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Howrey Estate In Major Settlements with Baker, Citibank

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Allan Diamond, the trustee overseeing the liquidation of the Howrey estate, said Friday that he had reached a pair of what he called "monumental" multimillion dollar settlements with Baker & Hostetler and Citibank that will help pay off nearly all the defunct firm's remaining bank debt, making it more likely that former employees and other creditors will get at least some of what they are owed, and increase the potential for a bankruptcy exit.

Baker & Hostetler, which hired 11 former antitrust partners from Howrey amid that firm's collapse in early 2011, agreed to pay the Howrey estate \$41 million in cash, according to court filings [\[PDF\]](#). Nearly the entire sum—\$38 million—comes from attorney fee awards recovered from settlements in a massive antitrust case that the former Howrey partners filed on behalf of dairy farmers while at their own firm and took with them when they joined Baker & Hostetler.

Former Howrey partner Robert Abrams—who now chairs Baker & Hostetler's antitrust practice—served as lead attorney for the farmers, who settled their claims against Dean Foods [for \\$145 million](#), including \$48.33 million in attorney fees, in June 2012. Their case against the Dairy Farmers of America settled in January 2013 for \$158 million, with \$52.66 million of that going to the lawyers on the case. Friday's deal also gives the Howrey estate a fixed interest in attorneys fees that could be awarded in three of the former partners' ongoing cases.

As part of the settlement, Baker & Hostetler will also pay the estate \$2.3 million to resolve unfinished business claims filed under the California statute known as Jewel v. Boxer, \$275,000 to end the estate's clawback claims, and \$20,000 to settlement claims related to the \$92,204 that Gregory Commins, now a Baker Hostetler partner, received for his service on Howrey's dissolution committee.

Documents filed Friday in U.S. Bankruptcy Court in San Francisco said the two sides had been meeting in person to negotiate an agreement since October 2012.

Steven Kestner, executive partner at Baker & Hostetler, said in a statement that the firm "is pleased to have reached this agreement with the trustee."

Under the terms of the second deal announced Friday [\[PDF\]](#), the Howrey estate will use \$37 million of the \$41 million it is getting from Baker & Hostetler to pay off all the principal and most of the interest owed to primary lender Citibank. That payment will reduce the sum Howrey owes Citibank to \$2.5 million. (The remaining \$4 million from the Baker & Hostetler settlement will go toward the Howrey estate's expenses.)

Citibank had no comment on the deal. Both settlements are subject to approval by the U.S. Bankruptcy Court in San Francisco.

Diamond says the settlements announced Friday allow him to "see light at the end of tunnel." In order for him to file a liquidation plan in the two-year-old bankruptcy, he says, the Howrey estate must pay off all of its priority creditors' claims, according to bankruptcy code, which means its debt to Citibank must be paid. "I probably still need to do some further collections and recover for that to happen," he says, "but with this settlement it looks highly, highly likely that I'll be able to do a plan."



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