

COFFEE HOLDING CO INC
Form DEF 14A
February 28, 2006

SCHEDULE 14A

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 - Confidential, For Use of the Commission Only (As Permitted by Rule 14a-6(e)(2))
 - Definitive Proxy Statement
 - Definitive Additional Materials
 - Soliciting Material Under Rule 14a-12
- Coffee Holding Co., Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: **N/A**

(2) Aggregate number of securities to which transaction applies: **N/A**

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): **N/A**

(4) Proposed maximum aggregate value of transaction: **N/A**

(5) Total fee paid: **N/A**

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid: **N/A**

(2) Form, Schedule or Registration Statement No.: **N/A**

(3) Filing Party: **N/A**

(4) Date Filed: **N/A**

COFFEE HOLDING CO., INC.

March 10, 2006

Dear Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of Coffee Holding Co., Inc. which will be held on April 11, 2006 at 3:00 p.m., local time, at the Hilton Garden Inn New York/Staten Island located at 1100 South Avenue, Staten Island, New York 10314 (the Annual Meeting).

The attached Notice of Annual Meeting and proxy statement describe the formal business that we will transact at the Annual Meeting. In addition to the formal items of business, management will report on the operations and activities of Coffee Holding and you will have an opportunity to ask questions. Directors and officers of Coffee Holding will be present to respond to any questions stockholders may have.

The Board of Directors of Coffee Holding has determined that an affirmative vote on each matter to be considered at the Annual Meeting is in the best interests of Coffee Holding and its stockholders and unanimously recommends a vote FOR each of these matters.

Please complete, sign and return the enclosed proxy card promptly, whether or not you plan to attend the Annual Meeting. **Your vote is important regardless of the number of shares you own. Voting by proxy will not prevent you from voting in person at the Annual Meeting but will assure that your vote is counted if you cannot attend.**

On behalf of the Board of Directors and the employees of Coffee Holding, we thank you for your continued support and look forward to seeing you at the Annual Meeting.

Sincerely yours,

/s/ Andrew Gordon

Andrew Gordon

President and Chief Executive Officer

COFFEE HOLDING CO., INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date: April 11, 2006

Time: 3:00 p.m., Local Time

**Place: The Hilton Garden Inn New York/Staten Island
1100 South Avenue
Staten Island, New York 10314**

At our 2006 Annual Meeting, we will ask you to:

1.

Elect three directors to serve for a three-year term to expire at the 2009 Annual Meeting, two directors to serve for a two-year term to expire at the 2008 Annual Meeting and two directors to serve for a one-year term to expire at the 2007 Annual Meeting. The following seven directors have been nominated by the Nominating and Corporate Governance Committee of the Board of Directors:

- | | |
|---------------------------|---------------------|
| • | • |
| Gerard DeCapua (2007) | Daniel Dwyer (2009) |
| • | • |
| Andrew Gordon (2009) | David Gordon (2008) |
| • | • |
| Barry Knepper (2009) | John Rotelli (2008) |
| • | |
| Robert M. Williams (2007) | |

2.

Transact any other business as may properly come before the Annual Meeting.

You may vote at the Annual Meeting if you were a stockholder of Coffee Holding at the close of business on February 21, 2006, the record date.

By Order of the Board of Directors

/s/ David Gordon

David Gordon

Secretary

Brooklyn, New York

March 10, 2006

You are cordially invited to attend the Annual Meeting. It is important that your shares be represented regardless of the number of shares you own. The Board of Directors urges you to sign,

date and mark the enclosed proxy card promptly and return it in the enclosed envelope. Returning the proxy card will not prevent you from voting in person if you attend the Annual Meeting.

GENERAL INFORMATION

General

Coffee Holding Co., Inc. is a Nevada corporation. As used in this proxy statement, we, us and our refer to Coffee Holding Co., Inc. The term Annual Meeting, as used in this proxy statement, includes any adjournment or postponement of such meeting.

We have sent you this proxy statement and enclosed proxy card because the Board of Directors is soliciting your proxy to vote at the Annual Meeting. This proxy statement summarizes the information you will need to know to cast an informed vote at the Annual Meeting. You do not need to attend the Annual Meeting to vote your shares. You may simply complete, sign and return the enclosed proxy card and your votes will be cast for you at the Annual Meeting. This process is described below in the section entitled Voting Rights.

We began mailing this proxy statement, the Notice of Annual Meeting and the enclosed proxy card on or about March 10, 2006 to all stockholders entitled to vote. If you owned common stock of Coffee Holding at the close of business on February 21, 2006, the record date, you are entitled to vote at the Annual Meeting. On the record date, there were 5,529,830 shares of common stock outstanding.

Quorum

A quorum of stockholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of the outstanding shares of common stock entitled to vote are represented in person or by proxy at the Annual Meeting, a quorum will exist. We will include proxies marked as abstentions and broker non-votes to determine the number of shares present at the Annual Meeting.

Voting Rights

You are entitled to one vote at the Annual Meeting for each share of the common stock of Coffee Holding that you owned as of record at the close of business on February 21, 2006. The number of shares you own (and may vote) is listed at the top of the back of the proxy card.

You may vote your shares at the Annual Meeting in person or by proxy. To vote in person, you must attend the Annual Meeting and obtain and submit a ballot, which we will provide to you at the Annual Meeting. To vote by proxy, you must complete, sign and return the enclosed proxy card. If you properly complete your proxy card and send it to us in time to vote, your proxy (one of the individuals named on your proxy card) will vote your shares as you have directed. **IF you sign the proxy card but do not make specific choices, your proxy will vote your shares FOR each of the proposals identified in the Notice of the Annual Meeting.**

If any other matter is presented, your proxy will vote the shares represented by all properly executed proxies on such matters as a majority of the Board of Directors determines. As of the date of this proxy statement, we know of no other matters that may be presented at the Annual Meeting, other than those listed in the Notice of the Annual Meeting.

Vote Required

Proposal 1: Election of Directors

The nominees for director who receive the most votes will be elected. So, if you do not vote for a nominee, or you indicate withhold authority for any nominee on your proxy card, your vote will not count for or against the nominee. You may not vote your shares cumulatively for the election of directors.

