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October 5, 1987

PUBLIC AVAILABILITY DATE: 12-21-87

ACT	SECTION	RULE
1933	---	144
1933	2(3)	---
1933	5	---
1934	16(b)	16b- 3

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
Attention: William E. Morley, Esq.,
Chief Counsel
Division of Corporation Finance

Proposed The Henley Group, Inc.
Distribution -- Securities Act of 1933
Sections 2(3), 4(1) and 5 and Rules 144(a)(3)
and 144(c)(1); Securities Exchange
Act of 1934, Rule 16b-3a

Dear Sirs:

We are acting as counsel to The Henley Group, Inc., a Delaware corporation ("Henley"), in connection with a proposed distribution (the "Distribution") to common stockholders of Henley of what is presently contemplated to be approximately 45% of the common stock, par value $.01 per share, of Henley Manufacturing Corp., a newly formed subsidiary of Henley ("HMC"). HMC would hold and operate the assets, and assume certain related liabilities, of certain Henley businesses, as discussed below.

In connection with the Distribution, Henley stockholders would receive an information statement con-

taining detailed information about this transaction and about HMC, as is more fully discussed below.

On behalf of Henley, we respectfully request that the Division of Corporation Finance (the "Division"):

(i) either (a) concur in our view that the Distribution would not constitute a "sale" of the stock of HMC to be distributed to Henley common stockholders (the "HMC Stock") under Section 2(3) of the Securities Act of 1933, as amended (the "Securities Act"), or (b) confirm that it will recommend that no enforcement action be taken by the Securities and Exchange Commission (the "Commission") if the Distribution is effected without registration under the Securities Act of the HMC Stock;

(ii) concur in our view that the shares of HMC Stock to be received by Henley stockholders in the Distribution would not be deemed to be "restricted securities" within the meaning of Rule 144(a)(3) promulgated under the Securities Act, and that, for purposes of Rule 144(c)(1) promulgated under the Securities Act, Henley would be deemed to be a predecessor of HMC so that sales of HMC Stock by affiliates of HMC could be made pursuant to Rule 144 immediately upon the registration of the HMC Stock under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act");

(iii) either (a) concur in our view that the payment of cash in redemption of, in lieu of the distribution of, fractional shares of HMC Stock in connection with the Distribution will not require registration of such fractional shares under the Securities Act or (b) confirm that it will recommend that no enforcement action be taken by the Commission in the event the fractional shares are effectively redeemed by paying cash for fractional shares without registering such shares under the Securities Act;

(iv) concur in our view that the stockholder approval requirements of Rule 16b-3 promulgated under the Exchange Act with respect to any employee benefit plans or any of its subsidiaries would be satisfied if Henley, as the sole stockholder of HMC prior to the Distribution, approves the adoption of such benefit plans and if the information statement to be mailed to all stockholders of record of Henley contains substantially the same information regarding such benefit plans that would have been required by the rules and regulations promulgated under Section 14(a) of the Exchange Act were proxies for approval of such benefit plans being solicited from Henley stockholders; and

(v) either (a) concur in our view that, in the event HMC elects to provide for the sale of shares of HMC Stock by an independent agent on behalf of Henley stockholders who will be holders of 99 or fewer shares of HMC Stock as a result of the Distribution, such sale will not require registration of such shares under the Securities Act or (b) confirm that it will recommend that no enforcement action be taken by the Commission if such shares are sold by such independent agent without registration under the Securities Act.

Background and Proposed Transaction

Henley has provided us with, and has authorized us to make on its behalf, the factual representations set forth below.

The Henley common stock, par value $.01 per share ("Henley Common Stock"), is quoted on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), and is registered under Section 12(g) of the Exchange Act. As of September 15, 1987, 97,924,014 shares of Henley Common Stock were issued and outstanding. Henley is current in its reporting requirements under the Exchange Act and with the National Association of Securities Dealers, Inc. ("NASD").

Henley was formed by Allied-Signal Inc., a Delaware corporation ("Allied-Signal"), to operate approximately 35 former Allied-Signal businesses. On May 27, 1986 Allied-Signal distributed (the "Henley Distribution") to the stockholders of Allied-Signal 44,474,240 shares of Henley Common Stock, constituting approximately 70% of the equity and 30% of the voting power of Henley. This distribution was made in accordance with a no-action letter issued by the Division on February 24, 1986. At the time of the Henley Distribution, Allied-Signal stockholders received an information statement (the "Henley Information Statement") containing information regarding the Henley Distribution and related matters substantially equivalent to that which would be required in connection with a registration by Henley of its securities on Form S-1. In May 1986, the Henley Common Stock was in fact registered under the Exchange Act on Form 10 (File No. 0-14246), which form included a complete description of the Henley Distribution, the business and the management of Henley and detailed historical and pro forma financial statements and other financial information.

Concurrent with the Henley Distribution, Henley offered for sale in domestic and international offerings 60,000,000 shares of Henley Common Stock (the "Henley Offering") pursuant to a registration statement on Form S-1 (File No. 33-3941) (the "Henley S-1") declared effective by the Commission on May 20, 1986. Henley repurchased the remaining capital stock of Henley held by Allied-Signal in January 1987.

In April 1987, Henley effected a distribution of 20% of the common stock of its subsidiary Fisher Scientific Group Inc. pursuant to a no-action letter issued by the Division on February 18, 1987.

On September 24, 1987, Wheelabrator Technologies Inc. ("Wheelabrator"), formerly a wholly owned subsidiary of Henley, sold 6,900,000 shares (the "Wheelabrator Offering") of its common stock, par value $.01 per share (the "Wheelabrator Common Stock"), pursuant to a registration statement on Form S-1 (File No. 33-15689) (the "Wheelabrator S-1") declared effective by the Com-

mission on September 17, 1987. Henley now owns approximately 80.5% of the Wheelabrator Common Stock.

