FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-03-17** | Period of Report: **1994-01-31**
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FILER

CHOCK FULL O NUTS CORP

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SIC: **2090** Miscellaneous food preparations & kindred products

Business Address
370 LEXINGTON AVE
NEW YORK NY 10017
2125320300

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED JANUARY 31, 1994 COMMISSION FILE NUMBER 1-4183

CHOCK FULL O' NUTS CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW YORK	13-0697025
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

370 LEXINGTON AVENUE, NEW YORK, N.Y.	10017
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (212) 532-0300

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES X NO______

NO. OF SHARES OF COMMON STOCK ($.25 PAR VALUE) OUTSTANDING AS OF MARCH 11, 1994 - 10,119,032

PART I. FINANCIAL INFORMATION

CHOCK FULL O' NUTS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	JANUARY 31, 1994 (UNAUDITED)	JULY 31, 1993 (NOTE)
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	$ 10,715,408	$ 5,469,159
RECEIVABLES, PRINCIPALLY TRADE, LESS ALLOWANCES FOR DOUBTFUL ACCOUNTS AND DISCOUNTS OF $1,176,000 AND $1,081,000	25,791,540	25,319,816
INVENTORIES	39,809,992	38,385,397

NET ASSETS OF PRODUCT LINE HELD FOR SALE				24,970,356
MARKETABLE SECURITIES		24,432,612		
PREPAID EXPENSES AND OTHER		2,542,951		3,222,586
		------------		------------
TOTAL CURRENT ASSETS		103,292,503		97,367,314
PROPERTY, PLANT AND EQUIPMENT - AT COST	$ 93,243,208		$ 91,098,376	
LESS ALLOWANCES FOR DEPRECIATION AND AMORTIZATION	(38,651,690)	54,591,518	(35,502,700)	55,595,676
	------------		------------	
REAL ESTATE HELD FOR SALE OR DEVELOPMENT, AT COST		5,404,243		5,404,243
OTHER ASSETS AND DEFERRED CHARGES		30,447,085		31,040,452
EXCESS OF COST OVER NET ASSETS ACQUIRED		5,807,604		5,896,404
		-----------		------------
		$199,542,953		$195,304,089
		============		============

NOTE: THE BALANCE SHEET AT JULY 31, 1993 HAS BEEN DERIVED FROM THE AUDITED FINANCIAL STATEMENTS AT THAT DATE, RESTATED FOR THE ADOPTION OF FASB 109 .

</TABLE>

SEE NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

CHOCK FULL O' NUTS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	JANUARY 31, 1994 (UNAUDITED) <C>	JULY 31, 1993 (NOTE) <C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	$ 9,019,551	$ 10,804,095
ACCRUED EXPENSES	10,978,334	13,605,564
INCOME TAXES	4,910,101	935,359
	------------	------------
TOTAL CURRENT LIABILITIES	24,907,986	25,345,018
LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS	106,525,641	108,092,174

OTHER NONCURRENT LIABILITIES	5,036,929	5,003,738
DEFERRED INCOME TAXES	3,878,000	3,878,000
STOCKHOLDERS' EQUITY:		
COMMON STOCK, PAR VALUE $.25 PER SHARE; AUTHORIZED 50,000,000 SHARES: ISSUED 10,594,554 AND 10,592,264 SHARES	2,648,639	2,648,066
ADDITIONAL PAID-IN-CAPITAL	47,274,704	47,255,836
RETAINED EARNINGS	18,207,703	10,457,264
COST OF 475,522 AND 275,522 SHARES IN TREASURY	(6,573,719)	(4,723,719)
DEFERRED COMPENSATION UNDER STOCK BONUS PLAN AND EMPLOYEES' STOCK OWNERSHIP PLAN	(1,937,930)	(2,227,288)
UNFUNDED PENSION LOSSES	(425,000)	(425,000)
TOTAL STOCKHOLDERS' EQUITY	59,194,397	52,985,159
	$199,542,953	$195,304,089

</TABLE>

NOTE: THE BALANCE SHEET AT JULY 31, 1993 HAS BEEN DERIVED FROM THE AUDITED FINANCIAL STATEMENTS AT THAT DATE, RESTATED FOR THE ADOPTION OF FASB 109.

