124

Personal and Confidential

Sierra Paracaima 1285
México, D. F.
February 9, 1955

Dear Jimmy:

Yesterday Draper told me that he would like to see me today to talk about the letter which I wrote him in reply to his letter to me of January 17, of which an identic copy was sent to all of the Directors with regard to dividend policy, etc., of the company.

I went to see him this morning and he told me that he had had a long talk with Maryssael and with Martinez yesterday afternoon in which he discussed with them fully the letter which he had written to the directors. He said that as a result of that conversation he had arrived at the conclusion, as well as on the basis of my letter to him in reply to his of January 17, that it would be inadvisable to make a declaration of dividend policy. He was, however, very insistent on the matter of a common stock dividend as proposed in his letter. He also was insistent on the point that the dividend should be at least 87 1/2 cents for this current year. I told him that my views were very fully set forth in the letter and that there was one point on which I did not think that I could change my opinion in any respect, because it was not really an opinion but it was a conviction based on long experience in Mexico and my knowledge of the fact that there were these imponderables in the situation which none of us were in a position to foresee the resolution thereof in an adequate way. I thought therefore we had to proceed with all due caution and precaution. He said that he had had this very thoroughly in mind and that Maryssael and Martinez in the conversation yesterday were in agreement with the views which I had expressed in my letter. I may say that I had given a copy of my letter to Maryssael so that he should be aware of what I had said, but I do not think that any reference to the actual substance of my letter or that Maryssael had knowledge of it was made during the conversation which Draper had with Maryssael and Martinez yesterday. Draper told Maryssael and Martinez during the course of the conversation yesterday that he was talking the matter over with them and that he would talk it over with me the following day.

On the principal point, therefore, the question of making any statement with regard to dividend policy, I think that Draper is fully convinced now that he should not do anything of this kind and that the company should not do anything of this kind in the course of this year. On the question, however, of the stock dividend, he is so thoroughly convinced that it should be done that he is very insistent on it. I told him that I was not going to make an issue of that matter because that was a point on which so many of the other Directors might have more experience than I did. I was still of the very definite opinion that it would be preferable for us not to issue any stock dividend now or later during the course of this year, but that this was a matter in which I would have to defer to my colleagues on the Board. I made it clear that while my conviction still was that it would be far better

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for us not to give any stock dividend now or until this situation is cleared up during the course of this year as to what the real position of the company will be, that I would not make any issue of it and this would be a question for the opinion of the Board and its individual members to prevail. I think therefore the net result of the conversation with respect to the stock dividend is that he will continue to insist on this and I gather from what Draper told me this morning that Maryssael and Martinez do not object too much to a stock dividend being declared before the middle of the year, together with a common stock dividend.

With respect to the dividend, Draper said that he and Maryssael and Martinez agreed that the best policy would be to declare about a 37 cent dividend to be payable sometime in May. The payment of such divident would be pretty good evidence of what the policy of the company was and would be approximating something less than a dollar a year. He was not quite certain as to whether the entire dividend for 1955 should be 75 cents or 80 cents or a dollar. It was clear, however, that he was no longer so certain in his conviction that it would be wise to pay a dollar during 1955. I told him that on this point it was a matter for the Directors to decide and that I thought that as long as a declaration of dividend policy was not made of any kind that a cash dividend of 37 cents on the common shares to be paid during the first half of 1955 might be appropriate.

Draper intends to go to New Orleans towards the end of this month for a meeting of an inter-American investment group which is to be held there which will last some four or five days. I think it is a good thing for him to go to this meeting, for what he can say about Mexlight will be very interesting to the American bankers and businessmen assembled there, as well as to the Latin Americans who will be there. It is his plan that before or after he goes to New Orleans that there will be a Board meeting in Toronto to pass on this matter of the common stock dividend, as well as the preferred dividend.

I do not know whether your father has yet written to Draper, and even though Draper has changed his views with regard to a declaration of dividend policy, I think it would still be wise for your father to write to him on this point, and I think by the same token that it would be advisable for Brosens to say a word to him in the same sense. On the other hand, I am convinced that Draper will change his recommendation to the members of the Board and that he will write a letter supplementing his letter of January 17 to the members of the Board indicating that he thinks it would be advisable under the circumstances not to make any declaration with regard to dividend policy for the immediate future, and I think he has in mind, and thoroughly in mind that it would be inadvisable during 1955.

I did say to him that I thought it was very important that he have a talk with Carrillo and perhaps with the President about this whole matter before he goes on this trip north and before he makes any further recommendations to the Board, and perhaps also inform the Bank as to what he has in mind. I think he will do this. I told him that I thought it was extremely important that the Tariff Commission, which is now studying our position in order to determine what rate increase we should get on October 1, should take into account a dollar dividend for 1955 and succeeding years. They are making calculations as to the income we need and in order that the Tariff Commission really proceed to give us the proper increase, they must do it on the basis of our paying a

dollar a year on the common stock, even though we may not actually be declaring it. We must be earning at that rate on the common stock. The government I think is appreciative of this, but the Tariff Commission, which will wish to recommend as small an increase as possible in order to please the high authorities, will work on the basis of a lower dividend unless it gets specific directions from above. Such directions to the Tariff Commission can only come from the President and the Minister of Hacienda and the Minister of Economy, and I think Draper appreciates this position completely and indicated that he would say something to Carrillo and I hope also to Loyo, so that appropriate indications may be given to the Tariff Commission and that that Commission will work on the basis of a dollar dividend, even though we may not find it convenient during the course of this year to declare the full dollar dividend. All this will appeal to the government because realizing that we must earn it, they will also appreciate that if we do not pay quite the total of a dollar during the course of this year, it will by a certain amount decrease the borrowing which we have for the time being to do from Nacional Financiera, which is so burdened by the demands upon it from so many sources including ourselves.

I am sending a copy of this letter to your father and I am sending the original of it to you in Brussels and a copy to you in New York in case you should not have left.

I do hope that you will have a successful trip in every way to Brussels. I have in mind some of the things that you may be going over on and I hope and pray that everything will turn out well and as it should. It is so important to the interest of all concerned and I hope certain people will realize how important it is not to put off these decisions any further. I know you did not like to leave June so soon after the baby was born, but you are relieving your father of a great burden and it must be a great satisfaction for him that you are making this trip. Marion joins in love and good wishes.

Cordially and faithfully yours,