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


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.