Effect of Broker Non-Votes

If your broker holds shares that you own in street name, the broker may vote your shares on the proposals listed above even if the broker does not receive instructions from you. If your broker does not vote on a proposal, this will constitute a broker non-vote. A broker non-vote would have no effect on the outcome of Proposal 1 because only a plurality of votes cast is required to elect a director.

Confidential Voting Policy

Coffee Holding maintains a policy of keeping stockholder votes confidential. We only let our Inspector of Election examine the voting materials. We will not disclose your vote to management unless it is necessary to meet legal requirements. We will, however, forward any written comments that you may have to management.

Revoking Your Proxy

You may revoke your proxy at any time before it is exercised by:

- filing with the Secretary a letter revoking the proxy;
- submitting another signed proxy with a later date; or
- attending the Annual Meeting and voting in person, provided you file a written revocation with the Secretary of the Annual Meeting prior to the voting of such proxy.

If your shares are not registered in your own name, you will need appropriate documentation from your stockholder of record to vote personally at the Annual Meeting. Examples of such documentation include a broker's statement, letter or other document that will confirm your ownership of shares of Coffee Holding.

Solicitation of Proxies

Coffee Holding will pay the costs of soliciting proxies from its stockholders. Directors, officers or employees of Coffee Holding may solicit proxies by:

- mail;
- telephone; or
- other forms of communication.

We will also reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you.

Obtaining an Annual Report on Form 10-KSB

If you would like a copy of our Annual Report on Form 10-KSB and audited financials for the year ended October 31, 2005, which was filed with the Securities and Exchange Commission (the SEC) on January 27, 2006, we will send you one (without exhibits) free of charge. Please write to:

David Gordon, Secretary

Coffee Holding Co., Inc.

4401 First Avenue

Brooklyn, New York 11232

**SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT**

The following table shows the number of shares of Coffee Holding's common stock, par value \$0.001 per share, beneficially owned by each person known to be the owner of 5% or more of our common stock and by each director, the named executive officers identified in the Summary Compensation Table included elsewhere in this proxy statement, and all directors and executive officers of Coffee Holding as a group, as of January 31, 2006. The percent of common stock outstanding was based on a total of 5,529,830 shares of Coffee Holding's common stock outstanding as of January 31, 2006, plus shares of common stock that such person or group has the right to acquire within 60 days after January 31, 2006 by the exercise of stock options. Except as otherwise indicated, each person and each group shown in the table has sole voting and investment power with respect to the shares of common stock listed next to their name. The address for each person shown in the table is c/o Coffee Holding Co., Inc., 4401 First Avenue, Brooklyn, New York 11232.

Name	Position	Amount and Nature of Beneficial Ownership	Percent of Common Stock Outstanding
Andrew Gordon	President, Chief Executive Officer, Chief Financial Officer, Treasurer and Director	1,034,908 (1)	18.7
David Gordon	Senior Vice President Operations, Secretary and Director	1,024,908	18.5
Gerard DeCapua	Director	100	*
Daniel Dwyer	Director	800	*
Barry Knepper	Director	0	*
John Rotelli	Director	100	*
Robert M. Williams	Director	100	*
Rachelle Gordon		1,099,784 (2)	19.9
Sterling Gordon		1,099,784 (3)	19.9
All directors and executive officers as a group (7 persons)		2,060,916	37.3

(1)

Includes 634,908 shares owned by Mr. Gordon directly and 400,000 shares owned by the Andrew Gordon Grantor Retained Annuity Trust of which Andrew Gordon is the grantor, beneficiary and trustee, with sole power to vote and dispose of the shares.

(2)

Edgar Filing: COFFEE HOLDING CO INC - Form DEF 14A

Includes 450,092 shares owned by Mrs. Gordon directly and 649,692 shares owned by Mrs. Gordon's husband, Sterling A. Gordon. Mrs. Gordon is the mother of Andrew Gordon and David Gordon.

(3)

Includes 649,692 shares owned by Mr. Gordon directly and 450,092 shares owned by Mr. Gordon's wife, Rachelle L. Gordon. Mr. Gordon is the father of Andrew Gordon and David Gordon.

DISCUSSION OF PROPOSAL RECOMMENDED BY BOARD**Proposal 1****Election of Directors****General**

The Nominating and Corporate Governance Committee of the Board of Directors has nominated seven persons for election as directors at the Annual Meeting. If you elect the nominees, they will hold office for the term set forth opposite their names or until their successors have been elected.

We know of no reason why any nominee may be unable to serve as a director. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Nominating and Corporate Governance Committee. If for any reason these nominees prove unable or unwilling to stand for election, the Nominating and Corporate Governance Committee will nominate alternates or reduce the size of the Board to eliminate the vacancy. The Board of Directors has no reason to believe that its nominees would prove unable to serve if elected.

Name	Age(1)	Term Expires	Position(s) Held With Coffee Holding	Director Since
Gerard DeCapua	44	2007	Director	1997
Daniel Dwyer	49	2009	Director	1998
Andrew Gordon	44	2009	President, Chief Executive Officer, Chief Financial Officer, Treasurer and Director	1997
David Gordon	41	2008	Executive Vice President Operations, Secretary and Director	1995
Barry Knepper	55	2009	Director	2008
John Rotelli	47	2008	Director	2005
Robert M. Williams	46	2007	Director	2005

(1)

As of January 31, 2006.

The principal occupation and business experience of each nominee for election as director are set forth below. Unless otherwise indicated, each of the following persons has held his or her present position for the last five years.

Gerard DeCapua has served as a director of Coffee Holding since 1997. Mr. DeCapua has had his own law practice in Rockville Centre, New York since 1986. Mr. DeCapua received his law degree from Pace University.

Daniel Dwyer has served as a director of Coffee Holding since 1998. Mr. Dwyer has been a senior coffee trader at

Rothfos Corporation, a green coffee bean supplier, since 1995. Mr. Dwyer is responsible for our account with Rothfos. We paid Rothfos approximately \$6.1 million and \$13.0 million for green coffee purchases in fiscal 2004 and 2005, respectively, and expect to pay it a similar amount in fiscal 2006. All purchases are made on arms length terms.

