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Forma 291-S. M.L.F.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

(COMPAÑIA MEXICANA DE LUZ Y FUERZA MOTRIZ, S. A.)

DIRECCION TELEGRAFICA }
CABLE ADDRESS } "MELIPOCO"

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APARTADO POSTAL } 124 BIS
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MEXICO, D. F. August 8, 1948.

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See l. Aug. 10
Acknow. by cable Aug. 17
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Dear Dannie:

I am sending you underseparate cover an unfortunately very long letter on recent developments with regard to the credit and concerning which I need make no further comment at this time.

I am deeply distressed about this matter of Lazard. They have behaved about as badly as any firm could behave and what they said to Ehrlich was practically direct blackmail and what they said to Donald Duncan was said in a nicer way but was no less improper. I do not know Murmane but from what I know of him I have no reason to hold him in particularly high regard and this is the impression I have gathered from some responsible friends of mine at home in the last years. I know Mayer only slightly but I must confess that his behavior does not altogether surprise me although it shocks me beyond measure. I have felt that he is a vain, pretentious individual who is highly selfish and does not think of anyone except himself, and although he has lived in the United States for some years and may be an American citizen he is about as much American as I am a Japanese. If the behavior of Mayer and Murmane in this matter were known in the Street in New York it would be a severe blow to Lazard. I do not fear anything that they may do and I doubt whether Mayer would resign from Sofina under any circumstances. One thing is clear and that is that I am so deeply interested in the affairs of Mexlight and in what is right and decent that if Mayer or somebody connected with Lazard should do something or try to do something to injure Sofina or Barcelona or Mexlight I would know how to fight fire with fire and in the most discreet manner, and I know who would come out worse. I hope you will not let this matter preoccupy you for it is not worth it and they are not deserving of your consideration and they can do no real harm.

What concerns me much more about this matter is Donald Duncan and I feel that I must tell you that I am a good deal preoccupied. I have not been able to understand some of his attitudes in the Barcelona matter. I will not go further in this respect in this letter, but will take it up with you when I see you when you come back. In this particular matter of Lazard it was clear from Donald's conversations with me over the telephone last week that he thought we should bring Lazard into the picture with the First Boston, not only here but in what we may do in England. I am new in this sort of business but my judgment and instinct have not carried me far wrong in these many years and I simply cannot understand some of Donald's attitudes. He agreed at the Toronto meeting of the Board that we should use the First Boston and that we needed only one firm. He told me over the telephone the other day that if I

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had

had mentioned to Ed Love, of the Chase, that we would like to have Lazard come in that he was sure that Love would have agreed. I think I know Love, and in fact I think I know the Chase, as well if not better than Donald does although I don't live in New York. My contact with the highest officials of the Chase is really closer and of a more intimate character than that which Donald has, and I know that Aldrich and Love would have thought it strange and would not have understood our wanting more than one firm to do this job for which only one firm is indicated. Donald felt very strongly that I should suggest to the First Boston that they associate Lazard with them here, and particularly in London, but here again this is a matter which we must leave to the First Boston if we wish them to do the job with their whole heart and with complete confidence in us. The First Boston people at the top levels have been occupying themselves every day since last Monday with our matter including even last Saturday when they came to their offices to work on our matter knowing that time is of the essence. This is the sort of service which Mexlight needs and which we get if we know how to handle it, and what we need is someone who is really working in our interest and not people who simply want to work for us purely for their own benefit and prestige. Donald does not seem to see these things and his ways of approaching certain matters are so fundamentally different from mine that I sometimes am completely disoriented for I cannot see what the bases of his approaches to certain matters are. His thoughts that Lazard would or could do us harm I think are without much foundation because if they tried to do us harm they would be injured more than we. Lazard cannot take those risks and if Mayer resigns from the Board of Sofina I do not think the matter would have any importance for anyone except Mayer or be noticed by anyone in particular except by him.

