COFFEE HOLDING CO INC
Form 10-Q
September 14, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: July 31, 2015

OR

o 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 jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

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

(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)

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 þ No o

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 þ No o

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 o | Accelerated filer o |
| Non-accelerated filer o | Smaller reporting company þ |

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

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 September 10, 2015.

ITEM 1. FINANCIAL STATEMENTS

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

| | July 31, 2015 (Unaudited) | October 31, 2014 |
|---|---|---|
| - ASSETS - | | |
| CURRENT ASSETS: | | |
| Cash | $3,315,177 | $3,782,639 |
| Accounts receivable, net of allowances of $144,000 for 2015 and 2014 | 11,995,756 | 15,419,860 |
| Inventories | 12,444,317 | 15,210,153 |
| Prepaid green coffee | 1,014,911 | 467,155 |
| Prepaid expenses and other current assets | 289,151 | 260,112 |
| Prepaid and refundable income taxes | 1,434,577 | 759 |
| Deferred income tax asset | 1,442,747 | 343,657 |
| TOTAL CURRENT ASSETS | 31,936,636 | 35,484,335 |
| Machinery and equipment, at cost, net of accumulated depreciation of $4,106,177 and $3,704,802 for 2015 and 2014, respectively | 1,939,477 | 1,991,094 |
| Customer list and relationships, net of accumulated amortization of $39,375 and $33,750 for 2015 and 2014, respectively | 110,625 | 116,250 |
| Trademarks | 180,000 | 180,000 |
| Goodwill | 440,000 | 440,000 |
| Equity method investments | 97,242 | 97,404 |
| Deposits and other assets | 605,478 | 643,549 |
| TOTAL ASSETS | $35,309,458 | $38,952,632 |
| - LIABILITIES AND STOCKHOLDERS' EQUITY - | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | $5,600,015 | $8,693,100 |
| Line of credit | 4,268,458 | 2,498,458 |
| Due to broker | 476,661 | 484,924 |
| Income taxes payable | _- | 331,051 |
| TOTAL CURRENT LIABILITIES | 10,345,134 | 12,007,533 |
| | | |
| Deferred income tax liabilities | 114,747 | 165,157 |
| Deferred rent payable | 218,951 | 209,640 |
| Deferred compensation payable | 477,478 | 515,549 |
| TOTAL LIABILITIES | 11,156,310 | 12,897,879 |
| 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 July 31, 2015 and 2014, respectively | 6,456 | 6,456 |
| Additional paid-in capital | 15,904,109 | 15,904,109 |
| Retained earnings | 9,237,571 | 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 | 23,880,274 | 25,721,871 |
| Non-controlling interest | 272,874 | 332,882 |
| TOTAL EQUITY | 24,153,148 | 26,054,753 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $35,309,458 | $38,952,632 |

See Notes to Condensed Consolidated Financial Statements.

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

| | Nine Months Ended July 31, 2015 | Nine Months Ended July 31, 2014 | Three Months Ended July 31, 2015 | Three Months Ended July 31, 2014 |
|---|---|---|---|---|
| NET SALES | $95,708,890 | $79,373,667 | $27,039,857 | $26,628,571 |
| COST OF SALES (Including $17.9 and $13.2 million of related party costs for the nine months ended July 31, 2015 and 2014, respectively. Including $3.0 and $4.1 million for the three months ended July 31, 2015 and 2014, respectively.) | 92,816,224 | 68,239,903 | 24,991,366 | 23,574,095 |
| GROSS PROFIT (LOSS) | 2,892,666 | 11,133,764 | 2,048,491 | 3,054,476 |
| OPERATING EXPENSES: | | | | |
| Selling and administrative | 5,286,993 | 5,094,939 | 1,723,158 | 1,656,789 |
| Officers' salaries | 489,435 | 459,300 | 163,850 | 159,100 |
| TOTALS | 5,776,428 | 5,554,239 | 1,887,008 | 1,815,889 |
| (LOSS) INCOME FROM OPERATIONS | (2,883,762) | 5,579,525 | 161,483 | 1,238,587 |
| OTHER INCOME (EXPENSE) | | | | |
| Interest income | 26,302 | 32,064 | 13,074 | 12,769 |
| (Loss) income from equity investment | (162) | (847) | (610) | (759) |
| Interest expense | (153,768) | (42,340) | (35,156) | (16,271) |
| TOTALS | (127,628) | (11,123) | (22,692) | (4,261) |
| (LOSS) INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST IN SUBSIDIARY | (3,011,390) | 5,568,402 | 138,791 | 1,234,326 |
| (Benefit) provision for income taxes | (1,189,785) | 2,114,905 | 40 | 450,952 |
| NET (LOSS) INCOME BEFORE NON-CONTROLING INTEREST IN SUBSIDIARY | (1,821,605) | 3,453,497 | 138,751 | 783,374 |
| Less: net (income) loss attributable to the non-controlling interest | (19,992) | (61,590) | 411 | (24,427) |
| NET (LOSS) INCOME ATTRIBUTABLE TO COFFEE HOLDING CO., INC. | $(1,841,597) | $3,391,907 | $139,162 | $758,947 |
| Basic (loss) earnings per share | $(.30) | $.53 | $.02 | $.12 |
| Diluted (loss) earnings per share | $(.30) | $.51 | $.02 | $.11 |
| Weighted average common shares outstanding: | | | | |
| Basic | 6,215,894 | 6,362,933 | 6,215,894 | 6,344,487 |