Allied-Signal was formed as a holding company to hold the stock of Allied Corporation, a New York corporation ("Allied"), and The Signal Companies, Inc., a Delaware corporation ("Signal"). The stockholders of Allied and the stockholders of Signal approved the combination of the two companies (the "Combination") on September 18, 1985. The shares of Allied-Signal common stock issued in connection with the Combination were registered under the Securities Act on Form S-14. Both Allied and Signal had been reporting companies under the Exchange Act for a substantial number of years.

Consistent with the business strategies described by Henley in the Henley Information Statement, the Henley S-1 and Henley's Annual Report on Form 10-K for the fiscal year ended December 31, 1986 (the "Henley 10-K"), Henley presently anticipates that it will distribute approximately 45% of HMC Stock to Henley stockholders at the time of the Distribution. The plan contemplates that at the time of the Distribution, HMC will hold the assets, liabilities and operations of General Chemical Corporation (industrial chemicals), Prestolite Wire Corporation (ignition and other wire products, lubrication equipment and accessories and miscellaneous equipment for the automotive and machine tool industries) and Toledo Stamping & Manufacturing Company (rocker arms, roller arms, cam followers and other stamped metal products). General Chemical, Prestolite Wire, and Toledo Stamping, had been part of Allied for more than 10, 6 and 2 years, respectively, prior to the Combination.

Upon consummation of the Distribution, HMC would become a publicly held corporation. It is intended that HMC would apply for quotation of the HMC Stock on NASDAQ. In connection therewith, HMC filed on September 30, 1987 a registration statement on Form 10 pursuant to Section 12(g) of the Exchange Act. Henley stockholders would receive an information statement (the "Information Statement") containing information regarding the Distribution and related matters substantially equivalent to

that which would be required in connection with a registration by HMC of its securities on Form S-1.

Henley believes that the Distribution and the related transactions would accomplish an important Henley business objective by distributing to its stockholders an equity interest in certain of its businesses which possess operating and investment characteristics very distinct from the businesses and assets of Wheelabrator, Fisher and the other businesses and assets that would remain under Henley's control after the Distribution. The Distribution is the type of transaction clearly contemplated by and described in the Henley Information Statement, the Henley S-1 and the Henley 10-K that is intended to enhance the value of Henley stockholders' investments as Henley reviews its structure and operations on an ongoing basis. Henley believes that the formation of HMC as a separate public company will enable the investment community to value its separate businesses more easily and permit HMC to receive appropriate market recognition of its performance.

Although it is intended that Henley and HMC would conduct their respective businesses substantially independently following the Distribution, it is also contemplated that various agreements would be entered into which would govern in certain respects the relationship of Henley and HMC and certain other matters following the Distribution. In particular, it is contemplated that, in consideration of the contribution by Henley of the stock of the operating companies and certain other assets and the grant by Henley to HMC of the option described below, HMC will agree to enter into a guarantee (the "Guarantee") at Henley's request, pursuant to which HMC will guarantee a portion of the obligations of Henley under Henley's Bank Credit Agreement and any successor bank credit agreement in an amount not to exceed the amount of the net worth of HMC as of the Distribution Date. In addition, HMC would agree to enter into certain indemnification agreements with Allied-Signal or certain other alternate indemnifying parties, at Henley's request, pursuant to which HMC would indemnify Allied-Signal (or such alternate indemnifying parties) for any

payments Allied-Signal (or such alternate indemnifying parties) may be required to make pursuant to certain support obligations relating to the operation, maintenance or financing of certain refuse-to-energy projects owned or controlled by Wheelabrator. HMC, in turn, would be indemnified by Wheelabrator and would also be indemnified by Henley to the extent the total unreimbursed indemnification payments made by HMC with respect to all such projects exceeds 20% of HMC's consolidated net worth as of the date any such indemnification payment is made. Moreover, it is contemplated that HMC would lease space in certain office buildings it owns to Henley and certain of Henley's other subsidiaries and perform certain environmental monitoring and auditing services for Henley and certain of Henley's subsidiaries in return for specified rental payments or service fees and that Henley would provide certain management services to HMC for a period of time in return for specified fees. It is also expected that certain current members of the Board of Directors of Henley would also serve on HMC's initial Board. In addition, Henley would grant HMC the right to repurchase from Henley, at HMC's option exercisable at any time within a five-year period commencing with the Distribution Date (but not more often than twice), all or part (but not less than a determinable minimum amount) of the HMC Stock retained by Henley following the Distribution. Such option would be exercisable at a price equal to the average closing price of a share of HMC stock quoted on NASDAQ during the first five trading days following the Distribution. Henley would also agree not to dispose of the retained shares of HMC Stock (except to HMC pursuant to the option) during the first one to three years following the Distribution, depending on whether or not the Guaranty remains in effect, and to grant HMC certain rights of first refusal with respect to such shares thereafter.

Under Delaware law, stockholder approval of the Distribution would not be required and the approval of Henley's stockholders would not be sought.

Section 2(3) and Section 5 of the Securities Act

We believe that there are several legal and policy reasons why the Division should either (i) concur that the Distribution of the HMC Stock would not involve a "sale" under Section 2(3) of the Securities Act and, therefore, that registration of such stock would not be required under Section 5 of the Securities Act or (ii) recommend that no enforcement action be taken by the Commission if the Distribution is effected without registration of the HMC Stock under the Securities Act.

We believe that the Distribution would not constitute a "sale" of a security because, among other reasons, there would be no disposition of securities for value. Henley's stockholders would not provide any consideration to Henley in exchange for the HMC Stock they would receive. Furthermore, no insider or agent of Henley would receive any present value by reason of the Distribution other than by reason of the receipt of such HMC Stock as a Henley stockholder or by reason of any adjustments to be made in Henley's stock option and other benefit plans to reflect the Distribution. It is presently contemplated that members of HMC management, including certain executive officers of Henley who will also act as executive officers of HMC, will purchase or receive, pursuant to HMC's benefit plans, shares of HMC Stock either prior to or after the Distribution. Although Henley would ultimately receive "value" upon the disposition of its equity interest in HMC, any such disposition would be separate from the Distribution, and the HMC Stock so disposed of would be required to be registered under the Securities Act at the time of disposition unless an exemption from registration were available.

