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

**FORM 10-K**

**(Mark One)**

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

**For the fiscal year ended June 30, 2020**

**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: 001-34249**

**FARMER BROS. CO.**
**(Exact Name of Registrant as Specified in Its Charter)**

| | |
|---|---|
| **Delaware** | **95-0725980** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**1912 Farmer Brothers Drive, Northlake, Texas 76262**
(Address of Principal Executive Offices; Zip Code)

**888 998-2468**
(Registrant's Telephone Number, Including Area Code)

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|
| Common Stock, $1.00 par value | FARM | NASDAQ Global Select Market |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ No ☑

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ NO ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☑ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the
Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price at which the Farmer Bros. Co. common stock was sold on December 31, 2019 was $119.7 million.

As of September 1, 2020 the registrant had 17,426,497 shares outstanding of its common stock, par value $1.00 per share, which is the registrant's only class of common stock.

**DOCUMENTS INCORPORATED BY REFERENCE**

Specified portions of the registrant's definitive proxy statement to be filed with the U.S. Securities and Exchange Commission ("SEC") pursuant to Regulation 14A in connection with the registrant's 2020 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference into Part III of this report. Such Proxy Statement will be filed with the SEC not later than 120 days after the conclusion of the registrant's fiscal year ended June 30, 2020.

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report and other documents we file with the SEC contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, our future performance, our financial condition, our products, our business strategy, our beliefs and our management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "could," "may," "assumes" and other words of similar meaning. These statements are based on management's beliefs, assumptions, estimates and observations of future events based on information available to our management at the time the statements are made and include any statements that do not relate to any historical or current fact. These statements are not guarantees of future performance and they involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed, implied or forecast by our forward-looking statements due in part to the risks, uncertainties and assumptions set forth below in Part I, Item 1.A., *Risk Factors* of this report, as well as those discussed elsewhere in this report and other factors described from time to time in our filings with the SEC. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Annual Report on Form 10-K and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise, except as required under federal securities laws and the rules and regulations of the SEC.

## PART I

## Item 1. Business

### Overview

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the “Company,” “we,” “us,” “our” or “Farmer Bros.”), is a national coffee roaster, wholesaler and distributor of coffee, tea and culinary products. We serve a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurant, department and convenience store chains, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors. With a robust product line, including organic, Direct Trade, Project D.I.R.E.C.T.® and other sustainably-produced coffees, iced and hot teas, cappuccino, spices, and baking/biscuit mixes, among others, we offer a comprehensive approach to our customers by providing not only a breadth of high-quality products, but also value added services such as market insight, beverage planning, and equipment placement and service. We were founded in 1912, incorporated in California in 1923, and reincorporated in Delaware in 2004. Our principal office and product development lab is located in Northlake, Texas ("Northlake facility"). We operate in one business segment.

### Products

We are a national coffee roaster, wholesaler and distributor of coffee, tea and culinary products manufactured under supply agreements, under our owned brands, as well as under private labels on behalf of certain customers. Our product categories consist of the following:

- a robust line of roast and ground coffee, including organic, Direct Trade, Project D.I.R.E.C.T.® and other sustainably-produced offerings;
- frozen liquid coffee;
- flavored and unflavored iced and hot teas, including organic and Rainforest Alliance Certified ™;
- culinary products including premium spices, pancake and biscuit mixes, gravy and sauce mixes, soup bases, dressings, syrups and sauces, and coffee-related products such as coffee filters, cups, sugar and creamers; and
- other beverages including cappuccino, cocoa, granitas, and concentrated and ready-to-drink cold brew and iced coffee.

Our owned brand products are sold primarily into the foodservice channel. Our primary brands include Farmer Brothers®, Artisan Collection by Farmer Brothers™, Superior®, Metropolitan™, China Mist® and Boyds®. Our Artisan coffee products include Direct Trade, Project D.I.R.E.C.T.®, Fair Trade Certified™, Rainforest Alliance Certified™, organic and proprietary blends. In addition, we sell whole bean and roast and ground flavored and unflavored coffee products under the Public Domain, Un Momento®, Collaborative Coffee®, Cain's™, McGarvey® and Boyds® brands and iced and hot teas under the China Mist® brand through foodservice distributors at retail. Our roast and ground coffee products are primarily sold in traditional packaging, including bags and fractional packages, as well as single-serve packaging. Our tea products are sold in traditional tea bags and sachets, as well as single-serve tea pods and capsules. For a description of the amount of net sales attributed to each of our product categories in fiscal 2020, 2019 and 2018, see *Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations* included in Part II, Item 7 of this report.

**Business Strategy**

***Overview***

We are a coffee company dedicated to deliver the coffee people want, the way they want it. We build partnerships with customers who value service, quality, and sustainable sourcing and are passionate about delivering great coffee, tea, and culinary experiences to their communities.

In order to achieve our mission, we have have grown existing capabilities and continue to develop new capabilities to deliver value to our customers. More recently, we have undertaken initiatives such as, but not limited to, the following:

- developing new products in response to demographic and other trends to better compete in areas such as premium coffees and teas;
- building our e-commerce capabilities;
- executing manufacturing and network optimization;
- optimizing our product assortment;
- developing our product innovation pipeline;
- creating a commercial brewing equipment (CBE) competitive service advantage;
- building an industry leading sustainability platform;
- creating a culture to improve employee engagement and to attract and retain talent within our diverse workplace; and
- ensure our systems and processes provide high-quality products at a competitive cost, protection against cyber threats, and a safe environment for our employees and partners.

We differentiate ourselves in the marketplace by providing tailored product and equipment service solutions to help our customers deliver a great experience for their consumers, which includes:

- offering a wide variety of coffee, tea, and culinary products;
- providing consumer, channel, and market insights;
- ideation to support customer menu and product evaluation in line with consumer trends;
- delivering comprehensive commercial brewing equipment program support from installation to preventative maintenance to timely repair;
- delivering the highest standards in food quality and safety with all of our production facilities being Safe Quality Food (“SQF”) certified;
- helping our customers deliver their sustainability goals and objectives;
- Customer–centric Direct-store-delivery ("DSD") capability with focus on providing location-level program execution and merchandising support; and
- a robust approach to social, environmental and economic sustainability throughout our business.

Our services provided to DSD customers are conducted primarily in person through Route Sales Representatives, or RSRs, who develop business relationships with chefs, restaurant owners and food buyers at their delivery locations. We also provide comprehensive coffee programs to our national account customers, including private brand development, green coffee procurement, hedging, category management, sustainable sourcing and supply chain management.

***Strategic Initiatives***

In fiscal 2020, the entire organization worked to evolve our purpose, vision, and values to underpin our strategy and support building a performance driven culture. That work identified the following five strategic initiatives (our "5 Es") that serve as the pillars of our strategy:

*Empower Talent*

- *Embrace our Purpose, Vision, and Values.* In fiscal 2020, we evolved our purpose, vision, and values to support building a performance driven culture.
- *Develop our Talent.* We have invested in a Learning Management System to enable training facilitation and tracking of training modules to support the development of our team members.
- *Recognize and Reward Performance*. We aligned our incentive plans to support our annual and long-term strategy. For instance, in fiscal 2020, we executed a front-line recognition program for those team members that delivered great results on company service metrics, which aligns with the Enrich Customer Relationships pillar of our 5 Es strategy.

*Enrich Customer Relationships*

- *Build on our Brewing Equipment Service Advantage.* From installation, to preventative maintenance, and timely repair execution, our trained service technicians and equipment remanufacturing capabilities provide reliable, consistent service coverage across a wide geographic area which we believe is a competitive advantage. We continue to invest in systems and processes to enable a more efficient go-to-market with our equipment program.
- *Drive Customer Satisfaction.* Providing our customers the product they want, when they want it, is key to customer satisfaction and retention. We have invested in systems and processes to improve fill rates, including SKU optimization and inventory replenishment tools. We have also reinvigorated our innovation pipeline so we can continually deliver on-trend products and equipment.
- *Expand Customer Service Capabilities.* In fiscal 2020, we have expanded our equipment service call center to support our DSD route business in order to enable quick resolution of issues and drive better visibility on customer inquiries. We believe this enables better customer response and improves customer retention.
- *Develop Pre-Sell/Tel-Sell Capabilities.* In order to better serve certain customer’s needs, we expanded our Tel-Sell (Roastery Direct) program in fiscal 2020. This program enables us to better service customers outside our DSD network who want to purchase our products. We pick, pack, and ship products to these customers via common carriers. We are also implementing a Pre-Sell DSD model in select markets. In this model, we sell to our customers in advance of the delivery, enabling more quality time with our customers, and more deliveries per day.

*Enhance Processes & Systems*

- *Upgrade our Route Handheld Technology.* We are piloting a new handheld technology in select markets. We expect this technology to improve route productivity and enable improved customer fill rates.
- *Investment in Technology*. We are implementing IT applications which we expect to enhance supply chain optimization and flexibility.
- *Deploy B2B/E-Commerce Solution.* We believe that this solution will enable a more robust roastery direct program, as well as coffee house and subscription sales. This will lead to improved customer analytics, and enable better product targeting.

*Execute Optimization*

- *Improve Demand Planning.* We are in process of developing new tools to provide visibility to customer demand. We are working closely with our key vendor partners to create a more robust demand and supply process and implementing a sales demand consensus model.

- *Manufacturing and Distribution Network Optimization Plan*. We are in process of developing and executing manufacturing network optimization, which includes opening a distribution center in the western part of the United States and consolidating third party frozen distribution services. Additionally, we continue to evaluate our branch footprint to determine the optimal structure to deliver products to our DSD customers more efficiently and effectively. These initiatives, among others, is expected to reduce our transportation and warehousing cost.
- *SKU Optimization.* In fiscal 2020, we continued optimizing our SKU portfolio. We have reduced the number of underperforming coffee and allied products, and have reduced components and packaging options. Since fiscal 2019, we have undertaken efforts to optimize our SKU count reducing our total SKU count by more than 26.0%.
- *Implement Procurement Partnerships.* We are working with our vendor partners to enhance our vendor managed inventory program. We have implemented quarterly business reviews with key vendor partners.