| | | | | |
|---|---|---|---|---|
| Diluted | 6,215,894 | 6,629,933 | 6,215,894 | 6,611,487 |

See Notes to Condensed Consolidated Financial Statements.

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COFFEE HOLDING CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED JULY 31, 2015 AND 2014
(Unaudited)

| | 2015 | 2014 |
|---|---|---|
| OPERATING ACTIVITIES: | | |
| Net (loss) income | $(1,821,605) | $3,453,497 |
| Adjustments to reconcile net (loss) income to net cash used in operating activities: | | |
| Depreciation and amortization | 408,436 | 436,277 |
| Unrealized gain on commodities | (8,263) | (1,211,540) |
| Loss on equity method investments | 162 | 847 |
| Deferred rent | 9,311 | 11,084 |
| Deferred income taxes | (1,149,500) | 1,311,000 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 3,424,104 | (1,001,691) |
| Inventories | 2,765,836 | (3,588,269) |
| Prepaid expenses and other current assets | (29,039) | (77,445) |
| Prepaid green coffee | (547,756) | (85,044) |
| Prepaid and refundable income taxes | (1,433,818) | 201,800 |
| Accounts payable and accrued expenses | (3,093,085) | (1,256,666) |
| Income taxes payable | (331,051) | 700 |
| Net cash used in operating activities | (1,806,268) | (1,805,450) |
| | | |
| INVESTING ACTIVITIES: | | |
| Purchases of machinery and equipment | (351,194) | (398,847) |
| Net cash used in investing activities | (351,194) | (398,847) |
| | | |
| FINANCING ACTIVITIES: | | |
| Advances under bank line of credit | 9,272,578 | 3,551,522 |
| Principal payments under bank line of credit | (7,502,578) | (1,280,704) |
| Purchase of treasury stock | - | (660,778) |
| Payment of dividend | (80,000) | (52,000) |
| Net cash provided by financing activities | 1,690,000 | 1,558,040 |
| | | |
| NET DECREASE IN CASH | (467,462) | (646,257) |
| | | |
| CASH, BEGINNING OF PERIOD | 3,782,639 | 4,035,669 |
| | | |
| CASH, END OF PERIOD | $3,315,177 | $3,389,412 |
| | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW DATA: | | |
| Interest paid | $152,765 | $37,513 |
| Income taxes paid | $1,647,668 | $715,000 |

See Notes to Condensed Consolidated Financial Statements.

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COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 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
JULY 31, 2015 AND 2014
(UNAUDITED)

NOTE 2 - BASIS OF PRESENTATION:

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 July 31, 2015, and results of operations for the three and nine months ended July 31, 2015 and 2014 and the cash flows for the nine months ended July 31, 2015 and 2014, as applicable, have been made.

The results of operations for the three and nine months ended July 31, 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:

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.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which applies to inventory that is measured using first-in, first-out ("FIFO") or average cost. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using last-in, last-out (“LIFO”).  This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period.  The Company is currently evaluating the impact of adopting this guidance.