The Division has issued "no action" letters concerning several distributions of the stock of subsidiaries which are similar in various respects to the Distribution, including the transactions described in the "no action" requests on behalf of Royal Apex Silver, Inc., June 12, 1987 ("Royal Apex"); Newmont Mining Corporation, January 15, 1987 ("Newmont"); Raycomm Transworld Industries, Inc., March 17, 1987 ("Raycomm");

Lucky Stores, Inc., March 25, 1987 ("Lucky Stores"); Squibb Corporation, January 21, 1987 ("Squibb"); The Henley Group, Inc., November 21, 1986 ("Henley-Fisher"); The Singer Company, July 15, 1986 ("Singer"); Adams-Russell Co., Inc., June 25, 1986 ("Adams-Russell"); Torchmark Corporation, April 29, 1986 ("Torchmark"); Allied-Signal, Inc., January 23, 1986 ("Allied-Signal"); Standard Oil Company (Indiana), April 15, 1985 and March 19, 1985 ("Standard Oil"); Noble Affiliates, Inc., March 27, 1985 ("Noble Affiliates"); Tom Brown, Inc., July 17, 1984, as reconsidered in a response of October 16, 1986 ("Tom Brown"); Centex Corporation June 15, 1984; Time Incorporated, September 29, 1983 ("Time"); Keystone International, Inc., May 10, 1983; Scope Incorporated, May 4, 1982; The Sippican Corporation, August 31, 1981; Peoples Energy Corporation, August 10, 1981 ("Peoples Energy"); Peabody International Corporation, September 18, 1980; Metro-Goldwyn-Mayer, Inc., March 7, 1980 ("MGM"); and First Bancshares of Florida, Inc., August 27, 1979 ("First Bancshares").

The Distribution is clearly distinguishable from the situation presented in Securities and Exchange Commission v. Harwyn Industries Corp., 326 F. Supp. 943 (S.D.N.Y. 1971), and Exchange Commission v. Datronics Engineers, Inc., 490 F.2d 250 (4th Cir. 1973), cert. denied, 416 U.S. 937 (1974), where the courts found dispositions for "value" in connection with certain contrived spin-off transactions which also involved alleged fraud and where the courts interpreted Section 2(3) of the Securities Act liberally to achieve the purposes of the Securities Act. In Harwyn and Datronics, corporations with no Exchange Act reporting history, without any business purpose, created public markets in securities and furnished misleading or incomplete information to the securities markets.

As the court stated in Harwyn, the overall purpose of the Securities Act "is to provide adequate disclosure to members of the investing public." 325 F.Supp at 954. Henley has been a reporting company since the Henley Distribution, Allied-Signal has been a reporting company since the Combination, and prior to the Com-

bination Allied and Signal had each been reporting companies under the Exchange Act for a substantial number of years. As such, all four entities have timely filed or will file annual, quarterly and current reports for so long as they were or remain reporting companies under the Exchange Act. Henley stockholders who received shares of Henley Common Stock in the Distribution received at that time the Henley Information Statement. Henley stockholders who purchased some or all of their shares in the Henley Offering received at that time the prospectus (the "Henley Prospectus") forming part of the Henley S-1. The Henley Prospectus contained all the information required to be disclosed to purchasers in a public offering. In addition, as discussed above, Henley intends to provide its stockholders with the Information Statement which will include appropriate historical and pro forma financial information and other information concerning HMC and its management. Following the Distribution, the Henley Common Stock would remain quoted on NASDAQ and registered under Section 12(g) of the Exchange Act. HMC has filed for registration of the HMC Stock under Section 12(g) of the Exchange Act and intends to apply for quotation on NASDAQ prior to the consummation of the Distribution. As a result of such registration, HMC would be required to file annual and interim reports with the Commission and would be required to furnish periodic information to its stockholders and the investing public.

If the Division is unable to concur in our interpretation of Section 2(3) of the Securities Act, the Division, under the circumstances set forth herein and as a matter of sound policy, should conclude that it would recommend that no enforcement action be taken by the Commission if the Distribution of the HMC Stock were effected without registration of such stock under the Securities Act. Such recommendation by the Division would be consistent with its determinations in Royal Apex, Newmont, Squibb, Raycomm, Lucky Stores, Henley-Fisher, Singer, Adams-Russell, Allied-Signal, Standard Oil, Noble Affiliates, Tom Brown and Time where the Division recommended that no enforcement action be taken with respect to unregistered distributions of securities where (i) the transaction would be effected as described in a

proxy or an information statement substantially complying with the requirements of Regulation 14A or 14C promulgated under the Exchange Act and (ii) the stock of the distributed corporation would be registered under Section 12 of the Exchange Act.

The disclosure to be provided in the Information Statement would satisfy Form 10 requirements and would be substantially similar to that which would be provided under the Securities Act by HMC in a registration statement on Form S-1. Information provided to Henley's stockholders by a registration statement under the Securities Act would not meaningfully or materially increase information already provided, or to be provided, by Henley Exchange Act reports and proxy statements, by the Information Statement and, in the future, by the reports of Henley and HMC filed with the Commission and provided to their stockholders. Registration of HMC Stock under the Securities Act would, therefore, create an unnecessary expense with no corresponding benefit to Henley's stockholders or to the public.