*Elevate Innovation*

- *Expand Sustainability Program.* We continue to enhance our sustainable product offerings and incorporate sustainability as we develop new products. We are developing marketing campaigns to better communicate our program portfolio as a differentiator for our customers, inclusive of our capability to restore and refurbish equipment.
- *Evolve our Product Portfolio.* We are actively developing product solutions that align with emerging consumer trends with premium coffee and tea products. We are partnering with our equipment suppliers on equipment innovation. We are developing our espresso based beverage program and actively optimizing our allied product offerings.
- *Renovate Product Portfolio.* As consumers shift in the demand for healthier food and beverage products, we look to future opportunities to reformulate our existing product lines with clean label offerings and provide more "Better for You" product offerings.
- *Define and Implement our Digital Strategy.* We are actively engaging and developing our digital strategy to respond to the digital capabilities that our customers expect as well as add efficiency to our sales and logistics functions.

***Expand Sustainability Leadership***

- *Sustainability.* We believe that our collective efforts in measuring our social and environmental impact, creating programs for waste, water and energy reduction, promoting partnerships in our supply chain that aim at supply chain stability and food security, and focusing on employee engagement place us in a unique position to help retailers and foodservice operators create differentiated coffee and tea programs that can include sustainable supply chains, direct trade purchasing, training and technical assistance, recycling and composting networks, and packaging material reductions. During fiscal 2020, we achieved the Carbon Disclosure Project's Climate leadership level for our efforts to reduce Scope 1, 2 and 3 emissions (direct emissions, indirect emissions from consumption of purchased electricity, heat or steam and other indirect emissions). Further, in fiscal 2020, we published our annual sustainability report based on the Global Reporting Initiative's comprehensive compliance standard. In addition, China Mist is a member of the Ethical Tea Partnership (the "ETP"), a non-profit organization that works to improve the sustainability of the tea sector, the lives of tea workers and farmers, and the environment in which tea is produced. As a member of the ETP, China Mist sources all of its tea from tea plantations that are certified, monitored, and regularly audited by the ETP.

- *Science-Based Carbon Reduction Targets.* We believe combating climate change is critical to the future of our company, the coffee industry, coffee growers and the world. In fiscal 2020 we made progress towards our science based carbon reduction targets. With a new baseline established in fiscal 2018, we set more ambitious goals in line with efforts to limit global warming to 1.5°C. Setting approved targets places us among those responsible businesses that are making measurable contributions to incorporate sustainability within their business strategy.

- *Zero Waste to Landfill.* Achieving zero waste in our production and distribution facilities is a significant step in reaching our overall sustainability goals. In fiscal 2020 we maintained our goal of 90% waste diversion for our primary production and distribution facilities. To accomplish this goal, we implemented ambitious recycling and composting guidelines across these facilities.

- *LEED® Certified Facilities.* Our Portland production and distribution facility was one of the first in the Northwest to achieve LEED® Silver Certification. Our corporate offices in Northlake, Texas has also achieved LEED® Silver Certification.

- *Expansion of Project D.I.R.E.C.T.® Program.* In fiscal 2020, we continued to grow our direct trade sourcing model, Project D.I.R.E.C.T. ®. This model is an impact-based product or raw material sourcing framework that utilizes data-based sustainability metrics to influence an inclusive, collaborative approach to sustainability along the supply chain. To evaluate whether coffee is Project D.I.R.E.C.T.®, we follow an outcome-based evaluation framework. The result of this evaluation impacts where we invest our resources within our supply chain and has led to an increased level of transparency for us. Project D.I.R.E.C.T . ® represents a growing part of our coffee portfolio.

- *Green Coffee Traceability.* We are committed to the inclusion of more sustainably-sourced coffees in our supply chain. Regulatory and reputational risks can increase when customers, roasters and suppliers cannot see back into their supply chain. To address these concerns, as well as to deepen our commitment to the longevity of the coffee industry, we track traceability levels from all green coffee suppliers on a per-contract basis. During fiscal 2020, we continued to monitor purchases from coffee suppliers and ask for them to provide traceability information on a per contract basis. This helps us to bring transparency to our supply chain, rank our suppliers, and also to identify opportunities to select trusted providers, cooperatives, mills, exporters, etc., when offering sustainable coffees to our customers.

- *Supplier Sustainability.* We are committed to working with suppliers who share our social, environmental and economic sustainability goals. Regulatory and reputational risks can increase when suppliers are not held to the same strict standards to which we hold ourselves. To address this concern, we annually survey all green coffee suppliers along with our top suppliers of processed coffee and non-coffee products to assess their social, environmental, and economic sustainability practices and alignment with the United Nations Global Compact, a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, documenting 96% compliance with United Nations Global Compact practices from all respondents. Existing suppliers and new suppliers must acknowledge and adhere to our Supplier Standards of Engagement. These Standards of Engagement set minimum standards for Suppliers that are designed to provide Farmer Bros. visibility into all aspects of its supply chain and meets these objectives. These Standards of Engagement also serve as Supplier's Certificate of Compliance, executed by the supplier, representing supplier's receipt and acknowledgment of the Standards of Engagement and agreement to comply with the same.

***Charitable Activities***

We view charitable involvement as a part of our corporate responsibility and sustainability model: Social, Environmental, and Economic Development, or SEED. We endorse and support communities where our customers, employees, businesses, and suppliers are located, and who have enthusiastically supported us over the past 100 years. Our objective is to provide support toward a mission of supply chain stability with a focus on food security.

Recipient organizations include those with strong local and regional networks that ensure that families have access to nutritious food. Donations may take the form of corporate cash contributions, product donations, employee volunteerism, and workplace giving (with or without matching contributions).

- Recipient organizations include Feeding America, Ronald McDonald House, and local food banks.
- We support industry organizations such as World Coffee Research, which commits to grow, protect, and enhance supplies of quality coffee while improving the livelihoods of the families who produce it, and the Specialty Coffee Association ("SCA") Sustainability Council and the Coalition for Coffee Communities, which are focused on sustainability in coffee growing regions.
- Our employee-driven CAFÉ Crew organizes employee involvement at local charities and fund raisers, including support of Team Ronald McDonald House, riding in the Ride Against Hunger supported by Tarrant Area Food Bank, hosting local food drives and donation of Farmer Brothers products nearing the end of their shelf life to organizations related to Feeding America.
- Our usable and near expiring products or products with damaged packaging that can be donated are donated to Feeding America affiliated food banks nationwide, in an effort to keep all edible food waste from going to landfills.

***Industry and Market Leadership***

We have made the following investments in an effort to ensure we are well-positioned within the industry to take advantage of category trends, industry insights, and general coffee, tea and allied product knowledge to grow our business:

- *Coffee Industry Leadership.* Through our dedication to the craft of sourcing, blending and roasting coffee, and our participation and/or leadership positions with the SCA, National Coffee Association, Coalition for Coffee Communities, International Women's Coffee Alliance, Pacific Coast Coffee Association, Roasters Guild and World Coffee Research, we work to help shape the future of the coffee industry. We believe that due to our commitment to the industry, large retail and foodservice operators are drawn to working with us. We were among the first coffee roasters in the nation to receive SCA certification of a state-of-the-art coffee lab, which includes our product development lab at the Northlake facility. We also operate Public Domain®, a specialty coffeehouse in Portland, Oregon.
- *Market Insight and Consumer Research.* We have developed a market insight capability internally that reinforces our business-to-business positioning as a thought leader in the coffee, tea and food service industries. We provide trend insights and product development support that help our customers create winning products and integrated marketing strategies. Within this, we are focused on understanding key demographic groups and their attitudes and behaviors to better position the Company as a consumer brand at retail and e-commerce and expand these sales channels.

**Raw Materials and Supplies**

Our primary raw material is green coffee, an exchange-traded agricultural commodity that is subject to price fluctuations. Over the past five years, the coffee "C" market near month price per pound ranged from approximately $0.88 to $1.74. The coffee "C" market near month price as of June 30, 2020 and 2019, were $1.04 and $1.10 per pound, respectively. Our principal packaging materials include cartonboard, corrugated and plastic. We also use a significant amount of electricity, natural gas, and other energy sources to operate our production and distribution facilities.

We purchase green coffee beans from multiple coffee regions around the world. Coffee "C" market prices in fiscal 2020 traded in a $0.48 cent range during the year, and averaged 11% below the historical average for the past five years. There can be no assurance that green coffee prices will remain at these levels in the future. Some of the Arabica coffee beans we purchase do not trade directly on the commodity markets. Rather, we purchase these coffee beans on a negotiated basis from coffee brokers, exporters and growers, including Direct Trade and Fair Trade Certified™ sources and Rainforest Alliance Certified™ farms. Fair Trade Certified™ provides an assurance that farmer groups are receiving the Fair Trade minimum price and an additional premium for certified organic products through arrangements with cooperatives. Direct Trade products provide similar assurance except that the arrangements are provided directly to individual coffee growers instead of to cooperatives, providing these farmers with price premiums and dedicated technical assistance to improve farm conditions and increase both quality and productivity of sustainable coffee crops at the individual farm level. Rainforest Alliance Certified™ coffee is grown using methods that help promote and preserve biodiversity, conserve scarce natural resources, and help farmers build sustainable lives. Our business model strives to reduce the impact of green coffee price fluctuations on our financial results and to protect and stabilize our margins, principally through customer arrangements and derivative instruments, as further explained in Note 6, *Derivative Instruments*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

**Intellectual Property**

We own a number of United States trademarks and service marks that have been registered with the United States Patent and Trademark Office. We also own other trademarks and service marks for which we have filed applications for U.S. registration. We have licenses to use certain trademarks outside of the United States and to certain product formulas, all subject to the terms of the agreements under which such licenses are granted. We believe our trademarks and service marks are integral to customer identification of our products. It is not possible to assess the impact of the loss of such identification. Depending on the jurisdiction, trademarks are generally valid as long as they are in use and/or their registrations are properly maintained and they have not been found to have become generic. Registrations of trademarks can also generally be renewed indefinitely as long as the trademarks are in use. In addition, we own numerous copyrights, registered and unregistered, registered domain names, and proprietary trade secrets, technology, know-how, and other proprietary rights that are not registered.

