context, represent real risks to harm to consumers and the practice of law.

My conversation with Mr. Ashton offered a practitioner's perspective, and perhaps one that complements the workgroup's broader analysis of whether Rule 5.4 reform is appropriate for Utah at this time.