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LIST LOCAL STOCKS IN THE STATES? A FEW OF THE PROS AND CONS ARE DISCUSSED

By Clifford A. Greenman

We feel it can be said without danger of encountering much argument that the decline of recent months has decapitated a heavy percentage of purchasing power in local stock markets. The discovery of a new field, a rise in the price of gold, strong local sponsorship or a glut of outside money have been suggested as possible stimulants for a sickly and stagnant state of affairs. The first two seem remote and local sponsorship will undoubtedly be cautious in starting a boom on anything but two such powerful and fundamental premises, realizing that if they are to take profits, they must have customers to sell their stock to and in the present situation customers and cash are lacking in sufficient quantity. Why not, therefore, induce new money into the local field?

There's nothing original in the thought. It's been broached a dozen or more times. What are the flies in the ointment and why have Philippine companies failed to avail themselves of the bottomless store of American wealth?

Before leaving San Francisco several months ago for Manila, the writer was requested by the San Francisco Mining Exchange again to bring up the matter with local companies in an effort to bring about listing on that Exchange. We forthwith armed ourselves with the listing requirements and the SEC regulations in the States and set out cooling our heels in the offices of mine officials.

The suggestion was met with courteous, considerate but nonetheless lukewarm reception. All investors, hung up with stocks at fancy prices, were heartily in favor of the idea, visioning as they did millions of pesos relieving the load here and marking up prices with old time frenzy and foolhardiness. Here was their chance at least to get out alive. Most brokers favored the idea, foreseeing revived activity and the start of commissions, on the up grade, after a long, dry spell. Company officials admitted stockholders and brokers would benefit. But what was the reward for the mining company?

In order that honor would accrue to all concerned, only producing companies were contacted. Officials of all prominent mining groups were interviewed. All listened attentively, but nary a listing application has as yet resulted. What are the objections?

They never told me in so many words. But if I were a mining executive, I believe I could see that while many benefits may result, the States' listing has many ramifications that require careful study. I can fully understand the position of the mining officials and readily appreciate their stand.

Distance may lend enchantment in romance but in the mining business a 9000-mile gulf is carrying things a bit too far. Inability to control the fluctuations and lack of immediate knowledge as to powers which may be buying or selling, I sensed as one objection. Transfer sheets would be at least a week late, even with prompt clipper service.

The difference in time was another abyss that seemed impossible to bridge. Markets would be open at opposite ends of the clock which would allow operators in the States opportunity to influence fluctuations in a direction not desired here.

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people would then have money again to invest in securities.

But brokers do complain, and strongly, about the activities of the SEC in investigating complaints in regard to individual brokers; short selling; pools and manipulation, etc. It is argued that the Commission has but a limited personnel, and the matter of regulation can best be handled by the stock exchanges themselves. One broker stated his views to the JOURNAL as follows:

Brokers realize that they must conduct their business honestly in order to make money. Once the confidence of the public in brokers is lost, both stock exchanges might as well close up shop. Both exchanges have a highly developed machinery for adjudicating and settling disputes between brokers and their clients, and clamping down on unethical practices by brokers.

A study of how this machinery has worked in actual practice indicates that, if anything, the Exchange discipline leans over backward to protect the public. In at least one instance, a quarrel between one of the largest brokerage firms in the city and a client was decided in favor of the client on a technicality, although a partner of the brokerage firm was himself a member of the Board of Directors of the Exchange. The merits of that particular case were if anything on the side of the brokerage house.

So it is argued that the Securities and Exchange Commission will have its hands full with its investigations into fraudulent promotion schemes, without at the same time undertaking to regulate brokers and adjudicate disputes. If the Commission can force liquidation of worthless companies and release impounded funds, it will be performing a noteworthy service, and

will be doing a very great deal toward restoring normal conditions here.

Both Exchanges would probably be willing, nay, anxious, to provide for representation of the Securities and Exchange Commission on their Boards of Directors and disciplinary committees. A representative of the SEC could watch the Exchanges govern themselves, and even take part in that governing, and only if the Commission were satisfied that the Exchanges were doing a poor job would it be necessary for it to step in.

This step would release some of the SEC personnel for duty in investigating the affairs of "get-rich-quick" mining companies.

QUARREL CONTINUES: Newspaper advertisements this month continue the dispute in the Zambales Chromite management. This quarrel began on March 2 of this year, when a stockholders' meeting was held and a group of men consisting of B. H. Silen, Sam Wilson, J. George, S. S. Schier and P. Rivera were elected to the board of directors. Leon Rosenthal, then president, contested the validity of this election on the ground that no quorum was obtained at the stockholders' meeting. Frederick Stevens, well-known Manila businessman, and G. P. Nava, general manager of the Union Management Company, a mine management organization in which Mr. Singson-Encarnacion, potent life insurance executive and financier is interested, joined with Mr. Rosenthal in a suit (Case No. 51014) in the Manila Court of First Instance, to declare this election void. They obtained a preliminary injunction, which was recently voided by the Supreme Court on jurisdictional grounds. The case is still pending for decision in the lower court.

The Union Management Company had a management and development contract with the Zambales Chromite company. Mr. Silen and associates announced early this month that this contract will not be recognized by them, and that they would take over the operation of the property themselves. This information was contained in a paid advertisement appearing in all of the newspapers.

Union Management countered with a suit in the Manila Court of First Instance asking for an injunction against the Silen group, enjoining them from interfering with the Union Management activities on the property of the Zambales Chromite company. The suit asked for a preliminary injunction until a decision could be had on the request for a permanent injunction. By putting up a bond, Union Management got its preliminary injunction. (This is the usual thing, and the granting of a preliminary injunction under these circumstances is not a decision as to the merits of a case).

In paid advertisements, Union Management, under the signature of Salvador Araneta, of the potent legal firm of Araneta, Zaragoza and Araneta, defied the Silen group to do its worst.

The fight goes on.

ASSOCIATED MINES, INC.—According to the annual report of this company, it has P477,500.00 in cash, besides P115,645.00 in uncollected subscriptions and other assets. Manuel Arroyo is the president and general manager of the company. The firm's mining engineer has recommended the purchase of a great deal of mining equipment, in order to carry on development work rapidly and efficiently.

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List Local...

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Short selling is permitted, under restrictions. In order to sell short in the States, stock may be sold not below the previous quotation and all long stock must be disposed of before short stock is permitted in the market. The sale must be so stated at the time as being short. The word "short", because of an almost universal misunderstanding of its operation, is a bad, bad word and the fact that its permissibility in the States might unfavorably influence prices here I believe was another objection.

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