**Seasonality**

We experience some seasonal influences. The winter months historically have generally been our strongest sales months. However, our product line and geographic diversity provide some sales stability during the warmer months when coffee consumption ordinarily decreases. Additionally, we usually experience an increase in sales during the summer and early fall months from seasonal businesses located in vacation areas and from grocery retailers ramping up inventory for the winter selling season. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

**Distribution**

We operate production facilities in Northlake, Texas; Houston, Texas; Portland, Oregon; and Hillsboro, Oregon. Distribution takes place out of the Northlake facility, the Portland and Hillsboro facilities, as well as separate distribution centers in Northlake, Illinois; and Moonachie, New Jersey. Our products reach our customers primarily in the following ways: through our nationwide DSD network of 186 delivery routes and 97 branch warehouses as of June 30, 2020, or direct-shipped via common carriers or third-party distributors. DSD sales are primarily made "off-truck" to our customers at their places of business. We operate a large fleet of trucks and other vehicles to distribute and deliver our products through our DSD network, and we rely on 3PL service providers for our long-haul distribution. We maintain inventory levels at each branch warehouse to promote minimal interruption in supply. We also sell coffee and tea products directly to consumers through our websites and sell certain products at retail and through foodservice distributors.

During the second half of our fiscal year ended June 30, 2020, we introduced new product delivery concepts such as warehouse and pop-up sales, and accelerated our roastery direct and e-commerce initiatives. Some of these new concepts will continue to be a focus in the future as we execute our 5E strategy.

**Customers**

We serve a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurant, department and convenience store chains, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as retail with private brand and consumer-branded coffee and tea products, foodservice distributors, and consumers through e-commerce. Although no single customer accounted for 10% or more of our net sales in any of the last three fiscal years, we have a number of large national account customers. The loss of or reduction in sales to one or more of would likely have a material adverse effect on our results of operations. During fiscal 2020, our top five customers accounted for approximately 19.8% of our net sales and no one customer exceed 10% of our net sales.

Most of our customers rely on us for distribution; however, some of our customers use third-party distribution or conduct their own distribution. Some of our customers are "price" buyers, seeking the low-cost provider with less concern for service, while others find great value in the service programs we provide. We offer a full return policy to ensure satisfaction and extended terms for those customers who qualify. Historically, our product returns have not been significant.

**Competition**

The coffee industry is highly competitive, including with respect to price, product quality, service, convenience, technology and innovation, and competition could become increasingly more intense due to the relatively low barriers to entry. We face competition from many sources, including the institutional foodservice divisions of multi-national manufacturers of retail products many of which have greater financial and other resources than we do, such as The J.M. Smucker Company (Folgers Coffee) and The Kraft Heinz Company (Maxwell House Coffee), wholesale foodservice distributors such as Sysco Corporation and US Foods, regional and national coffee roasters such as S&D Coffee & Tea (WestRock Corporation), Massimo Zanetti Beverage USA, Trilliant Food and Nutrition LLC, Gaviña & Sons, Inc., Royal Cup, Inc., Ronnoco Coffee, LLC, and Community Coffee Company, L.L.C., specialty coffee suppliers such as Rogers Family Company, Distant Lands Coffee, Mother Parkers Tea & Coffee Inc., Starbucks Corporation and Peet's Coffee & Tea (JAB Holding Company), and retail brand beverage manufacturers such as Keurig Dr. Pepper Inc. As many of our customers are small foodservice operators, we also compete with cash and carry and club stores (physical and on-line) such as Costco, Sam's Club and Restaurant Depot and on-line retailers such as Amazon. We also face competition from growth in the single-serve, ready-to-drink coffee beverage and cold-brewed coffee channels, as well as competition from other beverages, such as soft drinks (including highly caffeinated energy drinks), juices, bottled water, teas and other beverages.

We believe our state-of-the-art production facility, longevity, product quality and offerings, national distribution and equipment service network, industry and sustainability leadership, market insight, comprehensive approach to customer relationship management, and superior customer service are the major factors that differentiate us from our competitors. We compete well when these factors are valued by our customers, and we are less effective when only price matters. Our customer base is price sensitive, and we are often faced with price competition.

**Working Capital**

We finance our operations internally and through borrowings under our existing credit facility. For a description of our liquidity and capital resources, see *Results of Operations* and *Liquidity, Capital Resources and Financial Condition* included in Part II, Item 7 of this report and Note 17, *Other Current Liabilities*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. Our working capital needs are greater in the months leading up to our peak sales period during the winter months, which we typically finance with cash flows from operations. In anticipation of our peak sales period, we typically increase inventory in the first quarter of our fiscal year. We use various techniques including demand forecasting and planning to determine appropriate inventory levels for seasonal demand.

**Regulatory Environment**

The conduct of our businesses, including, among other things, the production, storage, distribution, sale, labeling, quality and safety of our products, and occupational safety and health practices, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States. Our facilities are subject to various laws and regulations regarding the release of material into the environment and the protection of the environment in other ways. We are not a party to any material legal proceedings arising under these regulations except as described in Note 22, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

**Employees**

On June 30, 2020, we employed approximately 1,210 employees, 227 of whom are subject to collective bargaining agreements expiring on or before January 31, 2025.

**Other**

The nature of our business does not provide for maintenance of or reliance upon a sales backlog. None of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the government. We have no material revenues from foreign operations or long-lived assets located in foreign countries.

**Available Information**

Our Internet website address is http://www.farmerbros.com, where we make available, free of charge, through a link maintained on our website under the heading "Investor Relations—SEC Filings," copies of our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including amendments thereto, as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. In addition, these reports and the other documents we file with the SEC are available at a website maintained by the SEC at http://www.sec.gov. Copies of our Corporate Governance Guidelines, the Charters of the Audit, Compensation, and Nominating and Corporate Governance Committees of the Board of Directors, and our Code of Conduct and Ethics can also be found on our website.

## Item 1A. Risk Factors

You should carefully consider each of the following factors, as well as the other information in this report, in evaluating our business and prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also negatively affect our business operations. If any of the following risks actually occurs, our business, financial condition and results of operations could be harmed. In that case, the trading price of our common stock could decline.

***The recent novel coronavirus ("COVID-19") pandemic could materially adversely affect our financial condition and results of operations.***

In late 2019, a novel strain of coronavirus ("COVID-19" or the "virus") emerged in China and has spread worldwide and by March 2020 the World Health Organization declared it a pandemic. The measure to contain the spread of the virus is adversely affecting our business and those of our customers. The outbreak has resulted in federal, state and local government authorities implementing numerous restrictive measures to attempt to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and shutdowns. These measures have impacted our workforce and operations, the operations of our customers, and those of our respective vendors and suppliers. There is considerable uncertainty regarding how such measures and potential future measures will affect our manufacturing, sales and distribution operations, and how similar limitations will affect our customers, vendors and suppliers. Restrictions or disruptions of transportation could limit our capacity to meet customer demand and have a material adverse effect on our financial condition and results of operations.

The COVID-19 pandemic has significantly increased economic uncertainty. The current pandemic, has resulted in economic slowdown and a global recession. This has caused us to modify our business practices (including practices related to employee travel, work locations, physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities, or that we determine are in the best interests of our employees, customers, vendors and suppliers. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and our ability to perform critical functions could be harmed.

The COVID-19 pandemic and the related restrictive measures and changes in recent consumer behavior have had an adverse impact on certain of our direct ship and DSD customers, particularly restaurants, hotels, casinos and coffeehouses. Many of these customers have been forced to close or curtail operations and are purchasing at reduced volumes if at all. We are unable to predict the rate at which these customers will resume operations and purchases as restrictive measures are lifted. Certain of these customers may be unable to resume operations or satisfy their outstanding obligations, which may adversely impact our receivables. The ability of our customers to resume operations will largely depend on the behavior of end consumers and the ability of our customers to respond to those habits. Our success will depend on our ability to scale operations and production in line with purchases by our customers, acquire additional customers as operators resume operations, flexible delivery methods and manage accounts receivable. We have adjusted our operations to address current demand. Our success will depend on our ability and effectiveness in identifying and addressing our customers' future needs in light of the COVID-19 pandemic. Although we have already experienced some negative effects of COVID-19, it is difficult to predict the full extent and timing of the impact that the COVID-19 pandemic will have on our customer base.

While most participants in our supply chain are considered an "essential businesses" and permitted to continue operations, the COVID-19 pandemic has created uncertainty within certain supply chains due to restrictions in movement and shortages of shipping containers, including potential delays in transportation and labor shortages for upcoming harvests in Central and South America. Globally, roasters and coffee importers have stocked up on green coffee and, those increased purchases, may increase green coffee prices in the near term.

Our success largely depends on the efforts and abilities of our team members. In response to the pandemic and resulting decrease in sales, we have eliminated and furloughed positions, implemented temporary reductions in base salary of exempt team members, and suspended 401(k) matching cash contributions. The Company's executive leadership has taken a voluntary 15% reduction in base salary and Farmer Brothers' Board of Directors forwent its cash compensation for the third quarter 2020. As operating results have stabilized, the Company returned 5% of the 15% reduction to employees effective September 1. As business conditions and related performance improve, the Company expects to reinstate pre-COVID base compensation. At this time, we are unable to predict the duration of these actions at this time. If we are unable to regain sales to bring back team members before others, we may lose talent to other employers, including competitors. If we are not able to effectively retain our talent, our ability to achieve certain strategic objectives may be adversely affected, which may impact our financial condition and results of operations. Further, any unplanned turnover or failure to develop or implement an adequate succession plan for our senior management and other key employees, could deplete our institutional knowledge base, erode our competitive advantage, and negatively affect our business, financial condition and results of operations.

