

SUITE 1700  
50 BROADWAY  
NEW YORK 4, N. Y.

W. 310 Rm 18 SEP 1950

Mr. Wilmers on  
~~Director~~ M

H. 5547

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PERSONAL AND CONFIDENTIAL

Dannie N. Heineman, Esq.  
c/o SOFINA  
Brussels, Belgium

Dear Dannie:

REC'D:		18/9/50		September 15, 1950		
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Maryssael and I got back from Toronto this morning. Harry Hooker, Donald Duncan, Genachte and Lorie came back on the same train. Genachte leaves tonight for Mexico City. Maryssael and I go to Washington early Monday morning and are leaving for Mexico City early Wednesday morning by plane. I have to be in Mexico City by the 22nd as the Americans in Mexico are giving a big dinner for Thurston, the retiring Ambassador, and I have been asked to make a speech which as a matter of courtesy and duty I must do.

I called Hetty on arrival this morning and I am taking her and Edna out for dinner this evening. As I told you on the phone last Saturday, she is looking better than I have seen her look for years.

I saw Dr. Berberich this morning as my throat has been giving me some trouble again after not bothering me for almost a year, and he says that it is nothing. I went to see Dresel, whom I had seen a week before, and he tells me that the cardiogram he took last week is not too good and that it shows some strain over previous cardiograms, and that while it is nothing important he has advised me rather strongly to take a couple of weeks rest. I am feeling fine really, but I do get a bit tired and I am going to follow his advise and on returning to Mexico City will take it fairly easy for a couple of weeks. Fortunately I think I can let up a little.

Maryssael and I and Levitan and Lorie had lunch today with Herod and others of the General Electric at the Bankers Club. He has informed us by letter that the General Electric will advance the delivery date of the first unit for Lecheria to August and for the second unit to September. In other words, they moved the delivery date of each unit by one month, which is all to the good. Of course only the good Lord knows to what extent controls, priorities, etc. by government will throw a monkey wrench into the works, for this will be coming on fast. Harrison, the President of the IT&T, has been made by the government the head of the priorities and production controls and that is a good sign, for while I do not have too great confidence in his capacities I think he has full understanding of the production and business problems and of the importance of Latin America. Herod is going to play some part unofficially in this picture too and that is good. We talked over this question of priorities and controls in general at lunch today and he thought it would be a good thing if I saw a few people in Washington while I am there and plant a few ideas, and I am going to try to do so. For the moment I think I will only talk with Averill Harriman and Ed Miller.

I would like to write you about what I think of Marshall going into defense and Johnson leaving, but that would take too long today. I can only say that I am sorry the change has been made for I do not think it will be for the better and I am very fearful that Marshall may have the same experience in defense that he had in State. There is a good deal of talk that Lovitt is to come back with Marshall and if Marshall asks him to do it, in spite of his reluctances and reserves, he will do so I believe if Marshall asks him. That will be a good thing and that for me is the only encouraging part of the change.

I got your telegram about coal and a credit for Buenos Aires. I have been thinking it over and after I have finished dictating this letter Van de Maele, Levitan and Lorie are coming in to see me here and I will have all the background information I need about this fuel problem in Buenos Aires so that I can talk with some people in Washington about it. As I see it now, the only people I can talk with now are Ed Miller in State, Gaston in the Bank and the people in the River Plate Division. I am not going to try to write about this in detail, but I am not too optimistic for immediate results. I do not know whether the credit for 125 million for the Argentine has been fully worked out and if not what the delays are. A good deal depends on this and what the difficulties may be or were in working it out. You know the major part of this 125 million was to enable Argentina to liquidate sums owed to American firms and I am inclined to think that the Bank would not be prepared to do anything even for coal for CADE, which is so important, unless these past due amounts to American firms have been liquidated or arrangements therefor definitely made. This is just a thought I have knowing the general attitude towards such things and the considerations which the State Department and the Bank have to keep in mind. My stay in Washington is going to be short, but I think I will have time to see at least Gaston and Miller. Just how far I can get I will let you know either by cable or by letter as soon as I get to Mexico City. I appreciate the importance of the problem which you have in mind and need not tell you I will do what I can. If I find that I think Nat Samuels could continue the discussions when he returns from Venezuela, I will leave Nat full word about the matter and advise you and him. Whether it will be useful for him to talk about the matter in Washington, I can only determine after my conversations in Washington.

The principal purpose in Maryssael and I going to Washington is to talk with the Navy about the steam unit and the diesels. The word from Mexico City about the rains is not too encouraging and while our present storage in the three water sheds is better than it was, in fact much better than it was this time last year, it is still unsatisfactory and we have really only about a month left during which we can expect rains. Of course it is true that we sometimes have the heaviest rains, at least in the Necaxa water shed, during the last month of the rainy season.