SEE NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

CHOCK FULL O' NUTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JANUARY 31,	
	1994	1993
<S>	<C>	<C>
REVENUES:		
NET SALES	$62,108,202	$65,725,521
RENTALS FROM REAL ESTATE	574,012	477,262
	62,682,214	66,202,783
COST AND EXPENSES:		
COST OF SALES	41,446,261	41,331,338
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	18,531,010	19,939,347
EXPENSES OF REAL ESTATE	430,173	361,536
	60,407,444	61,632,221
OPERATING PROFIT	2,274,770	4,570,562
INTEREST AND DIVIDEND INCOME	331,100	252,337
GAIN ON SALE OF MARKETABLE SECURITIES		335,577
GAIN ON SALE OF PRODUCT LINE	13,208,393	
INTEREST EXPENSE	(2,158,665)	(2,565,267)
OTHER (DEDUCTIONS) - NET	(46,124)	(32,808)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	13,609,474	2,560,401
INCOME TAXES	6,365,000	938,500
INCOME FROM CONTINUING OPERATIONS	7,244,474	1,621,901

DISCONTINUED OPERATIONS:		
INCOME FROM OPERATIONS, NET OF INCOME TAXES OF $672,000		552,680
LOSS IN DISPOSITION		(2,636,123)
		(2,083,443)
NET INCOME/(LOSS)	$ 7,244,474	$ (461,542)
INCOME/(LOSS) PER SHARE		
PRIMARY		
CONTINUING OPERATIONS	$ .71	$ .16
NET INCOME/(LOSS)	$ .71	$ (.05)
FULLY DILUTED		
CONTINUING OPERATIONS	$ .40	$ .12
NET INCOME/(LOSS)	$ .40	$ (.05)

</TABLE>
SEE NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

CHOCK FULL O' NUTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JANUARY 31,	
	1994	1993
<S>	<C>	<C>
REVENUES:		
NET SALES	$133,044,007	$116,098,879
RENTALS FROM REAL ESTATE	1,056,936	915,253
	134,100,943	117,014,132
COST AND EXPENSES:		
COST OF SALES	86,877,081	74,226,194
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	41,118,217	34,442,021
EXPENSES OF REAL ESTATE	829,136	757,121
	128,824,434	109,425,336
OPERATING PROFIT	5,276,509	7,588,796
INTEREST AND DIVIDEND INCOME	356,130	660,511

<CAPTION>

<S>	<C>	<C>
GAIN ON SALES OF MARKETABLE SECURITIES	335,577	
GAIN ON SALE OF PRODUCT LINE	13,208,393	
INTEREST EXPENSE	(4,344,803)	(4,658,831)
OTHER (DEDUCTIONS) - NET	(37,790)	(29,838)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	14,458,439	3,896,215
INCOME TAXES	6,708,000	1,569,000
INCOME FROM CONTINUING OPERATIONS	7,750,439	2,327,215

DISCONTINUED OPERATIONS:		
INCOME FROM OPERATIONS, NET OF INCOME TAXES OF $1,339,000		1,103,029
		(1,103,029)
LOSS IN DISPOSITION		(2,636,123)
		(1,533,094)
NET INCOME	$ 7,750,439	$ 794,121
INCOME PER SHARE		
PRIMARY		
CONTINUING OPERATIONS	$ .76	$ .23
NET INCOME	$ .76	$ .08
FULLY DILUTED		
CONTINUING OPERATIONS	$ .47	$ .22
NET INCOME	$ .47	$ .08

</TABLE>

See notes to unaudited condensed consolidated financial statements.

CHOCK FULL O' NUTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Six Months Ended January 31,	
	1994	1993
<S>	<C>	<C>
Operating Activities - Continuing Operations:		
Income from continuing operations	$ 7,750,439	$ 2,327,215
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization of property, plant and equipment	3,148,990	3,129,165
Amortization of deferred compensation and deferred charges	2,208,914	1,639,639
Gain on sale of marketable securities		(335,577)
Gain on sale of product line	(13,208,393)	
Other, net	(235,366)	(909,928)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(244,250)	(2,546,476)
(Increase)/decrease in inventory	(1,424,595)	(1,029,595)
Decrease in prepaid expenses	679,635	776,966
(Decrease)/Increase in accounts payable, accrued expenses and income taxes	(437,032)	5,361,978
NET CASH (USED IN)/PROVIDED BY CONTINUING OPERATIONS	(1,761,658)	8,413,392
Investing Activities - Continuing Operations:		
Proceeds from sale and collection of principal of marketable securities	1,238,096	20,646,393
Purchases of marketable securities	(25,670,708)	
Purchases of property, plant and equipment	(2,163,976)	(3,576,243)
Proceeds from sale of product line	38,144,205	
Increase in assets held for sale	(1,093,071)	
Acquisition of businesses		(55,390,488)
NET CASH PROVIDED BY/(USED IN) CONTINUING OPERATIONS	10,454,546	(38,320,338)
Financing Activities - Continuing Operations:		
Proceeds from long-term debt		34,534,042
Principal payments on long-term debt	(1,546,533)	(282,437)
Purchase of treasury stock	(1,850,000)	
Other	(50,106)	(2,019,208)
NET CASH (Used In)/PROVIDED BY CONTINUING		