Rule 144

In our view, the shares of HMC Stock to be distributed pursuant to the Distribution would not be "restricted securities" as defined in Rule 144(a)(3) because such securities would be acquired by Henley's stockholders and would therefore be issued to the public. There is no compelling reason, in our view, to impose the holding period requirements of Rule 144 on HMC's stockholders or otherwise limit the ability of non-affiliates of HMC, including persons whose Henley Common Stock may constitute "restricted securities" under Rule 144, to sell their HMC Stock. As the Preliminary Note to Rule 144 indicates, "[t]he rule is designed to prohibit the creation of public markets in securities of issuers concerning which adequate current information is not available to the public." As discussed above, the information to be furnished to the public concerning Henley and HMC would be adequate and current. Under these circumstances, the HMC Stock would appear to us not to be "restricted securities" and, accordingly, non-affiliates of

HMC should be able to sell their shares without complying with Rule 144. We ask that the Division concur with our view. We note that, in connection with the proposed distributions described in the Royal Apex, Newmont, Squibb, Raycomm, Lucky Stores, Henley-Fisher, Singer, Adams-Russell, Tom Brown, Time and Peoples Energy "no-action" requests, the Division reached such a conclusion.

We recognize the affiliates of HMC who desire to sell HMC Stock must either register that stock under the Securities Act or sell it pursuant to Rule 144 or some other applicable exemption. In order for Rule 144 to be available to affiliates of HMC, the requirements of subparagraph (c)(1) must be satisfied. That subparagraph requires, in part, that an issuer must have been subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act for at least 90 days preceding any sale of its securities made in reliance upon the Rule. Thus, unless HMC is deemed to have been subject to the Exchange Act reporting requirements for the period required by subparagraph (c)(1), affiliates of HMC would be prevented from utilizing Rule 144 during the 90-day period immediately following its registration under the Exchange Act.

As discussed above, Henley and Allied-Signal are, and Allied and Signal had been for many years, subject to the reporting requirements of the Exchange Act. All reports required to be filed have been timely filed or will be timely filed prior to the Distribution. In light of the comprehensive disclosure that would result from the Information Statement and from Henley's, Allied-Signal's, Allied's and Signal's prior history of Exchange Act reporting, the "current public information" requirements of Rule 144 would, in our view, substantially be met. For these reasons, we request that the Division deem Henley to be a predecessor of HMC for purposes of the 90-day requirement of Rule 144(c)(1) and permit affiliates of HMC to utilize that Rule as of the date that HMC's registration under the Exchange Act becomes effective. We note that in connection with the proposed distribution described in the Royal Apex, Newmont, Squibb, Raycomm, Lucky Stores, Henley-Fisher and Allied-Signal "no-action" requests, the Division declared that

there would be no ninety-day waiting period before sales could be made under Rule 144.

Fractional Shares and Section 5 of the Securities Act

It is also presently anticipated that, in the event an exchange ratio for the Distribution is selected that would give rise to fractional shares of HMC Stock, HMC will pay cash in lieu of the distribution of fractional shares. Fractional shares are being redeemed in lieu of distribution for the purpose of saving the expense and inconvenience of issuing and transferring such fractional shares. Such fractional shares will be redeemed at a price per fractional share equal to the average of the closing prices of a share of HMC Stock as reported on NASDAQ on the first five trading days following the Distribution, multiplied by the fraction that such fractional share represents. The payment of fractional shares for the purpose stated is subtantially similar to a dividend in kind, such as the Distribution of whole shares of HMC Stock, which, under the foregoing analysis, would not constitute a sale or disposition of a security for value under Section 2(3) of the Securities Act.

A literal reading of Section 5(c) of the Securities Act suggests that the redemption of fractional shares in the circumstances present here could possibly be considered as involving an "offer to buy" fractional shares of HMC Stock requiring registration under the Securities Act. It has been well settled, however, that Section 5(c) of the Securities Act does not apply to this situation and registration is not required when issuers repurchase their own securities. See Bruckner v. Thyssen-Bornemisza Europe N.V., 424 F. Supp. 679 (S.D.N.Y. 1976), aff'd sub nom. Bruckner v. Indian Head, Inc., 559 F.2d 1202 (2d Cir.), cert. denied, 434 U.S. 897 (1977). We note that in connection with the distributions described in the Pan American Mortgage Corp., November 20, 1985, Harwood Companies, Inc., February 15, 1983 and Interstate Motor Freight System, September 18, 1980 "no action" requests, where it was proposed that cash would be paid in lieu of fractional shares, the Division agreed not to recommend enforcement action to the Commission.

Rule 16b-3

Prior to the Distribution, HMC and certain of its subsidiaries may adopt certain employee benefit plans (the "Plans") which would be approved by Henley, as the sole stockholder of HMC. We believe that the disclosure in the Information Statement to be given to stockholders of Henley in connection with the Distribution, which will contain substantially the same information regarding the Plans that would be required by the rules and regulations promulgated under Section 14(a) of the Exchange Act were proxies being solicited from Henley stockholders for approval of the Plans, should satisfy the conditions of Rule 16b-3(a) promulgated under the Exchange Act regarding approval by stockholders. The Commission, in its Interpretative Release dated September 23, 1981 (Release No. 34-18114), noted that the stockholder approval requirement can be satisfied if the plan was approved prior to the registration of a corporation's securities under Section 12 of the Exchange Act where the issuer furnishes to its stockholders of record entitled to vote on the plan substantially the same information regarding the plan that would be required under the rules and regulations under Section 14(a) on or prior to the date of the first annual meeting of stockholders held subsequent to the registration of equity securities of the corporation under Section 12 of the Exchange Act. Thus, we ask that you concur with our view that Henley's approval, as the sole stockholder of HMC, of the Plans and the provision of information concerning the Plans which would satisfy the requirements of Section 14(a) will satisfy the stockholder approval requirements of Rule 16b-3(a). We note the Division's concurrence in substantially similar circumstances in connection with the Division's determination in the Henley-Fisher, Squibb, Lucky Stores, Singer, Adam-Russell, Allied-Signal and Tom Brown "no-action" letters.

Sales of Shares on Behalf of
Holders Who Receive Fewer than 100 Shares

Promptly following the Distribution, HMC proposes to offer stockholders who receive fewer than 100

shares ("Odd-Lot Shares") of HMC Stock in the Distribution ("Eligible Holders") the opportunity to receive cash for their shares pursuant to the program described below (the "Odd-Lot Program").

