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November 4, 1987

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

HAND DELIVERY

Office of the Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RECEIVED
NOV 5 1987
OFFICE OF CHIEF COUNSEL
CORPORATION FINANCE

Re: Service Resources Corporation and Chas. P. Young Company

Sections and Rules Addressed: Securities Act Sections 2(3) and 5(a) and Rule 144; Securities Exchange Act Rule 16b-3.

Ladies and Gentlemen:

On behalf of our clients, Service Resources Corporation, a Panama corporation ("Service Resources"), and its indirectly, wholly-owned subsidiary Chas. P. Young Company, a Delaware corporation ("CPY"), we request that the Division of Corporation Finance (the "Division") indicate that it will recommend no action to the Securities and Exchange Commission (the "Commission") if the contemplated transactions described below are completed based on the following interpretations: (1) the proposed distribution (the "Spin-off Distribution") of certain shares of common stock, par value \$.01 per share, of CPY (the "CPY Common Stock") to the shareholders of Service Resources as a special dividend would not involve an "offer to sell" or "sale" within the meaning of Sections 2(3) and 5 of the Securities Act of 1933, as amended (the "Securities Act"); and (2) the proposed distribution (the "Bonus Distribution") of certain shares of CPY Common Stock to employees of CPY pursuant to a stock bonus plan (the "Plan") would not involve an "offer to sell" or "sale" within the meaning of Sections 2(3) and 5 of the Securities Act. We also ask that the Division concur in our interpretation that: (1) the shares of CPY Common

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Stock received by the shareholders of Service Resources in the Spin-off Distribution and by the employees in the Bonus Distribution would not be deemed to be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act; and (2) the Plan to be adopted in connection with the Bonus Distribution under the circumstances outlined below will satisfy the stockholder approval requirements of Rule 16b-3 of the Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

BACKGROUND

Service Resources is a holding company whose primary assets are its investments in CPY, a financial printing company, and Chas. P. Young Management Services, Inc., a facilities management company that is a sister company to CPY. Service Resources was incorporated in the Bahamas in 1937 as a successor to a corporation incorporated in Great Britain in 1913. It was reincorporated in the Republic of Panama in 1969. Through its wholly-owned subsidiary, ECL Industries, Inc. ("ECL"), Service Resources owns all of the common stock of CPY. CPY was incorporated in Delaware in 1985 as a successor to Chas. P. Young Company (formerly Ticor Print Network, Inc.), a California corporation incorporated in 1980. Service Resources' common stock is listed on the New York and Boston Stock Exchanges and is registered pursuant to Section 12 of the Exchange Act. ECL's 9% Subordinated Guaranteed Debentures due 1988 and 1989 and 11-1/2% Senior Subordinated Debentures due 1994 are traded on the New York and Boston Exchanges, respectively, and are registered pursuant to Section 12 of the Exchange Act. CPY's 13-1/8% Senior Subordinated Notes due 1998 (the "CPY Notes") are registered pursuant to Section 12 of the Exchange Act. Each of Service Resources, ECL and CPY has timely filed all reports as required with the Commission and provide their respective security holders with annual reports and other periodic releases and reports.

THE SPIN-OFF DISTRIBUTION

Subject to receipt of a favorable no-action letter from the Division and appropriate legal and financial review, the Board of Directors of Service Resources will direct the Board of Directors of ECL to issue a dividend to Service Resources, the sole stockholder of ECL, of shares of CPY Common Stock constituting (after giving effect to the Bonus Distribution described below) 10% percent of the outstanding shares of CPY Common Stock (the "Spin-off Shares"). Upon receipt of this dividend, the Board of Directors of Service Resources will declare a dividend to Service Resources stockholders consisting of the Spin-off Shares of CPY Common Stock. Service Resources proposes to pay this in-kind dividend because Service Resources does not have, and has not had, the liquidity to declare a cash dividend and because the in-kind dividend allows the stockholders of Service Resources to participate more directly in the performance of one of Service Resources' principal assets, the CPY Common Stock. Further, a public market for the CPY Common Stock will have two significant benefits for CPY as it seeks to adjust to the uncertain prospects now facing all businesses in the financial services arena, especially financial printers like CPY, as a result of the recent tumult in the market. First, the public market for the CPY Common Stock after the Spin-off Distribution will give value to the shares of CPY Common Stock to be distributed to CPY employees under the Bonus Distribution, thereby quantifying, and thus making more tangible, this bonus which, as explained below, is deemed essential by management of CPY to ensure the continued support of its key personnel in these uncertain times. The public market for the CPY Common Stock will also give CPY greater flexibility as it seeks to renegotiate with the approximately 13 holders of the CPY Notes (all of whom would be deemed accredited investors under Rule 146 under the Securities Act, with the smallest holder owning \$300,000, and the largest owning \$11.2 million of CPY Notes) to restructure some or all of the CPY Notes for equity in CPY, and thus relieve CPY from much of its heavy debt burden in order to better weather these uncertain financial times. CPY understands that any issuance of securities to the holders of CPY Notes would have to be regis-

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tered under the Securities Act or that an appropriate exemption from registration would have to be available.

