

October 12, 2005

VIA FACSIMILE

James A. Brigagliano, Esquire
Assistant Director
Office of Risk Management and Control
Division of Market Regulation
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Key Hospitality Acquisition Corporation: Request for No-Action Relief from Rules 101 and 102 of Regulation M

Dear Mr. Brigagliano,

We are writing this letter on behalf of Key Hospitality Acquisition Corporation (the "Company"), a Delaware corporation, that is engaged in registering units (comprised of shares of the Company's common stock and warrants) under the Securities Act of 1933, as amended (Registration No. 333-125009), for initial public offering. As a consequence of the offering, the Company is engaged in a distribution subject to Rules 101 and 102 of Regulation M. We are requesting no-action relief from the Division of Market Regulation (the "Staff") with respect to the application of Rules 101 and 102 of Regulation M to certain agreements by existing stockholders and the Company's lead underwriter, to purchase warrants in the public marketplace following the Company's initial public offering of the units. The Company's registration statement on Form S-1 (the "Registration Statement") with respect to the units was initially filed with the Commission on May 17, 2005, and amended on June 28, 2005, August 3, 2005, August 23, 2005 and September 23, 2005.

Background

The Company is a blank check company recently formed for the purpose of effecting a merger, capital stock exchange, asset acquisition or other similar business combination with an unidentified operating business in the hospitality industry. Upon effectiveness of the Registration Statement, the Company intends to offer the units at a public offering price of \$8.00 per unit, each unit consisting of one share of common stock and one warrant to purchase common stock. Each warrant entitles the holder to purchase one share of common stock at a price of \$6.00. Each warrant will become exercisable on the later of the Company's completion of a business combination or one year from the date of the final prospectus, and will expire four years from the date of the final prospectus, or earlier, upon redemption.

Each of the common stock and warrants may trade separately on the 90th day after the date of the final prospectus unless the lead underwriter determines that an earlier date is acceptable, based upon its assessment of the relative strengths of the securities markets and small capitalization companies in general, and the trading pattern of, and demand for, the Company's securities in particular. In no event will the lead underwriter authorize separate trading of the common stock and warrants until the trading

October 12, 2005

Page 2

day following the earlier to occur of the expiration of the underwriters' over-allotment option or its exercise in full.

Approximately 91% of the proceeds of the offering will be placed in trust. These proceeds will not be released until the earlier of the completion of a business combination or liquidation. The Company will seek stockholder approval in accordance with the Commission's proxy rules and state law before it effects any business combination. The Company will proceed with a business combination only if: (i) a majority of the shares of common stock voted by the public stockholders are voted in favor of the business combination and (ii) public stockholders owning less than 20% of the shares sold in the offering exercise their conversion rights. The Company will dissolve and promptly distribute to public stockholders the cash amount in the trust plus any remaining net assets held by the Company outside of the trust, if the Company does not effect a business combination within 18 months after completion of the offering (or within 24 months from the completion of the offering if a letter of intent, agreement in principle or definitive agreement has been executed within 18 months after completion of the offering and the business combination has not yet been consummated within such 18 month period).

