

COFFEE HOLDING CO INC  
Form 10-Q  
June 11, 2015

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

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: April 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32491

Coffee Holding Co., Inc.  
(Exact name of registrant as specified in its charter)

Nevada 11-2238111  
(State or other (I.R.S.  
jurisdiction of Employer  
incorporation Identification  
or No.)  
organization)

3475 Victory 10314  
Boulevard,  
Staten Island,  
New York  
(Address of (Zip  
principal Code)  
executive  
offices)

(718) 832-0800  
(Registrant's telephone number including area code)

N/A  
(Former name, former address and former fiscal year, if changed from last report)

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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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of the latest practicable date.

6,215,894 shares of common stock, par value \$0.001 per share, are outstanding at June 8, 2015.

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## ITEM 1. FINANCIAL STATEMENTS.

COFFEE HOLDING CO., INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
APRIL 30, 2015 AND OCTOBER 31, 2014

	April 30, 2015 (Unaudited)	October 31, 2014
- ASSETS -		
CURRENT ASSETS:		
Cash	\$3,614,411	\$3,782,639
Accounts receivable, net of allowances of \$144,000 for 2015 and 2014	13,156,338	15,419,860
Inventories	12,673,926	15,210,153
Prepaid green coffee	121,112	467,155
Prepaid expenses and other current assets	177,365	260,112
Prepaid and refundable income taxes	1,388,152	759
Due from broker	4,772	-
Deferred income tax asset	1,438,883	343,657
<b>TOTAL CURRENT ASSETS</b>	<b>32,574,959</b>	<b>35,484,335</b>
Machinery and equipment, at cost, net of accumulated depreciation of \$3,975,074 and \$3,704,802 for 2015 and 2014, respectively	2,062,159	1,991,094
Customer list and relationships, net of accumulated amortization of \$37,500 and \$33,750 for 2015 and 2014, respectively	112,500	116,250
Trademarks	180,000	180,000
Goodwill	440,000	440,000
Equity method investment	97,852	97,404
Deposits and other assets	653,727	643,549
<b>TOTAL ASSETS</b>	<b>\$36,121,197</b>	<b>\$38,952,632</b>
- LIABILITIES AND STOCKHOLDERS' EQUITY -		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$5,477,459	\$8,693,100
Line of credit	5,771,036	2,498,458
Due to broker	-	484,924
Income taxes payable	-	331,051
	11,	
<b>TOTAL CURRENT LIABILITIES</b>	<b>248,495</b>	<b>12,007,533</b>
Deferred income tax liabilities	116,733	165,157
Deferred rent payable	215,846	209,640
Deferred compensation payable	525,727	515,549
<b>TOTAL LIABILITIES</b>	<b>12,106,801</b>	<b>12,897,879</b>
STOCKHOLDERS' EQUITY:		
Coffee Holding Co., Inc. stockholders' equity:		
Preferred stock, par value \$.001 per share; 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value \$.001 per share; 30,000,000 shares authorized, 6,456,316 shares issued; 6,215,894 shares outstanding for periods ended April 30, 2015 and October 31, 2014, respectively	6,456	6,456
Additional paid-in capital	15,904,109	15,904,109

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Retained earnings	9,098,409	11,079,168
Less: Treasury stock, 240,422 common shares, at cost for 2015 and 2014	(1,267,862 )	(1,267,862 )
Total Coffee Holding Co., Inc. Stockholders' Equity	23,741,112	25,721,871
Non-controlling interest	273,284	332,882
TOTAL EQUITY	24,014,396	26,054,753
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$36,121,197	\$38,952,632

See notes to Condensed Consolidated Financial Statements.

COFFEE HOLDING CO., INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Six Months Ended April 30,		Three Months Ended April 30,	
	2015	2014	2015	2014
NET SALES	\$ 68,669,033	\$ 52,745,098	\$ 30,263,054	\$ 25,398,751
COST OF SALES (including \$14.9 and \$9.1 million of related party costs for the six months ended April 30, 2015 and 2014, respectively. Including \$5.1 and \$4.1 million for the three months ended April 30, 2015 and 2014, respectively.)	67,824,859	44,667,209	31,340,321	21,439,484
GROSS PROFIT (LOSS)	844,174	8,077,889	(1,077,267 )	3,959,267
OPERATING EXPENSES:				
Selling and administrative	3,563,835	3,434,249	1,897,480	1,723,641
Officers' salaries	325,585	300,200	172,850	141,100
TOTAL	3,889,420	3,734,449	2,070,330	1,864,741
(LOSS) INCOME FROM OPERATIONS	(3,045,246 )	4,343,440	(3,147,597 )	2,094,526
OTHER INCOME (EXPENSE)				
Interest income	13,228	16,796	4,930	15,913
Gain (loss) from equity method investment	448	(89 )	(267 )	93
Interest expense	(118,612 )	(26,069 )	(64,633 )	(7,981 )
TOTAL	(104,936 )	(9,362 )	(59,970 )	8,025
(LOSS) INCOME BEFORE PROVISION FOR INCOME TAXES AND NON-CONTROLLING INTEREST IN SUBSIDIARY	(3,150,182 )	4,334,078	(3,207,567 )	2,102,551
(Benefit) provision for income taxes	(1,189,825 )	1,663,953	(1,158,721 )	838,028
NET (LOSS) INCOME BEFORE NON-CONTROLLING INTEREST IN SUBSIDIARY	(1,960,357 )	2,670,125	(2,048,846 )	1,264,523
Less: Net (income) attributable to the non-controlling interest	(20,402 )	(37,165 )	(3,714 )	(3,303 )
NET (LOSS) INCOME ATTRIBUTABLE TO COFFEE HOLDING CO., INC.	\$ (1,980,759 )	\$ 2,632,960	\$ (2,052,560 )	\$ 1,261,220

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Basic (loss) earnings per share	\$ (.32 )	\$ .41	\$ (.33 )	\$ .20
Diluted (loss) earnings per share	\$ (.32 )	\$ .40	\$ (.33 )	\$ .19
Weighted average common shares outstanding:				
Basic	6,215,894	6,372,309	6,215,894	6,372,309
Diluted	6,215,894	6,639,309	6,215,894	6,639,309

See notes to Condensed Consolidated Financial Statements.