I was sure from the outset that no matter how favorably the water situation developed we would need the steam unit and the diesels for another year and fortunately I started to lay the proper background in the Mexican Government, in the American Embassy and in the State Department, as well as in the Navy, beginning two months ago. While I think there is no doubt as to the attitude of the State Department and of the American Embassy and of the Mexican Government, they will fight to have us keep the units because they are thoroughly understanding of what it means to Mexico and the United States as well as to the Company. So far as the Navy is concerned, they have their immediate problems which for them are controlling

and it is difficult for them to see the broader and the longer range picture. I am rather afraid that the Navy may make it difficult for us to retain these units or even may try to take them away towards the end of the year and we could not do without them; so I am going to see the proper people including the Navy people Monday and Tuesday in Washington and we will know better what the position in the Navy is after those conversations. If the Navy is very difficult or negative in this matter, I will have to endeavor to move some people in high places to bring the proper information and prospective into the Navy.

Maryssael and I arrived in Toronto on Tuesday morning and Genachte went up with us as we felt he would be useful in discussing financial problems, etc. and particularly as he is to take the position of Assistant Treasurer in Mexico City. I think putting Genachte in that position will solve some of the difficult problems we have had in the Treasury Department there, especially in the way of slowness in getting out the quarterly earnings and other financial data on time, and this as you so well know is increasingly important to us for any number of reasons.

We spent all of Tuesday going into all sorts of matters with Allan and E. A. Graydon and with Guest and had to work until late in the evening of Tuesday, but it proved very useful as one of the things I had to talk over was the fee of the National Trust. Allan and E. A. Graydon and I went to see MacKelcan on Tuesday afternoon and Maryssael went with us. I told MacKelcan frankly that we had to know what their fees were going to be for past and new services and gave him the reasons for it and also the reasons why their fee had to be reasonable. He was full of fair words of course, but I could tell that he was getting ready to send in a far too big bill. I emphasized that we had to have an idea of his bill by the next day.

On Wednesday before the Board meeting, we got a letter from MacKelcan from which we gathered that the fee they were going to charge us for past services would run probably to something like \$150,000 and they were talking about an annual fee of \$12,000. This of course is outrageous and completely out of line. We discussed it briefly in the Board and we decided that, as we had information that the National Trust was also trying to stick the Brazilian Traction for a big bill, I should go to call on Borden. I left the Board meeting on Wednesday afternoon for an hour to talk with Borden and he told me that he had already let the National Trust know that they considered the bill sent them all out of reason and that Brazilian Traction was not going to pay it. Borden very frankly told me what the National Trust was trying to charge them so I told him what they were trying to charge us. We both agreed that we should not pay these bills and that neither one of us should pay the bill until the matter had been full thrashed out with the National Trust. I arranged it that E. A. Graydon can keep in touch with Borden's principal assistant on this matter.

On Thursday afternoon after the Board meeting, E. A. Graydon, Donald Duncan and Maryssael and I called on MacKelcan and I told him that we had received his proposed bill and that we find it at least twice as high as we thought it would be and as it should be. I told him that the annual fee of \$12,000 he was thinking of was much too high also. I made it clear that we would not pay such a fee. MacKelcan was much upset and began to argue and talk about all sorts of unrelated things and from his conversation one might have thought they were running Mexlight and had secured the loan for us and had the main burden of the reorganization. E. A. Graydon made some very pertinent remarks which were helpful. Donald Duncan then took up the conversation and it developed into an exchange of observations between MacKelcan and Donald and I never saw Donald put up a better argument.



Mackelcan felt himself so defeated and so thwarted that he lost his temper and began to say things which he should not say, which gave of course just the opening that we wanted and Donald carried the ball so that by the time we left Mackelcan he was pretty well down and out. When I left I told Mackelcan that we could not possibly consider paying the fee in the amount that he had suggested, which would run to about \$150,000 for past services, and that we could not consider \$12,000 a year as reasonable annual fee although we did think we should pay more in the future than the \$3,000 which we have been paying. Mackelcan said that he would prepare a memorandum setting forth the time they had spent, etc. for Donald. He will be hard put to justify a fee such as the one they are asking and of course he cannot do it.

At one point when Mackelcan had lost his temper, he said that the matter could be taken into court. Of course he did not mean that because the National Trust could not afford to have such a matter get into court because they could not possibly justify such a fee as he suggested and it would be very bad for the prestige of the National Trust, especially as they have been getting the reputation in Canada in recent years of charging too much.

