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Santa Barbara Newspaper Publisher Dodges \$20 Million Claim by Ex-Fiancé

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LOS ANGELES — The owner and co-publisher of the Santa Barbara News-Press doesn't owe her former fiancé any additional money, under a new arbitration ruling.

Wendy McCaw, who bought the paper in 2000, successfully defended against claims from her former lover and lawyer Gregory J. Parker that she owed him nearly \$20 million for interest earned on stock transfers that occurred while Parker was managing her finances.

McCaw previously paid Parker \$3.3 million in severance and \$100,000 in punitive damages for disparaging stories McCaw ran in her newspaper, said Parker's lawyer, Thomas G. Foley of Foley, Bezek, Behle & Curtis in Santa Barbara.

Parker had won a judgment in 2002 in Santa Barbara Superior Court, arbitrated by the late Justice David Eagleson,

formerly of the state Supreme Court. Eagleson's ruling was reversed in 2005 by the 2nd District Court of Appeal, in Ventura, because the decision relied on a single arbitrator rather than three, as required by the contract.

After that, the case returned to closed arbitration before three neutrals, former state Attorney General John Van de Kamp, and retired judges Eugene F. Lynch and John Zebrowski. The result, which was made public on Friday, was that both parties pay their own legal fees and McCaw doesn't owe Parker a dime. *Gregory J. Parker, v. Wendy McCaw; Ampersand Holdings; Ampersand Telecom, LLC, JAMS 1100048553.*

Central to the dispute was the contract between Parker and McCaw, set up in 1999, that included payment agreements for Parker that mimic those set up for an executive in a venture capital company.

The appellate court and the arbitration panel found that McCaw's holdings,

stocks of her ex-husband's cellular company, Nextlink, worth an estimated \$1 billion at their highest, did not really constitute a venture capital company and that Parker had improperly negotiated his agreement with her.

Parker's lawyers argued that McCaw had outside representation at Los Angeles' Latham & Watkins and that the contractual protocols were properly observed.

However, the recent panel ruled that Parker's contract was in violation of the California Bar's professional conduct Rule 3-300 for properly alerting a client of her rights to independent counsel during a financial transaction, in this case, the establishment of a stock incentive compensation agreement.

"Here, however, even without close examination, it is manifest that there is no compliance with Rule 3-300," wrote the arbitration panel. "Indeed, there was not even an effort to comply."

Parker contended that when McCaw transferred ownership of stocks to herself out of her limited liability corporation, Ampersand Telecom, she owed him a compensation of 5 percent on the stock's increase in value since he became her investment adviser, a total of about \$12.1 million. Her lawyers, disagreed, saying that since she made no money in the transaction, he was entitled to no money.

Ultimately, however, the panel of judges were more concerned that the agreement was invalid and improperly obtained than whether the transfer triggered the payment.

McCaw's lawyer, David J. Millstein at Millstein & Associates in San Francisco, criticized Parker's claim of being a financial adviser.

"I don't think the panel was ever sold on executive compensation," he said. "The only people who earn incentive compensation, which is a percentage interest, are working at the heart the

organization and building a company from the ground up."

Foley argued before the panel that Parker was not acting as McCaw's lawyer and, instead, focused on managing her finances.

"He did not have any responsibility for legal advice at all," Foley said. "He was executive vice president and chief operating officer, specifically advising Mrs. McCaw on her assets and investments."

Ironically, though McCaw saved herself the payment of around \$18 million in compensation and interest to Parker, the stocks in question in the original suit, once worth nearly \$1 billion, are now essentially valueless due to market losses, the arbitration ruling said.

"She didn't want to be in a position to pay him anything," Foley said. "Instead, she rode the stock to zero."

This story first appeared earlier on dailyjournal.com.

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