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Personal

Mr. D.N. Heineman,  
c/o Sofina,  
Brussels, Belgium.

Dear Dannie:

Mr. Graydon was in New York yesterday on business of some company in which he is interested and he came in to see me. We went over a number of matters which I will not cover in this letter, but there is one question which I would like to raise with you so that you may give it some thought before your return to New York as I hope some action may be taken in the near future.

The composition of the Board of the Mexlight, I believe, should be given some attention and I will give you my thoughts:

Mr. Spéciael, I believe, should continue to be on the Board and this independently of whether he may occupy a special position in the Company.

Mr. Conway will undoubtedly reside in Mexico after his retirement on December 31st and I think it would be very desirable for him to remain a Director.

Mr. H. Malcolm Hubbard has died and his place has, I believe, not been filled. It should be filled either by the election of an American or a Canadian.

Mr. Paul Van Zeeland should, of course, remain on the Board. Mr. Gustave Maryssael should also remain on the Board.

Mr. Francisco Cambo has unfortunately passed away and his place, I believe, should be filled by an American or a Canadian.

Mr. S.G. Crowell is now, I understand, about 86 years of age and is not able to perform any duties as a member of the Board. Mr. Graydon is very much of the opinion, and I concur with him, that unless there is some controlling reason why Mr. Crowell should remain on the Board he should be replaced by an American or a Canadian.

Mr. W.D. Dawes of London is, I understand, well on in years and has not been able to perform any duties as a Director

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FILE: Messersmith

for some time but, in view of his long association with the companies, it may be considered desirable to have him continue. This is a matter in which your counsel will be of particular value.

Mr. J. Donald Duncan, Mr. E.A. Graydon and Mr. Hooker should, of course, remain members of the Board.

Whether Mr. A.P. Holt in London should continue a member of the Board, I am not able to say as I do not have sufficient background, but I would appreciate your comments with regard to Mr. Holt.

Mr. Graydon informs me that Mr. C.D. McGee of Toronto has been long on the Board and that there does not seem to be any reason why he should remain. I will not go into detail except to state that Mr. Graydon is of the opinion that Mr. McGee is not making much contributions to the Board and that his replacement should be considered.

Whether Mr. Menschaert of the Barcelona Traction should remain on the Board is a matter of policy.

You will note from the above that there is possibility for quite a number of changes and it is my considered opinion that we should do something in the near future to strengthen the Board.

We are seeking this loan for the Mexlight in the amount of \$23,500,000 from the Export Import Bank. We are going to need the assistance of Nacional Financiera and of the private banks in Mexico so far as the local financing in Mexico is concerned. There is no doubt that in the future whatever capital we need in Mexico for Mexlight, which we cannot furnish ourselves, will have to come from the U.S. Government or from private banks and investors in Mexico and in the United States; even though the new program on which we are engaged will succeed so well that we can, when we need further capital after the present program has been put into effect, approach private banks, insurance companies, investment houses and the investing public in the U.S., we cannot hope, in my opinion, for any capital from Europe because whatever is there will be needed in those countries; nor can we hope for any capital from Canada, either from the government or private houses. Canada is going to absorb her available capital for her own development needs for years to come.

There is no doubt that after the present program is completed in Mexico, further expansion of the facilities of the company will be needed and, after giving this really very careful thought, I can see no market in which we can get capital other than the United States and Mexico.

The company has not had to think about this before, but there are a lot of things which it has not been necessary to take into account which have to be considered now. We are seeking and I believe we will get the collaboration of the Export Import Bank in carrying through the present program. We are going to have to seek the aid of the Mexican government and of private banks for part of the local financing and we should, and I think we will, have in the future to seek more capital in Mexico.

In the times in which we are living it is important, not only for public utilities, but for foreign industrial enterprises working in another country to associate private capital and native capital with them. This is fundamental and anyone who knows the American republics knows that it is not wise in any new industry to establish itself in any one of these American republics unless it has associated with itself a certain amount of local capital and in many cases as much local capital as can be secured. It is the only way in which such industries can work in the future on a sound basis. This is recognized by some of the leading companies in the United States which, for their new plants in the other American republics are getting as much local capital as can be found. If this is true of private companies, then it is particularly for public utilities. We have increasingly to build up public support.

<sup>not</sup> While the Export Import Bank and the Mexican Government can interfere in the operation of our company just because the Mexican Government has guaranteed our loan with the Export Import Bank, I think that it is only reasonable to assume that the Bank and the Mexican Government have the same interest in going into certain phases of our operations that a private banker has when he lends money to a client..

It is for these reasons, I think, if for no other, that we have to get a very strong Board for the Mexlight and I believe that we should do so as soon as possible. As a matter of fact, if the Export Import Bank and the Mexican govt. should go into the present composition of the Board of the company, it would not look very good when we have so few people on it who are really active in participating in the meetings of the Board. It is for this reason that I have permitted myself to raise this question with you at this time when you have other things to occupy you.

I am inclined to think that you will agree that in view of the fact that the company will have to seek its capital to such a large extent, as well as equipment, in the United States, that we should get some good active American representation on the Board in addition to the other Americans who are now on it. With the Board composed of the present number of Directors, it would be advisable, I think, to consider which of the inactive or deceased directors can be replaced by Canadians and Americans. I think that we could get some very outstanding Canadians and Americans to join the Board.

I am making no specific suggestions as to names as I wish to explore first with you ~~my~~ your thoughts on the matter. Mr. E.A. Graydon stated yesterday that he thought that it would be helpful to have his brother, Allan Graydon, on the Board and I, myself, can see no reason why he should not be although there is, of course, the question that this involves two members of the same family being on the Board and all these things have to be considered. So far as I am personally concerned I think Mr. Allan Graydon has been making a real contribution to the interest of the company without being on the Board.

I understand that you are returning on December 2nd. I had hoped that we could get the matter of the Export Import Bank credit cleared before I go to Mexico City, but I doubt now whether this can be done as it may take the Bank until the end of November to make its final decision. There are a number of reasons why it is important that I be in Mexico not later than the middle of December and our present plans are for Marion and myself to leave on December 10th by rail for Mexico and that Jimmy and June go at the same time. As you are arriving on December 2nd this will give us some days to go over some important matters that I very much wish to discuss with you before going to Mexico.

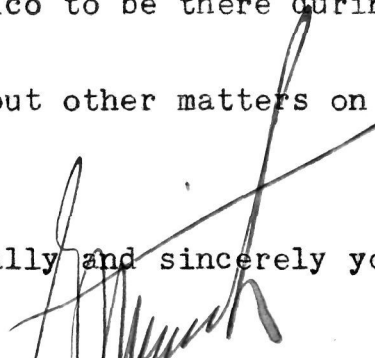
I think too that we should have a meeting of the Board in Toronto before I go to Mexico and I am hoping we can do this early in December after your return. I think that in any event Mr. Duncan and I should go up for this meeting and I think it would be a very fine thing if you could make the trip also as it is not an unpleasant one, but this is not so necessary and will depend on your desires and convenience.

It looks as though I shall have to make several trips by air from Mexico to New York and Washington in the second part of December and January until we get this matter of the Export Import Bank credit settled. I do not like to fly in Winter but it is necessary for me to go to Mexico to be there during the middle of December.

I shall be writing to you about other matters on which I need your counsel.

With all good wishes,

Cordially and sincerely yours,



George S. Messersmith

GSM:ks