In our opinion, the Spin-off Distribution will not constitute an "offer to sell" or a "sale" of securities within the meaning of Section 2(3) of the Securities Act. Registration of the shares of CPY Common Stock so distributed would, therefore, not be required under Section 5 of the Securities Act because, among other reasons, there would be no disposition of securities for value. The Spin-off Distribution, which would represent only 10% of the CPY Common Stock (leaving Service Resources and ECL with 90% of the CPY Common Stock, which would be reduced to not less than 81% of the CPY Common Stock after the Bonus Distribution discussed below), would take the form of a special dividend concerning the declaration and payment of which the Service Resources stockholders would make no investment decision and for which they would pay no consideration of any kind.

The courts and the Division have expressed their concern with respect to contrived spin-off transactions, the principal goal of which is to create a public market for securities without registration and with little or no information about the issuer being made available to the investing public. See Securities and Exchange Commission v. Datronics Engineers, Inc., 490 F.2d 250 (4th Cir. 1973), cert. denied, 416 U.S. 937 (1974); Securities and Exchange Commission v. Harwyn Industries Corporation, 326 F. Supp. 943 (S.D.N.Y. 1971); Release No. 33-4982 (July 2, 1969).

The circumstances addressed in these situations are inapposite to the facts here. The Spin-off Distribution is not being undertaken to avoid registration requirements. Rather it is being undertaken for the valid business purpose of rewarding Service Resources stockholders and increasing their direct participation in the assets of Service Resources. With respect to the availability of information, both Service Resources and CPY are reporting companies under the Exchange Act so that ample information concerning each is already available to the investing public. Indeed, the recipients of the Spin-off Shares, the Service Resources shareholders, have already received substantial information concerning CPY

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as CPY is one of Service Resources' primary assets. Moreover, to assure that recipients of shares of CPY Common Stock in the Spin-off Distribution are adequately informed concerning the security they are receiving and the issuer of these securities, Service Resources will distribute to each recipient in the Spin-off Distribution an information package consisting of CPY's most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, a description of the CPY Common Stock and information such as that required by Section 14(a) of the Exchange Act regarding the Plan. Promptly upon completion of the Spin-off Distribution, CPY will register its common stock with the Commission pursuant to Section 12 of the Exchange Act. These steps, together with the fact that CPY is and will remain a reporting company, will assure that adequate information concerning CPY will be available to investors at all times.

We note that in similar situations where both the distributing and distributed companies have been reporting companies, the Division has acquiesced in the position that a distribution may be made without recipients receiving any information other than that already publicly available. See Bristol Gaming Corporation (available August 3, 1987); Medicore, Inc. (available October 15, 1986); VWR Corporation (available September 22, 1986); Standard Shares, Inc. (available October 21, 1985). In view of the fact that both the distributing and the distributed company in this situation are reporting companies and that Services Resources is undertaking to provide recipients with the information package described above, we believe that there should be no obstacle to the Division adopting the position that no "offer to sell" or "sale" is involved in the Spin-off Distribution and that it will recommend no remedial action to the Commission if the Spin-off Distribution is consummated as described above without registration of the shares to be distributed under Section 5 of the Securities Act.

In view of the fact that no stockholder vote is required for this transaction, it is not proposed that the information package to be provided to recipients would be filed with the Commission for review by the staff. We note that in those situations where the Division has required an information statement to accompany a

distribution, it has evidently not consistently required that such statement be reviewed. For instance, in Mustang Fuel Corporation (available August 25, 1986), the Division indicated expressly that the statement did not need to be filed or reviewed. Since we believe this situation is most analogous to those involving two previously reporting companies where no information was required to be provided to recipients, we ask the Division to concur in our view that no filing requirement is applicable to this transaction.

