

1064

April 16, 1952

Purely Personal

Dear Dannie:

I was glad to hear your voice over the telephone yesterday noon, but I gather from what you said you will not be here before the first of May. I really wish you had not put me in the position of making some recommendation for yourself and Rongé with regard to the compensation given by Mextrams to Maryssael, Bernier and myself. You do not mean to be unfair or to put me in an embarrassing position, but it is embarrassing, as I could see you appreciated from what could be said over the telephone.

Rongé had written me that this matter would be discussed by you with me orally, as it is difficult to discuss by letter and I do not think we should discuss it over the telephone. I am therefore dictating this letter to one of my secretaries in whom I have the most complete confidence and I am sending an extra copy if you wish to send it to Rongé. It will of course be necessary to have some idea on this subject as the Board of Mextrams will have to present at the meeting of the shareholders at the end of this month a statement of the known and estimated expenses in connection with the liquidation of Mextrams and the two associated or subsidiary companies.

I am enclosing herewith a copy of a letter which I have written to Stewart in Toronto which covers all the aspects of this matter of costs from here except this question of what the Board may wish to do in the matter of Maryssael, Bernier and myself.

When Rongé asked me to occupy myself with this matter shortly after I joined Mexlight, I made it clear, and he thoroughly understood, that whatever I did would have to be in a purely personal capacity and not as an officer of Mexlight. Shortly after I initiated this matter here almost immediately after my coming here, I found it indispensable to bring in Maryssael and Bernier

D. N. Heineman, Esq.,  
Hotel Carlyle,  
35 East 76th Street,  
New York 21, N. Y.

-- Bernier because he is a Director of Mextrams and had intimate knowledge of the affairs of the company until it was taken over by the government and so far as circumstances permitted had followed it closely until now; and Maryssael because he had in a measure done the same and his association in the conversations with the authorities of the Federal District was desirable. I told them at the time that all three of us were acting in a personal capacity and not as officers of Mexlight and that in all the conversations we had with anyone on this subject we would have to make that clear. I do not go into the reasons for this as they are so obvious. This is the procedure we have followed and I think the Mexican authorities have understood. Any compensation, therefore, which comes to any of the three of us it must be understood is given by Mextrams to us not as officers of Mexlight but as individuals who were asked to, and who were in a position to occupy themselves with this matter for Mextrams. I do not know how the Board of Mextrams will handle this, but I would prefer, and I think it can and should be done, in such a way that the names of Maryssael, Bernier and myself are not mentioned in any statement made to the shareholders, so far as compensation is concerned, but that reference should be made to us before the shareholders only that in a personal and friendly way we have carried through this negotiation. Whatever amounts the Board may allocate to the three of us can be put under a heading in the statement of expenditures to the shareholders, of a general character. It may be under legal expenditures or sundry expenditures or expenditures in connection with the carrying through of the negotiation, or something of that kind.

The work involved in carrying through this matter has been really very considerable because the matter was so complicated, not only from the point of view of the political and local end, and the labor end, but when the decision had actually been reached by the Federal District to buy or take over the concessions and properties, the details involved were really extraordinarily time consuming and complex. As I have told you, and I believe Rongé, in the early part of this matter, I carried the principal burden and gave it the most thought, but once a certain stage had been reached, and particularly when we had reached the stage of negotiating with the tramways administration of the Federal District, rather than with the President of the Federal District, the burden fell on Maryssael and Bernier principally and it was necessary for us to bring in Lopez de Llergo, the principal Mexican lawyer of Mexlight. While Bernier was able to contribute in these detailed discussions so much background, as well as legal know-

ledge and judgment which were so important, we had to have a lawyer with a specialized knowledge of these matters involved in the liquidation of the companies. If we had hired an outside lawyer we could not have talked the problem over as well as we did with Lopez de Llergo and it would have cost Mextrams a great deal of money to hire such an outside lawyer. The amount, therefore, which we recommend in the appended letter for Lopez de Llergo is a most reasonable one and the compensation which he receives from Mextrams should not be less.

The liquidation of the three Mextrams employees, Easton, Duclaud and Landa, I think reasonable as suggested in the appended letter. We gave a great deal of thought to this and our recommendation is a well considered one. When Spiers died Mextrams gave his widow a lump sum payment of \$10,000 dollars, which I think was right. In view of all the circumstances the payment recommended in the appended letter to Easton is, I think, in proportion and correct, although it may seem high to some of you.