Andrew Gordon has been the Chief Executive Officer, President, Treasurer and a director of Coffee Holding since 1997 and its Chief Financial Officer since November 2004. He is responsible for managing Coffee Holding's overall business and has worked for Coffee Holding for over 21 years, previously as a Vice President from 1993 to 1997. Mr. Gordon has worked in all capacities of Coffee Holding's business and serves as the direct contact with its major private label accounts. In addition, Mr. Gordon publishes a weekly report that is distributed to our customers and is perceived by many of his peers and customers as a coffee market expert. Mr. Gordon received his Bachelor of Business Administration degree from Emory University. He is the brother of David Gordon.

David Gordon has been the Executive Vice President Operations, Secretary and a director of Coffee Holding since 1995. He is responsible for managing all aspects of Coffee Holding's roasting and blending operations, including quality control, and, has worked for Coffee Holding for over 23 years, previously as an Operating Manager from 1989 to 1995. He is a charter member of the Specialty Coffee Association of America. Mr. Gordon attended Baruch College in New York City. He is the brother of Andrew Gordon.

Barry Knepper has served as a director of Coffee Holding since 2005. From July 2004 to the present, Mr. Knepper has been the President and Chief Executive Officer of CFO Business Solutions, a management consulting firm. Mr. Knepper was the Chief Financial Officer for TruFoods Corporation, a growth oriented franchise management company from April 2001 through June 2004. From January 2000 through March 2001 he was the Chief Financial Officer of Offline Entertainment, an early stage television and motion picture production company. From 1982 through 1999 he served as the Chief Financial Officer of Unitel Video, Inc., a publicly traded nationwide high tech service company in the television, film and new media fields.

John Rotelli has served as a director of Coffee Holding since 2005. Mr. Rotelli has over twenty five years of experience in the coffee industry and is currently Vice President of L.J. Cooper Company, one of the largest green coffee brokers and agents in North America. He is also Vice Chairman of the Green Coffee Association.

Robert M. Williams has served as a director of Coffee Holding since 2005. Mr. Williams has been a principal of R. Madison, Inc., a national sales, distribution, sourcing and business development firm, since 2003. From 2002 to 2003, he was the Executive Vice President, Sales & Marketing for Lodis Corporation, a fine leather goods manufacturer. From May 2001 to January 2002, he was the Vice President of Sales, Central & Eastern North America, of Hartmann, Inc., the leather and luggage goods division of Brown-Forman Corporation, and from 1997 to May 2001 he served as its Director, Personal Leather Goods & Accessories. Mr. Williams received a Bachelor of Science, Business Administration, Marketing from the University of South Carolina, Columbia in 1981.

The Board of Directors unanimously recommends a vote FOR all of the nominees for election as directors.

INFORMATION ABOUT BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors

Coffee Holding's Board of Directors currently consists of seven members. Coffee Holding's Articles of Incorporation and bylaws provide that the Board shall be divided into three classes. The Board of Directors has nominated seven directors for election at the 2006 Annual Meeting.

The Board of Directors oversees our business and monitors the performance of our management. In accordance with our corporate governance procedures, the Board of Directors does not involve itself in the day-to-day operations of Coffee Holding. Our executive officers and management oversee our day-to-day operations. Our directors fulfill their duties and responsibilities by attending regular meetings of the Board, which are held on a quarterly basis. Our directors also discuss business and other matters with other key executives and our principal external advisers (legal counsel, auditors, financial advisors and other consultants).

The Board of Directors held three regular meetings and no special meetings during the fiscal year ended October 31, 2005. Each incumbent director, other than Gerard DeCapua, Daniel Dwyer and Robert M. Williams, attended at least 75% of the meetings of the Board of Directors, plus meetings of committees on which that particular director served during this period.

Corporate Governance

Coffee Holding is committed to establishing and maintaining high standards of corporate governance. Our executive officers and the Board have worked together to construct a comprehensive set of corporate governance initiatives that we believe will serve the long-term interests of our stockholders and employees. As discussed in more detail below, we believe these initiatives comply fully with the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC adopted thereunder. In addition, we believe our corporate governance initiatives fully comply with the rules of the American Stock Exchange. The Board will continue to evaluate, and improve upon as appropriate, our corporate governance principles and policies.

Code of Ethics

The Board has adopted a Code of Conduct and Ethics that applies to each of our directors, officers and employees. The Code of Conduct and Ethics sets forth our policies and expectations on a number of topics, including:

- acceptance of gifts;
- financial responsibility regarding both personal and business affairs, including transactions with Coffee Holding;
- personal conduct, including ethical behavior and outside employment and other activities;

- affiliated transactions, including separate identities and usurpation of corporate opportunities;
- preservation and accuracy of Coffee Holding's records;
- compliance with laws, including insider trading compliance;
- preservation of confidential information relating to our business and that of our clients;
- conflicts of interest;
- the safeguarding and proper use of our assets and institutional property;
- code administration and enforcement;
- reporting, investigating and resolving of all code violations; and
- code-related training, certification of compliance and maintenance of code-related records.

The Audit Committee of our Board of Directors will review the Code of Conduct and Ethics on a regular basis, and propose or adopt additions or amendments to the Code of Conduct and Ethics as appropriate. A copy of the Code of Conduct and Ethics may also be obtained free of charge by sending a written request to:

David Gordon, Secretary

Coffee Holding Co., Inc.