I am not concerned about this matter of the National Trust fee for I think we will be able to settle it for a maximum of \$75,000 and a minimum of \$50,000 in due course. There is nothing pressing about settling this particular matter.

Before going to Toronto I saw Ford of the First Boston. We still owe them \$110,000 as of September 1st on the fixed fee of \$350,000, and Ford expressed himself as entirely willing that we should continue to pay at the rate of \$10,000 a month until the fee is liquidated. Of course their services in connection with the reorganization have ceased and we are not incurring any further expenditure with them. This settlement is very satisfactory as it suits us better to liquidate at the rate of \$10,000 a month than to pay the \$110,000 now.

Dean was not in New York before I went to Toronto, but I spoke with Allan Dulles and Merrill about the matter and asked them to discuss it with Dean over the last weekend, so that we would have an idea when I got to Toronto what their fee would be. Dean called me on the telephone last Saturday before I went to Toronto and said that Merrill and Dulles had talked with him. He said that when they started our work he had the idea that their fee would run to a minimum of \$200,000 judging from past experience in connection with matters of this kind. He said that the work involved in the reorganization, etc. had been really considerably greater than he had anticipated and in this I may say he was undoubtedly correct because you will recall that we had all sorts of unforeseen complications. He said however that in spite of the fact that the work had run so much more than he had thought, he was ready to fix their fee at the outside figure of \$200,000. He said that if the Company considered a fee of \$175,000 more proper he was entirely prepared for them to take that sum. I had a pretty good idea that when they came to fix their fee they would take into account the fact that I have been very helpful to their firm in connection with several matters in which they are much interested for other clients and for which help they knew I would not take a penny either from them or from their clients. I felt that when Arthur Dean was telling me that they were ready to accept \$175,000 he had already taken into account certain things and that it would be difficult to get them to agree to a lower fee. Besides that, I had always felt that on the basis of the work done and their usual charges we could expect to have to pay them around \$250,000. When Dean therefore told me over the telephone that they were prepared to accept \$175,000, I felt sure that that was



the figure to accept and that it would not be proper nor wise to endeavor to bargain. So I told him that I felt sure that this figure would be acceptable. He said that it would be quite agreeable to them for us to liquidate the balance due them at the rate of \$7,000 a month, which is what we have been paying. I brought this to the attention of the Board in Toronto and they were all of the opinion that the fee of \$175,000 was a reasonable and proper one for the work they had done and this is therefore settled. We have already paid them about \$152,000 to September 1st, so that we really owe them only a relatively small balance which we will liquidate at the rate of \$7,000 a month. The services of Sullivan & Cromwell have been terminated, but we were all in agreement that when we needed certain services in the future we might wish to consult them, but this of course would be on an individual and separate basis for any particular matter that we might wish to take up with them.

While in Toronto, I discussed with Allan Graydon the fee of Blakes and it was agreed that we would pay them a fee of \$125,000 to cover all the services which they rendered up to September 30th of this year. In view of the work which Blakes did this is a very reasonable fee and as you know Blakes performed a very useful service. We have been paying them a certain amount on account every month, so that the balance which we owe them to liquidate their fees to September 30th of this year is not large and we will do this on the basis of quarterly payments.

The fee of Archibald in London was quite small but ample for what he did.

You will see from the foregoing that we have determined all of these outstanding commitments and made arrangements for their being taken care of so far as the First Boston and the lawyers are concerned, as well as for Binders and Collis in London. There remains only the fee of the National Trust and as indicated above I consider that our outside payment to them in the end will have to be around \$75,000 and there is no need for immediate final determination for settlement. I may add that in some ways I welcome MacKelcan having taken this attitude in asking us so large a fee from Mexlight because it has enabled us to bring to a head in very plain conversations with MacKelcan what we consider are some of the arbitrary attitudes of the National Trust. It will I think be helpful in the future.

I will We took up the question of the SOFINA fee and it was definitely decided that we will pay the 1949 fees with accumulated interest by the end of 1950. We will begin to make remittances in liquidation of the 1949 fee with interest which runs to around \$430,000 altogether as soon as Maryssael and I get back to Mexico City.

It was decided that on or before June 30, 1951 we will settle the entire amount owing for the year 1950 with interest. It was also agreed that on or before December 31, 1951 to pay the remainder of arrears and bring the settlement of fees to a current basis.

We will certainly pay the \$430,000 for 1949 by the end of this year. Whether we will be able to settle by June 30, 1951 the entire amount for 1950, I am not able to say, but we will make every effort to do so and we will certainly have to settle all of the 1950 fees by the end of 1951. We want to bring the payment of the SOFINA fees to a current basis because we all consider that they are just as much a fixed charge that must be kept current as any operational expense.