The ratio in the Distribution has not yet been determined but is expected to be approximately one share of HMC Stock for each 20 shares of Henley Common Stock. As a result of the Distribution, HMC will have numerous small accounts which are relatively expensive to administer. The purpose of the Odd-Lot Program is to enable HMC to contain its costs in servicing small accounts and to provide Eligible Holders with an opportunity to dispose of these shares without incurring brokerage fees. Based on the number of shares of Henley Common Stock expected to be outstanding on the record date for the Distribution and the anticipated Distribution ratio, approximately 5,000,000 shares of HMC Stock will be distributed. There will be approximately 39,700 record holders of HMC Common Stock, of which approximately 39,300 holders will hold fewer than 100 shares of record. The aggregate number of outstanding shares of HMC Stock on the Distribution Date is expected to be approximately 11,200,000, of which 235,900 or 2.1% are expected to be held by Eligible Holders.

Depending upon various factors, including the market price at which the HMC Stock trades and the availability of corporate funds to effect purchases of Odd-Lot Shares at such price, HMC may elect (within the period and as described in the following paragraph) either (i) to purchase all Odd-Lot Shares tendered at the closing price for HMC Stock on the day tendered or (ii) to cause an independent agent to sell such shares through broker-dealers for cash in the open market on behalf of tendering stockholders. In the event HMC elects to implement an Odd-Lot Program involving sales of Odd-Lot Shares by an independent agent, an issue could arise whether registration is required of the shares sold by such agent. The underlying question is whether the actions of the agent will constitute transactions by a person other than an issuer or underwriter. If so, such transactions will

be exempt transactions under Section 4(1) of the Securities Act and registration will not be required.

Promptly after the Distribution, HMC will send a copy of the Information Statement, a letter containing the terms and purpose of the Odd-Lot Program and a letter of transmittal (the "Letter of Transmittal") to such holders pursuant to which such holders may elect to tender their shares and receive cash payment therefor. If HMC has already made its election, HMC will specify in the letter containing the terms and purpose of the Odd-Lot Program whether the Odd-Lot Shares tendered will be purchased by HMC or sold by an independent agent. If HMC has not yet decided whether to purchase the Odd-Lot Shares, HMC will advise the Eligible Holders in such letter that the Odd-Lot Shares, if tendered, will either be purchased by HMC or sold on the open market by the independent agent and that HMC will within 5 business days mail to all Eligible Holders notification of whether shares tendered will be purchased by HMC or sold by the independent agent. HMC will ask brokers and nominees to forward the Odd-Lot offer, at the expense of HMC, to Eligible Holders. The Odd-Lot Program will initially be open for a period of 30 days, but may be extended by HMC for up to another 30 days.

In the event that HMC elects to purchase all Odd-Lot Shares tendered, upon receiving a stockholder's completed letter of transmittal (together with the certificates for Henley Manufacturing Common Stock) in good order, HMC will purchase all such Odd-Lot Shares from such stockholder at a price equal to the closing price of the shares of HMC Stock quoted on NASDAQ on the trading day that such stockholders' Letter of Transmittal is received, or if such day is not a trading day, on the trading day immediately preceding such day. We believe that such purchases by HMC will be exempt from compliance with Rule 13e-4 under the Securities Exchange Act of 1934, as amended, pursuant to paragraph (g)(5) of such Rule.

In the event HMC elects to implement the Odd-Lot Program through sales of Odd-Lot Shares by an inde-

pendent agent, upon receiving a stockholder's completed Letter of Transmittal (together with the certificates for Henley Manufacturing Common Stock) in good order, Mellon Bank, N.A., as distribution agent (the "Distribution Agent"), will effect the necessary sales on behalf of the Eligible Holders at such time as the Distribution Agent deems appropriate through broker-dealers selected by the Distribution Agent. The Distribution Agent will collect the proceeds of such sales and authorize the appropriate payments to Eligible Holders. We note that, except as discussed below, the requirements cited by the Division in similar contexts in its determinations with regard to the non-registration of shares to be sold by an independent agent would be met in this case in that (i) all brokerage fees and the administrative fees of the Distribution Agent will be paid by HMC; (ii) none of Henley, HMC, the Distribution Agent or any other person will guarantee a minimum sale price with respect to the shares sold by the Distribution Agent; (iii) no HMC stockholder on whose behalf such sales are made will be paid any additional consideration in return for selling his shares and (iv) none of Henley, HMC, or the Distribution Agent will enter into any arrangement with any broker-dealer with respect to the manner in which the HMC Stock will be sold or as to the potential purchasers of the HMC Stock. See, Henley-Fisher, Buttonwood Research Group Inc., April 6, 1987 ("Buttonwood"), The Chase Manhattan Bank, N.A., July 17, 1986 ("Chase"), Unocal Corporation, October 31, 1985 ("Unocal") and American Transtech Inc., August 22, 1985. Although HMC will not have been subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act for a period of 90 days immediately preceding the commencement of the sales by the Agent, we believe that this condition should be deemed satisfied in light of the extensive disclosure with respect to HMC's businesses that would result from the Information Statement and from Henley's, Allied-Signal's, Allied's and Signal's prior history of Exchange Act reporting. See, Henley-Fisher.

Based on the foregoing, it is our view that the sale of HMC Stock by the Distribution Agent on behalf of Eligible Holders who tender their stock will not consti-

tute transactions by or for the issuer, and, therefore, will constitute transactions by a person other than an issuer or underwriter. We note the Division's concurrence in substantially similar circumstances in connection with the Division's determination with regard to the sale of shares held by Odd-Lot holders in its Henley-Fisher, Buttonwood, Unocal, Chase and AT&T "no-action" letters.