We continue to assess the impact of the COVID-19 pandemic and will continue to take appropriate actions to support the business and address the needs of its customers during and after the COVID-19 pandemic. The Company continues to leverage relief available through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and other government programs, including through industry associations, as well as any other efforts to support the food industry as a pillar of critical infrastructure.

The degree to which the COVID-19 pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume and our effectiveness on serving our customer base and acquiring new customers. With the uncertainty around the duration and breadth of the COVID-19 pandemic, the ultimate impact on our business, financial condition or operating results cannot be reasonably estimated at this time.

***Competition in the coffee industry and beverage category could impact our profitability or harm our competitive position.***

The coffee industry is highly competitive, including with respect to price, product quality, service, convenience, technology and innovation, and competition could become increasingly more intense due to the relatively low barriers to entry. We face competition from many sources, including the institutional foodservice divisions of multi-national manufacturers of retail products many of which have greater financial and other resources than we do, wholesale foodservice distributors, regional and national coffee roasters, specialty coffee suppliers, and retail brand beverage manufacturers. As many of our customers are small foodservice operators, we also compete with cash and carry and club stores and on-line retailers.

We consider our roasting and blending methods essential to the flavor and richness of our coffees and, therefore, essential to our brand. Because our roasting methods cannot be patented, we would be unable to prevent competitors from copying these methods if such methods became known. In addition, competitors may be able to develop roasting or blending methods that are more advanced than our production methods, which may also harm our competitive position.

Increased competition in coffee or other beverage channels may have an adverse impact on sales of our products. If we do not succeed in differentiating ourselves through, among other things, our product and service offerings, or if we are not effective in setting proper pricing, then our competitive position may be weakened and our sales and profitability may be materially adversely affected.

***Increases in the cost of green coffee could reduce our gross margin and profit and may increase volatility in our results.***

Our primary raw material is green coffee, an exchange-traded agricultural commodity that is subject to price fluctuations. The supply of green coffee, similar to any agricultural commodity, may be impacted by, among other things, climate change, weather, natural disasters, real or perceived supply shortages, crop disease (such as coffee rust) and pests, general increase in farm inputs and costs of production, an increase in green coffee purchased and sold on a negotiated basis rather than directly on commodity markets in response to higher production costs relative to "C" market prices, political and economic conditions or uncertainty, labor actions, foreign currency fluctuations, armed conflict in coffee producing nations, acts of terrorism, pandemics, government actions and trade barriers, and the actions of producer organizations that have historically attempted to influence green coffee prices through agreements establishing export quotas or by restricting coffee supplies.

Speculative trading in coffee commodities can also influence coffee prices. Additionally, specialty green coffees tend to trade on a negotiated basis at a premium above the "C" market price which premium, depending on the supply and demand at the time of purchase, may be significant. We purchase over-the-counter coffee-related derivative instruments to enable us to lock in the price of green coffee commodity purchases on our behalf or at the direction of our customers under commodity-based pricing arrangements. Although we account for certain coffee-related derivative instruments as accounting hedges, the portion of open hedging contracts that are not designated as accounting hedges are marked to period-end market price and unrealized gains or losses based on whether the period-end market price was higher or lower than the price we locked-in are recognized in our financial results at the end of each reporting period. Depending on contractual restrictions, we may be unable to pass these cost to our customers by increasing the price of products. If we are unable to increase prices sufficiently to offset increased input costs, or if our sales volume decreases significantly as a result of price increases, our results of operations and financial condition may be adversely affected.

There can be no assurance that our purchasing practices and hedging activities will mitigate future price risk. As a result, increases in the cost of green coffee could have an adverse impact on our profitability.

***We face exposure to other commodity cost fluctuations, which could impact our margins and profitability.***

In addition to green coffee, we are exposed to cost fluctuations in other commodities under supply arrangements, including raw materials, tea, spices, and packaging materials such as cartonboard, corrugated and plastic. We are also exposed to flucutations in the cost of fuel. We purchase certain ingredients, finished goods and packaging materials under cost-plus supply arrangements whereby our costs may increase based on an increase in the underlying commodity price or changes in production costs. The cost of these commodities depend on various factors beyond our control, including economic and political conditions, foreign currency fluctuations, and global weather patterns. The changes in the prices we pay may take place on a monthly, quarterly or annual basis depending on the product and supplier. Unlike green coffee, we do not purchase any derivative instruments to hedge cost fluctuations in these other commodities. As a result, to the extent we are unable to pass along such costs to our customers through price increases, our margins and profitability will decrease.

***Our efforts to secure an adequate supply of quality coffees and other raw materials may be unsuccessful and impact our ability to supply our customers or expose us to commodity price risk.***

Maintaining a steady supply of green coffee is essential to keeping inventory levels low while securing sufficient stock to meet customer needs. We rely upon our ongoing relationships with our key suppliers to support our operations. Some of the Arabica coffee beans we purchase do not trade directly on the commodity markets. Rather, we purchase these coffee beans on a negotiated basis from coffee brokers, exporters and growers. If any of these supply relationships deteriorate or we are unable to renegotiate contracts with suppliers (with similar or more favorable terms) or find alternative sources for supply, we may be unable to procure a sufficient quantity of high-quality coffee beans and other raw materials at prices acceptable to us or at all which could negatively affect our results of operations. Further, non-performance by suppliers could expose us to supply risk under coffee purchase commitments for delivery in the future. In addition, the political situation in many of the Arabica coffee growing regions, including Africa, Indonesia, and Central and South America, can be unstable, and such instability could affect our ability to purchase coffee from those regions. If green coffee beans from a region become unavailable or prohibitively expensive, we could be forced to use alternative coffee beans or discontinue certain blends, which could adversely impact our sales. A raw material shortage could result in disruptions in our ability to deliver products to our customers, a deterioration of our relationship with our customers, decreased revenues or could impair our ability to expand our business.

***Interruption or increased costs of our supply chain and sales network or labor force, including a disruption in operations at any of our production and distribution facilities, could affect our ability to manufacture or distribute products and could adversely affect our business and sales.***

Our sales and distribution network requires a large investment to maintain and operate, and we rely on a limited number of production and distribution facilities. We also operate a large fleet of trucks and other vehicles to distribute and deliver our products through our DSD network, and we rely on 3PL service providers for our long-haul distribution. Certain products are also distributed by third parties or direct shipped via common carrier. Many of these costs are beyond our control, and many are fixed rather than variable.

There are potential adverse effects of labor disputes with our own employees or by others who provide warehousing, transportation (lines, truck drivers, 3PL service providers) or cargo handling (longshoremen), both domestic and foreign, of our raw materials or other products. We have union contracts relating to a significant portion of our workforce. Although we believe union relations have been amicable in the past, there is no assurance that this will continue in the future or that we will not be subject to future union organizing activity. The terms and conditions of existing, renegotiated or new collective bargaining agreements could also increase our costs or otherwise affect our ability to fully implement future operational changes to enhance our efficiency or to adapt to changing business needs or strategy.

In addition, we use a significant amount of electricity, gasoline, diesel and oil, natural gas and other energy sources to operate our production and distribution facilities. An increase in the price, disruption of supply or shortage of fuel and other energy sources that may be caused by increased demand or by events such as natural disasters, power outages, or the like, could lead to higher electricity, transportation and other commodity costs, including the pass-through of such costs under our agreements with 3PL service providers and other suppliers, that could negatively impact our profitability.

A disruption in operations at any of these facilities or any other disruption in our supply chain or increase in prices relating to service by our 3PL service providers, common carriers or distributors, service technicians or vendor-managed inventory arrangements, or otherwise, whether as a result of casualty, natural disaster, power loss, telecommunications failure, terrorism, labor shortages, shipping costs, trade restrictions, contractual disputes, weather, environmental incident, interruptions in port operations or highway arteries, increased downtime due to certain aging production infrastructure, pandemic, strikes, work stoppages, the financial or operational instability of key suppliers, distributors and transportation providers, or other causes, could significantly impair our ability to operate our business, adversely affect our relationship with our customers, and impact our financial condition or results of operations.

***We rely on co-packers to provide our supply of tea, spice, culinary and other products. Any failure by co-packers to fulfill their obligations or any termination or renegotiation of our co-pack agreements could adversely affect our results of operations.***

We have a number of supply agreements with co-packers that require them to provide us with specific finished goods, including tea, spice and culinary products. For some of our products we essentially rely upon a single co-packer as our sole-source for the product. The failure for any reason of any such sole-source or other co-packer to fulfill its obligations under the applicable agreements with us, including the failure by our co-packers to comply with food safety, environmental, or other laws and regulations, or the termination or renegotiation of any such co-pack agreement could result in disruptions to our supply of finished goods, cause damage to our reputation and brands, and have an adverse effect on our results of operations. Additionally, our co-packers are subject to risk, including labor disputes, union organizing activities, financial liquidity, inclement weather, natural disasters, pandemics, supply constraints, and general economic and political conditions that could limit their ability to timely provide us with acceptable products, which could disrupt our supply of finished goods, or require that we incur additional expense by providing financial accommodations to the co-packer or taking other steps to seek to minimize or avoid supply disruption, such as establishing a new co-pack arrangement with another provider. A new co-pack arrangement may not be available on terms as favorable to us as our existing co-pack arrangements, or at all.

