NOVA MEASURING INSTRUMENTS LTD
Form 6-K
November 02, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

November 2, 2010

Commission File No.: 000-30688

NOVA MEASURING INSTRUMENTS LTD.
(Translation of registrant’s name into English)

Building 22 Weizmann Science Park, Rehovot
P.O.B 266
Israel
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x   Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o   No x

Attached hereto and incorporated by way of reference herein is a press release issued by the Registrant and entitled “Nova Announces Record Quarterly Financial Results for the Third Quarter of 2010”.

This report on Form 6-Kis hereby incorporated by reference into the Registrant’s registration statements on Form S-8, filed with the Securities and Exchange Commission on the following dates: September 13, 2000 (File No. 333-12546); March 5, 2002 (File No. 333-83734); December 24, 2002 (File No. 333-102193, as amended by Amendment No. 1, filed on January 5, 2006); March 24, 2003 (File No. 333-103981); May 17, 2004 (File Nos. 333-115554, 333-115555, and 333-115556, as amended by Amendment No. 1, filed on January 5, 2006); March 7, 2005 (File No. 333-123158); December 29, 2005 (File No. 333-130745); September 21, 2006 (File No. 333-137491) and November 5, 2007 (File No. 333-147140).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NOVA MEASURING INSTRUMENTS LTD.
(Registrant)

Date: November 2, 2010

By: /s/ Dror David

Dror David
Chief Financial Officer

Company Contact:
Dror David, Chief Financial Officer
Nova Measuring Instruments Ltd.
Tel: 972-8-938-7505
E-mail: info@nova.co.il
http://www.nova.co.il

Investor relations Contacts:
Ehud Helft / Kenny Green
CCG Investor Relations
Tel: +1-646-201-9246
E-mail: nova@ccgisrael.com

Company Press Release

NOVA ANNOUNCES RECORD QUARTERLY FINANCIAL RESULTS FOR THE THIRD QUARTER OF 2010

Record bookings reflect strong business momentum across all product lines
Accelerating standalone customer penetration further strengthens market position and outlook

Rehovot, Israel - November 2, 2010 - Nova Measuring Instruments Ltd. (Nasdaq: NVMI), provider of leading edge stand alone metrology and the market leader of integrated metrology solutions to the semiconductor process control market, today reported its 2010 third quarter financial results.

Highlights for the Third Quarter of 2010

- Record revenues of $24.2 million
- Record gross margins of 56%
- Record net income of $7.3 million, or $0.27 per diluted share; net margin of 30%
- $7.9 million positive operating cash flow; strong balance sheet with cash reserves of $54.8 million

Management Comments

"Q3 was another excellent quarter, with record performance achieved in all aspects of our business", said Gabi Seligsohn, President and CEO of Nova. "During the quarter we also continued to execute on our strategy of expanding our customer base with the stand alone metrology product line, adding two new foundry customers and one new memory customer. We expect to recognize most of the related revenues at the beginning of 2011."

"On the integrated metrology front, we continued to enjoy record business volumes with many fabs ordering and installing dozens of tools per fab. Given the significant challenges experienced in design rule shrink in all our served markets, the extent by which integrated metrology is being deployed is the highest it has ever been. Meanwhile, we successfully started the proliferation of our latest integrated metrology product, the Nova i500, and continued the delivery of the Nova T500 stand alone tool. We believe that the combination of new products and the recent customer design wins will support further growth in the future."

2010 Fourth Quarter and Annual Guidance

For the fourth quarter of 2010, management expects revenues of $24.5-$26 million, with net profitability of 26%-29%.

In terms of the company's existing 2010 annual guidance, of revenues of $78-$85 million and net profitability of 21%-24%, management expects to reach or slightly exceed the top-end of this guidance.

2010 Third Quarter Results

Total revenues for the third quarter of 2010 were $24.2 million, an increase of 112% relative to the third quarter of 2009, and an increase of 25% relative to the second quarter of 2010.

Gross margin for the third quarter of 2010 was 56%, compared with 48% in the third quarter of 2009, and 54% in the second quarter of 2010.

Operating expenses in the third quarter of 2010 were $6.4 million, compared with $4.0 million in the third quarter of 2009, and $5.8 million in the second quarter of 2010.

The company reported net income of $7.3 million, or $0.27 per diluted share, in the third quarter of 2010. This compares to a net income of $1.7 million, or $0.08 per share, in the third quarter of 2009, and a net income of $4.7 million, or $0.18 per diluted share, in the second quarter of 2010.

The company generated $7.9 million in cash from operating activities during the third quarter of 2010, and total cash reserves at the end of the third quarter of 2010 were $54.8 million.

The Company will host a conference call today, November 2, 2010, at 10:00am ET. To participate, please dial in the US: 1 866 850 2201; in Israel: 03 721 9510 or internationally: +1 212 444 0482. A recording of the call will be available on Nova's website, within 24 hours following the end of the call. In addition, a presentation to accompany the conference call will be available together with a live webcast of the conference call. This will be accessible from a link on Nova's website at www.nova.co.il.

About Nova

Nova Measuring Instruments Ltd. develops, produces and markets advanced integrated and stand alone metrology solutions for the semiconductor manufacturing industry. Nova is traded on the NASDAQ & TASE under the symbol NVMI. The Company's website is www.nova.co.il.

This press release contains forward-looking statements within the meaning of safe harbor provisions of the Private Securities Litigation Reform Act of 1995 relating to future events or our future performance, such as statements regarding trends, demand for our products, expected deliveries, transaction, expected revenues, operating results, earnings and profitability. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied in those forward looking statements. These risks and other factors include but are not limited to: our dependency on two integrated process control product lines; the highly cyclical nature of the markets we target; our inability to reduce spending during a slowdown in the semiconductor industry; our ability to respond effectively on a timely basis to rapid technological changes; our dependency on OEM suppliers; risks associated with our dependence on a single manufacturing facility; our ability to expand our manufacturing capacity or marketing efforts to support our future growth; our dependency on a small number of large customers and small number of suppliers; risks related to our intellectual property; changes in customer demands for our products; new product offerings from our competitors; changes in or an inability to execute our business strategy; unanticipated manufacturing or supply problems; changes in tax requirements; changes in customer demand for our products; risks related to currency fluctuations; and risks related to our operations in Israel. We cannot guarantee future results, levels of activity, performance or achievements. The matters discussed in this press release also involve risks and uncertainties summarized under the heading “Risk Factors” in Nova’s Annual Report on Form 20-F for the year ended December 31, 2009 filed with the Securities and Exchange Commission on March 26, 2010. These factors are updated from time to time through the filing of reports and registration statements with the Securities and Exchange Commission. Nova Measuring Instruments Ltd. does not assume any obligation to update the forward-looking information contained in this press release.