We have been able by the way this thing has been handled here to bring, I believe, the costs in Mexico down to an absolute minimum, as shown by the appended letter. For a time we were appalled by the complexity of the problems involved in the liquidation of the companies here and all the details, for the tax and transfer laws here and the company laws are very complicated. I think a good job has been done, but it took a tremendous amount of time to work these things out. I would like to say at this point that the officials of the tramways administration of the Federal District were really very cooperative once the major decision had been made by the government, and had it not been for their collaboration in many details, the cost would have been higher, and now I must come to this really embarrassing question which you have put up to me. Maryssael and I have not discussed this question of compensation with Bernier, but of course Bernier naturally expects compensation. He has been with the trams for years and although he has received I suppose some modest fee as a Director, even since the taking over by the government (although I have not discussed this point with him), he has done a lot of work. We could not have done without him in the settlement of the complications of the actual transfer of the properties. Maryssael and I consider that he should be given by the Board \$10,000 dollars as a lump sum payment for the work he has done. We had first considered \$8,000 dollars, but in view of the sum which we have agreed it is necessary to give to Easton, I consider that \$10,000

dollars is the proper amount to give to him. I think he will be pleased with this. I wish to repeat that Maryssael and I have not discussed this matter of amount with him in any way.

Maryssael and I had never discussed in any concrete form the question of compensation for himself, Bernier and me. After your telephone call yesterday I felt obliged to discuss it. I told Maryssael that I thought in the last 6 months or more he had carried the greater burden by far in this matter and that taking all things into account, whatever he may be given should be more than is given me. I must say that in all fairness it must be that way. He showed great skill and understanding, as well as firmness, etc., in carrying through the conversations with the tramways officials of the Federal District. I consider that it is due to him that we received a larger amount than I had anticipated, and I think that we all had anticipated we could expect to get out of this matter for Mextrams. I do not want to labor this point, but the fact is that taking all the factors into account we must remember that if it had not been possible to bring this matter to a conclusion now and before the end of the present administration, it might not have been possible to bring it to a conclusion for years and perhaps never, except simply through the affirmation of the seizure of the properties with no compensation and we might have been left with a lot of pending obligations to workers and others. In considering the amount which Mextrams gets, we have to bear in mind that this, under all the circumstances, must be considered a reasonable compensation, but that Mextrams gets it practically clear -- and that the agreement absolves Mextrams and subsidiaries from any claims whatever and whatever claims may exist will be against the new government administration and not against Mextrams and subsidiaries. This is a tremendous thing, because these claims could have amounted to a very large sum and even if Mextrams had received a larger sum than what it has received, it could have been eaten up by the claims, and the court procedures in connection with the claims might have held up the liquidation of the companies and the whole matter, for who knows how many years, but certainly many years, with all the attendant disadvantages.

Rongé saw from the beginning the necessity of a deal involving the absolution of Mextrams from any claims, etc. We here kept this in mind from the beginning and in this respect the agreement is absolutely firm and clear. I think a great deal of the credit for

the way in which this important point was accomplished is due to Maryssael and the manner in which he handled the matter with the tramways officials of the Federal District.

There is a great deal more that I could say, but the substance of my conclusion is that Maryssael should receive a minimum of \$14,000 dollars as a lump sum payment for the services he rendered in this matter. I do not think the payment to Bernier can be less than \$10,000 dollars and it is obvious from what I have said that in view of this, the payment to Maryssael could not be less than \$14,000.

I feel sure that this will be satisfactory to Maryssael and I told him this morning that I would make this suggestion on my own account to you, as you had requested my views. Maryssael is as embarrassed about this as I am, as we would have liked to leave it to Mextrams and of course it is up to the Board of Mextrams still to reach any decisions.

The substance of this letter, therefore, is that I think Bernier should have a lump sum payment of \$10,000 and Maryssael of \$14,000. Mine should be in excess of the payment to Bernier but less than that to Maryssael. It is true that Rongé for Mextrams charged me with this matter of reaching a settlement, but in the actual working out of the matter I consider that Maryssael rendered greater service than I did and the collaboration of the three of us was essential.

As I indicated at the outset of this letter, I am sending you herewith a copy which you may wish to send to Rongé, or you may wish to communicate with him by telephone as they will have in Toronto to begin to prepare the financial statements to be placed before the shareholders at the meeting.

I have informed Toronto and Mr. Rongé that the Nacional Financiera cannot discount the bonds and I can see why they cannot do it with the demands on them. Whether we can get the insurance companies here to discount the bonds at a reasonable figure I do not know, and we will try to explore this adequately before the shareholders meeting, but I am not at all sure that we can do it. I think that we have to envisage the possibility that Mextrams may have to be kept alive for several years at least, and perhaps for the full 6 years until the last of the bonds received from the Federal District

matures. We can liquidate the two subsidiaries and we can get Mextrams completely out of the picture in Mexico, which I think is very desirable, but it may be necessary to maintain Mextrams in Toronto for some years. I am not sure that any adequate decisions with regard to the life of Mextrams can be reached before the shareholders meeting at the end of this month, but that is really a secondary matter. If it is necessary to maintain Mextrams, because we cannot discount or sell the bonds before maturities, I think the costs in Toronto of maintaining Mextrams should be kept to a minimum, as there will be really nothing to be done once the shareholders approve these arrangements. There will be no operation in Mexico, there will be practically nothing if anything in Brussels, and all that there remains is for Mextrams to get a little attention in the way of taking care of the money received from the bonds as they mature and distributing proceeds to the shareholders on the basis of the liquidation.

With all good wishes,

Cordially and faithfully yours,

GSM/cbc

Enclosure