Each member of the Company's Board of Directors and Special Advisors as named in the Registration Statement have effected an agreement with Maxim Group LLC, the lead underwriter, whereby, after the offering is completed and during the first 40 trading days beginning the later of (i) the date separate trading of the warrants has commenced or (ii) 60 calendar days after the end of the restricted period under Regulation M, they will collectively purchase, in the aggregate, up to \$1,350,000 of warrants in the public marketplace at prices not to exceed \$1.20 per warrant. In addition, the lead underwriter has agreed that after the offering is completed and during the first 40 trading days beginning the later of (i) the date separate trading of the warrants has commenced or (ii) 60 calendar days after the end of the restricted period under Regulation M and after the existing stockholders' warrant purchases have occurred, it will purchase up to \$250,000 of warrants in the public marketplace at prices not to exceed \$1.20 per warrant. In this regard, the units, common stock and warrants are anticipated to be OTC Bulletin-Board traded. Each of the existing stockholders and the lead underwriter has agreed to purchase such warrants pursuant to agreements in accordance with the guidelines specified by Rule 10b5-1 under the Exchange Act through a broker-dealer that is not a participant in the public offering. Such warrant purchase agreements (collectively, the "WPA") constitute an irrevocable order to purchase warrants in the public marketplace for the existing stockholder's or lead underwriter's account, as the case may be, within the first 40 trading days beginning the later of (i) the date separate trading of the warrants has commenced or (ii) 60 calendar days after the end of the restricted period under Regulation M. Neither the existing stockholders nor the lead underwriter will have any discretion or influence with respect to such purchases. In addition, each of them have further agreed that any warrants purchased will not be sold or transferred until the completion of a business combination and will be non-callable as long as they are held by them. Accordingly, the warrants will expire worthless if the Company is unable to consummate a business combination. The form of WPA (which is being revised to incorporate the provisions described in this letter) will be filed as an exhibit to the Registration Statement and will be available upon request.

October 12, 2005

Page 3

Summary of Relief Requested

The Company respectfully requests that the Staff not recommend that the Commission take enforcement action under Rules 101 and 102 of Regulation M with respect to warrant purchases made pursuant to the terms and conditions of the WPA in accordance with Rule 10b5-1 as described above.

Discussion

Rules 101 and 102 of Regulation M, which are intended to preclude manipulative conduct by those with an interest in the outcome of a distribution, prohibits distribution participants, issuers and those affiliated with such persons or issuers, among others, from bidding for, purchasing or attempting to induce another to bid for or purchase, a security that is the subject of a then-current distribution.

We respectfully request no-action relief as the existence of the WPA and disclosure in the prospectus relating thereto constitutes "a bid for" a covered security during the restricted period as defined in Regulation M. We believe, however, that the WPA and related prospectus disclosure do not raise the issues of manipulative conduct by offering participants and their affiliated purchasers that Regulation M is intended to preclude.

Each of the existing stockholders and the lead underwriter has agreed that any warrants purchased will not be sold or transferred until the completion of a business combination. Although a collateral effect of the warrant purchases in the open market may be to support the market price of the warrants (as described in a risk factor in the Registration Statement), the purpose of the warrant purchases, as stated in the prospectus for the offering, is to demonstrate confidence in Company management's ability to consummate a business combination in the allotted timeframe since such warrants will expire worthless if the Company is unable to effect such business combination. The purpose of the WPA is not to artificially facilitate the unit offering.

Any warrants purchased by the existing stockholders or the lead underwriter may not be sold or transferred until the consummation of a business combination, purchases made pursuant to the WPA will clearly be made for investment purposes. As noted, there is substantial disclosure of the WPA in the prospectus, including the risk factor referred to above.

The WPA is clearly disclosed in the prospectus and has been made a part of the offering so that such offering will be competitive with every other offering by a similarly structured entity. The investors in these types of offerings typically want to know that management is risking a significant amount of money in order to further align management's interests with those of the investors. In reaction to the recent flood of offerings by these entities, investors have been insisting on additional investment by management and increases in the size of the warrant purchase obligation.

Warrant purchases pursuant to the WPA have been thought to be an appropriate component of these types of offerings for several reasons. First, as discussed above, the interest of management is more closely aligned with the investors because the warrants expire worthless if the Company is unable to consummate a business combination whereas common stock purchased in the open market is entitled to protection afforded by the cash held by the trust. In addition, and quite relevant to Regulation M, purchases of warrants reduce the potential for market manipulation as the price of the warrants derives from the price of the common stock and not vice versa. In other words, as the warrant is exercisable for the common stock, the value of the warrant should fluctuate relative to the value of the common stock but it should not fundamentally operate in the reverse.