***Our restructuring activities may be unsuccessful or less successful than we anticipate, which may adversely affect our business, operating results and financial condition.***

We have implemented, and may in the future implement, restructuring activities, such as the DSD Restructuring Plan and recent optimization initiatives in an effort to achieve strategic objectives and improve financial results. We cannot guarantee that we will be successful in implementing these activities in a timely manner or at all, or that such efforts will advance our business strategy as expected or result in realizing the anticipated benefits. Costs associated with restructuring activities may be greater than anticipated which could cause us to incur indebtedness in amounts in excess of expectations. Execution of restructuring activities has required, and will continue to require a substantial amount of management time and operational resources, including implementation of administrative and operational changes necessary to achieve the anticipated benefits. These activities may have adverse effects on existing business relationships with suppliers and customers, and impact employee morale. Management continues to analyze the Company’s sales organization and evaluate other potential restructuring opportunities in light of the Company’s strategic priorities which could result in additional restructuring charges the amount of which could be material. If we are unable to realize the anticipated benefits from our restructuring activities, we could be cost disadvantaged in the marketplace, and our competitiveness and our profitability could decrease.

***Customer quality control problems or food safety issues may adversely affect our brands thereby negatively impacting our sales or leading to potential product recalls or product liability claims.***

Selling products for human consumption involves inherent legal risks. Our success depends on our ability to provide customers with high-quality products and service. Although we take measures to ensure that we sell only fresh products, we have no control over our products once they are purchased by our customers. Clean water is critical to the preparation of coffee, tea and other beverages. We have no ability to ensure that our customers use a clean water supply to prepare these beverages. Instances or reports of food safety issues involving our products, whether or not accurate, such as unclean water supply, food or beverage-borne illnesses, tampering, contamination, mislabeling, or other food or beverage safety issues, including due to the failure of our third-party co-packers to maintain the quality of our products and to comply with our product specifications, could damage the value of our brands, negatively impact sales of our products, and potentially lead to product recalls, production interruptions, product liability claims, litigation or damages. A significant product liability claim against us, whether or not successful, or a widespread product recall may reduce our sales and harm our business.

***Government regulations affecting the conduct of our business could increase our operating costs, reduce demand for our products or result in litigation.***

The conduct of our business is subject to various laws and regulations including those relating to food safety, ingredients, manufacturing, processing, packaging, storage, marketing, advertising, labeling, quality and distribution of our products, import of raw materials, as well as environmental laws and those relating to privacy, worker health and workplace safety. These laws and regulations and interpretations thereof are subject to change as a result of political, economic or social events. In addition, our product advertising could make us the target of claims relating to false or deceptive advertising under U.S. federal and state laws, including the consumer protection statutes of some states. Any new laws and regulations or changes in government policy, existing laws and regulations or the interpretations thereof could require us to change certain of our operational processes and procedures, or implement new ones, and may increase our operating and compliance costs, which could adversely affect our results of operations. In addition, modifications to international trade policy, or the imposition of increased or new tariffs, quotas or trade barriers on key commodities, could adversely impact our business and results of operations. In some cases, increased regulatory scrutiny could interrupt distribution of our products or force changes in our production processes or procedures (or force us to implement new processes or procedures). In addition, compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, including increased government regulations to limit carbon dioxide and other greenhouse gas emissions, could require us to reduce emissions and to incur compliance costs which could affect our profitability or impede the production or distribution of our products. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our results of operations and adversely affect our reputation and brand image. In addition, claims or liabilities of this sort may not be covered by insurance or by any rights of indemnity or contribution that we may have against others.

***We could face significant withdrawal liability if we withdraw from participation in the multiemployer pension plans in which we participate.***

We participate in two multiemployer defined benefit pension plans and one multiemployer defined contribution pension plan for certain union employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. Our required contributions to these plans could increase due to a number of factors, including the funded status of the plans and the level of our ongoing participation in these plans. Our risk of such increased payments may be greater if any of the participating employers in these underfunded plans withdraws from the plan due to insolvency and we are not able to contribute an amount sufficient to fund the unfunded liabilities associated with its participants in the plan. In the event we withdraw from participation in one or more of these plans, we could be required to make an additional lump-sum contribution to the plan. Our withdrawal liability for any multiemployer pension plan would depend on the extent of the plan’s funding of vested benefits. The amount of any potential withdrawal liability could be material to our results of operations and cash flows.

***Litigation pending against us could expose us to significant liabilities and damage our reputation.***

We are currently party to various legal and other proceedings, and additional claims may arise in the future. See Note 22, Commitments and Contingencies, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. Regardless of the merit of particular claims, litigation may be expensive, time-consuming, operationally disruptive and distracting to management, and could negatively affect our brand name and image and subject us to statutory penalties and costs of enforcement. We can provide no assurances as to the outcome of any litigation or the resolution of any other claims against us. An adverse outcome of any litigation or other claim could negatively affect our financial condition, results of operations and liquidity.

***We are self-insured and our reserves may not be sufficient to cover future claims.***

We are self-insured for many risks up to varying deductible amounts. The premiums associated with our insurance continue to increase. General liability, fire, workers' compensation, directors' and officers' liability, life, employee medical, dental and vision, and automobile risks present a large potential liability. While we accrue for this liability based on historical claims experience, future claims may exceed claims we have incurred in the past. Should a different number of claims occur compared to what was estimated or the cost of the claims increase beyond what was anticipated, reserves recorded may not be sufficient and the accruals may need to be adjusted accordingly in future periods. A successful claim against us that is not covered by insurance or is in excess of our reserves or available insurance limits could negatively affect our business, financial condition and results of operations.

***Loss of business from one or more of our large national account customers and efforts by these customers to improve their profitability could have a material adverse effect on our operations.***

We have a number of large national account customers, the loss of or reduction in sales to one or more of which is likely to have a material adverse effect on our results of operations. During fiscal 2020, our top five customers accounted for approximately 19.8% of our net sales. We generally do not have long-term contracts with the majority of our customers. Accordingly, the majority of our customers can stop purchasing our products at any time without penalty and are free to purchase products from our competitors. There can be no assurance that our customers will continue to purchase our products in the same mix or quantities or on the same terms as they have in the past. In addition, because of the competitive environment facing many of our customers and industry consolidation which has produced large customers with increased buying power and negotiating strength, our customers have increasingly sought to improve their profitability through pricing concessions and more favorable trade terms. To the extent we provide pricing concessions or favorable trade terms, our margins would be reduced. If we are unable to continue to offer terms that are acceptable to our customers, they may reduce purchases of our products which would adversely affect our financial performance. Requirements that may be imposed on us by our customers, such as sustainability, inventory management or product specification requirements, may have an adverse effect on our results of operations. Additionally, our customers may face financial difficulties, bankruptcy or other business disruptions that may impact their operations and their purchases from us and may affect their ability to pay us for products which could adversely affect our sales and profitability.

***Our accounts receivable represents a significant portion of our current assets and a substantial portion of our trade accounts receivables relate principally to a limited number of customers, increasing our exposure to bad debts and counter-party risk which could potentially have a material adverse effect on our results of operations.***

A significant portion of our trade accounts receivable are from five customers. The concentration of our accounts receivable across a limited number of parties subjects us to individual counter-party and credit risk as these parties may breach our agreement, claim that we have breached the agreement, become insolvent and/or declare bankruptcy, delaying or reducing our collection of receivables or rendering collection impossible altogether. Certain of the parties use third-party distributors or do business through a network of affiliate entities which can make collection efforts more challenging and, at times, collections may be economically unfeasible. Adverse changes in general economic conditions and/or contraction in global credit markets could precipitate liquidity problems among our debtors. This could increase our exposure to losses from bad debts and have a material adverse effect on our business, financial condition and results of operations.

***We depend on the expertise of key personnel and have experienced significant turnover in our senior management. The unexpected loss of one or more of these key employees or difficulty recruiting and retaining qualified personnel could have a material adverse effect on our operations and competitive position.***

Our success largely depends on the efforts and abilities of our executive officers and other key personnel. In the past year, we have experienced significant turnover in our senior management ranks. The lack of management continuity could adversely affect our ability to successfully manage our business and execute our strategy, as well as result in operational and administrative inefficiencies and added costs, and may make recruiting for future management positions more difficult. We must continue to recruit, retain, motivate and develop management and other employees sufficiently to maintain our current business and support our projected growth and strategic initiatives. This may require significant investments in training, coaching and other career development and retention activities. Activities related to identifying, recruiting, hiring and integrating qualified individuals require significant time and attention. We may also need to invest significant amounts of cash and equity to attract talented new employees, and we may never realize returns on these investments. Competition for talent is intense, and we might not be able to identify and hire the personnel we need to continue to evolve and grow our business. If we are not able to effectively retain and grow our talent, our ability to achieve our strategic objectives will be adversely affected, which may impact our financial condition and results of operations. Further, any unplanned turnover or failure to develop or implement an adequate succession plan for our senior management and other key employees, could deplete our institutional knowledge base, erode our competitive advantage, and negatively affect our business, financial condition and results of operations. We do not maintain key person life insurance policies on any of our executive officers.

***Increased severe weather patterns may increase commodity costs, damage our facilities and disrupt our production capabilities and supply chain.***

There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere have caused and will continue to cause significant changes in weather patterns around the globe and an increase in the frequency and severity of extreme weather events. Major weather phenomena are dramatically affecting coffee growing countries. The wet and dry seasons are becoming unpredictable in timing and duration, causing improper development of the coffee cherries. Decreased agricultural productivity in certain regions as a result of changing weather patterns may affect the quality, limit the availability or increase the cost of key agricultural commodities, which are important ingredients for our products. We have experienced storm-related damages and disruptions to our operations in the recent past related to both winter storms as well as heavy rainfall and flooding. Increased frequency or duration of extreme weather conditions could damage our facilities, impair production capabilities, disrupt our supply chain or impact demand for our products. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations.

***Investment in acquisitions could disrupt our ongoing business, not result in the anticipated benefits and present risks not originally contemplated.***

We have invested and in the future may invest in acquisitions which may involve significant risks and uncertainties. The success of any such acquisitions will depend, in part, on our ability to realize all or some of the anticipated benefits from integrating the acquired businesses with our existing businesses, and to achieve revenue and cost synergies. Additionally, any such acquisitions may result in potentially dilutive issuances of our equity securities, the incurrence of additional debt, restructuring charges, impairment charges, contingent liabilities, amortization expenses related to intangible assets, and increased operating expenses, which could adversely affect our results of operations and financial condition. There can be no assurance that any such acquisitions will be identified or that we will be able to consummate any such acquisitions on terms favorable to us or at all, or that the synergies from any such acquisitions will be achieved. If any such acquisitions are not successful, our business and results of operations could be adversely affected.

