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Personal and Confidential

IN REPLY PLEASE REFER TO

Thank you for your letter of the 18th inst. I am glad to hear that you obtained the approval of the World Bank to enter into the Loan agreement for 175 million pesos and that the formal contract has now been signed.

I think the opening of the succursales is a great step forward and I hope you are successful in finding the really competent controller you have in mind. I entirely share your views on the necessity for the most careful supervision of expenditure based upon complete and up to date information as to the Company's financial position and the granting of the loan makes this all the more imperative. I realize it is not easy to secure the right man but the efforts you are making in conjunction with Toronto Office and the Auditors should produce the answer before long.

I shall be very happy indeed to discuss my recent correspondence with you and as it seems now that I shall still be here when you arrive in New York between the 10th and 15th October, we should have an early opportunity of meeting. My cable and letter were sent to you both from a personal point of view and as a Director of Mexlight and were intended for you personally and as Chairman of the Board. There is no reason in the world why the friendship which has existed between us for so many years should be disturbed in any way. I think we are both old enough and experienced enough to express our points of view without interfering with that friendship and it is all to the good that we express ourselves frankly in explaining our respective attitudes.

As we shall be seeing each other very shortly I shall confine myself to two aspects of the situation which appear to require clarification. Firstly I suggested an early meeting of the Board because I think it essential that the Directors should have the earliest opportunity of considering the whole question of a preferred share issue so that they are not called upon to make a decision on such an important step without full consideration of the many problems which arise from such a proposal. As you say, the determination of the characteristics of a new series of preferred shares will have to be determined

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by the Board and the sooner it can start to consider them the better. I do not think we ought to wait until the Mexican Government has crystallized its views and passed enabling legislation before indicating the points which the Board may wish it to take into consideration and as there was talk of legislation during the current Session of Congress it seems to me that a Board meeting was a matter of real urgency. Even if legislation is to be postponed for the time being as you now indicate I still think it important that the Board should convene as soon as possible and I am glad to learn that you have in mind arranging a meeting about the 15th October.

The other point I want to explain is my personal attitude towards a new issue of preferred shares. The concern I expressed in my letter related to an issue of preferred shares carrying a dividend of 8% guaranteed by the Mexican Government which was the proposal I was being asked to approve at that time. I explained my objection to a guarantee of that kind and it seems to have been accepted as a good and valid one not only by you and Maryssael but by the Officials of the Mexican Government because the letter to the Nacional Financiera in its final form contained no reference to such a guarantee. I am not in any way opposed to the idea of a new issue of preference shares in principle and it may well be not only necessary but in the interests of the Company to undertake such an issue. All I want is the opportunity of sitting down with you and the other Directors of the Company to consider the terms of an issue which would both succeed in attracting the Mexican investor and at the same time be fair and equitable from the point of view of the existing shareholders of the Company, and this before any irrevocable step is taken which would make the task all the more difficult if not impossible. I am sure that between us all we shall be able to evolve a satisfactory formula which will be acceptable to the Mexican Government and which we can properly recommend to the different classes of shareholders for adoption by them.

I am sorry to hear that you have to face two if not three operations even though secondary in nature and I hope that with these out of the way you will be completely restored to health. The past few years have been trying ones indeed and I do not underestimate the tremendous difficulties with which you have been faced. Fortunately, as a result of the tremendous efforts which have been made the future looks very much brighter and having weathered the storm so successfully I am sure you must look forward to the benefits of smoother sailing.