COFFEE HOLDING CO., INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
SIX MONTHS ENDED APRIL 30, 2015 AND 2014  
(Unaudited)

	2015	2014
<b>OPERATING ACTIVITIES:</b>		
Net (loss) income	\$(1,960,357)	\$2,670,125
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	274,022	295,723
Unrealized gain on commodities	(489,696 )	(1,173,103)
(Gain) loss on equity method investment	(448 )	89
Deferred rent	6,206	7,981
Deferred income taxes	(1,143,650)	1,290,800
Changes in operating assets and liabilities:		
Accounts receivable	2,263,522	1,075,993
Inventories	2,536,227	(834,330 )
Prepaid expenses and other current assets	82,747	(62,557 )
Prepaid green coffee	346,043	339,290
Prepaid and refundable income taxes	(1,387,393)	974,046
Accounts payable and accrued expenses	(3,215,641)	(966,536 )
Income taxes payable	(331,051 )	216,658
Net cash (used in) provided by operating activities	(3,019,469)	3,834,179
<b>INVESTING ACTIVITIES:</b>		
Purchases of machinery and equipment	(341,337 )	(166,851 )
Net cash used in investing activities	(341,337 )	(166,851 )
<b>FINANCING ACTIVITIES:</b>		
Advances under bank line of credit	9,272,578	48,814
Principal payments under bank line of credit	(6,000,000)	(1,277,996)
Payment of dividend	(80,000 )	(52,000 )
Net cash provided by (used in) financing activities	3,192,578	(1,281,182)
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(168,228 )</b>	<b>2,386,146</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>3,782,639</b>	<b>4,035,669</b>
<b>CASH, END OF PERIOD</b>	<b>\$3,614,411</b>	<b>\$6,421,815</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW DATA:</b>		
Interest paid	\$112,585	\$29,836
Income taxes paid	\$1,641,197	\$8,500

See notes to Condensed Consolidated Financial Statements.





COFFEE HOLDING CO., INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014  
(Unaudited)

NOTE 1 BUSINESS ACTIVITIES:

Coffee Holding Co., Inc. (the “Company”) conducts wholesale coffee operations, including manufacturing, roasting, packaging, marketing and distributing roasted and blended coffees for private labeled accounts and its own brands, and it sells green coffee. The Company’s core product, coffee, can be summarized and divided into three product categories (“product lines”) as follows:

Wholesale Green Coffee: unroasted raw beans imported from around the world and sold to large and small roasters and coffee shop operators;

Private Label Coffee: coffee roasted, blended, packaged and sold under the specifications and names of others, including supermarkets that want to have their own brand name on coffee to compete with national brands; and

Branded Coffee: coffee roasted and blended to the Company’s own specifications and packaged and sold under the Company’s seven proprietary and licensed brand names in different segments of the market.

The Company’s private label and branded coffee sales are primarily to customers that are located throughout the United States with limited sales in Canada and the Far East. Such customers include supermarkets, wholesalers, and individually-owned and multi-unit retailers. The Company’s unprocessed green coffee, which includes over 90 specialty coffee offerings, is sold primarily to specialty gourmet roasters and to coffee shop operators in the United States with limited sales in Australia, Canada, England and China.

The Company’s wholesale green, private label, and branded coffee product categories generate revenues and cost of sales individually but incur selling, general and administrative expenses in the aggregate. There are no individual product managers and discrete financial information is not available for any of the product lines. The Company’s product portfolio is used in one business and it operates and competes in one business activity and economic environment. In addition, the three product lines share customers, manufacturing resources, sales channels, and marketing support. Thus, the Company considers the three product lines to be one single reporting segment.

COFFEE HOLDING CO., INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014  
(Unaudited)

NOTE 2 BASIS OF PRESENTATION:  
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The following (a) condensed consolidated balance sheet as of October 31, 2014, which has been derived from audited financial statements, and (b) the unaudited interim condensed financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest shareholders' annual report on Form 10-K filed with the SEC on January 23, 2015 for the fiscal year ended October 31, 2014 ("Form 10-K").

In the opinion of management, all adjustments (which include normal and recurring nature adjustments) necessary to present a fair statement of the Company's financial position as of April 30, 2015, and results of operations for the three and six months ended April 30, 2015 and 2014 and the cash flows for the six months ended April 30, 2015 and 2014, as applicable, have been made.

The results of operations for the three and six months ended April 30, 2015 and 2014 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The condensed consolidated financial statements include the accounts of the Company, the Company's subsidiary, Organic Products Trading Company, LLC ("OPTCO") and Generations Coffee Company, LLC ("GCC"), the entity formed as a result of the Company's joint venture with Caruso's Coffee, Inc. The Company owns a 60% equity interest in GCC. All significant inter-company transactions and balances have been eliminated in consolidation.

NOTE 3 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS AFFECTING THE COMPANY:  
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In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers," which requires an entity to recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration which the company expects to receive in exchange for those goods or services. ASU 2014-09 is intended to establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenues and cash flows arising from the entity's contracts with customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. The original standard was effective for the Company on January 1, 2017, however, in April 2015, the FASB proposed a one-year deferral of this standard with a new effective date for the Company of January 1, 2018. Early application is not permitted. The Company is currently evaluating the effect that ASU 2014-09 will have on its condensed consolidated financial statements and related disclosures.



COFFEE HOLDING CO., INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014

(Unaudited)

NOTE 4 PREPAID GREEN COFFEE:

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The balance represents advance payments made by OPTCO to several coffee growing cooperatives for the purchase of green coffee. Interest is charged to the cooperatives for these advances. Interest earned was \$13,228 and \$16,796 for the six months ended April 2015 and 2014, respectively. The prepaid coffee balance was \$121,112 at April 30, 2015 and \$467,155 at October 31, 2014.

