Securities Act Release No. 3698

The SEC today announced that it has under consideration a proposal to revise its Rule 133 under the Securities Act of 1933 so as to remove an exemption provided by that Rule from the registration and prospectus requirements of that Act applicable to certain mergers, consolidations, reclassifications of securities and transfers of assets between corporations.

Such a revision, if adopted, would have the effect of providing disclosure to stockholders who are asked to vote upon such corporate actions, of important financial and other information comparable to that now provided investors in respect of new corporate offerings of securities. In those instances in which the Commission's proxy rules apply, provision would be made so that the information contained in the prospectus would not be unnecessarily duplicated in the proxy statement.

Under the proposal, a substitute Rule would define the terms "offer," "offer to sell" and "offer for sale" to include the solicitation of a vote, consent or authorization of stockholders of a corporation in favor of such mergers, consolidations, reclassifications of securities and transfers of assets. A "sale" would be deemed to occur when the approval of stockholders is obtained.

The substance of the present Rule, which applied a so-called "no sale theory" to such corporate actions and made unnecessary the registration of the securities involved, has been followed by the Commission since 1935 in applying Section 5 (the registration requirement) of the Act. In announcing the proposed rule revision, the Commission stated:

"The Commission has never felt, however, that the principle embodied in this rule necessarily applies in other contexts under the Securities Act or under any of the other statutes administered by the Commission. In pursuance of this feeling, the Commission when it adopted the rule in 1951 restricted the no sale theory to the registration and prospectus provisions of the Act. The Commission has uniformly treated the issuance and sale of securities in mergers and analogous transactions as involving sales which require its prior approval under the Public Utility Holding Company Act of 1935.

With the development of the economy and changes in the tax statutes, there has been a tremendous increase in transactions between corporations by way of merger, consolidation and acquisition of assets which affect materially the rights of..."
of security holders. Unless the company's securities are listed on a national securities exchange, in which event a proxy statement under the Commission's proxy rules must be furnished, if proxies are solicited, these transactions may occur without the disclosure of adequate information to security holders.

"In view of this situation, and in view of the further fact that there is no provision of the Act which expressly or by necessary implication excludes transactions of this character from the operation of the Act, the Commission feels that the statutory basis and soundness of Rule 133 should be re-examined in the interest of the investing public."

Interested persons have until November 2, 1956, to submit their views and comments upon the proposal.

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Southwestern Investment Company, Amarillo, Texas, filed a registration statement (File 2-12826) with the SEC on October 1, 1956, seeking registration of 68,323 shares of Cumulative, $20 par, Sinking Fund Preferred Stock, with Warrants to purchase 68,323 shares of Common Stock, $2.50 par. The company proposes to offer the preferred shares (with warrants) for public sale at $20 per share. The offering will be made by an underwriting group headed by Schneider, Bernet & Hickman, Inc., The First Trust Company of Lincoln, Beecroft, Cole & Co., Boettcher and Company, Dewar, Robertson & Pancoast, and Austin, Hart & Parvin; and the underwriting commission is to be $1 per share.

Net proceeds of the financing are estimated at approximately $1,287,137. Such net proceeds will be used to increase the working capital of the company and used in its general business, but may be initially applied to the retirement of short term borrowings from banks under the company's line of credit. In addition to being engaged in the financing business, both in its own name and through wholly owned finance subsidiaries, the company has two wholly owned insurance subsidiaries, Commercial Insurance Company and Western National Life Insurance Company, both incorporated under Texas law.

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Houston Natural Gas Corporation, Houston, Texas, filed a registration statement (File 2-12828) with the SEC on October 1, 1956, seeking registration of 100,000 shares of Convertible Preference Stock, __% Cumulative, $100 par, to be offered for public sale through an underwriting group headed by The First Boston Corporation. The dividend rate, public offering price and underwriting terms are to be supplied by amendment.