No other accounting pronouncements were issued during the nine months ended July 31, 2015, but not yet adopted are expected to have a material impact on the Company’s condensed consolidated financial statements.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2015 AND 2014
(UNAUDITED)

NOTE 4 - PREPAID GREEN COFFEE:

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 $26,302 and $32,064 for the nine months ended July 2015 and 2014, respectively. The prepaid coffee balance was $1,014,911 at July 31, 2015 and $467,155 at October 31, 2014.

NOTE 5 - ACCOUNTS RECEIVABLE:

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:

| | July 31, 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
JULY 31, 2015 AND 2014
(UNAUDITED)

NOTE 6 - INVENTORIES:

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

| | July 31, 2015 | October 31, 2014 |
|---|---|---|
| Packed coffee | $1,517,604 | $1,578,248 |
| Green coffee | 10,172,904 | 12,987,257 |
| Packaging supplies | 753,809 | 644,648 |
| Totals | $12,444,317 | $15,210,153 |

NOTE 7 - COMMODITIES HELD BY BROKER:

The Company has used, and intends to 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:

| | July 31, 2015 | October 31, 2014 |
|---|---|---|
| Option Contracts | 19,399 | (217,624 ) |
| Future Contracts | (496,060 ) | (267,300 ) |
| Total Commodities | (476,661 ) | (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 July 31, 2015, the Company held 75 options covering an aggregate of 2,812,500 pounds of green coffee beans at $1.29 per pound. The fair market value of these options, which was obtained from observable market data of similar instruments was $127,575. At July 31, 2015, the Company held 83 futures contracts for the purchase of 3,112,500 pounds of green coffee at a weighted average price of $1.29 per pound. The fair market value of coffee applicable to such contracts was $1.25 per pound at that date.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2015 AND 2014
(UNAUDITED)

NOTE 7 - COMMODITIES HELD BY BROKER (cont'd):

At October 31, 2014, the Company held 60 futures contracts 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.

The Company recorded realized and unrealized gains and losses respectively, on these contracts as follows:

| | Three Months Ended July 31, | |
|---|---|---|
| | 2015 | 2014 |
| Gross realized gains | $293,439 | $1,165,014 |
| Gross realized losses | (175,280) | (824,285) |
| Unrealized losses | (481,433) | 38,437 |
| Total | $(363,274) | $379,166 |

| | Nine Months Ended July 31, | |
|---|---|---|
| | 2015 | 2014 |
| Gross realized gains | $991,706 | $3,321,023 |
| Gross realized losses | (6,415,825) | (1,796,474) |
| Unrealized gains | 8,263 | 1,211,540 |
| Total | $(5,415,856) | $2,736,089 |

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 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 July 31, 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 credit 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 credit 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 July 31, 2015 and October 31, 2014.

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COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2015 AND 2014
(UNAUDITED)

NOTE 8 - LINE OF CREDIT (cont’d):
As of July 31, 2015 and October 31, 2014, the outstanding balance under the bank line of credit was $3,031,458 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 July 31, 2015, the outstanding balance under the New Loan Facility was $1,237,000.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2015 AND 2014
(UNAUDITED)

NOTE 9 - EARNINGS PER SHARE:

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 and diluted earnings per share were 6,215,894 for the three and nine months ended July 31, 2015. The weighted average common shares outstanding used in the computation of basic earnings per share were 6,344,487 and 6,362,933 for the three and nine months ended July 31, 2014. The weighted average common shares outstanding used in the computation of diluted earnings per share were 6,611,487 and 6,629,933 for the three and nine months ended July 31, 2014. In September 2011, the Company issued units to certain purchasers which contained warrants to purchase, in the aggregate, 267,000 shares of the Company's common stock, all of which warrants are currently exercisable. The 267,000 shares of common stock underlying the warrants have been included in the diluted earnings per share calculation for the three and nine months ended July 31, 2014 because of their anti-dilutive impact.