(Tables to Follow)

NOVA MEASURING INSTRUMENTS LTD.
CONSOLIDATED BALANCE SHEET
(U.S. dollars in thousands)

	As of September 30, 2010	As of December 31, 2009
CURRENT ASSETS		
Cash and cash equivalents	10,977	9,861
Short-term interest-bearing bank deposits	43,228	8,607
Trade accounts receivable	12,523	11,545
Inventories	10,041	3,949
Other current assets	3,088	1,728
	79,857	35,690
LONG-TERM ASSETS		
Long-term interest-bearing bank deposits	570	561
Other Long-term assets	167	142
Severance pay funds	2,525	2,368
	3,262	3,071
FIXED ASSETS, NET	2,422	2,163
Total assets	85,541	40,924
CURRENT LIABILITIES		
Trade accounts payable	8,644	3,715
Deferred income	5,115	1,671
Other current liabilities	6,801	5,237
	20,560	10,623
LONG-TERM LIABILITIES		
Liability for employee severance pay	3,478	3,168
Deferred income	1,502	183
Other long-term liability	26	35
	5,006	3,386
SHAREHOLDERS' EQUITY	59,975	26,915
Total liabilities and shareholders' equity	85,541	40,924

NOVA MEASURING INSTRUMENTS LTD.
QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS
(U.S. dollars in thousands, except per share data)

	Three months ended		
	September 30, 2010	June 30, 2010	September 30, 2009
REVENUES			
Product sales	20,350	15,889	8,717
Services	3,860	3,551	2,677
	24,210	19,440	11,394
COST OF REVENUES			
Products	8,182	6,554	3,699
Services	2,542	2,452	2,191
	10,724	9,006	5,890
GROSS PROFIT	13,486	10,434	5,504
OPERATING EXPENSES	**242,000**		

-

-

-

Bad debt expense

31,195

-

31,195

-

Officers' salaries

234,449

272,180

117,437

136,205

TOTALS	**3,354,378**	2,774,475	**1,604,676**	1,355,663
INCOME (LOSS) FROM OPERATIONS	**921,380**	413,662	**502,487**	(492,969)
OTHER INCOME (EXPENSE)				
Interest income	**66,576**	57,289	**32,460**	26,723
Equity in loss of joint venture	**(93,939)**	(5,322)	**(30,000)**	(5,322)
Writedown of investment in joint venture	**(33,000)**			

)

-

-

-

Management fee income

12,046

-

-

-

Interest expense

(56,406

)

(38,225

)

(32,174

)

(22,766

)

Impairment loss - leasehold improvements

(31,892

)

-

(31,892

)

-

(136,615

)

13,742

(61,606

)

(1,365

)

INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST IN SUBSIDIARY	**784,765**	427,404	**440,881**	(494,334)
Benefit (provision) for income taxes	**(140,050)**	(192,000)	**(102,200)**	210,100
INCOME (LOSS) BEFORE MINORITY INTEREST	**644,715**	235,404	**338,681**	(284,234)
Minority interest in subsidiary	**3,877**	-	**207**	-
NET INCOME (LOSS)	**$ 648,592**			

$
235,404

$
338,888

$
(284,234
)

Basic and diluted earnings (loss) per share

$
.12

$
.04

$
.06

$
(.05
)

See notes to Condensed Consolidated Financial Statements.

2

COFFEE HOLDING CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED APRIL 30, 2007 AND 2006
(Unaudited)

		2007		2006
OPERATING ACTIVITIES:				
Net income	**$**	**648,592**	$	235,404
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		**165,478**		227,907
Writedown of amount due from joint venture		**242,000**		-
Loss from joint venture		**93,939**		5,322
Writedown of investment in joint venture		**33,000**		-
Deferred income taxes		**(233,550)**		29,300
Impairment loss - leasehold improvements		**31,892**		-
Changes in operating assets and liabilities:				
Commodities held at broker		**902,375**		14,443
Accounts receivable		**1,945,288**		899,654
Inventories		**(1,039,129)**		950,421
Prepaid expenses and other current assets		**(416,149)**		(116,862)
Prepaid and refundable income taxes		**295,293**		(104,607)
Due from joint venture		**(388,372)**		-
Deposits and other assets		**14,021**		(19,675)
Accounts payable and accrued expenses		**(836,106)**		(502,758)
Income taxes payable		**74,707**		(217,064)
Deferred compensation payable		**59,885**		-
Net cash provided by operating activities		**1,593,164**		1,401,485
INVESTING ACTIVITIES:				
Purchases of property and equipment		**(188,575)**		(113,756)
Security deposits		**-**		(2,500)
Investment in joint venture		**-**		(450,501)
Net cash (used in) investing activities		**(188,575)**		(566,757)
FINANCING ACTIVITIES:				
Advances under bank line of credit		**23,967,150**		20,737,183
Principal payments under bank line of credit		**(24,806,079)**		(20,920,638)
Principal payments of obligations under capital leases		**-**		(1,329)
Net cash (used in) financing activities		**(838,929)**		(184,784)
NET INCREASE IN CASH		**565,660**		649,944
Cash, beginning of year		**1,112,165**		735,468
CASH, END OF PERIOD	$	**1,677,825**	$	1,385,412
SUPPLEMENTAL DISCLOSURE OF CASH FLOW DATA:				
Interest paid	**$**	**43,351**	$	16,873
Income taxes paid	**$**	**-**	$	185,000

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:			
The Company utilized its deposit for the purchase of machinery and equipment	**$**	**328,388**	**-**

See notes to Condensed Consolidated Financial Statements.

3

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2007 AND 2006
(Unaudited)

NOTE 1 - BUSINESS ACTIVITIES:

Coffee Holding Co., Inc. (the "Company") conducts wholesale coffee operations, including manufacturing, roasting, packaging, marketing and distributing roasted and blended coffees for private labeled accounts and its own brands, and sells green coffee. The Company's sales are primarily to customers that are located throughout the United States and Canada, consisting of supermarkets, wholesalers, gourmet roasters and individually owned and multi - unit retailers.

