Dear Dannie:

I am sending you herewith a copy of a letter that I have written to Donald dated August 26. I got Donald’s memorandum covering the conversations he had with Lazard this last weekend and wanted to write him at once, but we have been terribly busy here. I was very happy to have your telegram of August 20 which reached me the same day that I got Donald’s memorandum. As a matter of fact, I got your telegram referring to the memorandum before I got Donald’s letter transmitting the memorandum.

It is very thoughtful of you to say the kind things in your telegram about what I am doing for Mexlight. You know what high regard and respect, as well as affection, I have for you, so that any words like this from you are very precious. All that I can say is that I have done my best and will do my best on this job. I frankly did not foresee all of the problems that have arisen, and none of us could have foreseen all of those problems. As a matter of fact, it seems almost incredible at times that so many different situations should have arisen in the last year to complicate the problems of the Company and their solution. In spite of the fact that we are working in a foreign country and one in which there is no love for foreign companies or utilities, I believe that there are controlling factors which will make an adequately favorable climate for our Company necessary, and that we will be able to make
of Mexlight a Company that we can all be proud of and that will bring
a fair return to its owners. I think none of us had any doubts but
that it would be a hard job, but none of us knew that there would be
so many difficulties as those that we have had to encounter and which
undoubtedly we will have to encounter for some time longer, for so
many of them grow out of the times in which we live.

I am not at all concerned about those difficulties because
I am used to struggling and to difficult problems. What I do not like
is that from within any unnecessary difficulties should be raised, and
this is what Lazard has been doing, and if they had any regard for the
interests of Sofina or Mexlight or any proper sentiments they would not
have raised this question, and not in the form in which they have.

In the first place, no one would have thought of Lazard in
this connection and our choosing the First Boston as injuring the pres­
tige of Lazard unless they themselves raised this question. It was
either sheer vanity or desire to make trouble or a desire to gain pres­
tige for their firm by being associated with this operation, that im­
pelled them to take this attitude.

I have given this matter very careful thought from the out­
set and I am sure that the course we have been following is the right
one, and the developments that have taken place only show that our
course has been right. I do not at all like the memorandum from Donald.
It is anything but convincing. There are some statements therein that
make me very unhappy because there is at least a possibility that Don­
ald himself has raised some of those questions with Lazard. I cannot
understand how Love and the First Boston were approached, unless it was
through Lazard or by Donald. You will see from my letter to Donald
that in my first conversation with the First Boston I had made it clear
that we had thought of other firms as well but that we had decided that,
considering everything, they were in the best position to do this particular job, and by the same token and as no placing of securities, etc. was involved, we thought we should not ask any other firm to be associated with them in the task. I know that this statement was pleasing to the First Boston and the fact that they were asked to do it alone was one of the reasons which impelled them to undertake the task. It is of course entirely natural that when Lazard raised those questions in his conversation with Mr. Love of the Chase and with the First Boston, that they would say that they had no objection be Lazard being associated in the matter. That is the only thing they could say but I know that it is not what they really feel.

Why Donald places such great importance on this matter I do not understand. I know that he has some other connections with Lazard and that is perfectly all right and proper, but if personal considerations were to be kept in mind then we should begin first of all with Drexel and Company of Philadelphia, Brown, Ripley and perhaps one or two others.

The Chase is far more important to us in New York than Lazard or any other firm and I am sure that Mr. Love, who is one of the finest men in the banking field in New York, must have been a good deal surprised at this matter being taken up with him by Lazard and by Donald. It placed Mr. Love in a very unusual position and it was quite natural that he should say the things that he did, but I know that the prestige of Lazard and of Duncan, whom Love hardly knows, did not go up because of the approaches made to him by Lazard and Donald.

So far as the World Bank is concerned, all this talk about Lazard being close to McCloy is sheer conversation. I know what the situation is and it is rather absurd for Lazard to raise this question.

I can quite appreciate why, from Donald's memorandum, you
should state in your telegram that the attitude of the First Boston seemed to leave the door open for future collaboration in London and in New York. It does leave the door open, but that does not by any means say that the First Boston wants Lazard in the picture in New York. There would be no advantage whatever in having Lazard in the picture in New York for there is nothing they can add or help there, and the First Boston wouldn't like it. What is more important even than that is that if we were to ask the First Boston to accept the collaboration of Lazard in New York we would be really making trouble for ourselves because then Drexel, Brown Ripley and others could really be upset and that would be real trouble for us. I do not think that you and I could agree to making such unnecessary trouble for Mexlight. Our financing operation is difficult enough without we ourselves complicating it, and certainly not because the personal prestige or feelings of some individual in Lazard have been injured. In his memorandum Donald himself raises the question that it would probably be better not to have a firm in any way connected, even indirectly, with Sofina to work on this job. The fact that Mayer is a Director of Sofina is one of the most important reasons why Lazard in New York should not have been invited to do this job. The reorganization we have to carry through is a very thorough-going one and I feel sure we can carry it through, but there is no use in creating any handicaps for ourselves, and someone might raise the question that Mayer of Lazard is on the Board of Sofina, if we had asked Lazard to do the
job. As Mayer is a member of the Board of Sofina he himself should have thought of all those things.

I was hoping before I wrote to Donald to have your letter which you say in your telegram of August 20 you are writing me, but I felt that I should not delay this letter to Donald any longer, although I would have been happy to have your views in writing before I wrote him. I dictated the long letter that is appended hereto late last night and it will go forward tonight at the same time that this letter goes forward.

I tried not to discuss the various points that Donald raises in his memorandum, because if I had discussed that memorandum itself in detail I would have had to say some things which, while entirely correct, and proper, might have created resentments. I have tried in this letter to Donald to make him see what the real situation is. I think, as a matter of fact, that he knows what the situation is but for some reason of interest to him he wanted Lazard in the picture. Perhaps I am wrong in this and it may only be a question of judgment, but if it is a question of judgment it is, I am sorry to say, another case in which I doubt very much the soundness of Donald's judgment in some of those matters.

I had a talk with Lorié over the telephone this morning and he tells me that you are planning to return by air on September 4, and will be home for several weeks. I do not know when I can get away from here but I certainly will be there while you are home, even if it is only to see you. I am dictating this letter hurriedly so that it will leave tonight with a copy of my letter to Donald, and I am sending a copy to London and one to Brussels in the hope that it will reach you before you leave.

I do not believe that we should be concerned about this mat-
D. N. Heineman, Esq.  

August 27, 1948.

Mr. Mayer will not resign, for while he may not need the money, I am sure he is not willing to give up the Director's fees and the tantieme of Sofina Board membership. I do not think we need give ourselves any concern about this matter even if Mr. Mayer should resign, because if that is the sort of way that he contributes to Sofina, then his resignation should be welcome. From the point of view of prestige, he certainly no longer adds anything to Sofina in the United States. If he has any proper feelings of friendship for you he would not even have thought of raising such silly questions.

We will have a chance to talk about this matter when I am in New York and personally I hope that if you see Mr. Mayer or Murmane in New York before I see you, that you will give them a piece of your mind; they have it coming to them.

I am sure that we will not get our credit before September 1 as the Bank had been planning, because really the situation, politically and economically, is so confused that if I were the Bank I would not think of making the credit just at this time, either to the Power Commission or to us or both, and until the peso is stabilized.

With all good wishes and looking forward to seeing you, believe me,

Cordially and faithfully yours,

[Signature]

George S. Messersmith.

Encl.

GSM:LS.