

July 2005

Firm Facts:

Chairman of Executive Committee:
John Conroy

Chairman of Latin America Regional Council:
Andrés Ochoa-Büñsow

Managing Partner of Venezuela offices:
Roberto Mendoza

Caracas office established: 1955

Venezuela lawyers: 78

Latin America offices: 15 in 6 countries

Latin America lawyers: 508

50
years
caracas

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How Caracas Set the Standard for a Global Law Firm

Tanks were rolling through the long avenues of Caracas the day Malcolm Caplan first visited the law office of Ramon Diaz. The year was 1957. A bloodless coup would soon overthrow Gen. Marcos Pérez Jiménez, ushering in a new era of democratic rule for Venezuela.

Caplan, a recent Harvard Law graduate, had spent weeks looking for work with the city's top firms. When he entered Diaz's office, a secretary said an American in the back room might be able to help him. It was Bill Gibbons, a lanky Midwesterner who had attended Harvard with Caplan.

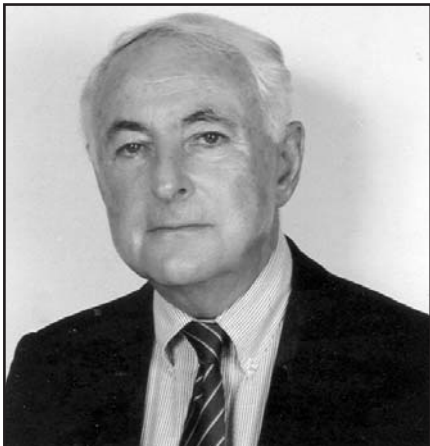
Caplan soon joined the firm, then an affiliate of Baker, McKenzie & Hightower. He and Gibbons spent some of their early days together watching army tanks surge past the office in Edificio Caoma and looking over the cages of screeching monkeys on the rooftop next door.

The young lawyers shared a vision of law as a profession without borders. There was the first generation to study international law. And, after two world wars, they believed the law could help mend the strains among nations, or at least promote better communication through commerce and trade.

Along with Diaz and lawyers originally from Cuba and Panama, Caplan and Gibbons would build the foundation of an office that in 2005 is celebrating its 50th year. The Caracas office was Baker & McKenzie's first international office. It established Baker & McKenzie as the first international law firm in Venezuela and the first firm to offer international legal advice in Latin America. The office set the standards for law firm management that Baker & McKenzie and many other firms would follow around the world.

Twelve presidential administrations have come and gone in Venezuela over the past 50 years. The Caracas lawyers have seen periods of boom and bust, peace and discontent. But their standard of excellence and commitment to the local market have not wavered.

"The Caracas office set the stage for our international platform, and it exemplifies our long-term dedication to serving clients wherever they need us," says John Conroy, Chairman of the firm's Executive Committee. "We are a global law firm with unri-



Malcolm Caplan helped build the foundation of the Caracas office and was mentor to many future partners.

Caracas symbolizes what has become a cherished value across Baker & McKenzie: We're not just visitors.



"Until this office started and proved to be a success, the whole dream of an international firm was on standby."

– **Roberto Mendoza**
Caracas Managing Partner

valued geographic reach. Thanks to the excellence of our local lawyers and their long-standing integration into our global practices, clients' needs are serviced by top domestic talent that has been developed over decades in a leading international context. Equally importantly, our lawyers live and work in their communities and contribute to their growth and success."

Caracas was the catalyst for what is now one of the most expansive legal enterprises in the world. Baker & McKenzie today operates 69 offices in 38 countries. The firm generates more than \$1.2 billion in global fees. Our 3,000 lawyers come from more than 60 countries and speak more than five dozen languages.

The Caracas office's 70 lawyers – among the country's most talented and accomplished professionals – are just one part of this whole. But the office's influence, as its history shows, has been extraordinary.

"Caracas has always been a landmark in the firm," says Caracas Managing Partner Roberto Mendoza. "Until this office started and proved to be a success, the whole dream of an international firm was on standby."

Fertile Ground for Corporations

Why Caracas? How did this country of 25 million in South America become the launch pad for the world's largest law firm, and one of the world's most respected tax practices? How did it kindle the distinctive culture that today defines Baker & McKenzie? And how has it fared since those early days of promise and adventure?

The story begins with Russell Baker, the firm's founding partner, who had developed working relationships with lawyers around the world. He had done work in Caracas for his young firm's first major international client, Abbott Laboratories, and became acquainted with several local lawyers.