NOTE 5 ACCOUNTS RECEIVABLE:

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Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectibility of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 60 days and other higher risk amounts are reviewed individually for collectibility. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

The reserve for sales discounts represents the estimated discount that customers will take upon payment. The reserve for other allowances represents the estimated amount of returns, slotting fees and volume based discounts estimated to be incurred by the Company from its customers. The allowances are summarized as follows:

	April 30, 2015	October 31, 2014
Allowance for doubtful accounts	\$65,000	\$65,000
Reserve for other allowances	35,000	35,000
Reserve for sales discounts	44,000	44,000
Totals	\$ 144,000	\$ 144,000

COFFEE HOLDING CO., INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014  
(Unaudited)

NOTE 6 INVENTORIES:

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Inventories at April 30, 2015 and October 31, 2014 consisted of the following:

	April 30, 2015	October 31, 2014
Packed coffee	\$ 1,953,152	\$ 1,578,248
Green coffee	9,964,619	12,987,257
Packaging supplies	756,155	644,648
Totals	\$ 12,673,926	\$ 15,210,153

NOTE 7 COMMODITIES HELD BY BROKER:

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The Company has used, and will continue to use in a limited capacity, short-term coffee futures and options contracts primarily for the purpose of partially hedging and minimizing the effects of changing green coffee prices and to reduce our cost of sales. The commodities held at the broker represent the market value of the Company's trading account, which consists of options and future contracts for coffee held with a brokerage firm. The Company uses options and futures contracts, which are not designated or qualifying as hedging instruments, to partially hedge the effects of fluctuations in the price of green coffee beans. Options and futures contracts are recognized at fair value in the condensed consolidated financial statements with current recognition of gains and losses on such positions. The Company's accounting for options and futures contracts may increase earnings volatility in any particular period.

The Company has open position contracts held by the broker, which are summarized as follows:

	April 30, 2015	October 31, 2014
Option Contracts	111,515	(217,624 )
Future Contracts	(106,743 )	(267,300 )
Total Commodities	4,772	(484,924 )

The Company classifies its options and future contracts as trading securities and accordingly, unrealized holding gains and losses are included in earnings and not reflected as a net amount as a separate component of stockholders' equity.

At April 30, 2015, the Company held 70 futures contracts (generally with terms of three to four months) for the purchase of 2,625,000 pounds of green coffee at a weighted average price of \$1.366 per pound. The fair market value of coffee applicable to such contracts was \$1.3745 per pound at that date.

At October 31, 2014, the Company held 60 futures contracts (generally with terms of three to four months) for the purchase of 2,250,000 pounds of green coffee at a weighted average price of \$2.00 per pound. The fair market value of coffee applicable to such contracts was \$1.88 per pound at that date. The Company did not hold any options that were in the money at October 31, 2014.



COFFEE HOLDING CO., INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014  
(Unaudited)

NOTE 7 COMMODITIES HELD BY BROKER (cont'd):  
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The Company recorded realized and unrealized gains and losses respectively, on these contracts as follows:

	Three Months Ended April 30,	
	2015	2014
Gross realized gains	\$52,670	\$1,334,861
Gross realized losses	(5,259,865)	(933)
Unrealized gain (losses)	1,851,504	(6,492)
Total	\$(3,355,691)	\$1,327,436
	Six Months Ended April 30,	
	2015	2014
Gross realized gains	\$698,267	\$2,155,843
Gross realized losses	(6,240,545)	(972,188)
Unrealized gains	489,695	1,173,102
Total	\$(5,052,583)	\$2,356,757



COFFEE HOLDING CO., INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(Unaudited)

NOTE 8  
- LINE OF CREDIT:

On February 17, 2009, the Company entered into a financing agreement with Sterling National Bank (“Sterling”) for a \$5,000,000 credit facility. The credit facility is a revolving \$5,000,000 line of credit and the Company can draw on the line at an amount up to 85% of eligible accounts receivable and 25% of eligible inventory consisting of green coffee beans and finished coffee not to exceed \$1,000,000. Sterling shall have the right from time to time to adjust the foregoing percentages based upon, among other things, dilution, its sole determination of the value or likelihood of collection of eligible accounts receivables owed to the Company and considerations regarding inventory. The credit facility is payable monthly in arrears on the average unpaid balance of the line of credit at an interest rate equal to a per annum reference rate (3.25% and 3.75%) at April 30, 2015 and October 31, 2014, respectively.

On July 22, 2010, the credit facility was increased to \$7,000,000. In addition, OPTCO was added as a co-borrower and the inventory sublimit was raised from \$1,000,000 to \$2,000,000. Subsequent to July 31, 2010, \$1,800,000 of the credit facility was allocated to OPTCO.

On February 3, 2011, the Company amended their credit facility regarding the creation of a sublimit within the revolving line of credit in the form of a \$300,000 term loan for the benefit of GCC. The Company provided a corporate guarantee to Sterling in connection with the amendment.

The initial term of the credit facility was for three years and expired on February 17, 2012. The initial terms of the credit facility provided that the credit facility may be automatically extended for successive periods of one year each unless one party shall have provided the other party with a written notice of termination at least ninety days prior to the expiration of the then current term. Prior to the expiration of the initial term, and effective as of February 12, 2012, the term was extended until February 17, 2014 and the interest rate was reduced to the Wall Street Journal Prime rate (which is currently 3.25%) plus one percent (1%). On May 10, 2013, the credit facility was extended until February 17, 2015.

On March 10, 2015, the Company entered into a loan modification agreement (the “Modification Agreement”) with Sterling. Pursuant to the Modification Agreement, the credit facility was modified to, among other things, (i) extend the term of the Financing Agreement until February 28, 2017; (ii) increase the maximum amount of the Loan Facility from \$7,000,000 to \$9,000,000; (iii) reduce the interest rate on the average unpaid balance of the line of credit from an interest rate equal to a per annum reference rate of 3.75% to an interest rate per annum equal to the Wall Street Journal Prime Rate (currently 3.25%); and (iv) require the Company to pay, upon the occurrence of certain termination events, a prepayment premium of .50% of the maximum amount of the Loan Facility in effect as of the date of the termination event. The credit facility is secured by all tangible and intangible assets of the Company.