Donald is in an unhappy state of mind. He has been using a high hand, I am told, in Amintas matters, and while what he may be doing may be right, he certainly is going at it in a roughshod way and I think without going into all the facts. So far as Mexlight is concerned, when we are together his attitudes are always constructive and his attitudes in the Board meetings have been constructive, but when it comes to a matter like this of Lazard it is beyond me. I know that Lazard is doing some business for Solvay and that Donald is interested in some matters connected with Lazard. It may be that he wants to maintain a certain position with Lazard, but if he does that is his concern but it cannot be done at the expense of Mexlight.

Since his return from Europe I have noticed a certain cynicism in some of his observations and I am more and more unable to understand him and some of his objectives. He is too critical and not sufficiently constructive. Whether he has some personal motivation in this and desires to strengthen his personal position in the Sofina organization I do not know, but there are a number of things I must talk over with you when I see you, as I should give you my impressions.

Jimmy really did very well in getting a Captaincy when he was six months under the age when they give that grade. I doubt whether a reserve commission has been issued in so short a time in many cases, and while I felt he should be made a Captain we felt quite sure it would be only First Lieutenant. While some of my friends were helpful in this matter they could not have done it unless Jimmy had the goods to deliver.

Hettie

Hettie says that you may be coming over soon for a month and I hope that you do and I look forward to seeing you. There are so many things that I would like to talk over with you, aside from the sheer pleasure of seeing you.

Just as a contrast to the behavior of Lazard, who if they are really friendly should have been understanding of what we have done, I wish to mention the attitude of Drexel & Company. I knew that Hickey is closely associated with Drexel and I knew that he had mentioned our matter to Hopkinson, the head of Drexel. Hopkinson and Love are two of the most highly regarded men in the investment public utility field in the United States. I had asked Hopkinson's daughter to dinner in Washington during my last stay there. She is married to a Frenchman who works in the World Bank and they are friends of Jimmy's. It so happened that during dinner she looked up and saw her father at another table. He had come to Washington to testify in a matter before the SEC. He came over and spoke to me and said that he had heard from Hickey that we were carrying through the reorganization of Mexlight and that he had told Hickey that Drexel would be glad to do the job. He had heard just that day that we had taken the First Boston to do the job and he was naturally sorry that Drexel was not going to do the business, but that he wanted me to know that we had chosen as good a firm as could be got to do such a job and that we had done well to take the First Boston. He said that while Drexel was not going to be associated with our reorganization, he wanted me to know that if he or his firm at any time, without having any connection with the reorganization, could be of help to Mexlight or to me I only had to say the word to him. That is the reaction and attitude of a gentleman and it is in such marked contrast to the attitude of Mayer and Murmane that I thought it would be interesting for you to have it. Donald seemed to think that Lazard could do us some harm with some other firms in the Street. I think there is no danger of that because they must know that if they would try to do us some harm it would be a bommerang for them. There may not be much principle on the part of some of the men on Wall Street but they are mostly pretty shrewd and they don't do anything to drive the knife into their own heart and they know where they can expect sympathy for themselves and where not.

Ehrlich tells me that Hettie is looking fine and is very busy around the farm, and Donald said the same when he came back from the farm last week. I am sure you are very happy to have seen May and Stephen and they to see you.

I really think we are on the way towards putting Mexlight definitely on its feet, and while we will have a real job to do in England in the way of individual approaches to security and equity holders, I think we have a good case to give them and I think we can do the job. It may be necessary for me to go over once the interim credit is made and spend some weeks in London, and I would go to Brussels, too, to see our friends in Sofina, etc., and Marion would not object too much to that trip as I am sure she would be glad to go with me. I feel that these individual approaches to our security and equity holders and the preparations for the meetings are so important that it may be desirable for me to go over, although frankly I would prefer not to make the trip. We can talk this over when I see you when you come over.

My thoughts are with you every day and I hope that the Barcelona and Cade situations are beginning to untangle and I wish I could be of help, but this Mexlight situation is taking everything I have.

Marion joins me in love and good wishes.

Cordially and faithfully yours,

rejection created by the revaluation of the peso in Mexico is bad and tremendously complicated the whole problem of the Company & the credit, I will write you about this in a few days.