NOTE 10 - ECONOMIC DEPENDENCY:

Approximately 57% of the Company's sales were derived from one customer during the nine months ended July 31, 2015. This customer also accounted for approximately $5,400,000 of the Company's accounts receivable balance at July 31, 2015. Approximately 52% of the Company's sales were derived from one customer during the nine months ended July 31, 2014. This customer also accounted for approximately $7,900,000 of the Company's accounts receivable balance at July 31, 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 nine months ended July 31, 2015, approximately 64% of the Company's purchases were from four vendors. These vendors accounted for approximately $2,961,000 of the Company's accounts payable at July 31, 2015. For the nine months ended July 31, 2014, approximately 62% of the Company's purchases were from four vendors. These vendors accounted for approximately $2,844,000 of the Company's accounts payable at July 31, 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 48% of the Company's sales were derived from one customer during the three months ended July 31, 2015. Approximately 52% of the Company's sales were derived from one customer during the three months ended July 31, 2014.

For the three months ended July 31, 2015, approximately 60% of the Company's purchases were from four vendors. For the three months ended July 31, 2014, approximately 58% 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.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2015 AND 2014
(UNAUDITED)

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 by the Partner during the three and nine months ended July 31, 2015 of $97,694 and $313,729, 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 $17,900,000 and $3,000,000 for the nine and three months ended July 31, 2015 and $13,200,000 and $4,100,000 for the nine and three months ended July 31, 2014. The corresponding accounts payable balance to this vendor was approximately $608,000 and $387,000 at July 31, 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 July 31, 2015 and October 31, 2014 were $477,478 and $515,549, respectively.

NOTE 12 - STOCKHOLDER’ 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 nine months ended July 31, 2015.

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. As of July 31, 2015, pursuant to the terms of the Share Repurchase Program, the Company repurchased shares of outstanding common stock in an amount equal in value to $995,728.82.

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 offers 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 and attract new 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 or 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 intend to 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 of our 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 previously announced, as a result of the volatile nature of the commodities markets, we have and are continuing to scale back our use of hedging and short-term trading of coffee futures and options contracts, and intend to continue to use these practices in a limited capacity going forward. 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:

We recognize revenue in accordance with the relevant authoritative guidance. Revenue is recognized at the point title and risk of ownership transfers to its customers which is upon the shippers taking possession of the goods because (i) title passes in accordance with the terms of the purchase orders and with our agreements with our customers, (ii) any risk of loss is covered by the customer' insurance, (iii) there is persuasive evidence of a sales arrangement, (iv) the sale 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 1% of our accounts receivable that becomes uncollectible, would decrease our operating income by approximately $120,000 for the quarter ended July 31, 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 market conditions, inventories are subject to be written-down to market value. If our assumptions about future demand change and/or actual market conditions are less favorable than those projected, additional write-downs of inventories may be required. Each additional 1% of potential inventory write-down would have decreased operating income by approximately $124,000 for the quarter ended July 31, 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 July 31, 2015 of $1,328,000 will be utilized against prior year expense.

Our goodwill consists of the cost in excess of the fair market value of the acquired net assets of OPTCO. The company has been integrated into a structure which does not provide the basis for separate reporting units. Consequently, the Company is a single reporting unit for goodwill impairment testing purposes. We also have intangible assets consisting of customer lists and relationships and trademarks acquired from OPTCO. At July 31, 2015, our balance reflected goodwill and intangible assets as set forth below:

17

| | | |
|---|---|---|
| Customer list and relationships, net | $ | 110,625 |
| Trademarks | | 180,000 |
| Goodwill | | 440,000 |
| Total | $ | 730,625 |

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 July 31, 2015 Compared to the Three Months Ended July 31, 2014

Net Sales. Net sales totaled $27,039,857 for the three months ended July 31, 2015, an increase of $411,286 or 1.5%, from $26,628,571 for the three months ended July 31, 2014. The increase in net sales reflects an increase in sales of our roasted product offerings of approximately $850,000, which was achieved despite a commodity pricing decrease of almost $0.75 per pound of green coffee period over period, which negatively impacted our wholesale green coffee sales.

Cost of Sales. Cost of sales for the three months ended July 31, 2015 was $24,991,366 or 92.4% of net sales, as compared to $23,574,095 or 88.5% of net sales for the three months ended July 31, 2014. The increase in cost of sales reflects higher production costs during the quarter.