OPERATIONS	(3,446,639)	32,232,397
Increase in Cash and Cash Equivalents - Continuing Operations	5,246,249	2,325,451
Cash and cash equivalents at beginning of period - continuing operations	5,469,159	2,529,123
Cash and Cash Equivalents at End of Period - Continuing Operations	$ 10,715,408	$ 4,854,574

</TABLE>

See notes to unaudited condensed consolidated financial statements.

CHOCK FULL O' NUTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Common Stock			
	Issued		In Treasury	
	Shares	Amount	Shares	Amount
	In Thousands			
<S>	<C>	<C>	<C>	<C>
Balance at July 31, 1993 - as reported	10,592	$2,648	276	$4,724
Restatement due to adoption of FASB 109	------	------	---	------
Balance at July 31, 1993 - as restated	10,592	2,648	276	4,724
Net income				
Conversion of subordinated debentures	3	1		
Purchase of treasury stock			200	1,850
Deferred compensation under stock bonus plan and employees' stock ownership plan:				
Amortization				
Balance at January 31, 1994	10,595	$2,649	476	$6,574

</TABLE>

See notes to unaudited condensed consolidated financial statements.

CHOCK FULL O' NUTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	DEFERRED COMPENSATION UNDER STOCK BONUS PLAN AND EMPLOYEES' STOCK OWNERSHIP PLAN	UNFUNDED PENSION LOSSES	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
	IN THOUSANDS			
<S>	<C>	<C>	<C>	<C>
BALANCE AT JULY 31, 1993 -				

AS REPORTED	$2,227	$425	$47,256	$11,809
RESTATEMENT DUE TO ADOPTION OF FASB 109				(1,352)
BALANCE AT JULY 31, 1993 AS RESTATED	2,227	425	47,256	10,457
NET INCOME				7,751
PURCHASE OF TREASURY STOCK				
CONVERSION OF SUBORDINATED DEBENTURES			19	
DEFERRED COMPENSATION UNDER STOCK BONUS PLAN AND EMPLOYEES' STOCK OWNERSHIP PLAN: AMORTIZATION	289			
BALANCE AT JANUARY 31, 1994	$1,938	$ 425	$47,275	$18,208

</TABLE>

SEE NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

CHOCK FULL O' NUTS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1994

(A) THE ACCOMPANYING UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR INTERIM FINANCIAL INFORMATION AND WITH THE INSTRUCTIONS TO FORM 10-Q AND ARTICLE 10 OF REGULATION S-X. ACCORDINGLY, THEY DO NOT INCLUDE ALL OF THE INFORMATION AND FOOTNOTES REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR COMPLETE FINANCIAL STATEMENTS. IN THE OPINION OF MANAGEMENT, ALL ADJUSTMENTS (CONSISTING OF NORMAL RECURRING ACCRUALS) CONSIDERED NECESSARY FOR A FAIR PRESENTATION HAVE BEEN INCLUDED. OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 1994 AND 1993 ARE NOT NECESSARILY INDICATIVE OF THE RESULTS THAT MAY BE EXPECTED FOR A FULL FISCAL YEAR. FOR FURTHER INFORMATION, REFER TO THE CONSOLIDATED FINANCIAL STATEMENTS AND FOOTNOTES THERETO INCLUDED IN THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED JULY 31, 1993.

