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October 5, 1987

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Securities and Exchange Commission,  
450 Fifth Street, N.W.,  
Washington, D.C. 20549.

PUBLIC AVAILABILITY DATE: 12-07-87  
ACT SECTION RULE  
1933 Form S-2 ---  
1934 13 ---  
1934 15(d) ---

Re: Kay Corporation

Dear Sirs:

We enclose seven copies, one of which has been manually signed, of our "no-action" request with respect to the registration of the Company's 13 3/8% Senior Notes Due August 15, 1997, the Guarantees thereto, the Warrants to purchase Common Stock of the Company and the Common Stock under the Securities Act of 1933, as amended.

The letter is intended to elicit a short affirmative response without analysis. However, we would welcome an expression of agreement with our opinion or interpretation of the issues involved for this particular case.

I also enclose a conformed copy of the Registration Statement on Form S-2 with exhibits filed today with the Commission.

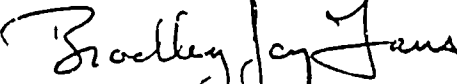
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Securities and Exchange Commission

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If you have any questions or comments, please call  
me at (212) 558-3680.

Very truly yours,

  
Bradley Jay Gans

(Enclosures)

cc: Howard Hodges  
(Securities and Exchange Commission)

Scott Spitzer  
(Kay Corporation)

Frank H. Golay, Jr.  
(Sullivan & Cromwell)

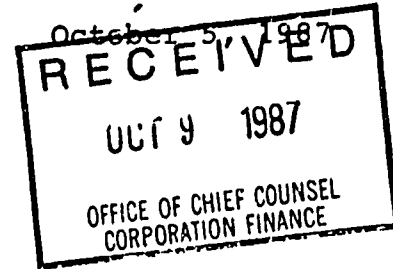
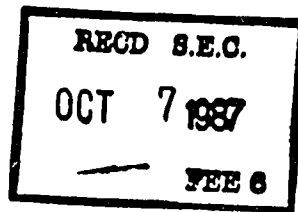
SULLIVAN & CROMWELL

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

Re: Kay Corporation

Dear Sirs:

Kay Corporation (the "Company"), a corporation organized under the laws of Delaware, recently privately placed (the "private placement") \$30,000,000 principal amount of its 13 3/8% Senior Notes Due August 15, 1997 (the "Notes") and 500,000 Warrants to purchase Common Stock of the Company (the "Warrants"). Balfour, Maclaine International Ltd. ("Balfour"), a corporation organized under the laws of Delaware and wholly-owned consolidated subsidiary of the Company, and Kay Acquisition Corp. ("KAC," collectively with Balfour, the "Guarantors"), a corporation organized under the laws of Delaware and a wholly-owned consolidated subsidiary of the Company, unconditionally guaranteed the payment of principal and interest on the

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Notes (the "Guaranties," collectively with the Notes and the Warrants, the "Securities"). The Guarantors are not issuers of or obligated in respect of the Warrants or the Company's Common Stock. The Company and the Guarantors granted the holders of the Securities certain registration rights whereby the Company and the Guarantors agreed to file a "shelf" registration statement pursuant to Rule 415 of the Securities Act of 1933, as amended (the "Act"), and to use their best efforts to have it declared effective.

The Company's Common Stock, par value \$1.00 per share, and 13 1/2% Subordinated Sinking Fund Debentures Due 1998 are listed on the American Stock Exchange and registered pursuant to Section 12(b) of the Securities Exchange Act, as amended (the "Exchange Act"). Consequently, the Company is subject to the informational requirements of the Exchange Act. The Guarantors do not have any securities registered under the Exchange Act and are not subject to the informational requirements of the Exchange Act.

On even date herewith, the Company filed a registration statement on Form S-2 registering the Securities (and the Common Stock of the Company which may be purchased upon the exercise of the Warrants), which are to be offered or sold solely by, or on behalf of, the holders of the Securities.

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Requested No-Action and Exemptive Positions

In connection with the filing of such registration statement, we ask the staff of the Securities and Exchange Commission (the "Commission") to confirm that (1) no separate financial information concerning the Guarantors need be included in the registration statement and (2) the Guarantors need not comply with the reporting and informational obligations of Sections 13 and 15(d) of the Exchange Act, so long as the Company remains an Exchange Act reporting company and the Guarantors' financial reporting obligations qualify for the first or second levels of disclosure pursuant to paragraph G of SAB 53 (as defined below).