4401 First Avenue

Brooklyn, NY 11232

Independent Directors

We use the American Stock Exchange's definition of independence to determine the independence of our directors. For a director to be independent under The American Stock Exchange's rules, the director must not be an officer or employee of Coffee Holding or any of its subsidiaries, and must not have a relationship that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The American Stock Exchange's rules also expressly provide that the following persons cannot be considered independent:

- a director who is, or during the past three years was, employed by Coffee Holding or by any subsidiary of Coffee Holding;
- a director who accepts or who has a family member who accepts any payments from Coffee Holding or any subsidiary of Coffee Holding in excess of \$60,000 during the current fiscal year or any of the past three fiscal years, other than (a) payments for board service, (b) payments arising solely from investments in Coffee Holding's securities, (c) compensation paid to a family member who is a non-executive employee of Coffee Holding, (d) compensation received for former service as an interim Chairman or Chief Executive Officer; (e) benefits under a tax-qualified retirement plan, (f) non-discretionary compensation or (g) loans permitted under Section 13(k) of the Exchange Act;
- a director who is a family member of an individual who is, or during the past three years was, employed by Coffee Holding or by any subsidiary of Coffee Holding as an executive officer;
- a director who is, or has a family member who is, a partner in, or a controlling stockholder or an executive officer of, any organization to which Coffee Holding made, or from which Coffee Holding received, payments for property or services (other than those arising solely from investments in Coffee Holding's securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, in the current fiscal year or any of the past three fiscal years;

•

a director of Coffee Holding who is employed, or has a family member who is employed, as an executive officer of another entity where any of the executive officers of Coffee Holding serve on the compensation committee of such other entity, or if such relationship existed during the past three years; or

•

a director who is, or has a family member who is, a current partner of Coffee Holding's registered independent public accountants, or was a partner or employee of Coffee Holding's registered independent public accountants, and worked on Coffee Holding's audit during the past three years.

The Board of Directors has determined that Gerard DeCapua, Barry Knepper, John Rotelli and Robert M. Williams, a majority of the board, are independent directors under the American Stock Exchange's rules.

Consistent with the American Stock Exchange's rules, independent directors meet in regularly scheduled executive sessions without non-independent directors. The independent directors have selected Barry Knepper to serve as the presiding director at the executive sessions for the 2006 fiscal year. The presiding director will take a lead role in the Board's self-evaluation process.

The American Stock Exchange's rules, as well as SEC rules, impose additional independence requirements for all members of the Audit Committee. Specifically, in addition to the independence requirements discussed above, independent audit committee members must: (1) not accept, directly or indirectly, any consulting, advisory, or other compensatory fees from Coffee Holding or any subsidiary of Coffee Holding other than in the member's

capacity as a member of the board of directors and any board committee; (2) not be an affiliated person of Coffee Holding or any subsidiary of Coffee Holding; and (3) not have participated in the preparation of the financial statements of Coffee Holding or any current subsidiary of Coffee Holding at any time during the past three years. In addition, the American Stock Exchange's rules require that all audit committee members be able to read and understand fundamental financial statements, including Coffee Holding's balance sheet, income statement, and cash flow statement. The Board of Directors believes that the current members of the Audit Committee meet these additional standards.

Furthermore, at least one member of the Audit Committee must be financially sophisticated, in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities. Additionally, the SEC requires that Coffee Holding disclose whether the Audit Committee has, and will continue to have, at least one member who is a financial expert. The Board of Directors has determined that Barry Knepper meets the SEC's definition of an audit committee financial expert.

Committees of the Board

The Board of Directors of Coffee Holding has established the following committees:

Audit Committee. The Audit Committee oversees and monitors our financial reporting process and internal control system, reviews and evaluates the audit performed by our registered independent public accountants and reports to the Board of Directors any substantive issues found during the audit. The Audit Committee is directly responsible for the appointment, compensation and oversight of the work of our registered independent public accountants. The Audit Committee reviews and approves all transactions with affiliated parties. The Board of Directors has adopted a written charter for the Audit Committee, which is attached hereto as *Appendix A*. All members of the Audit Committee are independent directors as defined under the American Stock Exchange listing standards. Gerard DeCapua, Barry Knepper and Robert M. Williams serve as members of the Audit Committee with Barry Knepper serving as its chairman. The Board of Directors has determined that Barry Knepper qualifies as an Audit Committee Financial Expert as that term is defined by SEC regulations. The Audit Committee held two meetings during fiscal 2005.

Compensation Committee. The Compensation Committee provides advice and makes recommendations to the Board of Directors in the areas of employee salaries and benefit programs. The Committee also reviews the compensation of the President and Chief Executive Officer of Coffee Holding and makes recommendations in that regard to the Board of Directors as a whole. All members of the Compensation Committee are independent directors as defined under the American Stock Exchange listing standards. Barry Knepper, John Rotelli and Robert M. Williams serve as members of the Compensation Committee, with John Rotelli serving as its chairman. The Compensation Committee did not meet during fiscal 2005.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee nominates individuals to be elected to the full Board of Directors by our stockholders. The Nominating and Corporate Governance Committee considers recommendations from stockholders if submitted in a timely manner in accordance with the procedures set forth in Article II, Section 11 of our bylaws and applies the same criteria to all persons being considered. All members of the Nominating and Corporate Governance Committee are independent directors as defined under the American Stock Exchange listing standards. Gerard DeCapua, John Rotelli and Robert M. Williams serve as members of the Nominating and Corporate Governance Committee, with Gerard DeCapua serving as its chairman. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance

Committee, which is attached hereto as *Appendix B*. The Nominating and Corporate Governance Committee did not meet during fiscal 2005.

It is the policy of the Nominating and Corporate Governance Committee to recommend individuals as director nominees who have the highest personal and professional integrity, who have demonstrated exceptional ability and judgment and who will be most effective, in conjunction with the other members of the Board, in collectively serving the long-term interests of our stockholders.

Coffee Holding Co., Inc. Audit Committee Report

The following Audit Committee Report is provided in accordance with the rules and regulations of the SEC. Pursuant to such rules and regulations, this report shall not be deemed soliciting materials, filed with the SEC, subject to Regulation 14A or 14C of the SEC or subject to the liabilities of section 18 of the Securities Exchange Act of 1934, as amended.

The Audit Committee has reviewed and discussed the audited financial statements with management. The Audit Committee has also reviewed and discussed with Lazar Levine & Felix LLP, Coffee Holding's registered independent public accountants, the matters required to be discussed by SAS 61, as may be modified or supplemented.

The Audit Committee also has received the written disclosures and the letter from the registered independent public accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No.1, *Independence Discussions with Audit Committee*), as may be modified or supplemented, and has discussed with Lazar Levine & Felix LLP its independence.

Based on the foregoing discussions, the Audit Committee recommended to the Board of Directors of Coffee Holding Co., Inc. that the audited financial statements be included in Coffee Holding Co. Inc.'s Annual Report on Form 10-KSB for the year ended October 31, 2005.

Audit Committee of

Coffee Holding Co., Inc.

