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## NEWSWIRE ARTICLE

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**After key partner exits, Stradling readies move to Santa Monica  
Emerging companies firm will make second attempt to establish an L.A. presence.**

By: Casey Sullivan  
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**SANTA MONICA** - A dispute between partners at Stradling Yocca Carlson & Rauth and the firm's former corporate head threatens to overshadow Stradling's efforts to rebrand itself and set up a Santa Monica office five years after a failed expansion.

The 36-year-old Newport Beach-based firm is adding three corporate lateral partners to manage the newly leased office space at 100 Wilshire Boulevard, but questions over its leadership structure emerged in recent days as Michael Flynn, the former head of the firm's corporate department who bolted last month to Gibson Dunn & Crutcher LLP, has come under fire.

Flynn, who had been at Stradling for 20 years, first said he left because he wanted a national platform and that the split was amicable. Since then, recruiters and other legal industry sources have pointed to what they characterize as Flynn's inability to assume a leadership position as a major reason for the divorce.

C. Craig Carlson, a partner in Stradling's corporate department, said that while he was personally friendly with Flynn, many partners didn't cotton to Flynn's ideas and approach. "His style didn't really match up with the expectations of others," Carlson said. "From a management perspective, that's not an ideal circumstance. It's a little bit like if a basketball team is all mad at the coach."

A recruiter and another legal insider who once worked closely with Stradling said the dispute was rooted in a power vacuum created by founding partner Nick Yocca's retirement, which left open to interpretation who the corporate department's de facto head was. Neither would comment publicly, saying they wanted to protect relationships with Stradling. The 100-lawyer firm historically hasn't had a managing partner and neither do its three profit centers - municipal finance; corporate and securities; and real estate and labor and employment. The leadership void prompted heavyweights in the corporate department - by most accounts the firm's core area - to compete for power.

Flynn, chair of the corporate department's executive committee, which directed corporate practice business decisions only by consensus, wanted to fill that void, but the rest of the firm had other plans, legal industry sources said. After Yocca retired, Flynn moved into Yocca's office - a 16th floor ocean view in Newport Beach. Two years later, he moved to the 15th floor with a limited view of Big Canyon Country Club's golf course after colleagues expressed dissatisfaction with what they said was his self-appointed power. Flynn declined comment on that topic.

Another legal insider who previously worked closely with Stradling said Flynn's leadership struggle could be traced in part to a recession-induced uptick in securities work that found securities specialist John Cannon contending with Flynn for the helm of the corporate department - a position that technically didn't exist for either one of them to take. Cannon didn't respond to two requests for comment.

"I think Flynn wanted very much to be the face of the firm," said one California recruiter, who added that Stradling partners didn't like the fact that Flynn appeared to assume a leadership position without consensus. The ideas Flynn introduced to mixed reaction include a marketing campaign that would have rebranded the firm to appeal to a broader clientele, according to the recruiter. "Evidenced by his going to Gibson, [Flynn] wanted to go after larger clients with more sophisticated work," said the legal insider who once worked closely with Stradling. "I think there was a difference of opinion whether they could go after that and whether they should go after that. [Flynn] wanted to compete with the Lathams and Gibsons of the world." The recruiter said the rest of the firm didn't agree with that approach. "He wanted to be the next Nick Yocca, and he wanted to be compensated for it," the recruiter said. "People weren't dancing in the halls about Flynn leaving, but they certainly breathed a collective sigh of relief."

Flynn said the firm went in a different direction than he would like to have seen. "I believe that the environment for regional law firms - particularly first-generation regional law firms - is extremely competitive," he said. "Changes needed to be made for the firm to remain competitive, and I was unable to persuade my colleagues to make the changes that I thought to be essential moving forward." Flynn declined to elaborate on those changes or to comment on specific criticisms. Stradling's partners said they expect most of Flynn's mid-market clients will elect to remain at Stradling. Mark Skaist, the corporate department's newly appointed executive committee co-chair, agreed with corporate partner Carlson that a good chunk of Flynn's clients would stay at Stradling, though neither provided numbers because clients are still in the process of deciding. Gibson Dunn's billable hour is significantly higher than the one Stradling offers, and the extra expense doesn't appeal to the mid-market clients Flynn represents, industry watchers say. Flynn disagreed.

"My clients are following me, as expected, and the transition has been relatively smooth," he said. "The fact that Gibson Dunn hired me as a lateral partner should speak for itself about my clients and my relationships."

"I find that the most exciting companies in the region want to be with the most dominant and powerful law firms, and I wanted to be with one of them," he added. Newport Beach-based legal consultant Peter Zeughouser, who's worked with Flynn in the past, said he believes there's truth to both sides' arguments.

"If Mike's practice could support Gibson Dunn's rates, then he probably had a practice that was atypical of Stradling and one that would do better on a higher rate platform," he said, but he added that he believes Stradling will prosper without Flynn as it moves into Santa Monica. "It's a significant accomplishment that they've attracted corporate lateral partners in L.A.," he said. As the firm looks to re-enter the Los Angeles market, the corporate department's co-heads, Christopher Ivey and Skaist, said it will add entertainment and media law and international law practices, allowing the firm to expand its reach. That's what James Thoma from Reed Smith LLP will practice at the new venue.

"My practice right now is weighted heavily into producers who are pulling money out of China," said Thoma. "While Reed Smith seemed like a perfect fit, it turned out the clients I'm dealing with are largely neutral whether there's an office there [in China] ... [because] the deals are all being done under California law."

Thoma said Stradling also offered an affordable billing rate for studios strapped for cash. The firm hasn't disclosed the names of the other two lawyers included in the acquisition. "We've got

great brand recognition in Southern California," Skaist said. "I think the challenge is really going to be making sure we're able to continue our marketing efforts down here but also tackle this new territory. L.A. is a big legal market. We feel we fit a niche that other firms don't." Founded in 1975, the firm set its roots in corporate work and has since grown its public finance and litigation practices around that center. The niche Skaist referred to is the emerging technology startups the firm's corporate department is known for representing - a niche that's helped keep business strong because few Southern California firms focus on that sector, according to recruiter Sandy Lechtick. In Santa Monica, that will continue to play to the firm's advantage, industry watchers said. "There's plenty of good work to be had there," Zeughauser said. "There are a lot of successful mid-market companies in L.A." But it's the second go-round for Stradling in Santa Monica. The firm set up shop there five years ago and left after just a year. Carlson said the first time, Stradling didn't sufficiently staff the office with business generators. This time, he said, the firm has done due diligence on the portable books of business of the three new laterals.

Partners insist there isn't a larger problem with Stradling's leadership structure that could imperil the firm.

"As a regional firm ... we have the luxury of a culture where partners have a voice and say in the strategy and direction and type of firm that we want to be," said David Lafitte, a partner in the corporate department. "People may have different ideas and thoughts, which results in deliberation among partners to develop a consensus.

"In my view, these discussions and deliberations are healthy, and while there may be disagreements from time to time, I think we generally have happy lawyers." Zeughauser, the legal consultant, has previously warned the firm about the dangers of not having a managing partner. He said he continues to believe that the firm has a structure that fosters infighting.

"In any law firm, there are going to be different views," Zeughauser said. "One of the tasks of a managing partner is to build consensus around a vision and to have people follow it. That's what I suspect was missing here."

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