The credit facility contains covenants that place annual restrictions on the Company’s operations, including covenants relating to debt restrictions, capital expenditures, minimum deposit restrictions, tangible net worth, net profit, leverage, employee loan restrictions, distribution restrictions (common stock and preferred stock), dividend restrictions, and restrictions on intercompany transactions. The credit facility also requires that the Company maintain a minimum working capital at all times. The Company was in compliance with all required financial covenants at April 30, 2015 and October 31, 2014.

As of April 30, 2015 and October 31, 2014, the outstanding balance under the bank line of credit was \$4,534,036 and \$2,498,458, respectively.

Also on March 10, 2015, the Company, as guarantor, and OPTCO (the “Borrower”), as borrower, entered into a new loan facility agreement with Sterling. The new loan facility is a revolving line of credit for a maximum of \$3,000,000 (the “New Loan Facility”). The New Loan Facility terminates on February 28, 2017. The Borrower is able to draw on the New Loan Facility at an amount up to 85% of eligible accounts receivable, not to exceed 25% of all accounts of the Borrower. The New Loan Facility is payable monthly in arrears on the average unpaid balance of the line of credit at an interest rate per annum equal to the Wall Street Journal Prime Rate (currently 3.25%). The New Loan Facility is secured by all tangible and intangible assets of the Company. In connection with the New Loan Facility, the Company entered into a security agreement with Sterling and provided Sterling with a guarantee of the Borrower’s obligations.

As of April 30, 2015, the outstanding balance under the New Loan Facility was \$1,237,000.

COFFEE HOLDING CO., INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014  
(Unaudited)

NOTE 9 EARNINGS PER SHARE:

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The Company presents “basic” and “diluted” earnings per common share pursuant to the provisions included in the authoritative guidance issued by FASB, “Earnings per Share,” and certain other financial accounting pronouncements. Basic earnings per common share were computed by dividing net income by the sum of the weighted-average number of common shares outstanding. Diluted earnings per common share is computed by dividing the net income by the weighted-average number of common shares outstanding plus the dilutive effect of common shares issuable upon exercise of potential sources of dilution.

The weighted average common shares outstanding used in the computation of basic earnings per share were 6,215,894 for the three and six months ended April 30, 2015 and 6,215,894 for the three and six months ended April 30, 2014. The weighted average common shares outstanding used in the computation of diluted earnings per share were 6,215,894 for the three and six months ended April 30, 2015 and 6,639,309 for the three and six months ended April 30, 2014.

COFFEE HOLDING CO., INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014  
(Unaudited)

NOTE 10  
- ECONOMIC DEPENDENCY:

Approximately 61% of the Company's sales were derived from one customer during the six months ended April 30, 2015. This customer also accounted for approximately \$6,750,000 of the Company's accounts receivable balance at April 30, 2015. Approximately 53% of the Company's sales were derived from one customer during the six months ended April 30, 2014. This customer also accounted for approximately \$5,575,000 of the Company's accounts receivable balance at April 30, 2014. Concentration of credit risk with respect to other trade receivables is limited due to the short payment terms generally extended by the Company, by ongoing credit evaluations of customers, and by maintaining an allowance for doubtful accounts that management believes will adequately provide for credit losses.

For the six months ended April 30, 2015, approximately 64% of the Company's purchases were from four vendors. These vendors accounted for approximately \$3,442,000 of the Company's accounts payable at April 30, 2015. For the six months ended April 30, 2014, approximately 64% of the Company's purchases were from four vendors. These vendors accounted for approximately \$3,686,000 of the Company's accounts payable at April 30, 2014. Management does not believe the loss of any one vendor would have a material adverse effect of the Company's operations due to the availability of many alternate suppliers.

Approximately 55% of the Company's sales were derived from one customer during the three months ended April 30, 2015. Approximately 50% of the Company's sales were derived from one customer during the three months ended April 30, 2014.

For the three months ended April 30, 2015, approximately 65% of the Company's purchases were from four vendors. For the three months ended April 30, 2014, approximately 68% of the Company's purchases were from three vendors. Management does not believe the loss of any one vendor would have a material adverse effect on the Company's operations due to the availability of many alternate suppliers.

NOTE 11  
- RELATED PARTY TRANSACTIONS:

The Company has engaged its 40% partner in GCC as an outside contractor (the "Partner"). Included in contract labor expense are expenses incurred from the Partner during the three and six months ended April 30, 2015 of \$130,796 and \$216,035, respectively, for the processing of finished goods.

An employee of one of the top four vendors is a director of the Company. Purchases from that vendor totaled approximately \$14,900,000 and \$9,100,000 for the six and three months ended April 30, 2015 and \$9,100,000 and \$4,100,000 for the six and three months ended April 30, 2014. The corresponding accounts payable balance to this vendor was approximately \$469,000 and \$569,000 at April 30, 2015 and 2014, respectively.

In January 2005, the Company established the "Coffee Holding Co., Inc. Non-Qualified Deferred Compensation Plan." Currently, there is only one participant in the plan: Andrew Gordon, the Company's Chief Executive Officer. Within the plan guidelines, this employee is deferring a portion of his current salary and bonus. The assets are held in a separate trust. The deferred compensation payable represents the liability due to an officer of the Company. The assets are included in the Deposits and other assets in the accompanying balance sheets. The deferred

compensation asset and liability at April 30, 2015 and October 31, 2014 were \$525,727 and \$515,549, respectively.