The Company owns a 60% interest in Generations Coffee Company, LLC ("GCC") effective April 7, 2006. GCC is in the same business as the Company and had limited operations since it commenced its operations during the quarter ended October 31, 2006. The Company also exercises control of GCC. As a result of its 60% interest and control, the financial statements of GCC are consolidated with the Company.

The Company also owns a 50% interest in Cafe La Rica, LLC ("CLR") effective March 10, 2006. CLR is in the same business as the Company and is being recorded as an investment in joint venture since it started its operations during the quarter ended April 30, 2006. The Company does not exercise control of CLR. As a result, the financial statements of CLR are not consolidated and are accounted for by the equity method of accounting. (See Note 7 for a discussion on legal proceedings regarding the Company's investment in CLR.)

NOTE 2 - BASIS OF PRESENTATION:

The interim financial information as of April 30, 2007 and for the six and three-month periods ended April 30, 2007 and 2006 have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures made are adequate to provide for fair presentation. These financial statements should be read in conjunction with the financial statements and the notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2006, previously filed with the SEC.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of financial position as of April 30, 2007, and results of operations and cash flows for the six and three months ended April 30, 2007 and 2006, as applicable, have been made. The results of operations for the six and three months ended April 30, 2007 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The condensed consolidated financial statements include the accounts of the Company and GCC. The equity method of accounting was used to record the Company's share of the loss in CLR. All significant inter-company transactions and balances have been eliminated in consolidation.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2007 AND 2006
(Unaudited)

NOTE 3 - INSURANCE CLAIM RECEIVABLE:

The Company sustained weather related damages to its warehouse facility in Colorado during the six months ended April 30, 2007. The Company paid for the repairs as the work progressed. The Company also paid for labor costs related to the repairs and clean-up of the facility. The insurance carrier reimburses the Company for the costs of the repairs and the costs of the labor related to the repairs and clean-up. The Company has been reimbursed $1,200,000 by the insurance carrier during the three months ended April 30, 2007. As of April 30, 2007, the Company has a receivable from the insurance carrier of $482,094, which is included with prepaid expenses and other current assets on the balance sheet.

NOTE 4 - INVENTORIES:

Inventories at April 30, 2007 and October 31, 2006 consisted of the following:

		April 30, 2007		October 31, 2006
Packed coffee	**$**	**1,264,821**	$	700,284
Green coffee		**1,929,565**		1,466,161
Packaging supplies		**744,286**		733,098
Totals	**$**	**3,938,672**	$	2,899,543

5

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2007 AND 2006
(Unaudited)

NOTE 5 - HEDGING:

The Company uses options and futures contracts to partially hedge the effects of fluctuations in the price of green coffee beans. Options and futures contracts are marked to market with current recognition of gains and losses on such positions. The Company's accounting for options and futures contracts may increase earnings volatility in any particular period. The Company has open position contracts held by the broker which includes commodities for cash, futures and options in the amount of $3,428,114 and $4,330,489 at April 30, 2007 and October 31, 2006, respectively. The Company classifies its options and future contracts as trading securities and accordingly, unrealized holding gains and losses are included in earnings and not reflected as a net amount in a separate component of shareholders' equity.

At April 30, 2007, the Company held 600 options (generally with terms of two months or less) covering an aggregate of 22,500,000 pounds of green coffee beans at a price of $1.00 to $1.10 per pound. The fair market value of these options, which was obtained from major financial institutions, was $1,338,975 at April 30, 2007.

At April 30, 2006, the Company held 282 options (generally with terms of two months or less) covering an aggregate of 10,575,000 pounds of green coffee beans at a prices of $1.10 and $1.11 per pound. The fair market value of these options, which was obtained from a major financial institution, was $407,175 at April 30, 2006.

The Company acquires futures contracts with longer terms (generally three to four months) primarily for the purpose of guaranteeing an adequate supply of green coffee. At April 30, 2007, the Company held 148 futures contracts for the purchase of 5,550,000 pounds of coffee at an average price of $1.12 per pound. The market price of coffee applicable to such contracts was $1.06 per pound at that date. At April 30, 2006, the Company did not hold any futures contracts.

Included in cost of sales and commodities held at broker for the six and three months ended April 30, 2007 and 2006, the Company recorded realized and unrealized gains and losses respectively, on these contracts as follows:

	Three Months Ended April 30,			
	2007		2006	
Gross realized gains	**$**	**476,381**	$	195,032
Gross realized losses	**$**	**(205,211)**	$	(106,312)
Net unrealized gains (losses)	**$**	**171,293**	$	(154,399)

	Six Months Ended April 30,			
	2007		2006	
Gross realized gains	**$**	**1,164,837**	$	811,245
Gross realized losses	**$**	**(299,612)**	$	(660,761)
Net unrealized gains (losses)	**$**	**167,554**	$	229,301

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2007 AND 2006
(Unaudited)

NOTE 6 - LINE OF CREDIT:

The Company has a financing agreement with Merrill Lynch Business Financial Services, Inc. for a line of credit of up to $4,000,000 expiring on October 31, 2007. This line of credit is secured by a blanket lien on all the assets of the Company and the personal guarantees of two of the Company's officer/shareholders, requires monthly interest payments at a rate of LIBOR plus 2.4% (7.47% as of April 30, 2007 and October 31, 2006) and requires the Company to comply with various financial covenants. As of April 30, 2007 and 2006, the Company was in compliance with all financial covenants. As of April 30, 2007 and October 31, 2006, the borrowings under the line of credit were $1,703,952 and $2,542,881, respectively.

NOTE 7 - LEGAL PROCEEDINGS:

On February 5, 2007, the Company dissolved CLR due to CLR's material breach of the Expense Sharing Agreement dated March 2006 between CLR and the Company, primarily resulting from non-payment for coffee supplied to CLR by the Company. In the notice of dissolution, the Company requested an orderly winding up of CLR's business and the liquidation of its assets.

Coffee Bean Trading - Roasting LLC ("CBT"), the joint venture member, denied that any breach occurred and filed a lawsuit in the U.S. District Court for the Southern District of Florida against the Company alleging breaches of certain agreements and responsibilities. The Company countersued CBT alleging conversion of CLR funds and breaches of certain agreements and responsibilities. Venue of this lawsuit was successfully transferred by the Company to the U.S. District Court for the District of Delaware.

