

SMALL FIRM FOCUS

REVVING IT UP

Following his passions, a lawyer opens up his own firm servicing auto industry clients.

By Susan McRae
Daily Journal Staff Writer

NEWPORT BEACH — Jonathan A. Michaels remembers his first car, a white 1983 BMW 320i with black interior that he bought when he was 16.

"I grew up very hand-to-mouth," Michaels said, sitting in his Newport Beach law office overlooking the yacht harbor several feet below. "I worked since I was very young and saved and saved and got that car, and I just loved it like a family member."

Since then, Michaels, 41, a lawyer by trade and an auto aficionado by choice, has bought and sold many cars. He described himself early on as "the guy who lived in a studio apartment and had 10 cars" — and not just any cars, but always high-end, high-performance, pedigree models.

But like a first love, his first car is the one he pines for. It tops his wish list of vintage classics, including Ferraris and Porsches, that he aims to acquire or reacquire during his lifetime.

Meanwhile, Michaels has managed to combine his pursuits of law and cars into a three-lawyer litigation and transactional practice he launched last year that focuses almost exclusively on the auto industry. His clients include car dealers, manufacturers, restorers, suppliers, racetrack developers and racecar drivers.

"I think a lot of people go into specialties by accident," Michaels said. "I wanted to do something that was very deliberate and intentional and decided to put a focus into that."

Former race car driver Steve Saleen, producer of the S7, which at 250-plus mph is said to be the fastest car in the world, is one of his clients. He observed Michaels in trial last year and said he was impressed by the ease with which he communicated with jurors, maintaining good eye contact and using boards and easels to diagram the complexities of the case.

It was one of those David vs. Goliath matches, Michaels recalled. The case involved Saleen's former company, SVP America, which alleged a breach of contract against Toyota Motor Sales Inc. Toyota had selected SVP to design and engineer a high-performance vehicle for its entrée into that specialized market. Soon after SVP began work on the project, Toyota canceled the program and refused to recognize SVP's work or contract. SVP sued the manufacturer in Orange County Superior Court. *SVP America v. Toyota Motor Sales*, 30-2008-000103133 (O.C. Super. Ct., filed Feb. 25, 2008).

After a four-week trial, the jury returned a unanimous verdict for SVP. Afterward, the parties entered into a confidential settlement, in which SVP agreed not to disclose



Group outside their law offices at Newport Beach yacht harbor.

the amount of the jury verdict.

"All I can attest to is the verdict was in our favor," said Saleen, who first met Michaels at a USC alumni function in 2004.

"He had a keen interest in cars, and my whole life is around them," Saleen said of that first meeting. "I was looking for legal help in writing contracts with dealers."

At the time, Michaels was a partner at Burkhalter Kessler Goodman & George in Irvine, a regional business litigation and transactional boutique. He spent 10 years there, after graduating from Whittier Law School in 1995.

He left in 2006 to open a car dealership, specializing in vintage cars. Within two years, the economy hit the skids, and he realized the market for such luxuries would not be returning soon. That's when he decided to return to practice full time, only this time he would focus on the auto industry.

"I look at it like this," Michaels said. "I could do anything in the world I want to do. There's a lot to be said about following your passion and doing something that is so in line with what motivates you."

He opened Michaels Law Group a year ago and hired Ivan U. Cisneros, 28, and Dana M. Heyde, 29, as associates. Like Michaels, both are graduates of Whittier Law School. Michaels said he feels a deep allegiance to his law school and would hire a person from Whittier over Harvard any day. He said he's not looking to grow the firm much bigger.

"I've found when you get larger you don't necessarily make more

Jonathan Michaels Law Group

Newport Beach

Number of lawyers: 3

Founded: 2009

Specialty: Litigation and transactional work focusing on the auto industry

money," Michaels said. "I have eight-figure cases now and can take on just about anything. So, it's not like I have to get bigger for the sake of being bigger."

