Our clients continue to push the boundaries of growth and innovation, and we are determined to match your vision with our own. We embrace change, not for its own sake, but in service to your needs and in pursuit of our goal of always providing the highest levels of service and value.

This year we were proud to be the first big law firm to engage ROSS, an artificial intelligence research tool that applies natural language processing and machine learning to the massive document loads of today’s legal work. With ROSS enhancing basic research and document management, our lawyers can best serve you by focusing their energies on developing creative and effective strategies for today’s complex legal matters while improving work processes, managing costs and delivering successful results for clients.

Our work with ROSS is the natural progression of many years spent evaluating and adopting (sometimes even creating) advanced technology to support client goals. As counsel to the SIPA Trustee in the Bernie Madoff Ponzi scheme, we developed secure electronic data rooms to let defense attorneys in hundreds of cases access millions of documents consisting of terabytes of data, equivalent to tens of millions of pages. We use secure, cloud-based platforms to collaborate across our offices and with our clients. And our privacy and data protection team continues its thought leadership as it addresses the impact of technology on client businesses with our annual Data Security Incident Response Report, which analyzes data from more than 450 incidents on which we advised during the year.

Every day we apply our knowledge of legal precedent and process and our experience in complex, groundbreaking legal matters with new technologies to the ultimate benefit of our clients. As we move into our second 100 years of practice, we remain committed to applying both our knowledge of the past and our understanding of the changing legal and business landscapes to better meet your needs. We wish you a healthy and successful 2017.

Sincerely,

Steven Kestner
Chairman
Fabric of the Future

DREXEL UNIVERSITY

With their laboratories producing a wealth of innovative technologies, universities turn to BakerHostetler to help them identify and capitalize on commercial opportunities that can open new markets.
Clothing that can save lives

Drexel University in Philadelphia is developing the next generation of wearable technology. By integrating electricity-conducting fibers and electrical circuit components (e.g., antennas, capacitors) into common clothing items, these “smart-knitted fabrics” can perform a variety of tasks for the wearer. They may even – in some circumstances – save lives.

One example is the “belly band.” Designed for women with high-risk pregnancies, the band uses sensors and an RFID transmitter woven into the fabric to alert a doctor if contractions begin and to monitor the activity of the fetus. The band’s concept and design combine input from three Drexel disciplines: fashion, engineering and medicine. The result is a comfortable, attractive clothing accessory that uses cutting-edge engineering to address a medical need. The band was showcased in a video on the National Science Foundation’s website.

Additional potential uses for smart-knitted fabrics include infant onesies that can help prevent SIDS, smart bulletproof vests and clothing that tracks athletic performance.

BakerHostetler helped Drexel prepare its patent application for the wearable technology and review potential commercial applications.

Out of the lab and onto the runway

Historically, there has been a significant gap between the amount that the government invests in research and the number of successful products coming to market. BakerHostetler hopes to change that. Drawing on our extensive experience in developing IP strategies, as well as our electrical, chemical and mechanical engineering background, we help universities position their technologies so that industries will be interested in licensing and commercializing them.

The road ahead

As we continue working with Drexel to commercialize smart-knitted fabrics, we look forward to seeing these innovative products hit the market and benefit people around the world.
Transaction for a Healthy Tomorrow

KAISER FOUNDATION HEALTH PLAN

A nationwide team of more than 40 BakerHostetler lawyers provided the highest standard of care for an acquisition that will extend Kaiser Permanente’s healthcare services in the Northwest.
Diagnosis: Complexity
In late 2015, BakerHostetler client Kaiser Foundation Health Plan, Inc. (Kaiser) announced that it would acquire Seattle-based Group Health Cooperative (Group Health) for $1.8 billion and additional commitments. The acquisition was complex and presented numerous challenges for Kaiser and its lawyers. Both Kaiser and Group Health have nonprofit 501(c)(3) status, and the acquisition involved an integrated healthcare system that included health plans, a hospital, medical clinics and other facilities and technologies that directly provide care to patients. Lawyers from BakerHostetler’s national healthcare, business and corporate, tax, labor and employment, ERISA, intellectual property, litigation and antitrust practices mounted a fast-paced group effort to complete the due diligence and help negotiate the terms of the transaction. The transaction had to obtain federal and state antitrust clearances, and approval from the voting members of Group Health, and to undergo a yearlong approval process with insurance regulatory authorities.

