

June 18, 1936.

Mr. Edward D. Jones,
Edward D. Jones & Company,
Boatmen's Bank Building,
St. Louis, Missouri.

Dear Sir:

This will refer to your letter dated June 4, 1936, with enclosures, relative to the proposed reorganization of the Coronado Hotel Company, whose properties, The Coronado and Coronado Annex, were financed by S. W. Straus and Company.

As you apparently are advised, the Commission has, during the last year, conducted an exhaustive investigation into the committees, the inquiry being authorized by Section 28 of the Securities Act of 1933, as amended, a copy of which is enclosed. In the course of this investigation, the pertinent activities of S.W. Straus and Company have received careful attention. The inquiry, however, is for informative purposes only. Numerous abuses have been found to exist in connection with the activities of protective committees, and it is hoped that the facts disclosed in our investigation may lay the basis for remedial legislation.

The particular protective committee in which you are interested has not filed a registration statement with the Commission. It would appear that the call for deposit originally was made well before the Act, and accordingly an exemption from registration would seem to be available for the certificates of deposit, pursuant to the provisions of Section 3(a)(1) of the Act. With reference to the new securities to be issued under the proposed plan of reorganization, it would seem that registration is not required by Mr. Edward D. Jones virtue of the provisions of Section 77B(h) of the amended Bankruptcy Act, which exempts from the registration (and certain other) requirements of the Securities Act, any securities issued pursuant to a plan of reorganization confirmed by the court under authority of the Bankruptcy Act. It is felt that the responsibility for the general equity and fairness of the terms of the proposed Plan must rest with the court under whose jurisdiction the matter is proceeding.

The Securities Act primarily is a statute of publicity and even in those circumstances in which registration under the Act is necessary, the Commission is not authorized to pass judgment upon the merits of the Plan under which the securities may be issued, or with respect to the securities themselves. The proposed adjustment procedure is, however, subject to the application of Section 17 of the Act, and if you should have any facts which in your opinion indicate a violation of this section, kindly so advise me.

I am very sympathetic with the considerations which have prompted your letter, and I regret that at the present time the Commission is not in a position to be of assistance to you.

Yours faithfully,

William O. Douglas,
Commissioner.