Discussion of Issues Presented

In Paragraph H to Staff Account Bulletin Topic 1 (Staff Accounting Bulletin 53 - "SAB 53"), the staff concluded that as a general matter "where a registration statement covers the issuance by a parent of a security that is guaranteed by its subsidiary . . . financial statements for both of the issuers would be material to the investment decision". In a no-action letter to Anheuser-Busch Companies., Inc. (avail. May 4, 1987) ("Anheuser-Busch"), however, the staff took the position "that the three disclosure standards contained in Paragraph G of SAB 53 may

be applied to situations covered by Paragraph H for purposes of determining the required level of disclosure." Paragraph G of SAB 53 covers financial information disclosure of subsidiary issuers whose obligations are guaranteed by its parent. The three disclosure standards set out in Paragraph G of SAB 53 are (1) no separate disclosure, (2) summarized disclosure and (3) full disclosure. In order to qualify for the first level of disclosure, the following requirements must be met: (i) the subsidiary issuer must be wholly-owned by, and consolidated with, the guarantor parent, (ii) the parent's guaranty of the subsidiary's obligation must be full and unconditional and (iii) the subsidiary issuer must have essentially no independent operations. If the issuer and guarantor satisfy these standards, no separate financial statements of the subsidiary issuer of the guaranteed security are required.

In Anheuser-Busch, the parent holding company's debt obligations were guaranteed by a consolidated wholly-owned subsidiary so holders of such debt obligations would have the same claim against all the assets of the consolidated enterprise as that of the creditors of the subsidiary. The staff agreed with Anheuser-Busch that no greater financial disclosure is required when a subsidiary guarantees a parent's obligation (Paragraph H to SAB 53) than

when a parent guarantees a subsidiary's obligation (Paragraph G to SAB 53).

The staff of the Commission took a similar position in its no action letter to Leaseway Transport Corp. (avail. May 22, 1987) ("Leaseway"). In Leaseway, the staff advised that the financial statements of the issuer were sufficient and that no separate financial disclosure of the 95 subsidiary guarantors was necessary so long as the guarantees were joint and several. If the guarantees were not joint and several or not full and unconditional, the staff indicated that it would require summarized financial information.

The Company is a holding company with no materially significant operations. The Guarantors are wholly-owned consolidated subsidiaries of the Company. Their guaranty of the Notes is full and unconditional and is made on a joint and several basis. The guaranties have been granted so that holders of the Notes will have a direct claim against the assets of the Guarantors, which represent substantially all of the Company's consolidated assets.

Balfour imports and exports a wide variety of goods and commodities, performs commodity service activities and is the Company's primary operating unit. KAC is a

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newly-formed subsidiary which is expected to serve as a vehicle for future acquisitions. To date, KAC does not have any significant operating assets or liabilities and has not been engaged in any activities other than those incident to its formation and the private placement. None of the operations of the Guarantors are independent of the Company. The Company also has certain other subsidiaries which are inactive or relatively insignificant to the Company in terms of their total assets, revenues, or operating incomes (losses). Presented at Attachment I is the existing corporate structure of the Company. Presented at Attachment II is the Company's consolidating balance sheets at December 31, 1986 and June 30, 1987, respectively. In view of the Company's reliance on Paragraph H of SAB 53, as interpreted by the staff in Anheuser-Busch, and the fact that the Company's subsidiaries not participating in the Guaranty are insignificant to the Company in terms of their assets and operations (a pattern that is similar to the Leaseway "joint and several" example cited above), the Company believes that its consolidated financial statements provide the most meaningful information to investors and that the separate financials of KAC and Balfour will not add information that would be considered "material to an investment decision". Accordingly, no financial information



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with respect to the Guarantors is included in the registration statement.