Prescription: A creative transaction
To reach agreement, Kaiser was able to negotiate an acceptable price and transaction terms, but it also demonstrated how it would carry out Group Health’s charitable mission. In this, the two companies were an ideal match. Kaiser Permanente, one of the nation’s largest nonprofit integrated healthcare systems, shares Group Health’s commitment to affordable, high-quality health care and contributes billions of dollars each year to help the communities where it operates.

We worked with Kaiser to develop a unique offer that would appeal to Group Health’s long-held values. Kaiser paid the $1.8 billion price to a newly established nonprofit, Group Health Community Foundation. In addition, Kaiser will invest $1 billion to expand medical facilities, staff, technology and research in Washington state.

Prognosis: Strong vital signs
The acquisition is a win-win for Kaiser, which adds 651,000 members and expands to a new geographic region. With the acquisition, Kaiser Permanente now serves more than 11.7 million members in eight states and the District of Columbia, providing both care and coverage. Through this acquisition, Kaiser Permanente expects to better meet the needs of individuals as well as large commercial and national accounts with employees who live and work in Washington.
Vindication for an Engineering Safety Leader

JACOBS ENGINEERING GROUP INC.

After a tragic manufacturing accident, BakerHostetler made a company whole and protected its reputation as a safety leader with a non-negligence verdict and a $108.9 million indemnification award, a record-setting amount in the state of Nebraska.
In 2009, an explosion at ConAgra Foods, Inc.’s, (ConAgra) Slim Jim manufacturing plant in North Carolina killed four people, injured more than 60 others and caused more than $100 million in property damage. Personal injury lawsuits immediately followed. Because workers’ compensation law prevented the victims from suing ConAgra, they went after others, including Jacobs Engineering Group Inc., (Jacobs) a global engineering company with a ConAgra engineering services agreement.

In representing Jacobs, BakerHostetler faced a number of challenges:

• Jacobs and its single employee at the ConAgra plant had become the primary targets.

• ConAgra had refused Jacobs’ request for contractual indemnification for costs caused by ConAgra’s negligence or the negligence of a party controlled by ConAgra.

• ConAgra’s property damage insurers had sued Jacobs to recover almost $100 million they had paid to ConAgra.

• The Jacobs/ConAgra agreement required that any lawsuit be brought in Omaha, Nebraska – ConAgra’s longtime hometown and, at the time, its world headquarters.

On offense in enemy territory
Our strategy was to limit Jacobs’ exposure in North Carolina and then seek to recover costs from ConAgra. After the personal injury and property damage claims were resolved, we filed a negligence and indemnity action against ConAgra in Douglas County, Nebraska.

Leading up to trial, we identified gaps in information produced by ConAgra in North Carolina, then obtained thousands of pages of significant documents that had not been produced. Armed with these new documents, and transcripts and audio recordings of interviews given by ConAgra employees to government investigators shortly after the explosion, we showed that ConAgra plant personnel disregarded key safety policies that could have prevented the explosion. We also redeposited ConAgra witnesses and used the audio and transcripts of their government interviews to tie them to their earlier admissions and undermine their conflicting North Carolina testimony.

In addition, we showed that the former Jacobs employee whom ConAgra tried to blame for the explosion was out on medical leave (with ConAgra’s knowledge) at the time it occurred and was viewed by ConAgra as an excellent project manager.

During the four-week jury trial, we told a simple story. No Jacobs employee was, or was required to be, present on the day of the explosion. ConAgra ignored its own safety rules during its oversight of the startup of a gas-fired water heater and controlled the contractor whose negligence contributed to the explosion and injuries.

A company made whole
In March 2016, the Omaha jury awarded Jacobs $108.9 million, the full amount sought in the indemnification suit. In also finding that Jacobs was not negligent, the jury preserved the company’s reputation as a leader in safety.