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Net proceeds of the Houston preferred stock sale will be used as part of the funds required in connection with financing the acquisition of the capital stock of Houston Pipe Line Company. On August 10, 1956, according to the prospectus, Houston and The Atlantic Refining Company entered into an agreement for the sale by Atlantic to Houston or a wholly-owned subsidiary thereof, of all of the capital stock of Houston Pipe Line Company ("Pipe Line"). Houston has created a new wholly-owned subsidiary, Houston Pipe Line Corporation ("New Subsidiary"), and has assigned to such new subsidiary the rights under the purchase agreement. The acquisition of the Pipe Line stock will be made by the New Subsidiary. To retain the separate corporate status of the pipe line operations, and gain certain tax benefits, Houston plans to effect the liquidation and dissolution of Pipe Line immediately after the assignment of its capital stock to the New Subsidiary; and upon completion of such dissolution, the charter of the New Subsidiary will be amended to change its name to Houston Pipe Line Company.

The purchase price to be paid for the Pipe Line stock is $26,000,000, subject to adjustments. The closing is to be held on December 3, 1956, as of which date payment of $26,000,000 will be made upon delivery of the stock. All the funds required in connection with the purchase of the Pipe Line stock and the refunding of its long-term debt will be procured through Houston. The plan of financing, in addition to the sale of the Houston preferred, contemplates a new issue of $41,500,000 of 4-1/2% First Mortgage Bonds of Houston. The New Subsidiary will issue $23,000,000 of first mortgage bonds 4-1/2% series due 1981, which bonds will be sold to Houston and will be pledged by the latter as additional collateral security for all the bonds outstanding under mortgage indenture. The long term debt of Pipe Line as of the date of acquisition will consist of $11,684,000 of installment notes. These notes will be redeemed and the then holder of the notes will purchase an equivalent amount of Houston's new 4-1/2% First Mortgage Bonds, and $18,500,000 of such new bonds will be exchanged for an equivalent amount of Houston's outstanding First Mortgage Bonds. The remaining $11,316,000 of new First Mortgage Bonds are being sold for cash to institutional investors.

The plan of financing further contemplates a new issue of 5% Sinking Fund Debentures due 1976, authorized in an aggregate principal amount of $8,000,000, to be sold in part to institutional investors and in part exchanged for a portion of the 3½% Sinking Fund Debentures, due December 1, 1970, outstanding in the amount of $2,550,000. All of the 3-1/2% Sinking Fund Debentures are being either exchanged for the debentures of the new issue or redeemed at the principal amount without payment of redemption premium.

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Investment Company Act Release No. 2417

General Motors Corporation has applied to the SEC for an exemption order under the Investment Company Act with respect to its proposed acquisition of certain land from E. I. du Pont de Nemours and Company; and the Commission has issued an order giving interested persons until October 21, 1956, to request a hearing thereon.

General Motors proposes to purchase from du Pont approximately 8.74 acres of the vacant land owned by du Pont in the vicinity of Tonawanda, New York, and adjacent to property owned by General Motors. The price to be paid by General Motors is approximately $35,000, or $4,000 an acre. General Motors wishes to install railroad tracks on this property to provide a suitable route for entrance to the motor plant of General Motors.

DuPont owns approximately 23% of the outstanding common stock of General Motors. DuPont is controlled by Christiana Securities Company, a registered investment company which in turn is controlled by Delaware Realty and Investment Company. Because of the affiliation, the transaction is prohibited by the Investment Company Act unless an exemption order is issued by the Commission.

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Hartfield Stores, Incorporated, Los Angeles, today filed a registration statement (File 2-12829) with the SEC seeking registration of 240,000 shares of its $1 par Common Stock. These shares are issued and outstanding, and are to be purchased by an underwriting group headed by Van Alstyne, Noel & Co. and Johnston, Lemon & Co. for public sale. The public offering price is to be $9 per share, with a 90¢ per share commission to the underwriters. The company will receive no part of the proceeds.

The prospectus lists six selling stockholders, who now own 581,538 shares, or 96.92% of the outstanding stock. Leo Hartfield of Los Angeles, president, now is selling 68,640 of 166,320 shares held; Sybil Hartfield, of Beverly Hills, 55,680 of 134,918; Milton H. Gutterman, of New York, vice president and secretary, 32,160 of 77,926; Rosalind Hartfield, Beverly Hills, 27,840 of 67,458; Joyce Hartfield Freedman, of Los Angeles, 27,840 of 67,458; and Elsie Gutterman, of Woodmere, Long Island, N. Y., 27,840 of 67,458.

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