THE BONUS DISTRIBUTION

AS an integral portion of the overall transaction involved here, subject to the receipt of a favorable no-action letter from the Division and appropriate legal and financial review, the Board of Directors of CPY will pay a stock bonus pursuant to which employees of CPY will be provided with shares of CPY Common Stock as a bonus for their work for their respective employers. The shares of CPY Common Stock used for this purpose will be authorized and unissued shares of CPY Common Stock which, after issuance, will represent up to 9% of the issued and outstanding shares of CPY Common Stock. Such bonuses will be awarded by the Board of Directors of CPY on a one-time basis in its sole discretion and the right to receive such shares will vest in the employee one year after the making of such award. The employee will then promptly receive such shares. The purpose of the Bonus Distribution is to reward the employees of CPY for dedicated service and to encourage them to remain with CPY by providing them with a direct participation in CPY's profitability. CPY believes such incentives are especially important at this time considering the uncertainties arising in the financial printing business as a result of current unstable conditions in the financial markets.

In our opinion, the shares of CPY Common Stock should not be required to be registered pursuant to Section 5 of the Securities Act. The purpose of registration under Section 5 is to provide adequate information for prospective investors to be able to make informed investment decisions. No such investment decisions are involved in this situation. Employee-recipients of

shares in the Bonus Distribution will make no investment decision with respect to the award of the shares to be so distributed. Such decisions will be made in the sole discretion of the Board of Directors of CPY. In addition, since no consideration or "value" will be transferred to CPY, ECL or Service Resources in exchange for these bonus awards, it would appear that neither an "offer to sell" nor a "sale" under Section 2(3) of the Securities Act will take place and, therefore, registration of the shares so distributed should not be required.

We note that the staff of the Commission has taken the position that shares distributed as employer awards to a broad range of employees under stock bonus plans at no direct cost to employees generally should not be required to be registered. Release No. 33-6188 (February 1, 1980). In that release, the staff stated that, while such shares do constitute securities under the Securities Act, no "sale" takes place since recipients "do not individually bargain to contribute cash or definable consideration to such plans." Id. The staff added that not requiring registration is further "justified by the fact that registration would serve little purpose in the context of a bonus plan, since employees in almost all instances would decide to participate if given the opportunity." Id.

The considerations noted by the staff in this release are fully present on these facts. Shares of CPY Common Stock will be awarded to a broad range of employees who will not individually bargain for their awards and who will pay no consideration for the shares so received. Moreover, since the awards constitute a bonus, it may be safely presumed that employees would elect to participate if they were given a choice as to whether to do so. As a result of these considerations, we believe that the Division should find it possible to indicate that no "offer to sell" or "sale" is involved in the Bonus Distribution and that no remedial action will be recommended to the Commission if the Bonus Distribution is consummated as described above without registration of the shares to be distributed under Section 5 of the Securities Act.

RULE 144

In our opinion, the shares of CPY Common Stock proposed to be distributed pursuant to the Spin-off Distribution and the Bonus Distribution should not be deemed "restricted securities" as defined in Rule 144(a)(3) under the Securities Act.

With respect to the shares of CPY Common Stock to be distributed pursuant to the Spin-off Distribution, there is no compelling reason to impose the holding period requirement of Rule 144 on Service Resources stockholders with respect to the shares of CPY Common Stock which they are to receive pursuant to that Distribution. The Division has repeatedly taken the position that shares in similar distributions would not be deemed "restricted securities" in the hands of recipients who were not affiliates of the distributed company. See e.g., Bristol Gaming Corporation (available August 3, 1987); Newmont Mining Corporation (available May 14, 1987); Lucky Stores, Inc. (available April 27, 1987); Squibb Corporation (available February 23, 1987); Fedders Corporation (available January 22, 1987); Kay Corporation (available December 8, 1986); Medico, Inc. (available October 15, 1986). Based upon these and other no-action letters on this subject, we believe that shares of CPY Common Stock distributed to persons who are affiliates of CPY would be subject to the restrictions of Rule 144 (except for the holding period requirement), absent registration or another appropriate exemption. While it is also our understanding that there would not be any 90-day waiting period before sales could be made by such affiliates under Rule 144, all affiliates have undertaken not to effect any transactions in CPY Common Stock for a period of at least 90 days. We ask the Division to confirm the applicability of these interpretations to the situation presented here.