Gross Profit. Gross profit decreased by $1,005,985, to $2,048,491 for the three months ended July 31, 2015 as compared to gross profit of $3,054,476 for the three months ended July 31, 2014. Gross profit as a percentage of net sales decreased by 3.9% for the three months ended July 31, 2015, as compared to gross profit as a percentage of net sales for the three months ended July 31, 2014. The decrease in our margins reflects a significant gain on hedging activity during the 2014 period as compared to the 2015 period and a commodity pricing decrease of almost $0.75 per pound of green coffee period over period, which negatively impacted our wholesale green coffee sales.

Operating Expenses. Total operating expenses increased by $71,119, or 3.9%, to $1,887,008 for the three months ended July 31, 2015 as compared to total operating expenses of $1,815,889 for the three months ended July 31, 2014. The increase in operating expenses was primarily due to an increase in selling and administrative expenses of $66,369.

Other Income Expense. Other expenses increased by $18,431 to $22,692 for the three months ended July 31, 2015 compared to other expenses of $4,261 for the three months ended July 31, 2014. Interest income increased by $305, interest expense increased by $18,885 and the loss on equity investment decreased by $149 for the three months ended July 31, 2015 compared to the three months ended July 31, 2014. The increase in interest income resulted from the increase 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 provision for income taxes for the three months ended July 31, 2015 totaled $40 compared to a provision of $450,952 for the three months ended July 31, 2014. The decrease reflects lower pre-tax income for the quarter.

Net Income. We had net income of $139,162, or $0.02 per share basic and diluted, for the three months ended July 31, 2015 compared to a net income of $758,947, or $0.12 per share basic and $0.11 per share diluted, for the three months ended July 31, 2014. In the three month period ended July 31, 2014, we had a gain resulting from our hedging activities, which impacted our net income for such period and our earnings per share by approximately $0.04 per share. Without the impact of hedging activities for the three months ended July 31, 2014 and 2015, our basic earnings per share would have been $0.08 for the 2014 period compared to approximately $0.05 per share for the 2015 period. The decrease in net income was due primarily to the reasons described above.

Nine Months Ended July 31, 2015 Compared to the Nine Months Ended July 31, 2014

Net Sales. Net sales totaled $95,708,890 for the nine months ended July 31, 2015, an increase of $16,335,223, or 20.6%, from $79,373,667 for the nine months ended July 31, 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 nine months ended July 31, 2015 was $92,816,224 or 97.0% of net sales, as compared to $68,239,903, or 85.9% of net sales for the nine months ended July 31, 2014. The increase in cost of sales reflects approximately $5.4 million net loss due to losses resulting from the liquidation of many of our previously entered hedging positions as we implemented our plan to scale back our use of hedging and short term trading of coffee futures and options contracts.

Gross Profit. Gross profit decreased $8,241,098 to $2,892,666 for the nine months ended July 31, 2015 as compared to gross profit of $11,133,764 for the nine months ended July 31, 2014. Gross profit as a percentage of net sales decreased by 11.0% for the nine months ended July 31, 2015 as compared to gross profit as a percentage of net sales for the nine months ended July 31, 2014. The decrease in our margins reflects net losses resulting from the liquidation of many of our previously entered hedging positions as we implemented our plan to scale back our use of hedging and short term trading of coffee futures and options contracts and a decrease in commodity pricing period over period.

Operating Expenses. Total operating expenses increased by $222,189, or 4.0%, to $5,776,428 for the nine months ended July 31, 2015 as compared to operating expenses of $5,554,239 for the nine months ended July 31, 2014. The increase in operating expenses was due to an increase in selling and administrative expense of $192,054 and an increase in officers' salaries of $30,135.

Other Expense. Other expenses increased by $116,505 to $127,628 for the nine months ended July 31, 2015 compared to other expenses of $11,123 for the nine months ended July 31, 2014. Interest income decreased by $5,762, interest expense increased by $111,428 and the loss on equity investment decreased by $685 for the nine months ended July 31, 2015. The decrease in interest income resulted from fewer prepaid coffee advances to our growers during the period. 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 nine months ended July 31, 2015 totaled $1,189,785 compared to a provision of $2,114,905 for the nine months ended July 31, 2014. The decrease reflects no pre-tax income for the period.