Baker was also innovating. By the early 1950s he began encouraging US companies to think more strategically — and internationally — about their corporate taxes. By establishing foreign subsidiaries, Baker realized, companies could virtually eliminate their corporate tax bills. The company would simply sell its products to the subsidiary, which would then sell the products to businesses or consumers around the world. Because many foreign countries did not tax revenue generated outside its borders, the savings to US companies would be near 100 percent.

During the mid-1950s, Venezuela was one of these countries. It also offered a low-wage workforce, proximity to the US and a rapidly expanding energy sector. Baker eventually recruited dozens of eager clients wishing to incorporate there. He referred many of them to Diaz.

Diaz, according to Gibbons, "was probably the best lawyer in Venezuela. He was able to think like a lawyer, he was fluent in English and a very hard worker." In 1957, Diaz became the firm's first non-American partner.



Miguel Zaldívar remembers the family atmosphere of the early days, a culture that endures today.

Two major court rulings in 1960 vindicated Baker's tax advice, establishing the firm's position as a leader in international tax — a distinction it holds today.

The firm's Policy Committee met in Caracas in 1966. Participants included (seated from left to right) Modesto Aparicio, Alejandro Alfonzo-Larrain and Malcolm Caplan. Standing are (from left to right) Russell Baker (second), Miguel Zaldívar (fourth), Gilberto Delgado (seventh) and Michel Coccia (ninth).

Baker sent his son Donald to oversee some of the work in Caracas. But by 1955, it became clear that the firm would need to establish a formal presence in Venezuela because of the volume of clients. Gibbons moved to Caracas as Baker & McKenzie's first full-time representative. At the time, Donald suggested the new office might break even in five years. "But we made it go right away," says Gibbons.

The firm's innovative tax advice prompted a global sea change in the way corporations plan their taxes. Commerce swept into Venezuela, and the Caracas office rose with the rising tide. Two major court rulings in 1960 vindicated Baker's tax advice, establishing the firm's position as a leader in international tax — a distinction that it maintains today.

The Caracas Model

By 1965, the office was flourishing. The nation's presidential succession process in 1963 instituted a period of relative political and economic stability. Gibbons had returned to Chicago, while Diaz and Caplan were grooming an elite coterie of Venezuelan and US clients. But then disagreements arose and Diaz resigned, taking three partners with him. The office, renamed Baker & McKenzie, now had only four lawyers.

Miguel Zaldívar was part of this tiny group. A Cuban exile who had represented political dissidents during the early years of Castro's regime, he had moved to Caracas after gaining asylum in the Spanish embassy. He was selling magazines door-to-door when he joined the firm. Zaldívar recalls the split with Diaz as a factor in the Caracas office's ultimate survival and success. "We began at that moment to work harder than ever, and we also started to focus on more important matters," he says.



Top clients in Caracas

- CANTV
- Cliffs Drilling Company
- Farma S.A.
- Petrolera Ameriven S.A.
- Xerox de Venezuela
- General Motors Acceptance Corp.
- Bridgestone Firestone
- Harvest Vinccler
- Sincrudos de Oriente Sincor
- Inversora Previcrédito

Caracas is where the dream of a global law firm took hold.

Venezuela's low-wage labor force and proximity to the US market were attracting leading companies. So the office focused on helping those already incorporated in Venezuela establish manufacturing facilities. Soon such well-known corporations as Eli Lilly, Heinz, Kellogg's and JD Searle became clients.

They were, in part, attracted by the firm's growing global network of offices and one-stop-shop approach to international law. By 1964, the firm had 85 lawyers in 13 locations, including offices in Brazil, Italy, Canada, the UK and Mexico. To some degree, they were all following the Caracas model.

Making New Rules

Baker's initial bet on Venezuela was clearly paying dividends. The market was opening up, and US companies wanted legal counsel with an international perspective. But even as its roster of clients began to fill out, the office needed to decide how it would define itself. Nearly all of Venezuela's top law firms were family operations. How would Baker & McKenzie Caracas compete? Few firms had tried any alternatives.

The firm's lawyers in Caracas ultimately opted for a meritocracy. "We decided we'd go out and hire five or six of the best young people we could find in Venezuela," recalls Caplan.

Gilberto Delgado, a Venezuelan partner, had replaced Diaz as the office's chief administrator. He and Caplan made another strategic decision. Although the office had many US clients, they decided to cultivate relationships with domestic companies. Over time, the work would be significant. Equally as important, perhaps: By working with local businesspeople and companies, the firm would be able to show the government and courts they were not Yankee carpetbaggers, but a real Venezuelan law firm.