With respect to the shares of CPY Common Stock to be distributed pursuant to the Bonus Distribution, we believe that the same considerations concerning the inappropriateness of Rule 144 restrictions apply. It is expected the Bonus Distribution will place quantities of shares not exceeding a total of 9% of the outstanding CPY Common Stock in the hands of approximately 20% of the

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employees of CPY. It would, therefore, appear to be an unfair and unnecessary burden on the recipients to require their compliance with Rule 144. These recipients are in essentially the same position as recipients under the Spin-off Distribution. They have no say in the decision to award them shares. They will be paying no consideration for the shares they receive. The staff has taken a position that would appear to indicate that these shares, like those in the Spin-off Distribution need not be registered with respect to the initial distribution. To require compliance with Rule 144 for such relatively small shareholders places an inappropriate burden on these holders since it is highly unlikely their trading in shares would substantially affect the market. Moreover, the costs of compliance in terms of holding period or manner of sale would significantly detract from the value of the bonus award. For these reasons, we ask that the Division concur in our interpretation that the shares of distributed to the Bonus Distribution would not be "restricted securities" within the meaning of Rule 144(a)(3).

RULE 16b-3

Since the Plan will be adopted prior to either the Spin-off Distribution or the Bonus Distribution, the Plan will be approved by ECL, as the sole stockholder of CPY. This approval will be given at the behest of Service Resources as the sole stockholder of ECL. Because CPY Common Stock will not be registered under Section 12 of the Exchange Act until after the Spin-off Distribution, the vote of CPY's stockholder will not be subject to Regulation 14A. It is therefore our view that stockholder approval of the Plan by ECL would satisfy Rule 16b-3 under the Exchange Act so long as there is compliance with the standards set down in Release No. 34-18114 (September 23, 1981) and affirmed in no-action letters such as Lucky Stores, Inc. (available April 27, 1987); Squibb Corporation (available February 1987); and Fedders Corporation (available January 22, 1987). This would entail providing recipients of shares in the Spin-off Distribution with information regarding the Plan such as would be required under Section 14(a) of the Exchange Act. As noted above, Service Resources has undertaken to

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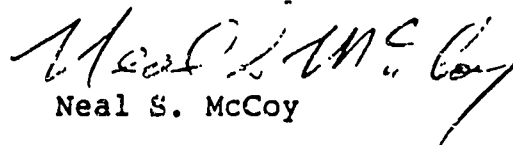
provide such information in the information package to be distributed in conjunction with the Spin-off Distribution.

We therefore request the Division to concur in our view that approval of the Plan by ECL will adequately comply with the requirements of Rule 16b-3.

CONCLUSION

We respectfully request a letter from the Division expressing concurrence with the views set forth above. Service Resources wishes to effect the Distributions as soon as practicable. We would, therefore, request a reply as soon as possible. In accordance with Release No. 33-6269 (December 5, 1980), seven additional copies of this letter are enclosed. If you have any questions or wish any further information, please call the undersigned or Ronald C. Barusch at (202) 371-7000.

Very truly yours,


Neal S. McCoy

November 23, 1987

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RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF CORPORATION FINANCE

Re: Service Resources Corporation ("Service Resources")
and Chas. P. Young Company ("CPY")
Incoming letter dated November 4, 1987

Based on the facts presented, this Division will not recommend enforcement action to the Commission if the common shares of CPY are distributed to shareholders of Service Resources and to employees of CPY as described without registration under the Securities Act of 1933. In reaching the conclusion regarding the distribution to shareholders, we have noted that CPY is subject to the periodic reporting requirements of Section 15(d) under the Securities Exchange Act of 1934 (and will become subject to the reporting requirements of Section 13(a) on the effectiveness of its filing under Section 12(g)) and that shareholders of Service Resources will receive information statements containing the information that would be required by Sections 14(a) or 14(c) of the 1934 Act. Because there will be no vote of security holders, such information is not required to be filed under Sections 14(a) or 14(c). Because awards to employees of CPY will be made under a bonus plan, no registration of the awards will be required under the 1933 Act.

Shares distributed to shareholders of Service Resources will not be "restricted securities" within the meaning of Rule 144(a)(3). Sales by Service Resources shareholders who are CPY affiliates will be subject to Rule 144 (except for the holding period requirement) absent registration or another appropriate exemption. There would not, however, be any 90-day waiting period before sales could be made by affiliates under Rule 144. We are unable to agree that shares awarded to employees of CPY would not be "restricted securities" within the meaning of the rule.

Approval of the bonus plan by ECL Industries, Inc., the sole shareholder of CPY, will satisfy the shareholder approval requirement of Rule 15b-3(a) if shareholders of Service Resources receiving shares in the spin-off are provided the information that would have been required by Regulation 14A if the plan were subject to their vote.

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Because these positions are based on the representations made to the Division in your letter, you should note that different facts would require another conclusion. Moreover, the responses regarding registration under the 1933 Act only represent the Division's positions on enforcement action and do not express any legal conclusion of the questions presented.

Sincerely,

W. M. S. Hyatte
for Michael Hyatte
Special Counsel