Net Income. We had a net loss of $1,841,597, or $0.30 per share basic and diluted, for the nine months ended July 31, 2015 compared to net income of $3,391,907 or $0.53 per share basic and $0.51 diluted, for the nine months ended July 31, 2014. The decrease in net income was due primarily to the reasons described above.

Liquidity and Capital Resources

As of July 31, 2015, we had working capital of $21,591,502, which represented a $1,885,300 decrease from our working capital of $23,476,802 as of October 31, 2014, and total stockholders' equity of $23,880,274, which represented a decrease of $1,841,597 from our total stockholders' equity of $25,721,871 as of October 31, 2014. Our working capital decreased primarily due to a decrease of $467,462 in cash, $3,424,104 in accounts receivable, $2,765,836 in inventory and an increase of $1,770,000 in our line of credit, partially offset by increases of $547,756 in prepaid green coffee, $29,039 in prepaid expenses and other current assets, $1,433,818 in prepaid and refundable income taxes, $1,099,090 in deferred income tax asset, decreases of $3,093,085 in accounts payable and accrued expenses, $8,263 in due to broker and $331,051 in income taxes payable. At July 31, 2015, the outstanding balance on our line of credit was $4,268,458, 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 nine months ended July 31, 2015, our operating activities used net cash of $1,806,268 as compared to the nine months ended July 31, 2014, during which operating activities used net cash of $1,805,450. The decreased cash flow from operations for the nine months ended July 31, 2015 was primarily due to our net loss of $1,821,605, deferred income taxes of $1,149,500, prepaid and other current assets of $29,039, prepaid green coffee of $547,756, prepaid and refundable income taxes of $1,433,818, accounts payable and accrued expenses of $3,093,085 and income taxes payable of $331,051, partially offset by accounts receivable of $3,424,104 and inventories of $2,765,836.

For the nine months ended July 31, 2015, our investing activities used net cash of $351,194 as compared to the nine months ended July 31, 2014 when net cash used in investing activities was $398,847. The decrease in our uses of cash in investing activities was due to our decreased purchases of equipment.

For the nine months ended July 31, 2015, our financing activities provided net cash of $1,690,000 compared to net cash provided by financing activities of $1,558,040 for the nine months ended July 31, 2014. The change in cash flow from financing activities for the nine months ended July 31, 2015 was primarily due to fact that we did not purchase any treasury stock, partially offset by the increase in the payment of dividends of $28,000 and our reduced net borrowings 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 July 31, 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 credit 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 credit 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

July 31, 2015 and October 31, 2014.

As of July 31, 2015 and October 31, 2014, the outstanding balance under the bank line of credit was $3,031,458 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 July 31, 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 July 31, 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 intend to continue to use in a 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 Condensed Consolidated 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 significant 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 23, 2015.

At July 31, 2015, the Company held 75 options covering an aggregate of 2,812,500 pounds of green coffee beans at $1.791 per pound. The fair market value of these options, which was obtained from observable market data of similar instruments was $127,575. At July 31, 2015, the Company held 83 futures contracts for the purchase of 3,112,500 pounds of green coffee at a weighted average price of $1.29 per pound. The fair market value of coffee applicable to such contracts was $1.25 per pound at that date. At October 31, 2014, the Company held 60 futures contracts 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.

As previously announced, as a result of the volatile nature of the commodities markets, we have and are continuing to scale back our use of hedging and short-term trading of coffee futures and options contracts, and intend to continue to use these practices in a limited capacity going forward.

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 required 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 July 31, 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.

| Exhibit No. | Description |
|---|---|
| 31.1 | Principal Executive Officer and Principal Financial Officer's Certification furnished pursuant to Section 302 of the Sarl of 2002. |
| 32.1 | Principal Executive Officer and Principal Financial Officer's Certification furnished pursuant to Section 906 of the Sarl 2002. |

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 September 14, 2015.

| | | |
|---|---|---|
| | Coffee Holding Co., Inc. | |
| Date: September 14, 2015 | By: | /s/ Andrew Gordon<br>Andrew Gordon President<br>Chief Executive Officer, Chief<br>Financial Officer and Treasurer<br>(Principal Executive Officer,<br>Principal Financial Officer and<br>Chief Accounting Officer) |