(B) IN APRIL 1993, THE COMPANY AND JIMBO'S JUMBOS, INCORPORATED ("JJI") ENTERED INTO AN AGREEMENT TO MERGE JJI WITH A COMPANY CONTROLLED BY JOHN W. KLUGE AND HIS AFFILIATES. PURSUANT TO THE MERGER, WHICH WAS CONSUMMATED ON JULY 8, 1993, THE COMPANY, AS WELL AS ALL OTHER STOCKHOLDERS OF JJI RECEIVED $6.93 PER SHARE FOR EACH SHARE OWNED. THE PROCEEDS ($32,917,500) WERE USED TO REDUCE OUTSTANDING BANK DEBT INCURRED FOR THE ACQUISITION OF CAIN'S COFFEE CO. (SEE NOTE E). A LOSS OF $3,171,000 WAS INCURRED IN CONNECTION WITH THE SALE AND WAS CHARGED TO DISCONTINUED OPERATIONS IN THE THREE MONTHS ENDED APRIL 30, 1993. THE COMPANY HAS RESTATED ITS FINANCIAL STATEMENTS TO PRESENT THE OPERATING RESULTS OF JJI FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 1993 AS A DISCONTINUED OPERATION.

(C) PRIMARY PER SHARE DATA ARE BASED ON THE WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING OF 10,158,000 AND 10,217,000, RESPECTIVELY, FOR THE THREE MONTHS ENDED JANUARY 31, 1994 AND 1993 AND 10,238,000 AND 10,217,000, RESPECTIVELY, FOR THE SIX MONTHS ENDED JANUARY 31, 1994 AND 1993. THE THREE AND SIX MONTH PERIODS ENDED JANUARY 31, 1993 HAVE BEEN RETROACTIVELY ADJUSTED FOR A 3% STOCK DIVIDEND DISTRIBUTED IN JULY 1993. FULLY DILUTED EARNINGS PER SHARE ASSUMES CONVERSION OF OUTSTANDING DEBENTURES.

(D) INVENTORIES ARE STATED AT THE LOWER COST (FIRST-IN, FIRST-OUT) OR MARKET. THE COMPONENTS OF INVENTORY CONSIST OF THE FOLLOWING:

<TABLE>
<CAPTION>

<S>	JANUARY 31, 1994 <C>	JULY 31, 1993 <C>
FINISHED GOODS	$23,059,148	$24,657,182
RAW MATERIALS	12,083,460	9,139,425
SUPPLIES	4,667,384	4,588,790
	$39,809,992	$38,385,397

</TABLE>

(E) IN DECEMBER 1992, THE COMPANY ACQUIRED THE STOCK OF CAIN'S COFFEE CO. ("CAINS") AND CERTAIN TRADEMARKS RELATED TO THAT BUSINESS FROM NESTLE' BEVERAGE COMPANY AND AN AFFILIATE FOR APPROXIMATELY $52,000,000 IN CASH. CAIN'S BUSINESS CONSISTS PRIMARILY OF SALES OF COFFEE AND RELATED PRODUCTS TO FOOD SERVICE CUSTOMERS IN PARTS OF THE MIDWEST AND SOUTHWEST. IN CONNECTION WITH THE ACQUISITION, WHICH HAS BEEN ACCOUNTED FOR AS A PURCHASE TRANSACTION, THE COMPANY ACQUIRED ASSETS WITH A FAIR VALUE OF APPROXIMATELY $55,750,000 (INCLUDING TRADEMARKS, COVENANT NOT TO COMPETE AND CUSTOMER LIST OF $20,900,000, INCLUDED IN OTHER ASSETS AND DEFERRED CHARGES ON THE CONSOLIDATED BALANCE SHEETS) AND ASSUMED LIABILITIES OF APPROXIMATELY $3,750,000. THE COMPANY USED THE PROCEEDS (APPROXIMATELY $20,500,000) FROM THE SALE OF A SUBSTANTIAL PORTION OF ITS MARKETABLE SECURITIES TO FINANCE A PORTION OF THE PURCHASE PRICE AND FINANCED THE REMAINDER THROUGH ADDITIONAL BORROWINGS FROM ITS BANKS.