While the Company's Motion To Transfer Venue was pending in the U.S. District Court for the Southern District of Florida, the Company filed a separate action in the Delaware Chancery Court against CLR and Ernesto Aguila, a member in Coffee Bean Trading - Roasting, LLC, individually also alleging breaches of certain agreements and responsibilities and conversion of CLR funds. Subsequent to the transfer to the U.S. District Court for the District of Delaware, the Company filed an Amended Complaint in the Delaware Chancery Court to add the claims against CBT for conversion of CLR funds and breaches of certain agreements and responsibilities that the Company was countersuing CBT for in the Florida action. CBT has countersued the Company in the Delaware action alleging breaches of certain agreements and responsibilities and requesting a liquidating trustee to wind up the affairs of CLR and liquidate and distribute its assets.

As a result of all the parties claims being consolidated into the Delaware Chancery Court action, in which the Company is now the Plaintiff, the case pending in the District of Delaware will be voluntarily dismissed. The Company considers the allegations against it to be baseless and intends to vigorously defend itself and prosecute its claims against CBT, CLR and Ernesto Aguila in the Delaware Chancery Court.

The Company has written down the amount due from the joint venture by $242,000 during the six months ended April 30, 2007 representing the least likely amount that will not be recovered from CLR. The Company's investment in the joint venture has been written down by $33,000 during the six months ended April 30, 2007 to $281,858 as of April 30, 2007 representing the net book value of the equipment that was originally contributed by the Company to the joint venture. The Company has estimated its share of the losses in CLR to be $93,939 for the six months ended April 30, 2007 based upon the most recent available information.

7

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2007 AND 2006
(Unaudited)

The Company is a party to various other legal proceedings. In the opinion of management, these actions are routine in nature and will not have a material adverse effect on the Company's results of operations or financial position in future period.

NOTE 8 - EARNINGS PER SHARE:

The Company presents "basic" and "diluted" earnings per common share pursuant to the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share." Basic earnings per share is based on the weighted-average number of common shares outstanding and diluted earnings per share as based on the weighted-average number of common shares outstanding plus all potential dilutive common shares outstanding.

	Six Months Ended April 30,		Three Months Ended April 30,	
	2007	2006	**2007**	2006
Net Income (Loss)	**$ 648,592**	$ 235,404	**$ 338,888**	$ (284,234)
BASIC EARNINGS:				
Weighted average number of common Shares outstanding	**5,529,830**	5,529,830	**5,529,830**	5,529,830
Basic earnings (loss) per common share	**$ .12**	$ .04	**$ .06**	$ (.05)
DILUTED EARNINGS:				
Weighted average number of common Shares outstanding	**5,529,830**	5,529,830	**5,529,830**	5,529,830
Warrants - common stock equivalents	**70,000**	65,030	**0**	0
Weighted average number of common Shares outstanding - as adjusted	**5,599,830**	5,594,860	**5,529,830**	5,529,830
Diluted earnings (loss) per common share	**$ .12**	$ .04	**$ .06**	$ (.05)

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2007 AND 2006
(Unaudited)

NOTE 9 - ECONOMIC DEPENDENCY:

For the six months ended April 30, 2007, sales to two customers were in excess of 10% of the Company's total sales. Sales to these customers were approximately $7,000,000 and $3,125,000, or 26% and 11%, respectively, and the corresponding accounts receivable at April 30, 2007 from these customers was approximately $737,000 and $395,000, respectively.

For the six months ended April 30, 2006, sales to one customer was in excess of 10% of the Company's total sales. Sales to this customer were approximately $9,217,000, or 35% and the corresponding accounts receivable at April 30, 2006 from this customer was approximately $1,002,000.

For the six months ended April 30, 2007, purchases from two suppliers, were in excess of 10% of the Company's total purchases. Purchases from these suppliers were approximately $7,200,000 and $3,000,000, or 32% and 13%, respectively, and the corresponding accounts payable to these suppliers at April 30, 2007 were approximately $966,000 and $298,000, respectively.

For the six months ended April 30, 2006, purchases from two suppliers, were in excess of 10% of the Company's total purchases. Purchases from these suppliers were approximately $7,454,000 and $2,662,000, or 34% and 12%, respectively and the corresponding accounts payable to these suppliers at April 30, 2006 were approximately $723,000 and $284,000, respectively.

NOTE 10 - STOCK OPTION PLAN:

The Company has a stock option plan whereby options may be granted to the Company's directors, officers, other key employees and consultants. The Company has reserved 800,000 shares of common stock for issuance under this plan. As of April 30, 2007, no options have been granted under the plan since its inception.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Note on Forward Looking Statements

This report contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events, including, among other things:

- the impact of rapid or persistent fluctuations in the price of coffee beans;
- fluctuations in the supply of coffee beans;
- general economic conditions and conditions which affect the market for coffee;
- our success in implementing our business strategy or introducing new products;
- our ability to attract and retain customers;
- our success in expanding our market presence in new geographic regions;
- the effects of competition from other coffee manufacturers and other beverage alternatives;
- changes in tastes and preferences for, or the consumption of, coffee;
- our ability to obtain additional financing; and
- other risks which we identify in future filings with the Securities and Exchange Commission.

In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “predic “potential,” “continue,” “expect,” “anticipate,” “future,” “intend,” “plan,” “believe,” “estimate” and similar expressions (or the such expressions). Any or all of our forward-looking statements in this annual report and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Consequently, no forward looking statement can be guaranteed. In addition, we undertake no responsibility to update any forward-looking statement to reflect events or circumstances which occur after the date of this report.

Overview

We are an integrated wholesale coffee roaster and dealer in the United States and one of the few coffee companies that offers a broad array of coffee products across the entire spectrum of consumer tastes, preferences and price points. As a result, we believe that we are well positioned to increase our profitability and endure potential coffee price volatility throughout varying cycles of the coffee market and economic conditions.

Our operations have primarily focused on the following areas of the coffee industry:

- the sale of wholesale specialty green coffee;
- the roasting, blending, packaging and sale of private label coffee; and
- the roasting, blending, packaging and sale of our seven brands of coffee.

Our operating results are affected by a number of factors including:

- the level of marketing and pricing competition from existing or new competitors in the coffee industry;
- our ability to retain existing customers and attract new customers;
- fluctuations in purchase prices and supply of green coffee and in the selling prices of our products; and
- our ability to manage inventory and fulfillment operations and maintain gross margins.