* * *

Henley believes that it is in the best interest of its stockholders that the Distribution be completed as early as practicable and in any event prior to the end of this year. The Distribution will be taxable to stockholders of Henley in an amount equal to the fair market value on the date of the Distribution of the HMC Stock distributed. The Distribution will be taxable as ordinary dividend income to the extent of Henley's current and accumulated earnings and profits which are allocable to the Distribution. The remaining portion of the Distribution would be treated as a tax-free return of capital to the extent of the stockholders' basis in Henley common stock and as capital gain (assuming such shares are held as a capital asset) to the extent that the fair market value of such portion exceeds such tax basis. Henley expects that it will have some small amount of current or accumulated earnings and profits allocable to the Distribution if it is effected this year and that a portion of the Distribution will be taxable as dividend income. However, Henley believes it will have significantly greater earnings and profits allocable to the Distribution if the Distribution is deferred until 1988. This would result in a greater portion of the Distribution being taxable as dividend income, rather than excludable from current taxation as a return of capital or taxable as capital gain. Accordingly, Henley desires to effect the Distribution prior to the end of this year. Any assistance that the Staff can give Henley in this regard will be greatly appreciated.

Should you require additional information, please contact by telephone the undersigned at (212) 909-6619.

In accordance with Release No. 33-6269, seven additional copies of this letter are enclosed.

Very truly yours,

Steven Ostner

Enclosures

DEBEVOISE & PLIMPTON

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October 30, 1987

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
Attention: William E. Morley, Esq.
Chief Counsel
Division of Corporation Finance

Proposed The Henley Group, Inc.
Distribution -- Securities Act of 1933
Sections 2(3), 4(1) and 5 and Rules 144(a)(3)
and 144(c)(1); Securities Exchange
Act of 1934, Rule 16b-3a

Dear Sirs:

This letter will supplement our letter of October 5, 1987, in which we described the proposed distribution (the "Distribution") to common stockholders of The Henley Group, Inc., a Delaware corporation ("Henley"), of what is presently contemplated to be approximately 45% of the common stock, par value $.01 per share (the "HMC Stock"), of Henley Manufacturing Corp., a Delaware corporation and a newly formed subsidiary of Henley ("HMC").

In a telephone conversation with the undersigned on October 20, 1987, the Division requested supplemental information as to the presentation, in periodic reports filed by Henley in the fiscal periods prior to the Distribution, of information relating to the assets and businesses of HMC. This letter contains detailed infor-

mation, furnished by Henley, showing the relationship between the businesses of HMC and the information provided by Henley about its businesses in its previous filings.

In its Annual Report on Form 10-K for the fiscal year ended December 31, 1986 (the "Henley 10-K"), a copy of which is enclosed for your reference, Henley presented information about its businesses by segment. Two of those segments are relevant to HMC. They are "General Chemical" (the "General Chemical Segment") and "Manufacturing Group" (the "Manufacturing Segment"). (In addition, certain unallocated assets of HMC came primarily from the "Unallocated Items" category in the Henley 10-K.)

The General Chemical Segment is being transferred to HMC intact so that HMC's General Chemical segment is substantially equivalent to the Henley General Chemical Segment. Reference is made to the segment information set forth in the Henley 10-K at page F-23 and in HMC's Registration Statement on Form 10 at page F-13, for a comparison of the two General Chemical segments. (Minor differences result from certain changes in the basis of presentation of the segment as part of HMC rather than as part of Henley.)

Henley's Manufacturing Segment at the end of 1986 consisted of the following eight distinct ongoing businesses, plus certain other businesses which had been sold or were being held for sale by Henley:

Materials Cleaning: manufacture of nonpolluting materials cleaning systems.

Printing Developments: through Printing Developments Incorporated, production of lithographic plates, plate and pressroom chemicals and automatic plate processes.

Semi-Alloys: through Semi-Alloys, Inc., manufacture and marketing of parts and components for the semiconductor industry.

Wire Products: through Prestolite Wire Corporation, manufacture and distribution of speciality

wire, cable and other products primarily for the automotive industry.

Specialty Stampings: through Toledo Stamping and Manufacturing Inc., manufacture of stamped metal products primarily for the automotive industry.

Johnson Division: manufacture of precision-profile wire screens for groundwater collection and oil and gas production and manufacture of water and waste water treatment equipment.

CPC Engineering: manufacture of screw pumps and pneumatic ejector systems.

Industrial Bearings: manufacture of industrial bearings, which are used in a wide variety of industrial equipment.

The balance of the Manufacturing Segment consisted of businesses that had been sold or were being held for sale by Henley, including businesses engaged in the manufacture of nonferrous tubing products, marine electronic products, high precision mechanical components, aircraft safety equipment and equipment for the printed circuit board fabrication industry.

As a step toward Henley's business objective of reorganizing its assets and businesses into separate companies in a manner designed to increase their profitability and, where appropriate, to create public markets for such companies, the businesses listed above were or are being transferred as follows: certain businesses were transferred to Wheelabrator Technologies Inc. ("WTI") in connection with the establishment of WTI as an independent public company (WTI effected an initial public offering of just under 20% of its shares pursuant to a registration statement on Form S-1 in September 1987); certain businesses are being transferred to HMC in connection with the Distribution; and the remaining businesses have been sold by Henley.

The disposition of these businesses is summarized as follows:

Unit	Disposition
Materials Cleaning	WTI
Printing Developments	HMC
Semi-Alloys	HMC
Wire Products	HMC
Specialty Stampings	HMC
Johnson Division	WTI
CPC Engineering	WTI
Industrial Bearings and Other Businesses Held for Sale	Sold

The following chart sets forth a line-by-line breakdown of 1986 financial data relating to Henley's Manufacturing Segment and after giving effect to their distribution to HMC and "Other" (transferred to WTI or sold).