THE FOLLOWING PRO FORMA UNAUDITED RESULTS OF OPERATIONS ASSUME THE ACQUISITION OF CAINS OCCURRED AT AUGUST 1, 1992, AND GIVE EFFECT TO CERTAIN ADJUSTMENTS, INCLUDING DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT, AMORTIZATION OF A COVENANT NOT TO COMPETE, TRADEMARKS AND CUSTOMER LISTS AND INTEREST EXPENSE RESULTING FROM THE ACQUISITION AND RELATED FINANCING.
<TABLE>
<CAPTION>

<S>	SIX MONTHS ENDED JANUARY 31, 1993 <C>
NET SALES	$139,458,000
INCOME FROM CONTINUING OPERATIONS	$ 2,043,000
INCOME FROM CONTINUING OPERATIONS PER SHARE	$ .20
NET INCOME	$ 510,000
NET INCOME PER SHARE	$ .05

</TABLE>

(F) UNDER THE COMPANY'S AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENTS (COLLECTIVELY THE "LOAN AGREEMENTS") WITH NATIONAL WESTMINSTER BANK USA AND CHEMICAL BANK (THE "BANKS"), THE COMPANY MAY, FROM TIME TO TIME, BORROW FUNDS FROM THE BANKS, PROVIDED THAT THE TOTAL PRINCIPAL AMOUNT OF ALL SUCH LOANS OUTSTANDING AT ANY TIME MAY NOT EXCEED $40,000,000. INTEREST (6.75% AT JANUARY 31, 1994) ON ALL SUCH LOANS IS EQUAL TO PRIME RATE PLUS THREE QUARTERS OF A PERCENT, SUBJECT TO ADJUSTMENT BASED ON THE LEVEL OF LOANS OUTSTANDING. OUTSTANDING BORROWINGS UNDER THE LOAN AGREEMENTS MAY NOT EXCEED CERTAIN PERCENTAGES OF AND ARE COLLATERALIZED BY, AMONG OTHER THINGS, THE TRADE ACCOUNTS RECEIVABLE AND INVENTORIES, AND SUBSTANTIALLY ALL OF THE MACHINERY AND EQUIPMENT AND REAL ESTATE OF THE COMPANY AND ITS SUBSIDIARIES. ALL LOANS MADE UNDER THE TERM LOAN AGREEMENT ($10,000,000 AT JANUARY 31, 1994) ARE TO BE REPAID IN DECEMBER 1997. PURSUANT TO THE TERMS OF THE LOAN AGREEMENTS, THE COMPANY AND ITS SUBSIDIARIES, AMONG OTHER THINGS, MUST MAINTAIN A MINIMUM NET WORTH AND MEET RATIO TESTS FOR LIABILITIES TO NET WORTH AND COVERAGE OF FIXED CHARGES AND INTEREST, ALL AS DEFINED. THE LOAN AGREEMENTS ALSO PROVIDE, AMONG OTHER THINGS, FOR RESTRICTIONS ON DIVIDENDS (EXCEPT FOR STOCK DIVIDENDS) AND REQUIRE REPAYMENT OF OUTSTANDING LOANS WITH EXCESS CASH FLOW, AS DEFINED.

(G) IN NOVEMBER 1992, THE COMPANY ACQUIRED A CONTROLLING INTEREST IN A PARTNERSHIP WHICH OWNS DANA BROWN PRIVATE BRANDS, INC., A COMPANY WHICH MARKETS AND SELLS COFFEE AND TEA PRODUCTS, SERVICING FOOD RETAILERS AND DISTRIBUTORS LOCATED PRIMARILY IN THE MIDWEST. THE PURCHASE PRICE WAS $2,000,000, PLUS APPROXIMATELY $2,500,000 FOR THE COST OF INVENTORY. THE PRO FORMA EFFECTS ON THE COMPANY'S OPERATIONS AS IF THIS BUSINESS HAD BEEN ACQUIRED ON AUGUST 1, 1992 ARE NOT MATERIAL.

(H) PREPAID EXPENSES AND OTHER ON THE UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS INCLUDES DEFERRED INCOME TAXES OF $1,442,000.