Our net sales are driven primarily by the success of our sales and marketing efforts and our ability to retain existing customers and attract new customers. For this reason, we have made the strategic decision to invest in measures that will increase net sales. In February 2004, we acquired certain assets of Premier Roasters, including equipment and a roasting facility located in La Junta, Colorado. We also hired a West Coast Brand Manager to market our S&W brand and to increase sales of S&W coffee to new customers.

As a result of these efforts, net sales increased in our specialty green coffee, private label and branded coffee business lines in both dollars and pounds sold. In addition, we increased the number of our customers in all three areas.

In March 2006, we entered into a joint venture with Coffee Bean Trading-Roasting, LLC and formed Café La Rica, LLC, a Delaware limited liability company. The joint venture engages in the roasting, packaging and sale of the Café La Rica brand coffee and other branded and food service coffee products in Miami, Florida. We own 50% of the joint venture and are the primary supplier of its coffee inventory. We had originally invested $585,709 in cash and equipment in Café La Rica. We incurred a net loss on our investment in Café La Rica of $93,939 for the six months ended April 30, 2007 and $270,850 since Café La Rica was formed and wrote the investment down by $33,000 during the six months ended April 30, 2007 to equal the net book value of the equipment that was originally contributed by us to Café La Rica upon formation. In addition, prior to April 30, 2007, we were owed $531,890 for coffee supplied by us to Café La Rica and for miscellaneous advances. Despite an Expense Sharing Agreement between the parties which required Café La Rica to pay us for the coffee supplied to it by us within 15 days of the end of each calendar month, $412,113 of this amount was over 90 days past due as of April 30, 2007. As a result, on April 30, 2007 we wrote down the amounts owed to us by $242,000 during the six months ended April 30, 2007. On February 5, 2007, we dissolved Café La Rica due to Café La Rica's material breach of the Expense Sharing Agreement. In the notice of dissolution, we requested an orderly winding up of Café La Rica's business and the liquidation of its assets. Cafe La Café and Coffee Bean Trading-Roasting, LLC, have denied that any breach has occurred. The dispute is now in litigation. See "Legal Proceedings."

In April 2006, we entered into a joint venture with Caruso's Coffee of Brecksville, Ohio and formed Generations Coffee Company, LLC, a Delaware limited liability company, which will engage in the roasting, packaging and sale of private label specialty coffee products. There have been limited operations during the six and three months ended April 30, 2007. We own 60% of the joint venture and are the exclusive supplier of its coffee inventory. We believe that the Generations Coffee joint venture will allow us to bid on the private label gourmet whole bean business we have not been equipped to pursue from an operational standpoint in the past. With this specialty roasting facility in place, in many cases right in the backyard of our most important wholesale and retail customers, we believe that we are in an ideal position to combine our current canned private label business with high-end private label specialty whole bean business. High-end specialty whole bean coffee sells for as much as three times more per pound than the canned coffees in which we currently specialize.

Our net sales are affected by the price of green coffee. We import green coffee from Colombia, Mexico, Kenya, Brazil and Uganda. The supply and price of coffee beans are subject to volatility and are influenced by numerous factors which are beyond our control. For example, coffee crops in Brazil, which produces one-third of the world’s green coffee, are susceptible to frost in June and July and drought in September, October and November. However, because we purchase coffee from a number of countries and are able to freely substitute one country’s coffee for another in our products, price fluctuations in one country generally have not had a material impact on the price we pay for coffee. Accordingly, price fluctuations generally have not had a material effect on our results of operations, liquidity and capital resources. Historically, because we generally have been able to pass green coffee price increases through to customers, increased prices of green coffee generally result in increased net sales. However, the average indicator price for Robusta coffee, the main component for our leading espresso brands (Café Caribe and Café Supremo) is still at its highest level seen in the last eight years. In October 2006, national brands reacted to these price increases, raising list prices by $0.12 per unit, and we were able to increase our prices as well. In addition, we initiated another price increase in January 2007 for $0.10 per pound on most roasted products.

Historically, we have used short-term coffee futures and options contracts primarily for the purpose of partially hedging and minimizing the effects of changing green coffee prices and to reduce our cost of sales. In addition, we acquire futures contracts with longer terms, generally three to four months, primarily for the purpose of guaranteeing an adequate supply of green coffee at favorable prices. Although the use of these derivative financial instruments has enabled us to mitigate the effect of changing prices, no strategy can entirely eliminate pricing risks and we generally remain exposed to loss when prices decline significantly in a short period of time. If the hedges that we enter do not adequately offset the risks of coffee bean price volatility or our hedges result in losses, our cost of sales may increase, resulting in a decrease in profitability. In addition, we generally remain exposed to supply risk in the event of non-performance by the counter-parties to any futures contract.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, inventories, income taxes and loss contingencies. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies, among others, may be impacted significantly by judgment, assumptions and estimates used in the preparation of the financial statements:

- We recognize revenue in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104, "Revenue Recognition" ("SAB 104"). Under SAB 104, revenue is recognized at the point of passage to the customer of title and risk of loss, when there is persuasive evidence of an arrangement, the sales price is determinable, and collection of the resulting receivable is reasonably assured. We recognize revenue at the time of shipment. Sales are reflected net of discounts and returns.

- Our allowance for doubtful accounts is maintained to provide for losses arising from customers' inability to make required payments. If there is deterioration of our customers' credit worthiness and/or there is an increase in the length of time that the receivables are past due greater than the historical assumptions used, additional allowances may be required. For example, every additional one percent of our accounts receivable that becomes uncollectible, would reduce our operating income by approximately $46,000.

- Inventories are stated at cost (determined on a first-in, first-out basis). Based on our assumptions about future demand and market conditions, inventories are subject to be written-down to market value. If our assumptions about future demand change and/or actual market conditions are less favorable than those projected, additional writedowns of inventories may be required. Each additional one percent of potential inventory write-down would have reduced operating income by approximately $39,000 for the three months ended April 30, 2007.

- We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Under SFAS No. 109, deferred tax assets and liabilities are determined based on the liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the balance sheet when it is determined that it is more likely than not that the asset will be realized. Accordingly, our net deferred tax asset of $442,250 could need to be written off if we do not remain profitable.

Comparison of Results of Operations for the Three Months Ended April 30, 2006 and 2007

Net Income. We had net income of $338,888, or $.06 per share (basic and diluted), for the three months ended April 30, 2007 compared to a net loss of $284,234, or ($0.05) per share (basic and diluted), for the three months ended April 30, 2006. The increase primarily reflects increased gross profit and was partially offset by increased operating expenses.

