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NOTES

RESTORATION OF PREFERRED STOCK MARGIN OF SAFETY UNDER THE HOLDING COMPANY ACT

The Securities and Exchange Commission, under powers granted by the Public Utility Holding Company Act of 1935,¹ has been gradually developing standards for the protection of preferred stockholders by restricting the use of capital surplus when a capital readjustment² is being effected. Increasing concern has

¹ 49 Stat. 838 (1935), 15 U.S.C.A. § 79 (Supp. 1940).

² The term "readjustment" is taken from Buchanan, *The Economics of Corporate Enterprise* 367-70 (1940), and is used to describe any process of altering the rights and interests in a corporation without court supervision. Buchanan reserves the term "reorganization" for proceedings under court supervision.