The outcome earned BakerHostetler recognition by National Law Journal as Elite Trial Lawyers for one of the top litigation results of 2016, and team members were recognized by National Law Journal as Litigation Trailblazers for their work on the case.
Energy Reorganizations
Defy Expectations

BLACK ELK ENERGY OFFSHORE OPERATIONS LLC

As depressed oil prices push dozens of energy companies into bankruptcy, BakerHostetler has been hailed for creative approaches that help clients reorganize debt and start new business lives. We employ a cross-office and cross-practice approach that not only is extremely effective from a legal standpoint, but also reduces overall fees.
Federal bond requirements raise bankruptcy stakes

All bankruptcy proceedings are complex; but when Black Elk Energy Offshore Operations, LLC, (Black Elk) was placed in an involuntary bankruptcy, it faced added complications. Black Elk’s primary assets were offshore drilling platforms located in Louisiana, Texas and federal waters, and its bankruptcy had to comply with Bureau of Ocean Energy Management and Bureau of Safety and Environmental Enforcement regulations. Those regulations required the company to earmark money to plug and abandon wells before paying its creditors. The government asserted claims for $775 million to cover these obligations, jeopardizing Black Elk’s ability to propose a plan that benefited its creditors.

An “unbelievable” result

With Black Elk facing the prospect of significant creditor losses, BakerHostetler converted the bankruptcy from Chapter 7 to Chapter 11 to give the company and its creditors more control of the process. We then developed a complex reorganization plan in which bonds, escrows and other mechanisms would be used to cover decommissioning costs. In addition, we negotiated interim and permanent financing from Black Elk’s note holders. Under the plan, Black Elk will be able to deal with hundreds of millions of dollars in liabilities and provide a plan to comply with environmental liabilities. Confirming the first-of-its-kind plan – the largest oil and gas plugging and abandoning program ever undertaken in a Chapter 11 proceeding – the U.S. Bankruptcy Court judge praised our “stellar” work and “unbelievable” result.

Turnaround of the year

In another challenging energy bankruptcy, BakerHostetler helped American Eagle Energy Corporation (American Eagle) obtain bankruptcy court approval for one of the few sales in an oil and gas bankruptcy. As part of the deal, we successfully negotiated a forbearance agreement with the holders of the company’s first lien bonds. Our work resulted in Global M&A Network recognizing the American Eagle deal with its 2016 Small Mid Markets Turnaround of the Year Award.

Broad industry reach

Midstream Companies

Before the close of 2016, Dakota Plains Holdings Inc., a midstream oil and gas company that operates a transloading terminal, also turned to BakerHostetler for its Chapter 11 bankruptcy filing, further cementing the firm’s reputation as the go-to firm for energy companies.

Creditors and Buyers

In addition to our cutting-edge work on the company side, we have represented creditors and buyers in numerous oil and gas bankruptcies and restructurings, including Dune Energy, ERG Intermediate Holdings, LLC, Energy XXI, Maxus Energy, Delta Petroleum, Northstar Offshore Group, LLC, and Max Petroleum.
In Brief

SIPA Trustee Irving H. Picard and the team of more than 200 BakerHostetler attorneys and professionals, led by David J. Sheehan, continued their groundbreaking work in the case, garnering additional recoveries and making the seventh interim distribution in the year. In 2016, the team obtained court approval for the eighth interim distribution of recovered funds to Madoff claimants, bringing the total returned to victims to $9.73 billion. In addition, BakerHostetler attorneys continued their successful program of negotiating settlements that significantly benefit defrauded customers of BLMIS. One of the most notable recovery agreements in 2016 was the universal agreement of approximately $277 million – made in cooperation with the California attorney general – that ended litigation against the Estate of Stanley Chais and other related defendants.

The SIPA Trustee’s mandate to oversee the liquidation, marshal stolen assets and assemble a fund to compensate thousands of eligible customer claimants is a massive undertaking, never seen before in modern financial history. Expectations for the Madoff Recovery Initiative were not high at the beginning; however, the success reached to date, with the help of the BakerHostetler team, has exceeded all expectations. This success is due to the SIPA Trustee’s court-appointed BakerHostetler counsel from more than 12 practice areas and attorneys across the nation who have worked tirelessly to reconstruct the fraud’s decades-long operations, identify and litigate against collaborators in the fraud, manage thousands of claims after evaluation, and think through the intersections of bankruptcy, complex fraud, intellectual property, real estate, tax and international law. More than 300 ongoing litigations are still playing out simultaneously in U.S. federal bankruptcy, district and appellate courts, as well as in several international jurisdictions.