Net Sales. Net sales totaled $14,194,373 for the three months ended April 30, 2007, an increase of $2,183,445 or 18.2% from $12,010,928 for the three months ended April 30, 2006. The increase in green coffee sales reflects higher sales of green coffee and private label coffee compared to the second quarter of fiscal year 2006. The number of our customers in the specialty green coffee area was relatively flat, numbering 282 customers at April 30, 2007. These customers are predominately independent gourmet/specialty roasters, some of whom own their own retail outlets. Because the specialty green coffee area is the fastest growing segment of the coffee market, we believe that our customer base and sales will grow in this area.

Cost of Sales. Cost of sales for the three months ended April 30, 2007 was $12,087,210 or 85.2% of net sales, as compared to $11,148,234 or 92.8% of net sales for the three months ended April 30, 2006. The increase in cost of sales primarily reflects increased purchases of green coffee, partially offset by an increase in net gains on futures contracts. Green coffee purchases increased $1,236,191 from $9,123,877 to $10,360,268 due to higher green coffee and private label sales volumes. Net gains on futures contracts increased by $508,142 compared to the second quarter of fiscal year 2006. We had net gains on futures contracts of $442,463 for the three months ended April 30, 2007 compared to net losses of $65,679 for the three months ended April 30, 2006. The decrease in cost of sales as a percentage of net sales reflects increased margins on our private labeled and branded coffee products due to the two price increases implemented in October of 2006 and January of 2007.

Gross Profit. Gross profit for the three months ended April 30, 2007 was $2,107,163, an increase of $1,244,199, or 144.2%, from $862,964 for the three months ended April 30, 2006. Gross profit as a percentage of net sales increased to 14.8% for the three months ended April 30, 2007 from 7.2% for the three months ended April 30, 2006. The increase in our margins is attributable to the effects of the price increases implemented in October 2006 as well as an increase in net gains on future contracts during the three months ended April 30, 2007 compared to same period the previous year. Excluding the impact of future contracts, gross profit as a percentage of sales was 11.7% and 7.7% for the three months ended April 30, 2007 and 2006, respectively. The increase in these margins is mainly attributable to the effects of the price increases we implemented.

Operating Expenses. Total operating expenses increased by $249,013, or 18.37%, to $1,604,676 for the three months ended April 30, 2007 from $1,355,663 for the three months ended April 30, 2006. The increase in operating expenses primarily reflects a $236,586 increase in selling and administrative expense. The increase in selling and administrative expense was primarily attributable to increases of approximately $48,000 in travel and show expenses, $28,000 in insurance, $25,000 in professional fees and $18,000 in licenses, partially offset by a decrease of approximately $50,000 in office labor expenses. The increase in travel and show expenses was attributable to greater participation in trade shows to promote our private label and branded coffee products. The increase in amortization was due to additional equipment for our Generations Coffee joint venture and the increase in insurance was due to increased premiums on health and liability insurance. Professional fees increased due to Sarbanes-Oxley Act compliance and the Café La Rica litigation, while the increase in licenses was attributable to a down payment on a new licensing arrangement currently being negotiated by us.

Other Expense. Other expense increased by $60,241 to $61,606 for the three months ended April 30, 2007 compared to $1,365 for the three months ended April 30, 2006. The major components of other expense, interest income and interest expense, increased by $5,737 and $9,408, respectively, during the second quarter of 2007 compared to 2006. We also incurred expense of $30,000 and $5,322 during the three months ended April 30, 2007 and April 30, 2006, respectively, which constituted our share of the loss incurred by our Café La Rica joint venture. We also incurred an impairment loss of $31,892 on leasehold improvements for our Colorado facility.

Income Before Income Taxes and Minority Interest in Subsidiary. We had income of $440,881 before income taxes and minority interest in subsidiary for the three months ended April 30, 2007 compared to a loss of $494,334 during the comparable period in 2006. The increase was attributable to increased income from operations.

Income Taxes. Our provision for income taxes for the three months ended April 30, 2007 totaled $102,200 compared to a benefit of $210,100 for the three months ended April 30, 2006 as a result of increased income before income taxes for the three months ended April 30, 2007 compared to a loss for the three months ended April 30, 2006.

Comparison of Results of Operations for the Six Months Ended April 30, 2006 and 2007

Net Income. We had net income of $648,592, or $.12 per share (basic and diluted), for the six months ended April 30, 2007 compared to net income of $235,404, or $0.04 per share (basic and diluted), for the six months ended April 30, 2006. The increase primarily reflects increased gross profit and was partially offset by increased operating expenses.

Net Sales. Net sales totaled $26,829,485 for the six months ended April 30, 2007, an increase of $973,712 or 3.8% from $25,855,773 for the six months ended April 30, 2006. The increase in net sales reflects higher sales of green coffee and private label coffee versus the first two quarters of 2006. The number of our customers in the specialty green coffee area was relatively flat, numbering 282 customers at April 30, 2007. These customers are predominately independent gourmet/specialty roasters, some of whom own their own retail outlets. Because the specialty green coffee area is the fastest growing segment of the coffee market, we believe that our customer base and sales will grow in this area.

Cost of Sales. Cost of sales for the six months ended April 30, 2007 was $22,553,727, or 84.1% of net sales, as compared to $22,667,636 or 87.7% of net sales for the six months ended April 30, 2006. The decrease in cost of sales primarily reflects an increase in net gains on futures contracts, partially offset by increased purchases of green coffee. Green coffee purchases increased $803,907 from $18,680,238 to $19,484,145 due to higher green coffee and private label sales volumes. Net gains on futures contracts increased by $652,994, or 171.9%, from $379,785 for the six months ended April 30, 2006 to $1,032,779 for the six months ended April 30, 2007. The decrease in cost of sales as a percentage of net sales reflects increased margins on our private label and branded coffee products due to the two price increases implemented in October of 2006 and January of 2007.

Gross Profit. Gross profit for the six months ended April 30, 2007 was $4,275,758, an increase of $1,087,621, or 34.1%, from $3,188,137 for the six months ended April 30, 2006. Gross profit as a percentage of net sales increased to 15.9% for the six months ended April 30, 2007 from 12.3% for the six months ended April 30, 2006. The increase in our margins is attributable to the effects of the price increases implemented in October 2006 as well as an increase in net gains on future contracts during the six months ended April 30, 2007 compared to same period the previous year. Excluding the impact of future contracts, gross profit as a percentage of sales was 12.1% and 10.9% for the six months ended April 30, 2007 and 2006, respectively. The increase in these margins is mainly attributable to the effects of the price increases we implemented.