(I) ON OCTOBER 8, 1993, THE COMPANY AND GOURMET COFFEES OF AMERICA, INC. ("GCA") ENTERED INTO AN AGREEMENT TO SELL HILLSIDE COFFEE OF CALIFORNIA,

INC. ("HILLSIDE") TO GCA. PURSUANT TO THE AGREEMENT, WHICH WAS CONSUMMATED ON NOVEMBER 19, 1993, THE COMPANY RECEIVED (A) $38,500,000 IN CASH AND (B) 75,000 SHARES OF STOCK REPRESENTING APPROXIMATELY ONE-HALF OF ONE PERCENT OF THE EQUITY OF GCA. THE OPERATING PROFITS OF HILLSIDE, BEFORE INTERCOMPANY CHARGES, FOR THE PERIOD AUGUST 1, 1993 TO NOVEMBER 19, 1993 AND THE SIX MONTHS ENDED JANUARY 31, 1993, INCLUDED IN THE RESULTS OF OPERATIONS ARE AS FOLLOWS:

<TABLE>
<CAPTION>

	PERIOD FROM AUGUST 1, 1993 TO NOVEMBER 19, 1993	SIX MONTHS ENDED JANUARY 31, 1993
<S>	<C>	<C>
NET SALES	$ 9,557,000	$14,202,000
COST AND EXPENSES:		
COST OF SALES	4,169,000	5,691,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,566,000	5,478,000
	7,735,000	11,169,000
OPERATING PROFIT	$ 1,822,000	$ 2,851,000

</TABLE>

(J) IN FEBRUARY 1992, THE FINANCIAL ACCOUNTING STANDARDS BOARD ISSUED STATEMENT NO. 109, "ACCOUNTING FOR INCOME TAXES." THE COMPANY ADOPTED THE PROVISIONS OF THE STANDARD IN ITS FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTHS ENDED OCTOBER 31, 1993 AND RESTATED ITS FISCAL 1993, 1992, 1991 AND 1990 FINANCIAL STATEMENTS. THE EFFECT OF ADOPTING STATEMENT 109 WAS TO INCREASE INCOME FROM CONTINUING OPERATIONS BY $147,000 IN 1993 AND 1992 AND $12,000 IN 1991 AND 1990. THE CUMULATIVE EFFECT OF ADOPTING STATEMENT 109 AS OF JULY 31, 1990, DECREASED THE BEGINNING BALANCE OF RETAINED EARNINGS BY $1,670,000.

UNDER STATEMENT 109, THE LIABILITY METHOD IS USED IN ACCOUNTING FOR INCOME TAXES. UNDER THIS METHOD, DEFERRED TAX ASSETS AND LIABILITIES ARE DETERMINED BASED ON DIFFERENCES BETWEEN FINANCIAL REPORTING AND TAX BASES OF ASSETS AND LIABILITIES AND ARE MEASURED USING THE ENACTED TAX RATES AND LAWS THAT WILL BE IN EFFECT WHEN THE DIFFERENCES ARE EXPECTED TO REVERSE. PRIOR TO THE ADOPTION OF STATEMENT 109, INCOME TAX EXPENSE WAS DETERMINED USING THE DEFERRED METHOD. DEFERRED TAX EXPENSE WAS BASED ON ITEMS OF INCOME AND EXPENSE THAT WERE REPORTED IN DIFFERENT YEARS IN THE FINANCIAL STATEMENTS AND TAX RETURNS AND WERE MEASURED AT THE TAX RATE IN EFFECT IN THE YEAR THE DIFFERENCES ORIGINATED.

CHOCK FULL O' NUTS CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations

The following is Management's discussion and analysis of certain significant factors that have affected the Company's operations during the periods included in the accompanying unaudited condensed consolidated statements of operations.

In December 1992, the Company acquired the stock of Cain's Coffee Co. ("Cains") and certain trademarks related to that business from Nestle' Beverage Co. and an affiliate for $52,000,000 in cash. The business of Cains consists primarily of sales of coffee and related products to food service customers in parts of the Midwest and Southwest. See Note E to the Company's unaudited condensed consolidated financial statements as of and for the three and six months ended January 31, 1994.

In November 1992, the Company acquired a controlling interest in a partnership which owns Dana Brown Private Brands, Inc. ("Dana Brown"), a company which markets and sells coffee and tea products, servicing food retailers and distributors located primarily in the Midwest. The purchase price was $2,000,000, plus approximately $2,500,000 for the cost of inventory. See Note G to the Company's unaudited condensed consolidated financial statements as of and for the three and six months ended January 31, 1994.

