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KEY TECHNOLOGY INC  
Form SC 13G  
September 21, 2007

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OMB APPROVAL  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13G

UNDER THE SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO. \_\_\_\_\_) \*

Key Technology, Inc.

-----  
(Name of Issuer)

Common Stock

-----  
(Title of Class of Securities)

493143101

-----  
(CUSIP Number)

August 29, 2007

-----  
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ ] Rule 13d-1(b)

[ X ] Rule 13d-1(c)

[ ] Rule 13d-1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed

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to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

-----  
CUSIP No. 493143101  
-----

1. Names of Reporting Person Alydar Capital, LLC

I.R.S. Identification Nos. of above persons (entities only)

-----  
2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)  X

(b)  |  |

-----  
3. SEC Use Only

-----  
4. Citizenship or Place of Organization: Delaware

-----  
Number of Shares

5. Sole Voting Power: 0

Beneficially Owned by

-----  
6. Shared Voting Power: 106,025

Each Reporting

-----  
7. Sole Dispositive Power: 0

Person With

-----  
8. Shared Dispositive Power: 106,025

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9. Aggregate Amount Beneficially Owned by Each Reporting Person. 106,025

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10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions).

-----  
11. Percent of Class Represented by Amount in Row (9) 1.93%

-----  
12. Type of Reporting Person (See Instructions) IA

-----  
CUSIP NO. 493143101  
-----

1. NAMES OF REPORTING PERSON: Alydar Partners, LLC

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

-----  
2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)  X

(b)  |  |

-----  
3. SEC Use Only

-----  
4. Citizenship or Place of Organization: Delaware

-----  
Number of Shares

5. Sole Voting Power: 0

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Shares -----  
Beneficially 6. Shared Voting Power: 350,000  
Owned by -----  
Each 7. Sole Dispositive Power: 0  
Reporting -----  
Person With 8. Shared Dispositive Power: 350,000  
-----

9. Aggregate Amount Beneficially Owned by Each Reporting Person. 350,000  
-----  
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See  
Instructions).  
-----  
11. Percent of Class Represented by Amount in Row (9) 6.39%  
-----  
12. Type of Reporting Person (See Instructions) IA  
-----

-----  
CUSIP No 493143101  
-----

1. Names of Reporting Person John A. Murphy  
-----  
I.R.S. Identification Nos. of above persons (entities only)  
-----  
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
  
(a)  X  
  
(b)  |\_  
-----

3. SEC Use Only  
-----  
4. Citizenship or Place of Organization: United States  
-----

Number of 5. Sole Voting Power: 0  
Shares -----  
Beneficially 6. Shared Voting Power: 350,000  
Owned by -----  
Each 7. Sole Dispositive Power: 0  
Reporting -----  
Person With 8. Shared Dispositive Power: 350,000  
-----

9. Aggregate Amount Beneficially Owned by Each Reporting Person. 350,000  
-----  
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See  
Instructions).  
-----  
11. Percent of Class Represented by Amount in Row (9) 6.39%  
-----  
12. Type of Reporting Person (See Instructions) IN  
-----

-----  
CUSIP No. 493143101  
-----

1. Names of Reporting Person Alysheba Fund, L.P.  
-----  
I.R.S. Identification Nos. of above persons (entities only)  
-----

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2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)  X

(b)  |  |

3. SEC Use Only

4. Citizenship or Place of Organization: Delaware

Number of Shares Beneficially Owned by Each Reporting Person With	5. Sole Voting Power: 3,841
	6. Shared Voting Power: 0
	7. Sole Dispositive Power: 3,841
	8. Shared Dispositive Power: 0

9. Aggregate Amount Beneficially Owned by Each Reporting Person. 3,841

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions).

11. Percent of Class Represented by Amount in Row (9) .07%

12. Type of Reporting Person (See Instructions) PN

CUSIP No. 493143101

1. Names of Reporting Person Alysheba QP Fund, L.P.

I.R.S. Identification Nos. of above persons (entities only)

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)  X

(b)  |  |

3. SEC Use Only

4. Citizenship or Place of Organization: Delaware

Number of Shares Beneficially Owned by Each Reporting Person With	5. Sole Voting Power: 102,184
	6. Shared Voting Power: 0
	7. Sole Dispositive Power: 102,184
	8. Shared Dispositive Power: 0

9. Aggregate Amount Beneficially Owned by Each Reporting Person. 102,184

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions).