COFFEE HOLDING CO., INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014  
(Unaudited)

NOTE  
12 - STOCKHOLDERS' EQUITY:

- a. Treasury Stock. The Company utilizes the cost method of accounting for treasury stock. The cost of reissued shares is determined under the last-in, first-out method. The Company did not purchase any shares during the three and six months ended April 30, 2015 and 2014.
- b. Share Repurchase Program. On January 24, 2014, the Company announced that the Board of Directors had approved a share repurchase program (the "Share Repurchase Program") pursuant to which the Company may repurchase up to \$1 million of the outstanding common stock from time to time on the open market and in privately negotiated transactions subject to market conditions, share price and other factors. The Share Repurchase Program may be discontinued or suspended at any time.

NOTE 13  
- SUBSEQUENT EVENTS:

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the condensed consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Note on Forward-Looking Statements

Some of the matters discussed under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this quarterly report include forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements upon information available to management as of the date of this Form 10-Q and management's expectations and projections about future events, including, among other things:

- our dependency on a single commodity could affect our revenues and profitability;
- our success in expanding our market presence in new geographic regions;
- the effectiveness of our hedging policy may impact our profitability;
- the success of our joint ventures;
- our success in implementing our business strategy or introducing new products;
- our ability to attract and retain customers;
- our ability to retain key personnel;
- our ability to obtain additional financing;
- our ability to comply with the restrictive covenants we are subject to under our current financing;
- the effects of competition from other coffee manufacturers and other beverage alternatives;
- the impact to the operations of our Colorado facility;
- general economic conditions and conditions which affect the market for coffee;
- the macro global economic environment;
- our ability to maintain and develop our brand recognition;
- the impact of rapid or persistent fluctuations in the price of coffee beans;
- fluctuations in the supply of coffee beans;
- the volatility of our common stock; and
- other risks which we identify in future filings with the SEC.

In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "predict," "potential," "continue," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate" and similar expressions (or the

such expressions). Any or all of our forward-looking statements in this quarterly report and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. In addition, we undertake no responsibility to update any forward-looking statement to reflect events or circumstances that occur after the date of this quarterly report.



## Overview

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

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

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

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

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

Our net sales are driven primarily by the success of our sales and marketing efforts and our ability to retain existing customers. For this reason, we have made, and will continue to evaluate, strategic decisions to invest in measures that are expected to increase net sales. These transactions include our acquisitions of certain assets of Premier Roasters, LLC, which included equipment and a roasting facility in La Junta, Colorado, the engagement of a West Coast Brand Manager to market our S&W brand and to increase sales of S&W coffee to new customers, our joint venture with Caruso's Coffee, Inc. of Brecksville, Ohio, the transaction with OPTCO and the addition of three sales persons from the Café Bustelo division of Folgers to assist with the expansion of our Café Caribe and Supremo brands. We believe these efforts will allow us to expand our business.

Our net sales are affected by the price of green coffee. We purchase our green coffee from dealers located primarily within the United States. The dealers supply us with coffee beans from many countries, including Colombia, Mexico, Kenya, Indonesia, Brazil and Uganda. The supply and price of coffee beans are subject to volatility and are influenced by numerous factors which are beyond our control. For example, in Brazil, which produces approximately 40% of the world's green coffee, the coffee crops are historically susceptible to frost in June and July and drought in September, October and November. However, because we purchase coffee from a number of countries and are able to freely substitute one country's coffee for another in our products, price fluctuations in one country generally have not had a material impact on the price we pay for coffee. Accordingly, price fluctuations in one country generally have not had a material effect on our results of operations, liquidity and capital resources. Historically, because we generally have been able to pass green coffee price increases through to customers, increased prices of green coffee generally result in increased net sales.

We have used, and will continue to use in a limited capacity, short-term coffee futures and options contracts primarily for the purpose of partially hedging and minimizing the effects of changing green coffee prices and to reduce our cost of sales. In addition, we acquire futures contracts with longer terms, generally three to four months, primarily for the purpose of guaranteeing an adequate supply of green coffee at favorable prices. Although the use of these derivative financial instruments has generally enabled us to mitigate the effect of changing prices, no strategy can entirely eliminate pricing risks and we generally remain exposed to loss when prices decline significantly in a short period of time. In addition, we would remain exposed to supply risk in the event of non-performance by the counterparties to any futures contracts. If the hedges that we enter into do not adequately offset the risks of coffee bean price volatility or our hedges result in losses, our cost of sales may increase, resulting in a decrease in profitability or increase of our losses. As a result of the volatile nature of the commodities markets, we are scaling back our use of hedging and short-term trading of coffee futures and options contracts. See Item 3, Quantitative and Qualitative Disclosures About Market Risk.

## Critical Accounting Policies and Estimates

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

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

Recognize revenue in accordance with the relevant authoritative guidance. Revenue is recognized at the point title and risk of ownership transfer which is upon the shippers taking possession of the goods because i) title passes in accordance with the terms of the purchase order, ii) any risk of loss is covered by the customers’ insurance, iii) there is persuasive evidence of a sales arrangement, iv) the price is determinable and v) collection of the resulting receivable is reasonably assured. Thus, revenue is recognized at the point of shipment.

Our allowance for doubtful accounts is maintained to provide for losses arising from customers’ inability to make required payments. If there is deterioration of our customers’ credit worthiness and/or there is an increase in the length of time that the receivables are past due greater than the historical assumptions used, additional allowances may be required. For example, every additional one percent of our accounts receivable that becomes uncollectible, would decrease our operating income by approximately \$132,000 for the quarter ended April 30, 2015. The reserve for sales discounts represents the estimated discount that customers will take upon payment. The reserve for other allowances represents the estimated amount of returns, slotting fees and volume based discounts estimated to be incurred by the Company from its customers.

Inventories are stated at lower of cost (determined on a first-in, first-out basis) or market. Based on our assumptions about future demand and actual sales, inventories are subject to be written-down to market value. If our assumptions about future demand change and/or actual sales are less favorable than those projected, additional write-downs of inventories may be required. Each additional one percent of inventory writedown would have decreased operating income by approximately \$127,000 for the quarter ended April 30, 2015.