By all accounts, Caplan was fundamentally important to the office's success. The American from Peekskill, NY, suffused the firm's American roots with the office's Venezuelan identity. He spoke some Spanish before arriving in Caracas, quickly gained fluency, married a Venezuelan woman and raised his children as Venezuelans.

Caplan's multiculturalism helped the office's lawyers from disparate parts of the world come together as an extended family — a trait that would help define Baker & McKenzie's unique, diverse culture up to present day.

"There was work from Sunday to Sunday, from before 8 a.m. to 10 p.m.," says Zaldívar. "Our families would lunch together, have dinners. We were all very close."

Caplan was also recognized as a truly exceptional lawyer, and during his more than 40 years with the office served as the mentor for many future partners.

Three of our Venezuelan practices — Banking and Capital Markets, Mergers & Acquisitions, and Project Finance — are ranked in the top tier in IFLR 1000.



In an undated photo, partners Malcolm Caplan (far left) and Alejandro Alfonzo-Larrain (far right) of the Caracas office work on the signing of oil-service contracts in Venezuela with Armand Hammer, chairman of Occidental Petroleum (seated next to Malcolm); J.L. Padron, a Venezuelan official; and Charles Hatfield of Occidental.

"He was a cracker-jack lawyer of the old school," says Thomas Studwell, a partner in the firm's New York office, who began as an associate in Caracas in 1977. "He would make me redraft something six or seven times, but it was superb training."

The Oil Boom

Russell Baker was never out of sight for long. The Caracas office was close to his heart. He had sent two of his sons there to work. He was fluent in Spanish and clearly fond of the symbolic importance of his firm's first international office. When Baker visited, Zaldívar recalls, "He'd always ask for a place to work, and he worked a lot."

But Baker's visits were not limited to Caracas. By 1974, the firm's 23rd office opened in Hong Kong. More than a fledgling experiment, the Caracas office soon exercised the strength of an older sibling and was in an excellent position to accommodate Venezuela's next wave of economic change. As Middle East oil producers tightened output, oil refiners around the world looked to the country to meet market demand. Prices for Venezuelan oil soared. Foreign investment poured in.

At the time, a handful of prestigious family firms maintained a tight grip on the big oil companies. But the office managed to crack their monopoly. Armand Hammer, Occidental Petroleum's enigmatic owner and president, hired Baker & McKenzie to be his top adviser in Venezuela.

Again, a bit of hustle and sweat proved decisive.

"We chased him from New York to California to Caracas," says Caplan. "We told him that we had the best connections with the government, which was only a little bit of puffery."

The firm's lawyers became close to Hammer and his associates, working long hours together. After grappling with a Venezuelan minister over oil rights, the oil magnate would take naps in the Caracas office library before moving on to the next meeting. Hammer's patronage lent prestige to the office and helped solidify the firm's reputation as a growing legal powerhouse.

Multinationals Come Calling

Other top US, European and Asian companies soon sought out Baker & McKenzie. The office advised Nelson Rockefeller's company, IBEC, on the creation of several major corporations, counseled General Motors on its acquisition of Chrysler in Venezuela, participated in three of Venezuela's four major heavy oil production projects and became the dominant adviser in the nation's pharmaceutical industry.

"I remember when we were almost deciding to put out a sign publicly saying we cannot admit more clients," says Mendoza.



Among the country's top ranked lawyers today, **Eugenio Hernández-Bretón** honed his legal skills as a young lawyer working on a large matter for Citibank.

Top clients in Latin America

- CANTV
- Procter & Gamble
- Delphi
- Brasil Telecom
- Shell
- Valeo
- General Electric
- Abbott Laboratories
- EQT Partners
- Fortune Brand

During the end of the 1970s, the firm played a fundamental role in registering all foreign investment, external credit and transfer of technology existing in the country from foreign sources. The work helped companies comply with new regulations arising from the Andean Pact among several South American nations.

By the early 1980s, Baker & McKenzie was widely recognized as Venezuela's top legal adviser in most every industry and practice.

The firm's reputation was especially strong among Venezuela's top law students — and for good reason. Many partners served as professors, and the firm hired a significant number of students to serve as clerks, who often worked on groundbreaking corporate matters.

In 1983-84, many of those young lawyers spent most of their time on a large matter for Citibank. The international financial firm was helping Venezuelan private entities restructure their debt. The matter entailed complex financial and regulatory law, and became a crucible in which many young Caracas lawyers gained extraordinary knowledge and confidence.

"For a very young attorney, it was fascinating to have the opportunity to learn so much in such a short period of time," says Eugenio Hernández-Bretón, a partner in the office's Corporate practice and one of the country's top ranked lawyers.