On April 22, 1993, the Company and Jimbo's Jumbos, Incorporated ("JJI") entered into an agreement to merge JJI with and into a company controlled by John W. Kluge and his affiliates. Pursuant to the merger, which was consummated on July 8, 1993, the Company, as well as all other stockholders of JJI, received $6.93 per share for each share owned (see Note B to the Company's unaudited condensed consolidated financial statements as of and for the three and six months ended January 31, 1994). A loss of $3,171,000 was incurred in connection with the sale and was charged to discontinued operations in the three months ended April 30, 1993. The proceeds ($32,971,500) were used to reduce outstanding bank debt incurred for the acquisition of Cain's. The business of JJI consisted primarily of (1) shelling farmers' stock peanuts into commercial and seed grades of raw peanuts for sale to commercial processors of peanuts, seed dealers and farmers and (2) processing and packaging of in-shell peanuts and nuts, shelled peanuts and nuts, for sale to supermarkets.

On October 8, 1993, the Company and Gourmet Coffees of America, Inc. ("GCA") entered into an agreement to sell Hillside Coffee of California, Inc. ("Hillside") to GCA. Pursuant to the agreement, which was consummated on November 19, 1993, the Company received (a) $38,500,000 in cash and (b) 75,000 shares of stock representing approximately one-half of one percent of the equity of GCA. Hillside's business consisted of roasting, packing, distributing and marketing specialty coffee to supermarkets.

The discussion and analysis that follows relates solely to the continuing operations of the Company.

Net sales decreased $3,617,000 or 6% and increased $16,945,000 or 15% for the three and six months ended January 31, 1994, respectively, compared to the comparable periods of the prior year. The decrease in net sales for the quarter was primarily due to decreased coffee pounds sold partially offset by an increase in the average selling price of coffee. The loss of sales due to the disposition of Hillside on November 19, 1993 were offset by sales of Cains acquired on December 8, 1992. The increase in net sales for the six months was primarily due to sales of Cains and Dana Brown (both acquired in the second quarter of the prior fiscal year) partially offset by the loss of sales from Hillside and a decrease in the average selling price of coffee. Cain's and Dana Brown were accounted for as purchases, and, therefore, were not included prior to their respective dates of acquisition.

Operations - Continued

Operating profits from food products were $2,131,000 and $5,049,000 decreases of 52% and 32% for the three and six months ended January 31, 1994, respectively, compared to $4,455,000 and $7,431,000 for the comparable periods of the prior year. The decreases resulted primarily from decreased gross margins and reduced operating profits from Hillside (due to its disposition), partially offset by the operations of Cains (included for the entire period for the current quarter and six months) and reduced selling, general and administrative expenses. Decreased gross margins for the quarter were due to decreased coffee pounds sold and an increase in the average cost of green coffee greater than the increase in the average selling price of coffee. Decreased gross margins for the six months were due to an increase in the average cost of green coffee and a decrease in the average selling price of coffee. Selling, general and administrative expenses decreased primarily due to reduced payroll and advertising costs, partially offset by increased coupon costs during the six months period.

Income from continuing operations was $7,244,000 and $7,750,000 or $.71 and $.76 per share for the three and six months ended January 31, 1994, respectively, compared to $1,585,000 and $2,253,000 or $.16 and $.23 per share for the comparable periods of the prior year. The differences were primarily due to the gain on sale of Hillside Coffee of California, Inc. (the Company's specialty coffee product line) of $7,068,000 or $.69 per share and decreased operating profits.

Liquidity and Capital Resources

As of January 31, 1994, working capital was approximately $78,385,000 and the ratio of current assets to current liabilities was approximately 4.1 to 1.

On November 19, 1993, the Company consummated the sale of Hillside Coffee of California, Inc. and received, among other consideration, $38,500,000 in cash which has substantially been invested in short-term marketable securities. See Note I to the Company's unaudited consolidated financial statements as of and for the three and six months ended January 31, 1994.

The Company believes that its cash flow from operations, its amended agreements with its Banks and its short-term investments provide sufficient liquidity to meet its working capital and capital requirements.

Part 2. Other Information

Item 1. Legal Proceedings

None

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits - none

b) Reports on Form 8-K - none

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT DULY CAUSED THIS REPORT OF FORM 10-Q TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

CHOCK FULL O' NUTS CORPORATION
(REGISTRANT)

MARCH 15, 1994 /S/ MARVIN I. HAAS

MARVIN I. HAAS
VICE CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

MARCH 15, 1994 /S/ HOWARD M. LEITNER

HOWARD M. LEITNER
PRESIDENT AND CHIEF FINANCIAL AND
ACCOUNTING OFFICER

CHOCK FULL O' NUTS CORPORATION AND SUBSIDIARIES

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