We account for income taxes in accordance with the relevant authoritative guidance. Deferred tax assets and liabilities are computed for temporary differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the balance sheet when it is determined that it is more likely than not that the asset will be realized. Accordingly, our net deferred tax asset as of April 30, 2015 of \$114,000 may require a valuation allowance if we do not generate taxable income.

Goodwill consists of the cost in excess of the fair market value of the acquired net assets of OPTCO. This company has been integrated into the Company and does not provide the basis for separate reporting units. Consequently, the Company is a single reporting unit for goodwill impairment testing. We also have intangible assets consisting of customer list and relationships and trademarks acquired from OPTCO. At April 30, 2015, the balance sheet reflected goodwill and intangible assets as set forth below:

Customer list and relationships, net	\$ 112,500
Trademarks	180,000
Goodwill	440,000
	\$ 732,500

Goodwill and the trademarks which are deemed to have indefinite lives are subject to annual impairment tests. Goodwill impairment tests require the comparison of the fair value and carrying value of reporting units. We assess the potential impairment of goodwill and intangible assets annually and on an interim basis whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Upon completion of such review, if impairment is found to have occurred, a corresponding charge will be recorded. The value assigned to the customer list and relationships is being amortized over a twenty year period.

Because the Company is a single reporting unit, the closing NASDAQ Capital Market price of our Common Stock as of the acquisition date was used as a basis to measure the fair value of goodwill. Goodwill and the intangible assets will be tested annually at the end of each fiscal year to determine whether they have been impaired. Upon completion of each annual review, there can be no assurance that a material charge will not be recorded. Impairment testing is required more often than annually if circumstances indicate that an impairment or decline in value may have occurred.

#### Three Months Ended April 30, 2015 Compared to the Three Months Ended April 30, 2014

Net (Loss) Income . We had a net loss of \$2,052,560, or \$0.33 per share basic and diluted, for the three months ended April 30, 2015 compared to net income of \$1,261,220 or \$0.20 per share basic and \$0.19 per share diluted, for the three months ended April 30, 2014. The decrease in net income reflects a \$3.3 million or \$0.53 per share of net loss on our hedging activities resulting from the liquidation of certain hedging positions that were not profitable as part of our previously announced strategy to scale back our use of hedging and short-term trading of coffee futures and options contracts.

Net Sales. Net sales totaled \$30,263,054 for the three months ended April 30, 2015, an increase of \$4,864,273, or 19%, from \$25,398,751 for the three months ended April 30, 2014. The increase in net sales reflects increased sales of green and roasted coffee year over year.

**Cost of Sales.** Cost of sales for the three months ended April 30, 2015 was \$31,340,321 or 103.6% of net sales, as compared to \$21,439,484 or 84.4% of net sales for the three months ended April, 30, 2014. The increase in cost of sales reflects a \$3.3 million net loss on our hedging activities resulting from the liquidation of certain hedging positions that were not profitable as part of our previously announced strategy to scale back our use of hedging and short-term trading of coffee futures and options contracts in the three month period ended April 30, 2015 compared to a \$1.3 million gain in the same period 2014.

**Gross Profit.** Gross profit decreased \$5,036,534 to \$(1,077,267) for the three months ended April 30, 2015 as compared to gross profit of \$3,959,267 for the three months ended April 30, 2014. Gross profit as a percentage of net sales decreased by 19.2% for the three months ended April 30, 2015, as compared to gross profit as a percentage of net sales for the three months ended April 30, 2014. The decrease in our margins reflects net losses in our hedging activities compared to the same period during 2014.

**Operating Expenses.** Total operating expenses increased by \$205,589, or 11.02%, to \$2,070,330 for the three months ended April 30, 2015 as compared to operating expenses of \$1,864,741 for the three months ended April 30, 2014. The increase in operating expenses was due to an increase in selling and administrative expenses of \$173,839 and an increase of \$31,750 in officers' salaries.

**Other Expense Income.** Other expenses increased by \$67,995 to \$59,970 for the three months ended April 30, 2015 compared to other income of \$8,025 for the three months ended April 30, 2014. Interest income decreased by \$10,983, interest expense increased by \$56,652 and our equity investment showed a loss of \$267 as compared to a gain of \$93 for the three months ended April 30, 2014. The decrease in interest income resulted from the decrease in pre-finance agreements with the coffee growing cooperatives. The increase in interest expense resulted from an increase in the average balance outstanding on our line of credit.

**Income Taxes.** Our benefit for income taxes for the three months ended April 30, 2015 totaled \$1,158,721 compared to a provision of \$838,028 for the three months ended April 30, 2014. The decrease reflects no pre-tax income for the three months ended April 30, 2015.

#### Six Months Ended April 30, 2015 Compared to the Six Months Ended April 30, 2014

**Net (Loss) Income .** We had a net loss of \$1,980,759, or \$0.32 per share basic and diluted, for the six months ended April 30, 2015 compared to net income of \$2,632,960 or \$0.41 per share basic and \$0.40 per share diluted, for the six months ended April 30, 2014. The decrease in net income reflects a \$5.1 million or \$0.81 per share of net loss on our hedging activities resulting from the liquidation of certain hedging positions that were not profitable as part of our previously announced strategy to scale back our use of hedging and short-term trading of coffee futures and options contracts.

**Net Sales.** Net sales totaled \$68,669,033 for the six months ended April 30, 2015, an increase of \$15,923,935, or 30.2%, from \$52,745,098 for the six months ended April 30, 2014. The increase in net sales reflects a combination of increased sales of green and roasted coffee.

**Cost of Sales.** Cost of sales for the six months ended April 30, 2015 was \$67,824,859 or 98.8% of net sales, as compared to \$44,667,209 or 84.7% of net sales for the six months ended April 30, 2014. The increase in cost of sales reflects \$5.1 million net loss on our hedging activities resulting from the liquidation of certain hedging positions that were not profitable as part of our previously announced strategy to scale back our use of hedging and short-term trading of coffee futures and options contracts in the six month period ended April 30, 2015 compared to a \$2.3 million gain in the same period in 2014.