October 12, 2005

Page 4

We note that the traditional concern addressed by Regulation M is the creation of artificial demand designed to inflate the price of the securities that are the subject of the distribution. Such inflation does not appear possible here. The purchases would occur 60 calendar days following the end of the restricted period and the purchase terms and conditions are fully disclosed to unit investors in the prospectus, including the duration of the purchase period, the maximum price to be paid per warrant, and the total dollar amount committed to the purchase program. Finally, the warrant purchases will be made pursuant to an irrevocable Rule 10b5-1 Plan that is effected through an independent broker-dealer registered under Section 15 of the Exchange Act, which is not affiliated with the Company nor part of the underwriting or selling group. All purchases of warrants by management and affiliates of the Company pursuant to the WPA will be reported to the Commission and publicly disclosed pursuant to Form 4, Statement of Changes of Beneficial Ownership of Securities, within two business days of the applicable purchase. In the event that the purchases of warrants by the lead underwriter trigger a requirement to file a Form 3, Initial Statement of Beneficial Ownership of Securities, the warrant purchases will be reported to the Commission and publicly disclosed pursuant to Form 3 within ten business days of the applicable purchase.

The purposes of Rule 101(a) and Rule 102(a) of Regulation M would not be furthered by its application to the purchases to be made pursuant to the WPA because there is little possibility that such purchases will affect or manipulate the price at which the units will be sold in the offering. The warrant purchases are accomplished pursuant to pre-established agreements in accordance with the guidelines specified by Rule 10b5-1 under the Exchange Act. As such, this eliminates any discretion or influence by the existing stockholders and/or the lead underwriter respecting such warrant purchases. We also note that pursuant to the express terms of the WPA, no warrants may be purchased until 60 calendar days after the offering is completed and separate trading of the common stock and warrants has commenced (the latter event which may not occur until the business day following the earlier to occur of the expiration of the underwriters' over-allotment option or its exercise in full). Accordingly, the "restricted period," as such term is defined in Regulation M, will have terminated before any warrant purchases under the WPA are made.

Conclusion

For the foregoing reasons, we believe that the proposed warrant purchases to be made pursuant to the WPA in accordance with Rule 10b5-1 as detailed in this letter significantly ameliorate the potential for manipulative effects regarding the distribution of the units during the restricted period and, as a result, the Company respectfully requests that the Staff grant no-action relief has requested herein to the Company. We are not requesting relief regarding any bids, purchases, or attempts to induce bids or purchases other than as set forth in this letter. Except as provided herein, the Company, Maxim Group LLC, and their affiliated purchasers will comply with Regulation M.

The requested no action position shall be subject to the following conditions: (1) other than the bid represented by the WPA during the restricted period, no warrant bids or purchases pursuant to the WPA will occur until 60 calendar days following the end of the restricted period for the unit distribution; (2) we will make, keep, and produce promptly upon request and in no event more than 30 days following the request, a daily time-sequenced schedule of all warrant purchases made pursuant to the WPA, on a transaction-by-transaction basis, including (i) size, broker (if any), time of execution, price of purchase; and (ii) the exchange, quotation system, or other facility through which the warrant purchase occurred.

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

October 12, 2005

Page 5

If you require any further information, please contact the undersigned at (212) 692-6768 or Jeffrey P. Schultz, at (212) 692-6732. Due to the advanced stage of the Company's Registration Statement for its initial public offering, we respectfully request that this matter be given expedited consideration.

Thank you for your attention to this matter. In accordance with Release No. 33-6269, we are enclosing seven additional copies of this letter. Please acknowledge receipt of this letter and its enclosures by date-stamping the enclosed receipt copy and returning it in the stamped, self-addressed envelope included herewith.

Very truly yours,



Kenneth R. Koch
Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo, P.C.

cc: Jeffrey S. Davidson, *Key Hospitality Acquisition Corporation*