***An increase in our debt leverage could adversely affect our liquidity and results of operations.***

As of June 30, 2020 and 2019, we had outstanding borrowings under our credit facility of $122.0 million and $92.0 million, respectively, with no availability as of June 30, 2020, and excess availability of $55.7 million as of June 30, 2019, subject to covenant compliance. We may incur significant indebtedness in the future, including through additional borrowings under the credit facility (if amended to provide additional capacity), through the issuance of debt securities, or otherwise.

Our present indebtedness and any future borrowings could have adverse consequences, including:

- requiring a substantial portion of our cash flow from operations to make payments on our indebtedness;
- reducing the cash flow available or limiting our ability to borrow additional funds, to pay dividends, to fund capital expenditures and other corporate purposes and to pursue our business strategies;
- limiting our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate;
- increasing our vulnerability to general adverse economic and industry conditions; and
- placing us at a competitive disadvantage compared to our competitors that have less debt.

To the extent we become more leveraged, we face an increased likelihood that one or more of the risks described above would materialize.

As amended in July 2020 (See Liquidity Section for details), our credit facility also contains certain financial and operational covenants such as a minimum monthly cumulative EBITDA, a minimum fixed charge coverage ratio, and minimum liquidity and maximum capital expenditures. The breach of any of these covenants could result in a default under the credit facility.

In addition, if we are unable to make payments as they come due or comply with the restrictions and covenants under the credit facility or any other agreements governing our indebtedness, there could be a default under the terms of such agreements. In such event, or if we are otherwise in default under the credit facility or any such other agreements, the lenders could terminate their commitments to lend and/or accelerate the loans and declare all amounts borrowed due and payable. Furthermore, our lenders under the credit facility could foreclose on their security interests in our assets. If any of those events occur, our assets might not be sufficient to repay in full all of our outstanding indebtedness and we may be unable to find alternative financing on acceptable terms or at all. Failure to maintain existing or secure new financing could have a material adverse effect on our liquidity and financial position.

***Our liquidity has been adversely affected as a result of our operating performance in recent periods and may be further materially adversely affected by constraints in the capital and credit markets and limitations under our financing arrangements.***

We need sufficient sources of liquidity to fund our working capital requirements, service our outstanding indebtedness and finance business opportunities. Without sufficient liquidity, we could be forced to curtail our operations, or we may not be able to pursue business opportunities. The principal sources of our liquidity are funds generated from operating activities, available cash, our credit facility, and proceeds from the sale of assets. In recent periods, significant acquisition costs, large capital investments along with the underperformance of our business has resulted in a decrease in funds from operating activities, which has weakened our liquidity position. Since March 2020, the impact of the COVID-19 pandemic and related federal, state, and local restrictive measures have had an adverse impact on certain of our customers, particularly restaurants, hotels, casinos and coffeehouses.

Should our operating performance deteriorate further or the COVID-19 pandemic persists or recurs in the near term, we will have less cash inflows from operations available to meet our financial obligations or to fund our other liquidity needs. In addition, if such deterioration were to lead to the closure of leased facilities, we would need to fund the costs of terminating those leases. If we are unable to generate sufficient cash flows from operations in the future to satisfy these financial obligations, we may be required to, among other things:

- seek additional financing in the debt or equity markets;
- refinance or restructure all or a portion of our indebtedness;
- sell assets; and/or
- reduce or delay planned capital or operating expenditures, strategic acquisitions or investments.

Such measures might not be sufficient to enable us to satisfy our financial obligations or to fund our other liquidity needs, and could impede the implementation of our business strategy, prevent us from entering into transactions that would otherwise benefit our business and/or have a material adverse effect on our financial condition and results of operations. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms or at all. Our ability to obtain additional financing or refinance our indebtedness would depend upon, among other things, our financial condition at the time, and the liquidity of the overall capital markets and the state of the economy. Furthermore, any refinancing of our existing debt could be at higher interest rates and may require compliance with more onerous covenants, which could further restrict our business operations. In addition, if our lenders experience difficulties that render them unable to fund future draws on the credit facility, we may not be able to access all or a portion of these funds, which could adversely affect our ability to operate our business and pursue our business strategies. In addition, covenants in our debt agreements could restrict or delay our ability to respond to business opportunities, or in the event of a failure to comply with such covenants, could result in an event of default, which if not cured or waived, could have a material adverse effect on us.

***Our operating results may have significant fluctuations from period to period which could have a negative effect on the market price of our common stock.***

Our operating results may fluctuate from period to period as a result of a number of factors, including variations in our operating performance or the performance of our competitors, changes in accounting principles, fluctuations in the price and supply of green coffee, fluctuations in the selling prices of our products, the success of our hedging strategy, research reports and changes in financial estimates by analysts about us, or competitors or our industry, our inability or the inability of our competitors to meet analysts' projections or guidance, strategic decisions by us or our competitors, such as acquisitions, capital investments or changes in business strategy, the depth and liquidity of the market for our common stock, adverse outcomes of litigation, changes in or uncertainty about economic conditions, conditions or trends in our industry, geographies, or customers, activism by any large stockholder or group of stockholders, speculation by the investment community regarding our business, actual or anticipated growth rates relative to our competitors, terrorist acts, natural disasters, perceptions of the investment opportunity associated with our common stock relative to other investment alternatives, competition, changes in consumer preferences and market trends, seasonality, our ability to retain and attract customers, our ability to manage inventory and fulfillment operations and maintain gross margin, and other factors described elsewhere in this risk factors section. Fluctuations in our operating results due to these factors or for any other reason could cause the market price of our common stock to decline. In addition, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market price of equity securities issued by many companies. In the past, some companies that have had volatile market prices for their securities have been subject to class action or derivative lawsuits. The filing of a lawsuit against us, regardless of the outcome, could have a negative effect on our business, financial condition and results of operations, as it could result in substantial legal costs, a diversion of management's attention and resources, and require us to make substantial payments to satisfy judgments or to settle litigation. Accordingly, we believe that period-to-period comparisons of our operating results are not necessarily meaningful, and such comparisons should not be relied upon as indicators of future performance.

***Concentration of ownership among our principal stockholders may dissuade potential investors from purchasing our stock, may prevent new investors from influencing significant corporate decisions, may result in activist actions and may result in a lower trading price for our common stock than if ownership of our common stock was less concentrated.***

Based on statements and reports filed with the SEC pursuant to Sections 13(d) and 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), large stockholders beneficially own a significant portion of our outstanding common stock. As a result, these stockholders may be able to influence the outcome of stockholder votes, including votes concerning the election and removal of directors, activist campaigns, proxy contests, the amendment of our charter documents, and approval of significant corporate transactions. This level of concentrated ownership may have the effect of delaying or preventing a change in the management or voting control of the Company. If these stockholders engage in activist actions, responding to these actions can disrupt operations, be costly and time-consuming, and divert board and management attention, which could have an adverse effect on our results of operations and financial condition. In addition, this significant concentration of share ownership may adversely affect the trading price of our common stock if investors perceive disadvantages in owning stock in a company with such concentrated ownership. Sales of common stock by significant stockholders could have a material adverse effect on the market price of our common stock. In addition, the transfer of ownership of a significant portion of our outstanding shares of common stock within a three-year period could adversely affect our ability to use our net operating loss ("NOL") carryforwards to offset future taxable net income.

***Our outstanding Series A Preferred Stock or future equity offerings could adversely affect the holders of our common stock in some circumstances.***

As of June 30, 2020, we had 14,700 shares of Series A Convertible Participating Cumulative Perpetual Preferred Stock, par value $1.00 per share ("Series A Preferred Stock"), outstanding. The Series A Preferred Stock could adversely affect the holders of our common stock in certain circumstances. On an as converted basis, holders of Series A Preferred Stock are entitled to vote together with the holders of our common stock and are entitled to share in the dividends on common stock, when declared. The Series A Preferred Stock pays a dividend, when, as and if declared by our Board of Directors, of 3.5% APR of the stated value per share payable in four quarterly installments in arrears, and has an initial stated value of $1,000 per share, adjustable up or down by the amount of undeclared and unpaid dividends or subsequent payment of accumulated dividends thereon, respectively, and a conversion premium of 22.5%. We may mandatorily convert all of the Series A Preferred Stock one year from the date of issue. The holder may convert 20%, 30% and 50% of the Series A Preferred Stock at the end of the first, second and third year, respectively, from the date of issue. In the future, we may offer additional equity, equity-linked or debt securities, which may have rights, preferences or privileges senior to our common stock. As a result, our common stockholders may experience dilution. Any of the foregoing could have a material adverse effect on the holders of our common stock.

***Anti-takeover provisions or stockholder dilution could make it more difficult for a third party to acquire us.***

Our Board of Directors has the authority to issue shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by stockholders. We currently have 479,000 authorized shares of preferred stock undesignated as to series, and we could cause shares currently designated as to series but not outstanding to become undesignated and available for issuance as a series of preferred stock to be designated in the future. The rights of the holders of our common stock may be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deterring or preventing a change in control of the Company without further action by stockholders and may adversely affect the voting and other rights of the holders of our common stock.

Further, certain provisions of our charter documents, including a classified board of directors which will phase out over the next two years, have provisions eliminating the ability of stockholders to take action by written consent, and provisions limiting the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice, may have the effect of delaying or preventing changes in control or management of the Company, which could have an adverse effect on the market price of our common stock. In addition, our charter documents do not permit cumulative voting, which may make it more difficult for a third party to gain control of our Board of Directors. Further, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which will prohibit us from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, even if such combination is favored by a majority of stockholders, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change in control or management.