11. Percent of Class Represented by Amount in Row (9) 1.86%

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12. Type of Reporting Person (See Instructions) PN  
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-----  
CUSIP No. 493143101  
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1. Names of Reporting Person Alysheba Fund Limited

I.R.S. Identification Nos. of above persons (entities only)  
-----

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)  X

(b)  |  |  |

-----  
3. SEC Use Only  
-----

4. Citizenship or Place of Organization: Cayman Islands  
-----

Number of Shares Beneficially Owned by Each Reporting Person With

5. Sole Voting Power: 243,975  
-----

6. Shared Voting Power: 0  
-----

7. Sole Dispositive Power: 243,975  
-----

8. Shared Dispositive Power: 0  
-----

9. Aggregate Amount Beneficially Owned by Each Reporting Person. 243,975  
-----

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions).  
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11. Percent of Class Represented by Amount in Row (9) 4.45 %  
-----

12. Type of Reporting Person (See Instructions) OO  
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ITEM 1.

(a) Name of Issuer: Key Technology, Inc.

(b) Address of Issuer's Principal Executive Offices: 3950 150 Avery Street,  
Walla Walla, WA 99362

ITEM 2.

(a) Name of Person Filing: John A. Murphy, an individual, is managing member of Alydar Capital, LLC and Alydar Partners, LLC, both Delaware limited liability companies. Alydar Capital, LLC is the general partner of Alysheba Fund, L.P. and Alysheba QP Fund, L.P. Alydar Partners, LLC is the investment manager of Alysheba Fund, L.P., Alysheba QP Fund, L.P., and Alysheba Fund Limited. (1)

(b) Address of Principal Business Office or, if none, Residence: 222 Berkeley Street, 17th Floor, Boston, MA 02116

(c) Citizenship

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(d) Title of Class of Securities: Key Technology, Inc., Common Stock

(e) CUSIP Number: 493143101

ITEM 3. IF THIS STATEMENT IS FILED PURSUANT TO SS.SS.240.13D-1(B) OR 240.13D-2(B) OR (C), CHECK WHETHER THE PERSON FILING IS A: N/A

- (a) Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
- (b) Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c) Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d) Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C 80a-8).
- (e) An investment adviser in accordance with ss.240.13d-1(b)(1)(ii)(E);
- (f) An employee benefit plan or endowment fund in accordance with ss.240.13d-1(b)(1)(ii)(F);
- (g) A parent holding company or control person in accordance with ss. 240.13d-1(b)(1)(ii)(G);
- (h) A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i) A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) Group, in accordance with ss.240.13d-1(b)(1)(ii)(J).

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(1) John A. Murphy disclaims beneficial ownership of the securities.

ITEM 4. OWNERSHIP.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned:

Alydar Capital, LLC: 106,025 shares

Alydar Partners, LLC: 350,000 shares

Alysheba Fund, L.P.: 3,841 shares

Alysheba QP Fund, L.P.: 102,184 shares

Alysheba Fund Limited: 243,975 shares

John A. Murphy(2): 350,000 shares

(b) Percent of class: 6.39%

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote. 0

(ii) Shared power to vote or to direct the vote. 350,000

(iii) Sole power to dispose or to direct the disposition of. 0

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(iv) Shared power to dispose or to direct the disposition of. 350,000

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following. N/A

ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON. N/A

ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY: N/A

ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP N/A

ITEM 9. NOTICE OF DISSOLUTION OF GROUP N/A

(2) John A. Murphy disclaims beneficial ownership in the securities.

ITEM 10. CERTIFICATION

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: September 21, 2007

ALYDAR CAPITAL, LLC

/s/ Paul J. Pitts

By: Paul J. Pitts, Attorney-in-Fact for John A. Murphy, its Managing Member

ALYDAR PARTNERS, LLC

/s/ Paul J. Pitts

By: Paul J. Pitts, Attorney-in-Fact for John A. Murphy, its Managing Member

ALYSHEBA FUND, L.P.

By: ALYDAR CAPITAL, LLC, its General Partner

/s/ Paul J. Pitts

By: Paul J. Pitts, Attorney-in-Fact for John A. Murphy, its Manager

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ALYSHEBA QP FUND, L.P.

By: ALYDAR CAPITAL, LLC, its General Partner

/s/ Paul J. Pitts

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By: Paul J. Pitts, Attorney-in-Fact for John A. Murphy, its Manager

ALYSHEBA FUND LIMITED

/s/ Paul J. Pitts

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By: Paul J. Pitts, Attorney-in-Fact for John A. Murphy, its Director