Barry Knepper (Chairman)

Gerard DeCapua

Robert M. Williams

Stockholder Communication With the Board of Directors and Attendance at Annual Meetings

The Board of Directors maintains a process for stockholders to communicate with the Board and its committees. Stockholders of Coffee Holding and other interested persons may communicate with the Board or the chairperson of the Audit Committee, Compensation Committee or Nominating and Corporate Governance Committee by writing to the Secretary of Coffee Holding at 4401 First Avenue, Brooklyn, NY 11232. All communications that relate to matters that are within the scope of the responsibilities of the Board of Directors will be presented to the Board no later than the next regularly scheduled meeting. Communications that relate to matters that are within the responsibility of one of the Board committees will be forwarded to the Chairperson of the appropriate committee. Communications that relate to ordinary business matters that are not within the scope of the Board's responsibilities, such as customer complaints, will be forwarded to the appropriate officer. Solicitations, junk mail and obviously frivolous or inappropriate communications are not forwarded, but will be made available to any director who wishes to review them.

Directors are expected to prepare themselves for and attend all Board meetings, the Annual Meeting of Stockholders and the meetings of the committees on which they serve, with the understanding that on occasion a director may be unable to attend a meeting. Two of the four directors who were serving on the Board of Directors at the time of the 2005 Annual Meeting of Stockholders attended the meeting. Three of our current directors were appointed to the Board after the 2005 Annual Meeting.

Directors Compensation

Non-employee directors receive \$400 per Board meeting attended and \$400 per each committee meeting attended. Non-employee directors are also reimbursed for travel expenses and other out-of-pocket costs incurred in connection with attendance at board of directors and committee meetings. Non-employee directors are also eligible to participate in our stock option plan, the terms of which are discussed elsewhere in this proxy statement.

Total directors' meeting and committee fees for fiscal year 2005 were \$3,200. We do not compensate our employee directors for service as directors. Directors are also entitled to the protection of certain indemnification provisions in our Articles of Incorporation and bylaws.

Executive Compensation

The following table sets forth compensation paid during the fiscal year ended October 31, 2005 to the Chief Executive Officer of Coffee Holding Co. Inc. and to the other most highly compensated executive officers of Coffee Holding Co. Inc. whose salary and bonus for 2005 was in excess of \$100,000. We refer to these individuals as "named executive officers" in this proxy statement.

Summary Compensation Table

Name and Principal Positions	Year	Annual Compensation			Long Term Compensation			
		Salary(\$)	Bonus (\$)(1)	Other Annual Compensation	Restricted Stock Awards	Awards Options (#)	Payouts LTIP Payouts (\$)	All Other Compens (\$)

				\$(2)	(\$)
Andrew Gordon	2005	\$ 290,172	\$	\$ 35,918	
President, Chief					
Executive Officer,	2004	269,500	39,000	35,918	
Chief Financial Officer and Treasurer					
	2003	245,000	33,000	35,918	
David Gordon	2005	\$ 245,073	\$ 39,000	\$ 18,052	
Executive Vice President-Operations					
and Secretary	2004	224,400	39,000	18,052	
	2003	204,400	33,000	18,052	

(1)

Amounts shown as bonuses were earned in the fiscal year shown.

(2)

The amounts shown consist of amounts paid by Coffee Holding for use of an automobile and automobile insurance.

Employment Agreements. We have entered into employment agreements with Andrew Gordon to secure his continued service as President, Chief Executive Officer, Chief Financial Officer and Treasurer and with David Gordon to secure his continued service as Executive Vice President Operations and Secretary. These employment agreements have rolling three-year terms that began on May 6, 2005. These agreements may be converted to a fixed three-year term by the decision of our Board of Directors or the executive. These agreements provide for minimum annual salaries of \$325,000 for Andrew Gordon and \$300,000 for David Gordon, discretionary cash bonuses, and participation on generally applicable terms and conditions in other compensation and fringe benefit plans. They also guarantee customary corporate indemnification and errors and omissions insurance coverage throughout the employment term and thereafter for so long as the executives are subject to liability for such service to the extent permissible by the Nevada Revised Statutes.

The terms of the employment agreements provide that each executive will be entitled to severance benefits if his employment is terminated without cause or if he resigns for good reason or following a change in control (as such terms will be defined in the employment agreements) equal to the value of the cash compensation and fringe benefits that he would have received if he had continued working for the remaining unexpired term of the agreement. The employment agreements also provide uninsured disability benefits. During the term of the employment agreements and, in case of discharge with cause or resignation without good reason, for a period of one year thereafter, the executives are subject to (i) restrictions on competition with us and (ii) restrictions on the solicitation of our customers and employees. For all periods during and after the term, the executives are subject to nondisclosure and restrictions relating to our confidential information and trade secrets.

If we experience a change in ownership, a change in effective ownership or control or a change in ownership of a substantial portion of our assets as contemplated by Section 280G of the Internal Revenue Code, a portion of any severance payments under the employment agreements might constitute an excess parachute payment under current federal tax laws. Federal tax laws impose a 20% excise tax, payable by each executive, on excess parachute payments. Under the terms of the employment agreements, we will reimburse the executives for the amount of this excise tax and will make an additional gross-up payment so that, after payment of the excise tax and all income and excise taxes imposed on the reimbursement and gross-up payments, the executives will retain approximately the same net-after tax amounts under the employment agreement that they would have retained if there were no 20% excise tax. The effect of this provision is that we, and not the executives, bear the financial cost of the excise tax and we could not claim a federal income tax deduction for an excess parachute payment, excise tax reimbursement or gross-up payment.

Stock Option Plan. We maintain a stock option plan, the Coffee Holding Co., Inc. 1998 Stock Option Plan, under which non-qualified and incentive stock options to purchase shares of common stock may be granted to our directors, officers and other key employees and consultants. The plan was adopted by our Board of Directors and approved by our stockholders on February 10, 1998. On June 21, 2004, the plan was amended by our Board of Directors to reduce the number of shares of common stock reserved for issuance under the plan from 2,000,000 to 800,000, subject to adjustment for stock splits, stock dividends, reorganizations, mergers, recapitalizations or other capital adjustments. The plan is administered by our Board of Directors which may delegate our powers to a committee of the Board. No options may be granted after February 10, 2008. The Compensation Committee will determine, at the time of grant, the purchase price of shares issuable pursuant to exercise of stock options; provided that the purchase price of a share of common stock under incentive stock options shall not be less than the fair market value of a share on the date the option is granted. Unless earlier terminated due to termination of employment or death or disability of the optionee,

each stock option shall terminate no later than ten years from the date on which it is granted. Options are transferable only by will or the laws of descent and distribution. No options have been granted under the plan.