***Volatility in the equity markets or interest rate fluctuations could substantially increase our pension funding requirements and negatively impact our financial position.***

At June 30, 2020, the projected benefit obligation under our single employer defined benefit pension plans exceeded the fair value of plan assets. The difference between the projected benefit obligation and the fair value of plan assets, or the funded status of the plans, significantly affects the net periodic benefit cost and ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, mix of plan asset investments, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic benefit cost, increase our future funding requirements and require payments to the Pension Benefit Guaranty Corporation. In addition, facility closings may trigger cash payments or previously unrecognized obligations under our defined benefit pension plans, and the cost of such liabilities may be significant or may compromise our ability to close facilities or otherwise conduct cost reduction initiatives on time and within budget. A significant increase in future funding requirements could have a negative impact on our financial condition and results of operations.

***We rely on information technology and are dependent on software in our operations. Any material failure, inadequacy, interruption or security failure of that technology could affect our ability to effectively operate our business.***

Our ability to effectively manage our business, maintain information accuracy and efficiency, comply with regulatory, financial reporting, legal and tax requirements, and coordinate the production, distribution and sale of our products depends significantly on the reliability, capacity and integrity of information technology systems, software and networks. We are also dependent on enterprise resource planning software for some of our information technology systems and support. The failure of these systems to operate effectively and continuously for any reason could result in delays in processing replenishment orders from our branch warehouses, an inability to record input costs or product sales accurately or at all, an impaired understanding of our operations and results, an increase in operating expenses, reduced operational efficiency, loss of customers or other business disruptions, all of which could negatively affect our business and results of operations. To date, we have not experienced a material breach of cyber security, however our computer systems have been, and will likely continue to be, subjected to unauthorized access or phishing attempts, computer viruses, malware, ransomware or other malicious codes. These threats are constantly evolving and this increases the difficulty of timely detection and successful defense. As a result, security, backup, disaster recovery, administrative and technical controls, and incident response measures may not be adequate or implemented properly to prevent cyber-attacks or other security breaches to our systems. Failure to effectively allocate and manage our resources to build, sustain, protect and upgrade our information technology infrastructure could result in transaction errors, processing inefficiencies, the loss of customers, reputational damage, litigation, business disruptions, or the loss of sensitive or confidential data through security breach or otherwise. Significant capital investments could be required to remediate any potential problems or to otherwise protect against security breaches or to address problems caused by breaches. In addition, if our customers or suppliers experience a security breach or system failure, their businesses could be disrupted or negatively affected, which may result in a reduction in customer orders or disruption in our supply chain, which would adversely affect our results of operations.

***Failure to prevent the unauthorized access, use, theft or destruction of personal, financial and other confidential information relating to our customers, suppliers, employees or our Company, could damage our business reputation, negatively affect our results of operations, and expose us to potential liability.***

The protection of our customer, supplier, employee, and Company data and confidential information is critical. We are subject to new and changing privacy and information security laws and standards that may require significant investments in technology and new operational processes. The use of electronic payment methods and collection of other personal information exposes us to increased risk of privacy and/or security breaches. We rely on commercially available systems, software, tools, and monitoring to provide security for processing, transmitting, and storing personal information from individuals, including our customers, suppliers and employees, and our security measures may not effectively prohibit others from obtaining improper access to such information. We rely on third party, cloud based technologies which results in third party access and storage of Company data and confidential information. Employees or third parties with whom we do business or to whom we outsource certain information technology or administrative services may attempt to circumvent security measures in order to misappropriate such information, and may purposefully or inadvertently cause a breach involving such information. If we experience a data security breach of any kind or fail to respond appropriately to such incidents, we may experience a loss of or damage to critical data, suffer financial or reputational damage or penalties, or face exposure to negative publicity, government investigations and proceedings, private consumer or securities litigation, liability or costly response measures. In addition, our reputation within the business community and with our customers and suppliers may be affected, which could result in our customers and suppliers ceasing to do business with us which could adversely affect our business and results of operations. Our insurance policies do not cover losses caused by security breaches.

***Our ability to use our NOL carryforwards to offset future taxable net income may be subject to certain limitations.***

At June 30, 2020, we had approximately $150.6 million in federal and $115.0 million in state NOL carryforwards that will begin to expire in the years ending June 30, 2030 and June 30, 2021, respectively. If an ownership change as defined in Section 382 of the Internal Revenue Code (the "Code"), occurs with respect to our capital stock, our ability to use NOLs to offset taxable income would be subject to certain limitations. Generally, an ownership change occurs under Section 382 of the Code if certain persons or groups increase their aggregate ownership by more than 50 percentage points of our total capital stock over a rolling three-year period. If an ownership change occurs, our ability to use NOLs to reduce taxable net income is generally limited to an annual amount based on the fair market value of our stock immediately prior to the ownership change multiplied by the long-term tax-exempt interest rate. If an ownership change were to occur, use of our NOLs to reduce payments of federal taxable net income may be deferred to later years within the 20-year carryover period; however, if the carryover period for any loss year expires, the use of the remaining NOLs for the loss year will be prohibited. Future changes in our stock ownership, some of which may be outside of our control, could result in an ownership change under Section 382 of the Code.

There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire, decrease in value or otherwise be unavailable to offset future income tax liabilities. As a result, we may be unable to realize a tax benefit from the use of our NOLs, even if we generate a sufficient level of taxable net income prior to the expiration of the NOL carry forward periods.

***Future impairment charges could adversely affect our operating results.***

At June 30, 2020, we had $20.7 million in long-lived intangible assets, including recipes, non-compete agreements, customer relationships, trade names, trademarks and a brand name, associated with completed acquisitions. Acquisitions are based on certain target analysis and due diligence procedures designed to achieve a desired return or strategic objective. These procedures often involve certain assumptions and judgment in determining the acquisition price. After consummation of an acquisition, unforeseen issues could arise that adversely affect anticipated returns or that are otherwise not recoverable as an adjustment to the purchase price. Even after careful integration efforts, actual operating results may vary significantly from initial estimates. We perform an asset impairment analysis on an annual basis or whenever events occur that may indicate possible existence of impairment. Failure to achieve forecasted operating results, due to weakness in the economic environment or other factors, changes in market conditions, loss of or significant decline in sales to customers included in valuation of the intangible asset, changes in our imputed cost of capital, and declines in our market capitalization, among other things, could result in impairment of our intangible assets and goodwill and adversely affect our operating results. For the year ended June 30, 2020, we had full goodwill impairment and partial impairment of long-lived intangible assets.

**Item 1.B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Our current production and distribution facilities are as follows:

| Location | Approximate Area (Square Feet) | Purpose | Status |
|---|---|---|---|
| Northlake, TX | 535,585 | Corporate headquarters, manufacturing, distribution, warehouse, product development lab | Owned |
| Houston, TX | 330,877 | Manufacturing and warehouse | Leased |
| Portland, OR | 114,000 | Manufacturing and distribution | Leased |
| Oklahoma City, OK | 142,115 | Equipment repair center | Owned |
| Northlake, IL | 89,837 | Distribution and warehouse | Leased |
| Moonachie, NJ | 41,404 | Distribution and warehouse | Leased |
| Hillsboro, OR | 20,400 | Manufacturing, distribution and warehouse | Leased |

As of June 30, 2020, we stage our products in 97 branch warehouses throughout the contiguous United States. These branch warehouses and our distribution centers, taken together, represent a vital part of our business, but no individual branch warehouse is material to the business as a whole. Our stand-alone branch warehouses vary in size from approximately 1,000 to 34,000 square feet.

Approximately 62% of our facilities are leased with a variety of expiration dates within the range of 2021 through 2028. The lease on the Portland facility was renewed in fiscal 2018 and expires in 2028, subject to an option to renew up to an additional 10 years.

We calculate our utilization for all of our coffee roasting facilities on an aggregate basis based on the number of product pounds manufactured during the actual number of production shifts worked during an average week, compared to the number of product pounds that could be manufactured based on the maximum number of production shifts that could be operated during the week (assuming three shifts per day, five days per week), in each case, based on our current product mix. Utilization rates for our coffee roasting facilities were approximately 66%, 71% and 75% during the fiscal years ended June 30, 2020, 2019 and 2018, respectively.

We believe that our existing facilities provide adequate capacity for our current operations.

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**Item 3. Legal Proceedings**

For information regarding legal proceedings in which we are involved, see Note 22, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

**Market Information**

Our common stock trades on the NASDAQ Global Select Market under the symbol "FARM."

***Holders***

As of September 1, 2020, there were approximately 208 shareholders of record of common stock. This does not include persons whose common stock is in nominee or "street name" accounts through brokers.

***Equity Compensation Plan Information***

This information appears in *Equity Compensation Plan Information* included in Part III, Item 12 of this report.

***Performance Graph***

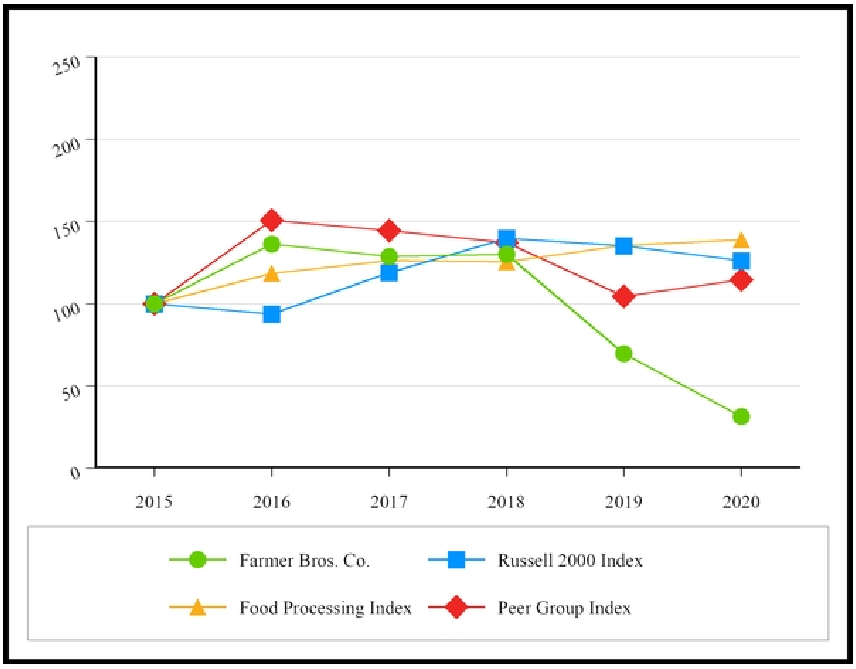
The following graph depicts a comparison of the total cumulative stockholder return on our common stock for each of the last five fiscal years relative to the performance of the Russell 2000 Index, the Value Line Food Processing Index and a peer group index. Companies in the Russell 2000, Value Line Food Processing Index and peer group index are weighted by market capitalization. The graph assumes an initial investment of $100.00 at the close of trading on June 30, 2015 and that all dividends paid by companies included in these indices have been reinvested.