Operating Expenses. Total operating expenses increased by $579,903, or 20.9%, to $3,354,378 for the six months ended April 30, 2007 from $2,774,475 for the six months ended April 30, 2006. The increase in operating expenses primarily reflects a $242,000 writedown in amounts due from Café La Rica and a $344,439 increase in selling and administrative expense. The writedown pertained to the nonpayment of invoices and advances associated with Café La Rica. See "Legal Proceedings." The increase in selling and administrative expense was primarily attributable to increases of approximately $131,000 in professional fees, $100,000 in insurance, $69,000 in office salaries, $69,000 in commissions, $59,000 in licenses and fees and $50,000 in office supplies, partially offset by decreases of approximately $56,000 in contract labor costs, $54,000 in shipping costs and $14,000 in travel expenses. The increase in professional fees was due to costs related to Sarbanes-Oxley Act compliance and the Café La Rica litigation. The increase in insurance costs was attributable to increased premiums for health and liability insurance. Office salaries increased because of the addition of new personnel and costs associated therewith, while commissions increased due to increased sales. The increases in licenses and fees were due to a down payment on a new licensing arrangement currently being negotiated by us and the increase in office supplies resulted from office upgrades and maintenance.

Other Income (Expense). Other expense increased by $150,357 to an expense of $136,615 for the six months ended April 30, 2007 compared to income of $13,742 for the six months ended April 30, 2006. The increase in other expense was primarily due to a $33,000 writedown in the investment in our Café La Rica joint venture; our $93,939 share of the loss incurred by our Café La Rica joint venture, and increased interest expense and an impairment loss of $31,892 on leasehold improvements. These increases in expense were partially offset by increased management fee income and interest income.

Income Before Income Taxes and Minority Interest in Subsidiary. We had income of $784,765 before income taxes and minority interest in subsidiary for the six months ended April 30, 2007 compared to $427,406 for the six months ended April 30, 2006. The increase was attributable to increased income from operations.

Income Taxes. Our provision for income taxes for the six months ended April 30, 2007 totaled $140,050 compared to $192,000 for the six months ended April 30, 2006 as a result of the change in our deferred tax asset.

Liquidity and Capital Resources

As of April 30, 2007, we had working capital of $9,006,447 which represented a $649,425 increase from our working capital of $8,357,022 as of October 31, 2006, and total stockholders' equity of $11,990,295, which increased by $648,591 from our total stockholders' equity of $11,341,704 as of October 31, 2006. Our working capital increased primarily due to an increase in inventories of $1,039,129, a decrease in line of credit borrowings of $838,929, a decrease in accounts payable and accrued expenses of $776,221 and a $565,660 increase in cash, offset in part by a $1,945,288 decrease in accounts receivable, net of allowances for doubtful accounts, and a $902,375 decrease in commodities held at broker. At April 30, 2007, the outstanding balance on our line of credit was $1,703,952 compared to $2,542,881 at October 31, 2006. Total stockholders' equity primarily increased due to net income for the six month period.

As of April 30, 2007, we had a financing agreement with Merrill Lynch Business Financial Services Inc. This line of credit is for a maximum $4,000,000, expires on October 31, 2007 and requires monthly interest payments at a rate of LIBOR plus 2.4%. This loan is secured by a blanket lien on all of our assets. The credit facility contains covenants that place restrictions on our operations. Among other things, these covenants and the personal guarantees of two of the Company's officers/shareholders: require us to maintain certain financial ratios; require us to maintain a minimum net worth; and prohibit us from merging with or into other companies, acquiring all or substantially all of the assets of other companies, or selling all or substantially all of our assets without the consent of the lender. These restrictions could adversely impact our ability to implement our business plan, or raise additional capital, if needed. In addition, if we default under our existing credit facility or if our lender demands payment of a portion or all of our indebtedness, we may not have sufficient funds to make such payments. As of April 30, 2007, we were in compliance with all covenants contained in the credit facility.

For the six months ended April 30, 2007, our operating activities provided net cash of $1,593,164 as compared to the six months ended April 30, 2006 when net cash provided by operating activities was $1,401,485. The increased cash flow from operations for the six months ended April 30, 2007 was primarily due to increased net income and increases in accounts payable, deferred taxes and accrued expenses, partially offset by increased accounts receivable and commodities held at broker and the loss due to our interest in, and writedown of amounts due from, Café La Rica.

For the six months ended April 30, 2007, our investing activities used net cash of $188,575 as compared to the six months ended April 30, 2006 when net cash used in investing activities was $566,757. During the six months ended April 30, 2007, all of the net cash used in investing activities related to purchases of property and equipment. During the six months ended April 30, 2006, net cash used in investing activities included approximately $450,000 of investments Café La Rica and Generations Coffee Company.

For the six months ended April 30, 2007, our financing activities used net cash of $838,929 as compared to the six months ended April 30, 2006 when net cash used in financing activities was $184,784. The decreased cash flow from financing activities reflects increased net cash payments under our line of credit.

We expect to fund our operations, including paying our liabilities, funding capital expenditures and making required payments on our debts, through the next twelve months with cash provided by operating activities and the use of our credit facility. In addition, an increase in eligible accounts receivable and inventory would permit us to make additional borrowings under our line of credit. We also believe we could, if necessary, obtain additional loans by mortgaging our headquarters.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources, that is material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risks relating to our operations result primarily from changes in interest rates and commodity prices as further described below.

Interest Rate Risks. We are subject to market risk from exposure to fluctuations in interest rates. At April 30, 2007, our debt consisted of $1,073,952 of variable rate debt under our revolving line of credit. At April 30, 2007, interest on the variable rate debt was payable at 7.47% (or 2.4% above the one-month LIBOR rate) for the revolving line of credit.