Deferred Compensation Plan for Executive Officers. In January 2005, we established the Coffee Holding Co., Inc. Non-Qualified Deferred Compensation Plan for Executive Officers. Currently, Andrew Gordon is the only participant in the plan. Each executive officer who participates in the plan may defer receipt of all or a portion of his or her annual cash compensation received from Coffee Holding. The deferred amounts are allocated to a deferral account and credited with interest according to the investment classifications made available by the Board. The plan is an unfunded, non-qualified plan that provides for distribution of the amounts deferred to participants or their

designated beneficiaries upon the occurrence of certain events. The amounts deferred, and related investment earnings, are held in a rabbi trust for the benefit of participating executives until such amounts are distributed pursuant to the terms of the plan.

Transactions With Certain Related Persons

Daniel Dwyer, a director, is a senior coffee trader for Rothfos Corporation, a coffee trading company. Mr. Dwyer is responsible for our account with Rothfos. We paid Rothfos approximately \$13.0 million for green coffee purchases in fiscal 2005. All purchases are made on arms length terms.

We believe that the transactions set forth above were made on terms no less favorable to us than could have been obtained from unaffiliated third parties. All transactions between us and our officers, directors and principal stockholders and their affiliates are subject to approval by an independent committee of our Board of Directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Coffee Holding's directors and executive officers, and persons who own more than 10% of Coffee Holding's common stock, to report to the SEC their initial ownership of Coffee Holding's common stock and any subsequent changes in that ownership. Coffee Holding is required to disclose in this proxy statement any late filings or failures to file.

To our knowledge, based solely on our review of the copies of such reports furnished to Coffee Holding and written representations that no other reports were required during the fiscal year ended October 31, 2005, all Section 16(a) filing requirements applicable to Coffee Holding's executive officers and directors during fiscal year 2005 were met.

Principal Accountant Fees and Services

The Audit Committee of the Board of Directors has appointed Lazar Levine & Felix LLP to serve as our registered independent public accountants for 2006. Representatives of Lazar Levine & Felix LLP are not expected to attend the Annual Meeting, but have been given the opportunity to make a statement if they so desire and will be available should any matter arise requiring their presence. During the fiscal years ended October 31, 2005 and 2004, Coffee Holding retained Lazar Levine & Felix LLP to provide audit and other services and incurred fees as follows:

	2005	2004
Audit fees(1)	\$ 82,500	\$ 65,000
Audit related fees		
Tax fees		
All other fees(2)	26,856	22,889
Total	\$ 109,356	\$ 87,889

(1)

Audit fees consisted of work performed in connection with the audit of the consolidated financial statements as well as work generally only the independent auditors can reasonably be expected to provide, such as quarterly reviews and review of the annual form 10-KSB filings.

(2)

Fees related to consultation and review of Securities and Exchange Commission filings.

Audit Committee Pre-Approval Policy

The Audit Committee, or a designated member of the Audit Committee, shall preapprove all auditing services and permitted non-audit services (including the fees and terms) to be performed for Coffee Holding by our registered independent public accountants, subject to the de minimis exceptions for non-audit services that are approved by the Audit Committee prior to completion of the audit, provided that: (i) the aggregate amount of all such services provided constitutes no more than five percent of the total amount of revenues paid by Coffee Holding to its registered independent public accountant during the fiscal year in which the services are provided; (ii) such services were not recognized by Coffee Holding at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of

the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Audit Committee. Of the services set forth in the table above, all were preapproved by the Audit Committee.

ADDITIONAL INFORMATION

Information About Stockholder Proposals

Stockholders may submit proposals for consideration at the 2007 Annual Meeting. In order to be included in our proxy statement for the 2007 Annual Meeting, we must receive such proposal no later than November 11, 2006. Proposals should be addressed to David Gordon, Secretary, Coffee Holding Co., Inc., 4401 First Avenue, Brooklyn, NY 11232. SEC rules contain standards as to whether stockholder proposals are required to be included in the proxy statement. Any such proposal will be subject to 17 C.F.R. § 240.14a-8 of the rules and regulations promulgated by the SEC.

In addition, if you wish to submit a proposal to the 2007 Annual Meeting without including such proposal in the proxy statement for that meeting, that proposal will be considered untimely, and the proxies solicited by the Board of Directors will confer discretionary authority to vote on the proposal as the proxies solicited see fit, unless you have given notice in writing to the Secretary of Coffee Holding, mailed David Gordon, Secretary, Coffee Holding Co., Inc., 4401 First Avenue, Brooklyn, NY 11232, and such notice is received by January 27, 2007.

By Order of the Board of Directors

/s/ David Gordon

David Gordon

Secretary

Brooklyn, New York

March 10, 2006

To assure that your shares are represented at the Annual Meeting, please complete, sign, date and promptly return the accompanying proxy card in the postage-paid envelope provided.

COFFEE HOLDING CO., INC.
AUDIT COMMITTEE CHARTER

I.

Purpose

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Coffee Holding Co., Inc. (the "Company") has been established to carry out the duties and responsibilities assigned to the Committee under applicable securities laws and the rules and regulations of the Securities and Exchange Commission (the "SEC") and the American Stock Exchange (the "AMEX"). The Committee shall assist the Board in its oversight responsibilities regarding (1) the quality and integrity of the Company's financial statements; (2) the Company's compliance with legal and regulatory requirements; (3) the qualifications and independence of the Company's registered public accounting firm; and (4) the performance of the Company's internal audit function. In doing so, it is the responsibility of the Committee to maintain free and open means of communication among the Board, the registered public accounting firm, internal auditors and senior management.

II.