Footnote 2 to SAB 53, paragraph G states:

"Further, in situations where the parent guarantor of an issuer subsidiary in either the first or second category is a reporting company under the Exchange Act, upon application to the Commission such a subsidiary would be conditionally exempted pursuant to Section 12(h) of the Exchange Act from reporting obligations under such Act." Given that the staff has accepted that the financial disclosure standards of Paragraph G of SAB 53 should be applied to situations covered by Paragraph H of SAB 53, footnote 2 should also conditionally exempt a subsidiary guarantor of an issuer parent's obligation from the reporting requirements of the Exchange Act, if the parent issuer is a reporting company. Moreover, the staff of the Commission has on numerous occasions taken a no action position with respect to the omission of complying with the reporting requirements of a subsidiary guarantor of an issuer parent's obligation. See Anheuser-Busch; Lehigh Valley Industries, Inc. (avail. March 7, 1986); Mercantile Texas Corp. (avail. January 14, 1985). See also Northwest Airlines, Inc. (avail. May 2, 1985); Lear Siegler, Inc. (avail. July 5, 1984); American

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Medical International, Inc. (avail. June 4, 1984); and PNC Funding Corp. (avail. August 30, 1985).

The Company is a reporting company under the Exchange Act and the Guarantors are not. As discussed above, no financial disclosure of the Guarantors is included in the registration statement in reliance on Paragraphs G and H of SAB 53, as interpreted by the staff in Anheuser-Busch, and the fact that the situation presented falls into the first category of financial information disclosure standards. Consequently, the Guarantors do not intend to file any reports or information required by the Exchange Act with the Commission.

#### Conclusion

We respectfully request that the staff of the Commission confirm (1) that it will not recommend any enforcement action if the above-mentioned registration statement does not contain any financial information with respect to the Guarantors and (2) that pursuant to Section 12(h) of the Exchange Act, the Guarantors shall be exempted from the reporting and informational requirements of Sections 13 and 15(d) of the Exchange Act, so long as the Company remains on Exchange Act reporting company and the Guarantors' financial reporting obligations qualify for the

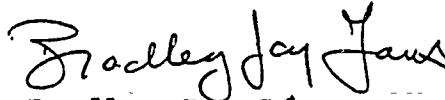
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first or second levels of disclosure pursuant to paragraph G SAB 53, or subject to such additional conditions as may be imposed.

The Company would like the opportunity to meet with you to discuss the matter, if you consider it necessary. Please call me at (212) 558-3680 or Frank Golay at (212) 558-4021 with any questions or comments. Thank you for your attention to this matter.

Very truly yours,

  
Bradley Jay Gans

cc: Howard Hodges  
(Securities and Exchange Commission)

Scott L. Spitzer  
(Kay Corporation)

Frank H. Golay, Jr.  
(Sullivan & Cromwell)

November 6, 1987

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RESPONSE OF THE OFFICE OF CHIEF COUNSEL  
DIVISION OF CORPORATION FINANCE

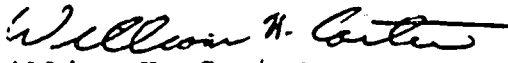
Re: Kay Corporation ("Kay")  
Incoming letter dated October 5, 1987

Based upon the facts presented, and noting especially that: (1) Kay is a holding company with no independent operations; (2) Balfour, Maclaine International Ltd. and Kay Acquisition Corporation (collectively, the "Guarantors"), both wholly-owned consolidated subsidiaries of Kay, have fully and unconditionally guaranteed the notes in question on a joint and several basis; and (3) the subsidiaries of Kay other than the Guarantors are currently inconsequential to the operations of Kay as a consolidated entity, this Division will not raise any objection if no separate financial information concerning the Guarantors is provided in the registration statement on Form S-2 filed by Kay on October 7, 1987, as amended, relating to notes of Kay guaranteed by the Guarantors; provided, however, that the prospectus contained in such registration statement includes a statement to the effect that separate financial statements of the Guarantors are not included therein because the Guarantors are jointly and severally liable and the aggregate net assets, earnings and equity of such Guarantors are substantially equivalent to the net assets, earnings and equity of Kay on a consolidated basis.

In addition, on the basis of the facts presented, and provided that the statement described above is set forth in the reports filed by Kay pursuant to the Securities Exchange Act of 1934 (the "1934 Act") that contain financial statements subsequent to the effective date of the above-referenced registration statement, this Division will not raise any objection if the Guarantors do not comply, as separate registrants, with the informational and reporting requirements of Sections 13 and 15(d) of the 1934 Act.

Because these positions are based upon the representations made to the Division in your letter, it should be noted that any different facts or conditions, including but not limited to those arising from a change in the level of operations or importance to Kay of a subsidiary not guaranteeing the notes of Kay, might require a different conclusion. Further, this response only expresses the Division's position on enforcement action and does not purport to express any legal conclusion on the questions presented.

Sincerely,

  
William H. Carter  
Special Counsel