Born and raised in Pasadena by his mother and stepfather, Michaels graduated from USC Marshall School of Business before attending law school. He worked his way through college and law school, clerking for a Beverly Hills business law firm, he said, and earned a lot of valuable experience in the process. He knew he wanted to go into business litigation and has always considered himself a businessperson first and a lawyer second.

"I'm not so much a lawyer as a problem-solver," he said. "I understand business. I speak business. I wanted to go into an arena that welcomed that type of background, that kind of attitude."

He joined the 20-lawyer Burkhalter firm as an associate and soon became a partner. There, he began developing a practice with the automotive industry, primarily with

dealers. He said he enjoyed the practice and the people, but after 10 years he wanted to do something more creative. He hit upon what he described as a "brilliant idea." He loved cars so much, why not start a car dealership?

"I wasn't going to just start a car dealership selling Toyota Corollas," said Michaels, who currently drives a 1989 Porsche Targa Carrera, considered by many to be a collector's model. "I love these vintage cars and very rare cars. So, I started a dealership that was just that."

"Boy, all the stuff we had was \$300,000, \$500,000 for a vintage car, several over \$1 million. Ferrari Enzos, 1920s' cars, one-of-one."

Michaels started the venture with his own money and then created a private equity fund to raise additional financing. Concours Motor Co. took off like a supernova and burned out just as fast, when the economy tanked. After selling off the inventory, he turned the business over to a client, who has taken it in an entirely different direction, he said.

Returning to the law full time, Michaels began looking for office space. He didn't want to go the traditional, high-rise route. He envisioned a loft or a warehouse that he could convert. But he couldn't find anything large enough. Then, driving down Pacific Coast Highway, he happened to stumble upon a for-lease sign on a modest, three-story building right on the water.

He took over the second floor, overlooking the marina. Before long he outgrew the space and is in the process of moving upstairs, where

the view is even more spectacular. Every office has windows jutting over the ocean. And he has plans to go in with one of the yacht owners on a boat for office use.

The firm's work consists of 60 percent litigation and 40 percent transactional. The hourly rate is \$425. Occasionally, Michaels said, he will do a hybrid of a reduced hourly rate and the rest on contingency. Every now and then, he will do a straight contingency, but usually avoids it.

Clients range from small businesses with a \$5,000 net worth to \$100 million deals. One case awaiting trial in October is in the \$12 million range, he said, with chances of punitive damages of up to \$50 million. The client is a specialty manufacturer of superchargers that was forced to shut down because the landlord allegedly failed to disclose problems with the building the client was leasing.

Most of the work comes through referrals, from clients and others connected to the auto industry. Michaels keeps himself and the firm visible by writing articles and attending seminars and conferences involving the auto industry, such as the Annual Southern California Business Growth Conference in May, in which he moderated a panel consisting of Dick Marconi, founder of Marconi Automotive Museum; Saleen, founder and CEO of SMS Signature Cars; and Frantz Von Holzhausen, chief designer of Tesla Motors.

As he talks, his accountant walks in with the checkbook for Michaels to sign off on some bills. He holds a check up to the light to show a watermark of a driver in a race car.

"We have the coolest checks," he said. "I designed these."

Opening a three-ring binder, Michaels displays pages of photos and statistics of every car he wants to collect. One by one, he said, he plans to cross them off as he acquires them.

A photo on his iPhone shows his son Jake, 4, in a red racing suit watching a sports car race on television. Michaels and his wife, Mary, have another son, 8-month-old Dean, called Dino after Enzo Ferrari's only son. Michaels said he doesn't know if his wife likes cars or just puts up with him liking cars, but she's "a heck of a good sport." Even vacations center around cars, like visiting the Porsche factory in Stuttgart, Germany or attending the endurance race in Le Mans, France. Returning to the business at hand, Michaels said that while his approach may be a bit unorthodox, he takes it very seriously. He wants it to be the dream job for everyone who works for him.

"I want them to say, 'Pinch me, I can't believe I'm so lucky to work here,'" he said. "If they don't get that feeling, I've failed."

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