Industrial projects and mining also became a central practice for the office throughout the 1980s. In 1981, Omar Benítez founded a second firm office in the city of Valencia, a major industrial conglomerate in the country's central region. Benítez still heads the office to this day.

In 1988, a satellite office was opened in the city of Puerto Ordaz to serve mining and energy companies working in the country's southeast region. Mendoza helped lead the Puerto Ordaz office for seven years through its infancy, advising US, Canadian, German and Korean companies on their local enterprises.

The office's client base had become the most broad and diverse in the country.

The firm overall, meanwhile, was growing even faster. In 1987, Baker & McKenzie hired its 1,000th lawyer. Nine years later, the number doubled.

Excellence and Perseverance

From about 20 lawyers in the late 1970s, Caracas expanded rapidly the next 20 years, staffing more than 100 lawyers by the end of the 1990s. However, since that time, foreign investment in Venezuela has plummeted amid political and economic turmoil.

Chambers Global said about our Tax practice in Venezuela: "Well-supported by an invaluable international network."

Our Corporate/M&A practice in Venezuela is ranked in the top tier in Chambers Global.

Chambers Global said about our Banking & Finance practice in Venezuela: "Its international name represents a relief for international companies who do not need to search for reliable advisers in every country."

The office has felt the reverberations.

"We've had people shot at and hit. We've had a demonstration of 200,000 people cross by the office, smashing windows. We've lived and worked through a general strike that paralyzed the nation for two months in 2002," says Mendoza. "Now, my job includes comforting people and giving them courage and strength and assurance. Survival is the name of the game."

Despite the pressures, the office has maintained its standard of excellence. As it did during its first years, Caracas continues to help international clients establish themselves, form relationships and grow. That's one reason the office's Corporate and M&A practice was again ranked in Chambers Global's top tier for 2005-6, and why the firm's lawyers specializing in everything from Banking & Finance to Energy and Tax remain among the nation's most trusted advisers.

"We've managed to remain the first and largest firm in the country because of our close contact with clients and our strong relationships with them," says Mendoza. "At the end of the day, we give them quality of service. This is why we remain strong."

Abbott Laboratories, the firm's first client in Venezuela, remains a client. So does General Motors. And like the office of 1955, our lawyers are still recognized for their unparalleled tax knowledge — we are the top ranked law firm for tax advice in Venezuela, according to the International Tax Review.

Moreover, in Venezuela and Latin America in general — where we maintain 15 offices — clients appreciate the firm's long-term perspective.

"Some firms have a short-term view. Economic conditions change, their commitment wavers and they leave," says Andrés Ochoa-Bünsow, a partner in the firm's Monterrey office and the firm's Executive Committee member representing Latin America. "That's not the way we operate. We stay the course, and our clients recognize and appreciate this."

The trajectory of the Caracas office over its 50 years, like the firm overall, has been toward significant growth, prosperity and prestige. The office has faced difficult cycles and downturns. But like all of the firm's offices, it is committed to serving its clients — in good times and bad.

Says John Conroy: "We are proud of our accomplishments as the premier international law firm in Venezuela, and we look forward to many more years of providing superior service."

The Caracas office today occupies the top six floors of this office building.



Key dates in the history of the Caracas office and the Latin America region.

1949 - Baker & McKenzie is formed with four lawyers and a secretary.

1955 - The firm opens its first international office, in Caracas.

1957 - Ramon Diaz of Venezuela becomes the firm's first non-American partner.

1959 - We begin expansion into Latin America, opening an office in São Paulo. Today, we operate 15 offices in the region.

1960s - Caracas office flourishes with roster of multinational clients.

1970s - Venezuelan oil sparks new rush of foreign investment. Firm gains Occidental Petroleum as major client.

1979-80 - Caracas office advises General Motors on Chrysler acquisition.

1981 - We open a second Venezuelan office, in Valencia, to better serve industrial clients. Worldwide, we are the first law firm with 1,000 lawyers.

1983-84 - Caracas office advises Citibank as it helps the Venezuelan government restructure its debt.

1988 - We open a satellite office in the city of Puerto Ordaz to serve mining and energy companies working in the country's southeast region.

1997 - Caracas office grows to 100 lawyers.

2005 - Caracas office celebrates 50th anniversary.

Baker & McKenzie International is a Swiss Verein with member law firms around the world. In accordance with the common terminology used in professional service organizations, reference to a "partner" means a person who is a partner, or equivalent, in such a law firm. Similarly, reference to an "office" means an office of any such law firm.

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