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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 } "MELIPOCO"
CABLE ADDRESS }

2A. CALLE DE GANTE No. 20.

APARTADO POSTAL } 124 BIS.
P. O. BOX }

MEXICO 1, D. F.

August 1, 1950.

AIR MAIL

Dannie Heineman, Esq.
SOFINA
38 Rue de Naples
Ixelles - Bruxelles,

H. 5459

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FILE: <i>Hessersmith</i>						

Dear Dannie:

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With reference to the correspondence we have had concerning plan changes in the Board of Mexlight, and with particular reference to what I said concerning Dawes, I would like to tell you that during a telephone call, a few days ago, E. A. Graydon informed me, with reference to this matter of the Board, that under the Canadian Companies Act, we cannot increase the number of members of the Board without action at a general meeting of the share-holders. He called my attention to the fact that if we wish to make certain changes on the Board we would not be able to make all of the changes we have in mind without increasing the number of members of the Board.

In connection with this general question, he raised the question of Mr. Dawes. He took it for granted that the place on the Board occupied by Baron Richard would be available and I told him that that was my understanding. With regard to the place occupied by Mr. Dawes he said that if Mr. Dawes was reelected, it would make it more difficult for us, if not impossible to carry through the other changes which we have in mind. I told him that so far as Mr. Dawes was concerned, I had felt that his name should not be presented for reelection; but that keeping in mind a number of considerations which we respect and which you had raised, it seemed desirable to retain Mr. Dawes because of his advanced age and long service on the Board. I told Mr. Graydon that so far as I was concerned, I was removing my reserves with the regard to the reelection of Mr. Dawes; but that perhaps we could find some alternative procedure through which the place Mr. Dawes now holds on the Board would be available.

yes

I think that aside from very natural sentimental reasons the principal interest of Mr. Dawes in remaining on the Board is that the Director's fee which he gets is a matter of very real importance and help to him. During the conversation with Mr. Graydon a possibility was raised of Mr. Dawes not being reelected a member of the Board, but because of his long service he is being given a sort of pension or allowance in lieu of his Director's fees, during the years which are remaining to him. Mr. Graydon was of the opinion that this would

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be feasible and he has undoubtedly discussed it with his brother Allan.

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I have been giving this possibility some thought and the principal thing I do not like about it is that it involves the creation of a precedent which I think would in the future be undesirable and might cause us unnecessary complications. It is a very unusual thing, in American and so far as I know in Canadian practice also, to grant such a retirement allowance to a Director, who has not been also an active officer of the Company. In Mexico, such a practice does not exist to my knowledge and I think we have to keep that in mind also. While this alternative of a temporary pension or allowance would solve an immediate problem for us, it would create a precedent, which in spite of the exceptional circumstances I do not believe we would wish to establish.

I am not at all certain whether we are in a position to increase the number of members of the Board this year through appropriate action at the general meeting on September 14th. In our notices we have given no indication of the presentation of such a matter on the agenda of the meeting. I do not know whether such notice is necessary. In view, however, of the fact that we know that at least one person who is interested in being elected to the Board, and who has made this interest very clearly known (Mr. Arthur Ross of New York) we are in much more difficult position to deal with his pretensions, which I believe are unjustified if we increase the number of members of the Board now. My own opinion is that the pretensions of Mr. Ross are personal and unjustified; but on the other hand, if we increase the number of members of the Board we are in a very much more difficult position in handling his pretensions and possibly those of others.

*Will
not
help*
I have pretty well come to the conclusion that we can add only one member from Mexico and we have already agreed and properly so that this should be Martínez. I would like very much, and I think we should have, another member from Mexico now; but when I weigh all the factors I come regretfully to the conclusion that we should confine ourselves to one at this time. I think we must seriously consider at Board Meetings in Toronto this idea of a committee concerning which I recently wrote to Graydon, and have sent you a copy of my letter. We have to put on these two Directors from England as we really have a commitment in this respect and I hope that Binder and Leeper will agree to serve. We should know how they feel about it as soon as possible now as we would have to carry through certain qualifying acts in Canada before the General Meeting. If we do not increase the number of members of the Board now, which does not seem feasible, we can make certain changes we wish to make, limited as they are, but we will be in a very good position to deal with the pretensions of Ross or any one else who may seek representation.

I hope you can write me as to your plans for returning home.

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I am still hoping that you will be back in the early days of September so that we shall have an opportunity of seeing each other before the Annual Meeting. If you are not planning to be back in the first days of September, or have any doubt as to whether you will be back before the Annual Meeting, there are a number of things I would wish to write you about fully. I am so pressed at this writing that I cannot go into further detail now; but aside from the entirely personal pleasure of seeing you soon, it will be helpful to me to have any information concerning your plans.

Things are going normally here.

With very good wishes to you all, cordially and faithfully
yours,

George S. Messersmith.



GSM/cvs.