Composition

The Committee shall consist of no fewer than three members (including a chairperson), each of whom shall meet the criteria for independence established by the rules and regulations of the AMEX and the SEC and whom the Board has affirmatively determined does not have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment as a director. No person may be made a member of the Committee if his or her service on the Committee would violate any restriction on service imposed by any effective rule of the SEC or any securities exchange or market on which shares of the Company's common stock are traded. Each member of the Committee shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. At least one Committee member must be an audit committee financial expert, as defined by the rules and regulations of the SEC. Committee members and the Committee chairperson shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee. If a Committee chairperson is not designated or present, the members of the Committee may designate a chairperson by majority vote of the Committee membership.

III.

Meetings

The Committee shall meet at least four times a year or more frequently as circumstances require. The Committee may meet by telephone conference call or by any other means permitted by law or the Company's bylaws. A majority of the members of the Committee shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. Without a meeting, the Committee may act by unanimous written consent of all members. The Committee shall maintain written minutes of its meetings which shall be filed with the books and records of the Company. The Committee shall report the significant actions of the Committee to

the Board, with such recommendations as the Committee deems appropriate. The Committee should also meet periodically with the internal auditors, the registered public accounting firm and the Company's financial management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.

IV.

Authority and Responsibilities

In carrying out its responsibilities, the Committee's policies and procedures should remain flexible to enable the Committee to react to changes in circumstances and conditions so as to ensure the Company remains in compliance with applicable legal and regulatory requirements. In addition to performing such functions as may be assigned by law, the Company's Articles of Incorporation or bylaws or the Board, the Committee shall have the following responsibilities:

1.

The Committee shall review and reassess this charter annually and recommend any proposed changes to the Board for approval.

2.

The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including, resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The registered public accounting firm must report directly to the Committee.

3.

The Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms) to be performed for the Company by its registered public accounting firm, subject to the de minimis exception for non-audit services described below which are approved by the Committee prior to completion of the audit.

Exception: The pre-approval requirement set forth above, shall not be applicable with respect to non-audit services if:

(i)

The aggregate amount of all such services provided constitutes no more than five percent of the total amount of revenues paid by the Company to its auditor during the fiscal year in which the services are provided;

(ii)

Such services were not recognized by the Company at the time of the engagement to be non-audit services; and

(iii)

Such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

Delegation. The Committee may delegate to one or more designated members of the Committee the authority to grant required pre-approvals. The decisions of any member to whom authority is delegated under this paragraph to pre-approve activities under this subsection shall be presented to the full Committee at its next scheduled meeting.

4.

The Committee, in its capacity as a committee of the Board, shall determine, and the Company shall provide, funding for payment of: (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (ii) compensation to any advisers employed by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

5.

As part of the audit process, the Committee shall meet with the registered public accounting firm to discuss and determine the scope of the audit. The Committee shall determine that the independent audit team engaged to perform

the external audit consists of competent, experienced, financial institution auditing professionals. The Committee shall ensure the regular rotation of the lead audit partner and audit review partner as required by law and consider whether there should be a periodic rotation of the Company's registered public accounting firm.

6.

The Committee shall require the registered public accounting firm to submit, on an annual basis, a formal written statement setting forth all relationships between the registered public accounting firm and the Company that may affect the objectivity and independence of the registered public accounting firm, consistent with Independence Standards Board Standard No. 1, and the Committee shall actively engage in a dialogue with the registered public accounting firm with respect to any disclosed relationships or services that may impact the objectivity and independence of the registered public accounting firm. The Committee shall take, or recommend that the full Board take, appropriate action to ensure the independence of the registered public accounting firm.

7.

The Committee shall require the registered public accounting firm to advise the Company of any fact or circumstance that might adversely affect the outside auditor's independence or judgment with respect to the Company under applicable auditing standards, including any significant changes to the Company's accounting principles and any items required to be communicated by the registered public accounting firm in accordance with SAS 61, as amended.

8.

The Committee shall require the registered public accounting firm to advise the Company if it becomes aware that any officer or employee of the Company, or its direct or indirect subsidiaries or affiliates, is related to a partner, employee or other representative of the registered public accounting firm, to the extent that such relationship might adversely affect the Company under applicable auditing standards.

9.

The Committee shall meet with the registered public accounting firm, with no management in attendance, to openly discuss the quality of the Company's accounting principles as applied in its financial reporting, including issues such as (a) the appropriateness, not just the acceptability, of the accounting principles and financial disclosure practices used or proposed to be used by the Company; (b) the clarity of the Company's financial disclosures; and (c) the degree of aggressiveness or conservatism that exists in the Company's accounting principles and underlying estimates and other significant decisions made by the Company's management in preparing the financial disclosure and reviewed by the registered public accounting firm. The Committee shall then meet among themselves, without operating management or the registered public accounting firm being present, to discuss the information presented to them.

10.

The Committee shall require the registered public accounting firm, in reviewing the Company's financial reporting and in advising the Committee, to take into account the requirements imposed by, and the interpretations of, the applicable federal and state banking regulators.

11.

The Committee shall meet with the registered public accounting firm and management to review the Company's quarterly reports on Form 10-QSB and annual report on Form 10-KSB and discuss any significant adjustments, management judgments and accounting estimates and any significant new accounting policies before such forms are filed with the SEC.

12.

Upon the completion of the annual audit, the Committee shall review the audit findings, including disclosures made in management's discussion and analysis and any comments or recommendations of the registered public accounting firm, with the entire Board and state its recommendation to the Board as to whether the audited financial statements should be included in the Company's annual report on Form 10-KSB.

13.

The Committee shall determine whether the internal audit function may be performed by staff internal auditors or may be outsourced to a third party, as deemed appropriate.

14.

The Committee must assure itself that the internal auditors are free from operational duties, and that the internal auditors report directly to the Board or the Committee regarding any audit concerns or problems.

15.

The Committee shall meet at least annually with the Company's internal auditors to assure itself that the Company has a strong internal auditing function by reviewing the internal audit program and assessing (grading) risk areas along with a proper control environment that promotes accuracy and efficiency in the Company's operations.

16.

The Committee shall receive reports from the Company's internal auditors, which include a summary of findings from completed internal audits and a progress report on the internal audit plan, together with explanations for any deviations from the original plan.

17.