	Henley 1986	HMC	Other
		(in millions)	
Manufacturing			
Net Revenues	663	201	462
Depreciation & amortization	27	8	19
Income (loss) before income taxes	(87)	(47)	(40)
Identifiable assets	391	78	313
Capital spending	17	6	11

* * *

As we discussed in our October 5 letter, in order for affiliates of HMC who receive shares of HMC Stock in the Distribution to be able to sell their shares in reliance on Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), subparagraph (c)(1) of Rule 144 must be satisfied. That subparagraph requires, in part, that an issuer must have been subject to the reporting requirements of Section 13 or 15(d) of the Secu-

rities Exchange Act of 1934, as amended (the "Exchange Act") for at least 90 days preceding any sale of its securities in reliance upon the Rule. We also discussed the 90-day rule in the context of the sale by an independent agent of shares of HMC Stock, in connection with HMC's proposed "Odd-Lot Program", without registration under the Securities Act.

We requested that the Division deem Henley to be a predecessor of HMC for purposes of the 90-day requirement, permitting (a) affiliates of HMC to utilize Rule 144 as of the effective date of HMC's registration under the Exchange Act and (b) an independent agent to sell shares of HMC Stock in connection with the Odd-Lot Program. We based that request in part on our conclusion that the businesses and assets of HMC have been the subject of extensive narrative and financial disclosure in the periodic reports filed by Henley under the Exchange Act (and, as discussed in our October 5 letter, by Allied-Signal Inc., Allied Corporation and The Signal Companies, Inc. in the years prior to the formation of Henley). Additional current financial and narrative information is available to the public through WTI's Form S-1 Registration Statement under the Securities Act and will continue to be available as it begins filing its periodic reports under the Exchange Act.

The supplemental information furnished with this letter, which clarifies the correspondence between the businesses and assets of HMC and the businesses and assets reported in Henley's periodic filings, supports our view that Henley's filings satisfy the 90-day requirement.

The concurrence of the Division in our view would be consistent with the principles contained in "no-action" letters relating to a number of similar transactions. See, e.g., The Penn Central Corporation, July 16, 1987 ("Penn Central"); Royal Apex Silver, Inc., June 12, 1987; Newmont Mining Corporation, January 15, 1987 ("Newmont"); Raycomm Transworld Industries, Inc., March 17, 1987; Squibb Corporation, January 21, 1987; The Henley Group, Inc., November 21, 1986; Dart & Kraft, Inc., September 3, 1986 ("Dart & Kraft"); Allied-Signal, Inc., January 23, 1986 ("Allied-Signal"). Under those prin-

ciples, the "current public information" requirements of Rule 144 are substantially met by the following factors: (1) each Henley shareholder will receive in connection with the Distribution an Information Statement containing substantially the information that would be contained in a Registration Statement on Form S-1; (2) the HMC Stock will be registered under the Exchange Act, on a Registration Statement on Form 10, effective on or prior to the date of the Distribution and (3) the businesses of HMC have been the subject of substantial prior reporting by Henley and its predecessors.

As discussed above, significant correlation exists between the businesses of HMC and the businesses reported as segments in Henley's periodic reports. General Chemical, the principal segment of HMC which accounted for in excess of 2/3 of the net revenues and identifiable assets of HMC in 1986, corresponds with the General Chemical Segment of Henley (except for minor differences relating to certain changes in the basis of presentation of the segment as part of HMC rather than as part of Henley). Four distinct businesses from Henley's Manufacturing Segment will be transferred intact to HMC. While there is not a direct correlation between Henley's Manufacturing Segment and the HMC Manufacturing Group Segment for the reasons noted above, a precise correlation between segments of HMC and its predecessor does not appear to be necessary.

We note that in cases involving requests for relief from the 90-day public reporting requirement for use of a registration statement on Form S-8, there is some indication that the Division has viewed segment reporting by the predecessor as being of greater importance than in other contexts. Of the five factors frequently cited in no-action requests in the S-8 area, the first is that information regarding the issuer's business has been reported on a segment basis by its predecessor. Adams-Russell Co., Inc., June 25, 1986; Plantronics, Inc., October 10, 1984. We believe, however, that although a special requirement, that the issuer's business have been reported previously on a segment basis, may exist in the S-8 area, no such requirement has been publicly enunciated under the Division's no-action letters concerning Rule

144(c) or the sale by an independent agent of shares under an "odd-lot" program. While some no-action request letters have cited prior segment reporting where such segment reporting exists, in the Rule 144 and "odd-lot" contexts neither counsel making the no-action request nor the Division itself indicated that it was placing reliance upon the existence or lack of prior segment reporting. In Penn Central and in Dart & Kraft, where a clear segment relationship existed between the predecessor and the "spin-off" company, that fact was noted by the Division and by counsel only in discussing the Form S-8 issue. In the context of Rule 144, the Division has relied time and again, as in Penn Central, on the facts that

> distributees of the stock of the Company's newly-formed subsidiary, STI, will receive an information statement . . . and STI stock will be included on a 1934 Act registration statement filed before consummation of the distribution.

Even more noteworthy, the Division has applied the more restrictive rule to deny requested relief for S-8 purposes while taking a "no-action" position for Rule 144 purposes. For example, in Newmont earlier this year, the "spin-off" entity had formed part of a larger segment of the predecessor, but because the Newmont shareholders would receive an information statement containing substantially the same information as would be required by Regulation 14C and a registration statement for such shares under Section 12 would be filed, the Division concluded that no 90-day period would be required under Rule 144. Yet the Division went on to say that the "spin-off" company could not be viewed as a successor for Form S-8 purposes. In Peoples Energy Corporation, August 10, 1981, the Division similarly took a no-action position with respect to the Rule 144 issue while declining to grant no-action relief with respect to the Form S-8 in a case involving similar facts.