Commodity Price Risks. The supply and price of coffee beans are subject to volatility and are influenced by numerous factors which are beyond our control. Historically, we have used short-term coffee futures and options contracts primarily for the purpose of partially hedging and minimizing the effects of changing green coffee prices, as further explained in Note 5 of the notes to financial statements in this report. At April 30, 2007, we held 600 options (generally with terms of two months or less) covering an aggregate of 22,500,000 pounds of green coffee beans at a price of $1.00 to $1.10 per pound. The fair market value of these options, which was obtained from major financial institutions, was $1,338,975 at April 30, 2007. In addition, we acquire futures contracts with longer terms (generally three to four months) primarily for the purpose of guaranteeing an adequate supply of green coffee. At April 30, 2007, we held 148 futures contracts for the purchase of 5,550,000 pounds of coffee at an average price of $1.12 per pound. The market price of coffee applicable to such contracts was $1.06 per pound at that date.

We increased the level of our hedging activity due to a number of factors. First, we anticipate a potential tightness in the physical coffee market during the second half of 2007 as both Brazil and Vietnam, the top two coffee producing countries in the world, should be experiencing a much lower level of exports during this period. Inasmuch as Robusta coffee futures contracts on the London Robusta Market are at an eight year high and similar market conditions resulted in price increases and lower margins last year, we wanted to be prepared for a similar situation this year. Secondly, we believe that acquiring options and futures at current prices at a time when the market is at a six month low will allow us to increase our operating margins over the next several months, given the level of our price increases compared to the underlying futures contract.

The use of these derivative financial instruments has enabled us to mitigate the effect of changing prices although we generally remain exposed to loss when prices decline significantly in a short period of time or remain at higher levels, preventing us from obtaining inventory at favorable prices. We generally have been able to pass green coffee price increases through to customers, thereby maintaining our gross profits. However, we cannot predict whether we will be able to pass inventory price increases through to our customers in the future. Increased green coffee prices cause our margins to shrink to the extent we are unable to pass the full amount of increase through to our customers. We believe our hedging policies remain a vital element to our business model not only in controlling our cost of sales, but also giving us the flexibility to obtain the inventory necessary to continue to grow our sales while minimizing margin compression during a time of historically high coffee prices.

Item 4. Controls and Procedures.

Management, including our President, Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the President and Chief Executive Officer, who is also the Chief Financial Officer, concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to the Company's management, including its President and Chief Executive Officer, who is also the principal executive officer and principal financial officer, as appropriate to allow timely discussions regarding disclosure.

There have been no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during our last fiscal quarter that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

Part II — OTHER INFORMATION

Item 1. Legal Proceedings.

On February 5, 2007, we dissolved Café La Rica due to Café La Rica's material breach of the Expense Sharing Agreement dated March 2006 between us and Café La Rica, primarily resulting from non-payment for coffee supplied to Café La Rica by us. In the notice of dissolution, we requested an orderly winding up of Café La Rica's business and the liquidation of its assets.

Café La Rica's other member, Coffee Bean Trading-Roasting, LLC, denied that any breach occurred and filed a lawsuit in the U.S. District Court for the Southern District of Florida against us alleging breaches of certain agreements and responsibilities. We countersued Coffee Bean Trading-Roasting, LLC alleging conversion of Café La Rica funds and breaches of certain agreements and responsibilities. Venue of this lawsuit was successfully transferred by us to the U.S. District Court for the District of Delaware.

While our Motion To Transfer Venue was pending in the U.S. District Court for the Southern District of Florida, we filed a separate action in the Delaware Chancery Court against Café La Rica and Ernesto Aguila, a partner in Coffee Bean Trading - Roasting, LLC, individually also alleging breaches of certain agreements and responsibilities and conversion of Café La Rica funds. Subsequent to the transfer to the U.S. District Court for the District of Delaware, we filed an Amended Complaint in the Delaware Chancery Court to add the claims against Coffee Bean Trading-Roasting, LLC for conversion of Café La Rica funds and breaches of certain agreements and responsibilities that we were countersuing Coffee Bean Trading-Roasting, LLC for in the Florida action. Coffee Bean Trading-Roasting, LLC has countersued us in the Delaware action alleging breaches of certain agreements and responsibilities and requesting a liquidating trustee to wind up the affairs of Café La Rica and liquidate and distribute its assets.

As a result of all the parties claims being consolidated into the Delaware Chancery Court action, in which we are now the plaintiff, the case pending in the District of Delaware will be voluntarily dismissed. We consider the allegations against us be baseless and intend to vigorously defend our self and prosecute our claims against Coffee Bean Trading-Roasting, LLC, Café La Rica and Ernesto Aguila in the Delaware Chancery Court.

We have written down the amount due from the joint venture by $242,000 during the three months ended April 30, 2007 representing the least likely amount that will not be recovered from Café La Rica. Our investment in the joint venture has been written down by $33,000 for the three months ended April 30, 2007 to $281,858 as of April 30, 2007 representing the net book value of the equipment that was originally contributed by us to the joint venture. We have estimated our share of the loss in Café La Rica to be $93,939 for the six months ended April 30, 2007 based upon the most recent available information.

We are a party to various other legal proceedings that, in our opinion, are routine in nature and will not have a material adverse effect on our results of operations or financial position in future periods.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended October 31, 2006 that could affect our business, results of operations or financial condition.

Item 2. Unregistered Sales of Equity in Securities and Use of Proceeds.

On April 13, 2007, our Board of Directors authorized a stock repurchase plan pursuant to which we may repurchase up to 5.0%, or 276,491 shares, of our common stock outstanding as of April 12, 2007, in either open market or private transactions. The stock repurchase plan is not subject to an expiration date.

During the three months ended April 30, 2007, no stock was repurchased under the plan.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

On April 12, 2007, we held our annual meeting of stockholders. 3,826,141 shares, representing a majority of our issued and outstanding shares of common stock, were represented at the meeting.

At the meeting, Gerard DeCapua and Robert M. Williams were elected to our Board of Directors for terms expiring at the 2010 annual meeting of stockholders. Election of directors was the only proposal at the meeting.

The proposal submitted to shareholders and the tabulation of votes for the proposal are as follows:

Election of Directors	Votes For	Votes Withheld
Gerard DeCapua	3,825,541	32,276
Robert M. Williams	3,826,141	31,676

Item 5. Other Information.

None.

Item 6. Exhibits.

11.1 Earnings Per Share Calculation.

31.1 Rule 13a - 14(a)/15d - 14a Certification.

32.1 Section 1350 Certification.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Coffee Holding Co., Inc.
(Registrant)

By: /s/ Andrew Gordon

Andrew Gordon
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive, Financial and Accounting Officer)

June 12, 2007