We discussed fully the financial situation of the Company during Board meetings. I cannot go into this in detail in this letter as the others are coming in to talk coal in a short time and I want to get this letter off.

We had a Board meeting on Wednesday which lasted all day and until late in the evening and we really were able to cover a tremendous lot of ground. As you will be getting the minutes of this meeting very soon, I do not need to go into too much detail in this letter.

The Annual Meeting turned out very well. We had about 56% of the outstanding shares represented so that about 20% above SOFINA's shares were there. This is the largest representation we have had in many years at a General Meeting. I thought it very probable that we would be asked some questions at the meeting, but although there were some important holdings represented in person there were no questions. I think that some of the questions which might have been put were forestalled by the rather full statement which I made and I know that Graydon has already sent you a copy so do not go into this. We worked together on this statement in the Board and I think it is a pretty good statement.

There was not a hitch of any kind in the General Meeting.

As you know and as agreed upon, we elected Binder, Leeper and Martinez and did not re-elect Richard, Holmsted and Findley. Graydon tells me today by phone that he has sent you copies of the letters which he has written to Binder, Leeper and Martinez and that he included in these letters some remarks which I made after the nominations about them and after their election at the General Meeting. I will of course be writing Binder and Leeper after I get to Mexico City a personal note of which I will send you copies. I think we have greatly strengthened the Board by what we have done.

We fully discussed the idea of an advisory committee in Mexico City along the lines of the observations made in several letters to you and all the members of the Board thought the idea a good one. We went into it very fully from every point of view. We decided that it was better not to take any definitive action now but it was left with Maryssael and me to give the matter further thought and make some concrete suggestions to the Board at a later meeting. It was definitely the opinion however of all the Board present that we should have such an advisory committee and of course that its functions must be entirely advisory. I will write you further about this and we can talk it over when I see you.

The bonuses for the members of the staff in Toronto, New York and Mexico City that are covered in the letter which I wrote you under date of June 13th were approved by the Board in the figures and terms set forth in the letter of June 13th to you. This will be paid immediately. We could not increase the amount for Lorie as it would have meant in all justice and proportion considerably increasing the amounts paid to several other people and it was the opinion of the Board that the prospective of the figures set forth in my letter of June 13th should be maintained. I think they will all be very happy and certainly this action was justified.

I am sending you a further note which I hope to include in this letter to tell you what was done in the case of Maryssael, E. A. Graydon and myself. All I can say is that I think you all treated us wonderfully and Maryssael and Graydon are very pleased and I need not tell you how I feel about it. I know that you are



responsible for all this and I am grateful beyond measure. The resolution which you had drafted was adopted so far as my services are concerned and it is really too fine a tribute and the wording of it is something which I prize very much. I cannot begin to express my thoughts about this so will not try to go into it in this letter. All I can say here is that the matter was arranged substantially along the lines that you had suggested.

I will have to bring this letter to a close. I particularly appreciated Donald, Harry Hooker going up and they were both very helpful during the discussions and meetings which lasted all day Wednesday and Thursday. Donald was particularly helpful. Allan Graydon as always was very helpful. I must say that <sup>W. A.</sup>David Guest is proving a most helpful member of the Board. I am glad to say that <sup>W. A.</sup>Graydon is doing a really excellent job.

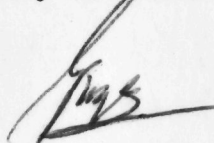
The boys are coming in a minute but I do want to add that I bought a house in Curnavaca for Marion for a birthday present, or rather I had her buy it. We have long been thinking of doing this. We will have to do a little fixing up but it is really awfully nice and I want to show it to you just as soon as you come back over here. What I am hoping is that you all can come down and make us a visit almost as soon as you get back to New York.

I cannot tell you how much preoccupied we have all been over Mrs. Jensen's illness. I do not know just what the situation is but it sounds rather serious. I am terribly sorry for Yvonne and please give her my love and tell her that I hope everything turns out all right. I can appreciate what she is passing through and I have an idea what it means to her and the family to have you with them in so trying a time.

This is rather a disjointed letter, but I wanted to get off some details at least today as I will not have another chance to write until I get to Mexico City and may not be able to write for the first few days after my return there. Marion seems to be getting on very well and she is really a great deal better. I am looking forward to seeing you for there are so many things to talk about and I do want to see you soon.

With all good wishes to you all,

Cordially and faithfully yours,



George S. Messersmith

*Wednesday evening - Sept. 16. Just got this letter from the stenographer & if there are any typing errors, I did not take time to correct them. Charlie, Edna & I had a nice dinner at Voss's last evening and missed you very much. I will have dinner with them Sunday evening before leaving for Washington. All the best -*

GSM:cb

*Yours faithfully*