* * *

In light of the foregoing, we respectfully reiterate our request that the Division:

(i) concur in our view that the shares of HMC Stock to be received by Henley stockholders in the Distribution would not be deemed to be "restricted securities" within the meaning of Rule 144(a)(3) promulgated under the Securities Act, and that, for purposes of Rule 144(c)(1) promulgated under the Securities Act, Henley would be deemed to be a predecessor of HMC so that sales of HMC Stock by affiliates of HMC could be made pursuant to Rule 144 immediately upon the registration of the HMC Stock under Section 12 of the Exchange Act;

(ii) either (a) concur in our view that, in the event HMC elects to provide for the sale of shares of HMC Stock by an independent agent on behalf of Henley stockholders who will be holders of 99 or fewer shares of HMC Stock as a result of the Distribution, such sale will not require registration of such shares under the Securities Act or (b) confirm that it will recommend that no enforcement action be taken by the Commission if such shares are sold by such independent agent without registration under the Securities Act.

Should you have any additional questions, please contact the undersigned by telephone at (212) 909-6619. As it is of the utmost importance to the shareholders of Henley and to Henley itself that the Distribution occur in 1987, we take this opportunity to renew our request that the response of the Division to the requests made herein and in our October 5 letter be made at the earliest possible time.

In accordance with Release No. 33-6269, seven additional copies of this letter are enclosed.

Very truly yours,

Steven Ostner

Enclosures

cc: Michael Hyatt, Esq.

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November 17, 1987

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
Attention: William E. Morley, Esq.
Chief Counsel
Division of Corporation Finance

Proposed The Henley Group, Inc.
Distribution -- Securities Act of 1933
Sections 2(3), 4(1) and 5 and Rules 144(a)(3)
and 144(c)(1); Securities Exchange
Act of 1934, Rule 16b-3a

Dear Sirs:

This letter will supplement our letters of October 5 and October 30, 1987, in which we described the proposed distribution (the "Distribution") to common stockholders of The Henley Group, Inc., a Delaware corporation ("Henley"), of what is presently contemplated to be approximately 45% of the common stock, par value $.01 per share (the "HMC Stock"), of Henley Manufacturing Corp., a Delaware corporation and a newly formed subsidiary of Henley ("HMC").

In a telephone conversation with the undersigned on November 16, 1987, the Division requested that HMC confirm that, in the event it elects to implement its proposed odd-lot program by causing an independent agent to effect sales of shares tendered through a selected

broker on the open market, such program will comply with each of the factors noted by the Division in a no-action letter addressed to Buttonwood Research Group Inc., April 6, 1987.

The first factor noted in the Buttonwood no-action letter is that the issuer on whose behalf the odd-lot program is conducted have been subject to the reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") for a period of at least 90 days prior to commencement of the program. As we discussed in our prior letters, we believe that Henley should be deemed a predecessor of HMC for purposes of satisfying that requirement. As to the remaining factors discussed in the Buttonwood no-action letter, Henley and HMC have authorized us to confirm that, in the event HMC elects to carry out the odd-lot program through sales by an independent agent:

- Holders of odd-lots of HMC Stock will not be guaranteed any minimum sale price for their shares;

- No participating odd-lot holder will be paid any additional consideration in return for the elimination of his odd-lot position;

- All sales will be effected by the selected broker (the "Broker") on an agency basis;

- The Broker will be paid for its services no more than usual and customary brokerage fees;

- The Broker will not engage in any "special selling efforts" within the meaning of Rule 10b-6 under the Exchange Act;

- The Broker will conduct sales in a manner designed to avoid any undue impact on the market for the HMC Stock; and

- HMC will not enter into any arrangement with the Broker with respect to the potential purchasers of shares to be sold in the odd-lot program.

In accordance with Release No. 33-6269, seven additional copies of this letter are enclosed.

Very truly yours,

Steven Ostner

cc: Michael Hyatte, Esq.

November 20, 1987

000059

RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF CORPORATION FINANCE

Re: The Henley Group, Inc. ("Henley")
Incoming letter dated October 5, 1987, October 30, 1987, and November 17, 1987

Based on the facts presented and noting that Henley stockholders will receive an information statement substantially complying with the requirements of Regulation 14A or 14C under the Securities Exchange Act of 1934, and that a registration statement on Form 10 relating to the common stock of Henley Manufacturing Corp. ("HMC") has been filed prior to the distribution, this Division will not recommend enforcement action to the Commission if the HMC stock is distributed to Henley stockholders without registration under the Securities Act of 1933. We are also of the view that the HMC common stock distributed would not be restricted securities within the meaning of Rule 144(a)(3) under the 1933 Act. Sales by Henley affiliates would be subject to Rule 144, except for the holding period requirement, absent registration or another exemption. There would be no 90-day waiting period before sales may be made under Rule 144.

The Division concurs in your view that the approval by Henley, as sole stockholder, of any employee benefit plans will satisfy the shareholder approval requirements of Rule 16b-3, provided the information statement furnished to Henley stockholders includes information that would be required by Section 14(a) of the 1934 Act if the plan were being submitted to a vote of HMC shareholders.

Cash paid in lieu of fractional shares in the distribution would not be a solicitation of an offer to buy requiring registration under the 1933 Act.

Finally, the Division will not recommend enforcement action to the Commission if the described odd-lot program is conducted by an independent agent without registration under the 1933 Act. In reaching this conclusion we have particularly noted your representations that: HMC shareholders will not be guaranteed any miniminum price for their shares; no participating HMC shareholder will be paid any additional consideration for selling his shares; all sales will be effected by the broker on an agency basis; the broker will be paid only its usual and customary brokerage fees; the broker will engage in no "special selling efforts" within the meaning of Rule 10b-6

under the 1934 Act; sales will be conducted in a manner designed to avoid undue effect on the market for HMC stock; and HMC will not make any arrangements with the broker regarding prospective purchasers of the shares to be sold in the program. Regarding the 90-day reporting period requirement for odd-lot programs, it is the Division's view that Henley may be deemed a predecessor of HMC. This position of course does not apply to shares repurchased by HMC.

Because these positions are based on the representations made to the Division, it should be noted that different facts or conditions might require a different conclusion. Moreover, the responses regarding registration under the 1933 Act only represent the Division's position on enforcement action and do not purport to express any legal conclusions on the questions presented.

Sincerely,

Michael Hyatte

Michael Hyatte
Special Counsel