**Gross Profit.** Gross profit decreased \$7,233,715 to \$844,174 for the six months ended April 30, 2015 as compared to gross profit of \$8,077,889 for the six months ended April 30, 2014. Gross profit as a percentage of net sales decreased by 13.5% for the six months ended April 30, 2015, as compared to gross profit as a percentage of net sales for the three months ended April 30, 2014. The decrease in our margins reflects net losses in our hedging activities compared to the same period in 2014.

**Operating Expenses.** Total operating expenses increased by \$154,971, or 4.2%, to \$3,889,420 for the six months ended April 30, 2015 as compared to operating expenses of \$3,734,449 for the six months ended April 30, 2014. The increase in operating expenses was due to an increase in selling and administrative expenses of \$129,586 and an increase of \$25,385 in officers' salaries.

**Other Expenses .** Other expenses increased by \$95,574 to \$104,936 for the six months ended April 30, 2015 compared to other expenses of \$9,362 for the six months ended April 30, 2014. Interest income decreased by \$3,568, interest expense increased by \$92,543 and our equity investment showed income of \$448 as compared to a loss of \$89 for the six months ended April 30, 2014. The decrease in interest income resulted from the decrease in pre-finance agreements with the coffee growing cooperatives. The increase in interest expense resulted from an increase in the average balance outstanding on our line of credit.

**Income Taxes.** Our benefit for income taxes for the six months ended April 30, 2015 totaled \$1,189,825 compared to a provision of \$1,663,953 for the six months ended April 30, 2014. The decrease reflects no pre-tax income for the quarter.

#### Liquidity and Capital Resources

As of April 30, 2015, we had working capital of \$21,326,464, which represented a \$2,150,338 decrease from our working capital of \$23,476,802 as of October 31, 2014, and total stockholders' equity of \$23,741,112, which represented a decrease of \$1,980,759 from our total stockholders' equity of \$25,721,871 as of October 31, 2014. Our working capital decreased primarily due to a decrease of \$168,228 in cash, a decrease of \$2,263,522 in accounts receivable, a decrease of \$2,536,227 in our inventory, a decrease of \$82,747 in prepaid expenses and other current assets, a decrease of \$346,043 in prepaid green coffee, an increase of \$3,272,578 in our line of credit, which was partially offset by an increase of \$1,387,393 in prepaid and refundable income taxes, an increase of \$1,095,226 in deferred income tax asset, a decrease of \$489,696 in due from broker, a decrease of \$331,051 in income taxes payable and a decrease of \$3,215,641 in accounts payable and accrued expenses. At April 30, 2015, the outstanding balance on our line of credit was \$5,771,036 compared to \$2,498,458 at October 31, 2014. Total stockholders' equity decreased due to a decrease in retained earnings as a result of our net loss.

For the six months ended April 30, 2015, our operating activities used net cash of \$3,019,469 as compared to the six months ended April 30, 2014 when operating activities provided net cash of \$3,834,179. The decreased cash flow from operations for the six months ended April 30, 2015 was primarily due to our net loss of \$1,960,357, an increase resulting in deferred income taxes of \$1,143,650, a decrease resulting in accounts payable of \$3,215,641 and an increase resulting in prepaid and refundable income taxes of \$1,387,393 which was partially offset by a decrease in our inventories resulting in inventories of \$2,536,227 and a decrease resulting in accounts receivable of \$2,263,522.

For the six months ended April 30, 2015, our investing activities used net cash of \$341,337 as compared to the six months ended April 30, 2014 when net cash used in investing activities was \$166,851. The increase in our uses of cash in investing activities was primarily due to increased purchases of equipment.

For the six months ended April 30, 2015, our financing activities provided net cash of \$3,192,578 compared to net cash used in financing activities of \$1,281,182 for the six months April 30, 2014. The change in cash flow from financing activities for the six months ended April 30, 2015 was primarily due to increased net borrowing from our credit facility.

On February 17, 2009, the Company entered into a financing agreement with Sterling National Bank (“Sterling”) for a \$5,000,000 credit facility. The credit facility is a revolving \$5,000,000 line of credit and the Company can draw on the line at an amount up to 85% of eligible accounts receivable and 25% of eligible inventory consisting of green coffee beans and finished coffee not to exceed \$1,000,000. Sterling shall have the right from time to time to adjust the foregoing percentages based upon, among other things, dilution, its sole determination of the value or likelihood of collection of eligible accounts receivables owed to the Company, considerations regarding inventory. The credit facility is payable monthly in arrears on the average unpaid balance of the line of credit at an interest rate equal to a per annum reference rate (3.25% and 3.75%) at April 30, 2015 and October 31, 2014, respectively.

On July 22, 2010, the credit facility was increased to \$7,000,000. In addition, OPTCO was added as a co-borrower and the inventory sublimit was raised from \$1,000,000 to \$2,000,000. Subsequent to July 31, 2010, \$1,800,000 of the credit facility was allocated to OPTCO.

On February 3, 2011, the Company amended their credit facility regarding the creation of a sublimit within the revolving line of credit in the form of a \$300,000 term loan for the benefit of GCC. The Company provided a corporate guarantee to Sterling in connection with the amendment.

The initial term of the credit facility was for three years and expired on February 17, 2012. The initial terms of the credit facility provided that the credit facility may be automatically extended for successive periods of one year each unless one party shall have provided the other party with a written notice of termination at least ninety days prior to the expiration of the then current term. Prior to the expiration of the initial term, and effective as of February 12, 2012, the term was extended until February 17, 2014 and the interest rate was reduced to the Wall Street Journal Prime rate (which is currently 3.25%) plus one percent (1%). On May 10, 2013, the credit facility was extended until February 17, 2015.

