



DIVISION OF  
CORPORATION FINANCE

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Mail Stop 3720

April 26, 2007

Mr. Charles Rice  
Chief Executive Officer and President  
Lucy's Cafe, Inc.  
2685 Park Center Drive, Building A  
Simi Valley, CA 93065

**Re: Lucy's Cafe, Inc.**  
**Registration Statement on Form SB-2**  
**Amended April 20, 2007**  
**File No. 333-140591**

Dear Mr. Rice:

We have reviewed your supplemental response letter dated April 19, 2007 as well as your filing and have the following comments. As noted in our comment letter dated March 7, 2007, we have limited our review to your financial statements and related disclosures and do not intend to expand our review to other portions of your documents.

Financial Statements

1. It appears that you are required to file the statements of operations and cash flows of Advanced Tel, Inc. for the years ended June 30, 2004 and 2005 and for the interim period ended March 31, 2006, since this acquisition exceeds 40% significance. Please revise or tell us why you believe you are in compliance with the requirements of Rule 310(c)(3) of Regulation S-B.

Audited Financial Statements of Lucy's Cafe, Inc.

Consolidated Statement of Cash Flows, page F-6

2. We note that you classify cash acquired in the acquisition of Advanced Tel, Inc. and in the merger with Lucy's Cafe, Inc., as financing activities. It appears to us that these cash flow meet the criteria of investing activities, as set forth in SFAS No. 95. Please tell us, citing the appropriate accounting literature, why you believe these cash flows to be financing activities, rather than investing.
3. We note from the disclosures found on page F-14, that the initial purchase price of ATI, included a cash payment of \$250,000. However, it does not appear that this payment has been reflected in the cash flow statement. Please explain.
4. SFAS No. 123(R) amended paragraph 19 of SFAS No. 95 to require cash retained as a result of the tax deductibility of increases in the value of equity instruments issued under share-based payment arrangements to be classified as a financing activity. Please tell us, if applicable, where you have classified these excess tax benefits in your statement of cash flows.

Notes to Consolidated Financial Statements

Note 8 – Common Stock, page F-20

5. We refer to the registration payment arrangements discussed in the section titled "2006 Issuance of Common Stock." It does not appear that you have recorded a liability associated with the liquidated damage provisions of your registration agreements. Please tell us how you evaluated the contingent liability associated with the liquated damage provisions in accordance with FSP EITF 00-19-2, if applicable.

You may contact Christine Adams, Accountant, at (202) 551-3363 or Terry French, Accounting Branch Chief, at (202) 551-3828 if you have questions regarding comments on the financial statements and related matters. Please contact the undersigned at (202) 551-3810 with any other questions.

Sincerely,

/s/Larry Spigel  
Assistant Director

cc: Andrew Turney (*via facsimile*)