2016 marked the eighth anniversary of BakerHostetler’s work on the historic Madoff liquidation, which reached $11.5 billion in recoveries, or 65 cents of every dollar in principal lost in the Ponzi scheme.

Madoff liquidation returns total $9.7 billion

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Winning against a government watchdog

BakerHostetler successfully represented the two most prominent national trade associations for independent oil and gas producers – the Independent Petroleum Association of America (IPAA) and Western Energy Alliance – in the trade associations’ successful opposition to the Bureau of Land Management’s (BLM) rulemaking related to hydraulic fracturing on federal and Indian lands. In June 2016, a U.S. district judge ruled in favor of BakerHostetler’s clients and other challengers, finding that BLM had exceeded its statutory rulemaking authority and setting aside the rule.

IPAA described this matter as the most significant ruling for oil and gas producers in five years because the final rule, if implemented, would have directly impacted oil and gas development on more than 700 million acres of federal land. The favorable result avoids estimated annual compliance costs of approximately $350 million for energy producers and millions more in lost royalty revenues for both the federal government and the states.

Both BLM and the Interveners have appealed the ruling to the Tenth Circuit Court of Appeals.
Privacy and cybersecurity matters continue to skyrocket

BakerHostetler continued to lead the way in data privacy and protection work in 2016. The team advised clients on more than 450 data security incidents during the year, including such high-profile matters as the cyberattacks on Banner Health, Hyatt Hotels and Madison Square Garden. Privacy litigation continues, and we were retained by MD Anderson and Cleveland Clinic regarding an alleged transfer of information to Facebook through the use of their website. Our post-incident healthcare regulatory experience continues to be unmatched, and includes the defense of more than 125 U.S. Department of Health and Human Services Office of Civil Rights (OCR) investigations. In 2016, we negotiated five resolution agreements with OCR, more than any other firm, including the largest resolution to date.

The team published its highly regarded *BakerHostetler Data Security Incident Response Report*, which looks at the causes of incidents, the industries most affected and what happens after a security incident is detected, based on an analysis of data from the hundreds of incidents on which we advised in the prior year.

Trade secrets protected

In a case with national implications, we obtained a ruling from the Texas Supreme Court explicitly allowing a trade secret holder to exclude a competitor’s representatives from court proceedings in order to protect the trade secrets at issue. The precedential ruling interpreted the Texas Uniform Trade Secrets Act, which is modeled on the Uniform Trade Secrets Act used in nearly every state.

Veterans Consortium pro bono support

As part of our 2016 Centennial celebration, BakerHostetler made a significant pro bono commitment to The Veterans Consortium, a nonprofit group that represents veterans and family members before the U.S. Court of Appeals for Veterans Claims. Our deep connection to veterans’ affairs spans the firm’s full history – from Newton Baker’s service as Secretary of War under President Wilson to the nearly 70 veterans currently with the firm. More than 65 lawyers received training in veterans’ claims during 2016, and we are handling nearly 10 percent of the Consortium’s annual caseload.
2016 Recognition & Highlights

Am Law 100 Ranking: 54

Legal 500 United States 2016:
70 Attorneys | 18 firm rankings, including

M&A/Corporate and Commercial:
M&A: Middle Market—Tier 1 ranking

7 Partners named 2016
National Law Journal “Trailblazers”

Chambers USA 2016:
109 Attorneys
26 Practice Areas
5 Band 1 Rankings

Chambers Global 2016:
5 Attorneys
1 Band 3 Practice Area
(Privacy and Data Security)
1 Band 5 Practice Area
(International Trade)

BTI Client Service 30
The BTI Client Service A-Team Survey 2017

BTI Client Service
Best Value Leader
The BTI Client Service A-Team Survey 2017