The Committee shall review the internal audit function of the Company, including the independence and authority of its reporting obligations, the proposed audit plans for the coming year and the coordination of such plans with the registered public accounting firm.

18.

The Committee shall review and concur in the appointment, replacement, reassignment or dismissal of the Company's internal auditors.

19.

The Committee shall consider and review with management and the internal auditors: (a) significant findings during the year and management's responses thereto, including the status of previous audit recommendations, (b) any difficulties encountered in the course of their audits, including any restrictions on the scope of activities or access to required information, (c) any changes required in the planned scope of the internal audit plan and (d) the internal auditing department budget and staffing.

20.

The Committee shall consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices, as suggested by the registered public accounting firm, the internal

auditors or management, and the Committee shall review with the registered public accounting firm, the internal auditors and management the extent to which such changes have been implemented (to be done at an appropriate amount of time subsequent to the implementation of such changes, as decided by the Committee).

21.

The Committee shall inquire of the Company's chief executive officer and chief financial officer as to the existence of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and as to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

22.

The Committee shall investigate or consider such other matters within the scope of its responsibilities and duties as the Committee may, in its discretion, determine to be advisable. The Committee shall have the authority to engage independent counsel and other advisers, as it deems necessary to carry out its duties.

23.

The Committee shall prepare any report required by the rules of the SEC to be included in the Company's annual proxy statement.

24.

The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.

25.

The Committee shall establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

26.

The Committee shall require the registered public accounting firm to submit a report at least annually (which report shall be reviewed by the Committee) describing (a) the registered public accounting firm's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the accounting firm or by any inquiry or investigations by governmental or professional authorities (within the preceding five years) respecting one or more independent audits carried out by the independent accountant, and any steps taken to deal with any such issues; and (c) all relationships the independent accountant has with the Company and relevant third parties to determine the registered public accounting firm's independence. The Committee shall evaluate the qualifications, independence and performance of the registered public accounting firm and in doing so consider not only auditing and other traditional accounting functions performed by the registered public accounting firm, but also consulting, legal, information technology services and other professional services rendered by the independent accountant and its affiliates. The Committee shall also consider whether the provision of any of these non-audit services is compatible with the independence standards under the guidelines of the SEC and of the Independence

Standards Board and shall approve in advance any non-audit services to be provided by the registered public accounting firm.

27.

The Committee shall obtain a representation from the registered public accounting firm that Section 10A of the Securities Exchange Act of 1934 has been followed.

A-4

COFFEE HOLDING CO., INC.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHARTER

I.

Purpose

The Nominating and Corporate Governance Committee (the **Committee**) of the Board of Directors (the **Board**) of Coffee Holding Co., Inc. (the **Company**) has been established to identify and recommend qualified individuals to become Board members, Board committee members and officers of the Company and to oversee the corporate governance of the Company, including the development, recommendation and review of corporate governance guidelines for the Company.

II.

Composition

The Committee shall consist of no fewer than three members (including a chairperson), each of whom shall meet the criteria for independence established by the rules and regulations of the Securities and Exchange Commission and the American Stock Exchange and whom the Board has affirmatively determined does not have a material relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Members of the Committee shall be appointed annually by the Board and shall serve at the pleasure of the Board. No person may be made a member of the Committee if his or her service on the Committee would violate any restriction on service imposed by any rule or regulation of the United States Securities and Exchange Commission or any securities exchange or market on which shares of the Company's common stock are traded.

III.

Meetings

The Committee shall meet at least once a year or more frequently as circumstances require. The Committee may meet by telephone conference call or by any other means permitted by law or the Company's bylaws. A majority of the members of the Committee shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. Without a meeting, the Committee may act by unanimous written consent of all members. The Committee shall maintain written minutes of its meetings which shall be filed with the books and records of the Company. The Committee shall establish its own rules of procedure, which shall be consistent with the bylaws of the Company and this Charter. The Committee shall report the significant actions of the Committee to the Board, with such recommendations as the Committee deems appropriate.

IV.

Authority and Responsibilities

The Committee shall have the following authority and responsibilities:

1.

The Committee shall annually propose to the Board a slate of nominees for election by the shareholders and prospective director candidates in the event of the resignation, death, removal or retirement of directors or a change in Board composition requirements.

2.

The Committee shall develop and periodically review criteria, to be approved by the Board, for the selection of new directors and nominees for vacancies on the Board, including procedures for reviewing potential nominees proposed by shareholders.

3.

The Committee shall develop, periodically review and recommend to the Board the criteria for Board membership, including the skills, experience and other qualities required for effective functioning of the Board.

4.

The Committee shall develop and periodically review criteria for the evaluation of incumbent Board members. The Committee shall evaluate the qualifications and performance of incumbent Board members and decide whether to recommend them for reelection.

5.

The Committee shall conduct searches for, interview, evaluate and review the backgrounds of prospective Board member candidates.

6.

The Committee shall consider and evaluate any shareholder nominees for election as director in compliance with the Company's bylaws and in accordance with the criteria approved by the Board.

7.

The Committee shall recommend to the Board for its approval the slate of officers for the Company.

8.

The Committee shall recommend to the Board for its approval the membership of the Board's committees.

9.

The Committee shall review periodically the size and composition of the Board and recommend to the Board changes as appropriate. The Committee shall monitor the Board size and composition to ensure that a majority of directors are independent directors within the meaning of any laws, rules and regulations applicable to the Company.

10.

The Committee may retain or terminate, in its sole discretion, any search firm to be used to identify director and executive officer candidates and to approve the search firm's fees and other retention terms. The Committee shall also have authority to retain outside counsel and any other advisors as the Committee may deem appropriate in its sole discretion.

11.

The Committee shall monitor and periodically review the Company's corporate governance guidelines and recommend to the Board changes as appropriate.

12.

The Committee shall periodically review and recommend changes to the Company's bylaws and Articles of Incorporation as they relate to corporate governance issues, including any modifications and enhancements to the Company's takeover and structural defenses.

The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and the Proxy Statement for the Annual Meeting.

Signature(s)

Dated: _____, 2006

Please sign exactly as your name appears on this proxy. Joint owners should each sign personally. If signing as attorney, executor, administrator, trustee or guardian, please include your full title. Corporate or partnership proxies should be signed by an authorized officer.