

THE UNIVERSITY OF CHICAGO LAW REVIEW

VOLUME 10

OCTOBER 1942

NUMBER 1

NORMAN E. JORGENSEN

Editor

I. FRANK HARLOW

Associate

E. W. PUTTKAMMER

Faculty Adviser

JOHN W. CERVENKA

Business Manager

NOTES AND RECENT CASES

STOCK PURCHASES BY DIRECTORS DURING VOLUNTARY REORGANIZATION*

Courts, legislative bodies, and commissions have all contributed in recent years to the clarification and expansion of the fiduciary duties of corporate officers and directors. Nowhere in this field has controversy been hotter and changes more striking than in connection with restrictions on the power of these fiduciaries to deal in securities of their own corporations. The latest effort of the Securities and Exchange Commission to check abuses in this field has been directed to purchases of securities of utility corporations registered under the Public Utility Holding Company Act of 1935¹ made by "insiders" while plans for readjustment of the securities are pending before the commission.² In a test case involving Federal Water Service Corporation, the commission's action has been set aside by the Court of Appeals of the District of Columbia.³

* *Chenery Corp. v. Securities and Exchange Com'n*, 128 F. (2d) 303 (App. D.C. 1942).

¹ 49 Stat. 803 (1935), 15 U.S.C.A. § 79 (1941).

² Conflicts of interest which may arise in reorganization committees as the result of trading in the securities or certificates of deposit have been discussed in S.E.C., Report on the Study and Investigation of the Work, Activities, Personnel and Function of Protective and Reorganization Committees, pt. 2, at 315-51 (1937). A general discussion of the problems is also found in *ibid.*, pt. 8, at 196-204, 221-31 (1940).

³ *Chenery Corp. v. Securities and Exchange Com'n*, 128 F. (2d) 303 (App. D.C. 1942). Miller, J., dissented.