On March 10, 2015, the Company entered into a loan modification agreement (the “Modification Agreement”) with Sterling. Pursuant to the Modification Agreement, the credit facility was modified to, among other things, (i) extend the term of the Financing Agreement until February 28, 2017; (ii) increase the maximum amount of the Loan Facility from \$7,000,000 to \$9,000,000; (iii) reduce the interest rate on the average unpaid balance of the line of credit from an interest rate equal to a per annum reference rate of 3.75% to an interest rate per annum equal to the Wall Street Journal Prime Rate (currently 3.25%); and (iv) require the Company to pay, upon the occurrence of certain termination events, a prepayment premium of .50% of the maximum amount of the Loan Facility in effect as of the date of the termination event. The credit facility is secured by all tangible and intangible assets of the Company.

The credit facility contains covenants that place annual restrictions on the Company’s operations, including covenants relating to debt restrictions, capital expenditures, minimum deposit restrictions, tangible net worth, net profit, leverage, employee loan restrictions, distribution restrictions (common stock and preferred stock), dividend restrictions, and restrictions on intercompany transactions. The credit facility also requires that the Company maintain a minimum working capital at all times. The Company was in compliance with all required financial covenants at April 30, 2015 and October 31, 2014.

As of April 30, 2015 and October 31, 2014, the outstanding balance under the bank line of credit was \$4,534,036 and \$2,498,458, respectively.

Also on March 10, 2015, the Company as guarantor, and OPTCO (the “Borrower”), as borrower, entered into a new loan facility agreement with Sterling. The new loan facility is a revolving line of credit for a maximum of \$3,000,000 (the “New Loan Facility”). The New Loan Facility terminates on February 28, 2017. The Borrower is able to draw on the New Loan Facility at an amount up to 85% of eligible accounts receivable, not to exceed 25% of all accounts of the Borrower. The New Loan Facility is payable monthly in arrears on the average unpaid balance of the line of credit at an interest rate per annum equal to the Wall Street Journal Prime Rate (currently 3.25%). The New Loan Facility is secured by all tangible and intangible assets of the Company. In connection with the New Loan Facility, the Company entered into a security agreement with Sterling and provided Sterling with a guarantee of the Borrower’s obligations.

As of April 30, 2015, the outstanding balance under the New Loan Facility was \$1,237,000.

#### Off-Balance Sheet Arrangements

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

#### Recent Accounting Pronouncements

See Note 3 to the Condensed Consolidated Financial Statements (the “Financial Statements”) in Part I, Item 1 of this Quarterly Report on Form 10-Q.



### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

**Interest Rate Risks.** We are subject to market risk from exposure to fluctuations in interest rates. At April 30, 2015, our debt was \$5.771.036. Given our current level of borrowing, we believe this risk is immaterial.

**Commodity Price Risks.** The supply and price of coffee beans are subject to volatility and are influenced by numerous factors which are beyond our control. Historically, we have used, and expect to continue to use in a more limited capacity, short-term coffee futures and options contracts primarily for the purpose of partially hedging the effects of changing green coffee prices, as further explained in Note 7 of the notes to the Financial Statements in this Report. In addition, we acquired, and expect to continue to acquire, futures contracts with longer terms (generally three to four months) primarily for the purpose of guaranteeing an adequate supply of green coffee. Realized and unrealized gains or losses on options and futures contracts are reflected in our cost of sales. Gains on options and futures contracts reduce our cost of sales and losses on options and futures contracts increase our cost of sales. The use of these derivative financial instruments has generally enabled us to mitigate the effect of changing prices. We believe that, in normal economic times, our hedging policies remain a vital element to our business model not only in controlling our cost of sales, but also giving us the flexibility to obtain the inventory necessary to continue to grow our sales while trying to minimize margin compression during a time of historically high coffee prices. However, no strategy can entirely eliminate pricing risks and we generally remain exposed to losses on futures contracts when prices decline significantly in a short period of time, and we would generally remain exposed to supply risk in the event of non-performance by the counterparties to any futures contracts. Although we have had net gains on options and futures contracts in the past, we have incurred losses on options and futures contracts during some reporting periods. In these cases, our cost of sales has increased, resulting in a decrease in our profitability or increase our losses. Such losses have and could in the future materially increase our cost of sales and materially decrease our profitability and adversely affect our stock price. See “Item 1A – Risk Factors - If our hedging policy is not effective, we may not be able to control our coffee costs, we may be forced to pay greater than market value for green coffee and our profitability may be reduced.” In our Annual Report on Form 10-K filing with the SEC on January 24, 2015.

At April 30, 2015, the Company held 70 futures contracts (generally with terms of three to four months) for the purchase of 2,625,000 pounds of green coffee at a weighted average price of \$1.37 per pound. The fair market value of coffee applicable to such contracts was \$1.37 per pound at that date.

As a result of the volatile nature of the commodities markets, we are scaling back our use of hedging and short-term trading of coffee futures and options contracts.

### ITEM 4. CONTROLS AND PROCEDURES.

Management, including our President, Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this Report. Based upon that evaluation, the President and Chief Executive Officer, who is also the Chief Financial Officer, concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act are (1) recorded, processed, summarized and reported as and when required; and (2) accumulated and communicated, as is appropriate, to the Company’s management, including its President and Chief Executive Officer, who is also the principal executive officer and principal financial officer, to allow timely discussions regarding disclosure.

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are not a party to, and none of our property is the subject of, any pending legal proceedings other than routine litigation that is incidental to our business. To our knowledge, no governmental authority is contemplating initiating any such proceedings.

ITEM 1A. RISK FACTORS.

There were no material changes during the quarter ended April 30, 2015 to the Risk Factors disclosed in Item 1A “Risk Factors” in our annual report on Form 10-K for the fiscal year ended October 31, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

31.1 Principal Executive Officer and Principal Financial Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Principal Executive Officer and Principal Financial Officer's Certification furnished Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized and in the capacities indicated on June 11, 2015.

Coffee Holding Co., Inc.

Date: June 11, 2015

By: /s/ Andrew Gordon  
Andrew Gordon, President  
President, Chief Executive Officer,  
Chief Financial Officer and Treasurer  
(Principal Executive Officer, Principal  
Financial Officer and Chief  
Accounting Officer)