Because no published peer group is similar to the Company's portfolio of business, the Company created a peer group index that includes the following companies that operate in the similar line of business: B&G Foods, Inc., Coffee Holding Co. Inc., Lancaster Colony Corporation, National Beverage Corp., SpartanNash Company, Seneca Foods Corp. and TreeHouse Foods, Inc.

The historical stock price performance of the Company's common stock shown in the performance graph below is not necessarily indicative of future stock price performance. The Russell 2000 Index, the Value Line Food Processing Index and the peer group index are included for comparative purposes only. They do not necessarily reflect management's opinion that such indices are an appropriate measure for the relative performance of the stock involved, and they are not intended to forecast or be indicative of possible future performance of our common stock.

The material in this performance graph is not soliciting material, is not deemed filed with the SEC, and is not incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, whether made on, before or after the date of this filing and irrespective of any general incorporation language in such filing.

**Total Return Performance Table**




| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Farmer Bros. Co. | $ 100.00 | $ 136.43 | $ 128.72 | $ 130.00 | $ 69.66 | $ 31.32 |
| Russell 2000 Index | $ 100.00 | $ 93.83 | $ 119.01 | $ 139.84 | $ 135.21 | $ 126.25 |
| Value Line Food Processing Index | $ 100.00 | $ 118.48 | $ 126.26 | $ 125.48 | $ 135.42 | $ 138.97 |
| Peer Group Index | $ 100.00 | $ 150.78 | $ 144.48 | $ 137.15 | $ 104.43 | $ 114.54 |

**Issuer Purchases of Equity Securities**

The table below presents purchases made by or on behalf of the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Exchange Act) of shares of our Class A Common Stock during each of the indicated periods.

| Period | Total Number of Shares of Our Class A Common Stock Purchased | Average Price Paid Per Share of Our Class A Common Stock | Total Number of Shares of Our Class A Common Stock Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares of Our Class A Common Stock That May Yet Be Purchased Under the Plan or Program |
|---|---|---|---|---|
| April 1 to April 30, 2020 | — | $ — | — | — |
| May 1 to May 31, 2020 | — | $ — | — | — |
| June 1 to June 30, 2020 | — | $ — | — | — |

Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations*, *Risk Factors*, and our consolidated financial statements and the notes thereto included elsewhere in this report. The historical results do not necessarily indicate results expected for any future period.

| | For the Years Ended June 30, | | | | |
|---|---|---|---|---|---|
| (In thousands, except per share data) | 2020 | 2019 | 2018(1) | 2017(1) | 2016(1) |
| **Consolidated Statement of Operations Data:** | | | | | |
| Net sales | $ 501,320 | $ 595,942 | $ 606,544 | $ 541,500 | $ 544,382 |
| Cost of goods sold | $ 363,198 | $ 416,840 | $ 399,155 | $ 354,649 | $ 373,165 |
| Restructuring and other transition expenses | $ — | $ 4,733 | $ 662 | $ 11,016 | $ 16,533 |
| Net gain from sale of Torrance Facility | $ — | $ — | $ — | $ (37,449) | $ — |
| Net (gains) losses from sales of assets | $ (25,237) | $ 465 | $ (966) | $ (2,129) | $ (8,405) |
| Impairment losses on intangible assets | $ 42,030 | $ — | $ 3,820 | $ — | $ — |
| (Loss) income from operations | $ (43,002) | $ (14,702) | $ 1,053 | $ 38,934 | $ (1,736) |
| Postretirement benefits curtailment gains and pension settlement (charge) | $ 5,760 | $ (10,948) | $ — | $ — | $ — |
| Income tax (benefit) expense(2) | $ (195) | $ 40,111 | $ 17,312 | $ 14,815 | $ (72,239) |
| Net (loss) income available to common stockholders | $ (37,641) | $ (74,130) | $ (18,669) | $ 22,551 | $ 71,791 |
| Net (loss) income available to common stockholders per common share—basic | $ (2.19) | $ (4.36) | $ (1.11) | $ 1.35 | $ 4.35 |
| Net (loss) income available to common stockholders per common share—diluted | $ (2.19) | $ (4.36) | $ (1.11) | $ 1.34 | $ 4.32 |

| | As of June 30, | | | | |
|---|---|---|---|---|---|
| (In thousands) | 2020 | 2019 | 2018(1) | 2017(1) | 2016(1) |
| **Consolidated Balance Sheet Data:** | | | | | |
| Total current assets | $ 176,713 | $ 159,908 | $ 173,514 | $ 140,703 | $ 177,366 |
| Property, plant and equipment, net | $ 165,633 | $ 189,458 | $ 186,589 | $ 176,066 | $ 118,416 |
| Goodwill | $ — | $ 36,224 | $ 36,224 | $ 10,996 | $ 272 |
| Intangible assets, net | $ 20,662 | $ 28,878 | $ 31,515 | $ 18,618 | $ 6,219 |
| Operating lease assets | $ 21,117 | $ — | $ — | $ — | $ — |
| Deferred income taxes | $ — | $ — | $ 39,308 | $ 53,933 | $ 71,508 |
| Total assets | $ 392,699 | $ 424,610 | $ 475,531 | $ 407,153 | $ 383,714 |
| Short-term borrowings under revolving credit facility | $ — | $ — | $ 89,787 | $ 27,621 | $ 109 |
| Long-term borrowings under revolving credit facility | $ 122,000 | $ 92,000 | $ — | $ — | $ — |
| Operating lease liabilities | $ 21,483 | $ — | $ — | $ — | $ — |
| Finance lease obligations | $ 9 | $ 32 | $ 248 | $ 1,195 | $ 2,359 |
| Earnout payable | $ — | $ 400 | $ 600 | $ 1,100 | $ 100 |
| Long-term derivative liabilities | $ 2,859 | $ 1,612 | $ 386 | $ 380 | $ — |
| Total liabilities | $ 280,786 | $ 267,116 | $ 246,476 | $ 177,601 | $ 186,397 |

(1) Prior year periods have been retrospectively adjusted to reflect the impact of certain changes in accounting principles to previously issued financial statements.

(2) Includes valuation allowance of $64.4 million and $52.0 million in fiscal years ended June 30, 2020 and 2019, respectively. See Note 19, *Income Taxes*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. The results of operations for the fiscal years ended June 30, 2020, 2019 and 2018 are not necessarily indicative of the results that may be expected for any future period. The following discussion should be read in combination with the consolidated financial statements and the notes thereto included in Part II, Item 8 of this report and with the *Risk Factors* described in Part I, Item 1A of this report.

**Our Business**

We are a national coffee roaster, wholesaler and distributor of coffee, tea and culinary products manufactured under supply agreements, under our owned brands, as well as under private labels on behalf of certain customers. We were founded in 1912, incorporated in California in 1923, and reincorporated in Delaware in 2004. Our principal office is located in Northlake, Texas. We operate in one business segment.

We serve a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurants, department and convenience store chains, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors. We are a coffee company dedicated to deliver the coffee people want, the way they want it. We are focused on being a growing and profitable forward-thinking industry leader, championing coffee culture through understanding, leading, building and winning in the business of coffee. Through our sustainability, stewardship, environmental efforts, and leadership we are not only committed to serving the finest products available, considering the cost needs of the customer, but also insist on their sustainable cultivation, manufacture and distribution whenever possible.

Our product categories consist of a robust line of roast and ground coffee, including organic, Direct Trade, Project D.I.R.E.C.T.® and other sustainably-produced offerings; frozen liquid coffee; flavored and unflavored iced and hot teas; culinary products including gelatins and puddings, soup bases, dressings, gravy and sauce mixes, pancake and biscuit mixes, jellies and preserves, and coffee-related products such as coffee filters, sugar and creamers; spices; and other beverages including cappuccino, cocoa, granitas, and concentrated and ready-to-drink cold brew and iced coffee. We offer a comprehensive approach to our customers by providing not only a breadth of high-quality products, but also value added services such as market insight, beverage planning, and equipment placement and service.

We operate production facilities in Northlake facility, Texas; Houston, Texas; Portland, Oregon; and Hillsboro, Oregon. Distribution takes place out of the Northlake facility, the Portland and Hillsboro facilities, as well as separate distribution centers in Northlake, Illinois; and Moonachie, New Jersey. Our products reach our customers primarily in the following ways: through our nationwide DSD network of 186 delivery routes and 97 branch warehouses as of June 30, 2020, or direct-shipped via common carriers or third-party distributors. DSD sales are primarily made "off-truck" to our customers at their places of business. We operate a large fleet of trucks and other vehicles to distribute and deliver our products through our DSD network, and we rely on 3PL service providers for our long-haul distribution.

***Impact of the COVID-19 Pandemic on Our Business***

The COVID-19 pandemic has significantly impacted our financial position, results of operations, cash flows and liquidity as the spread of the pandemic and resulting governmental actions have decreased the demand for our products, most notably throughout our DSD network, which has had a material impact on our revenues during the second half of our fiscal year ended June 30, 2020; and we expect the COVID-19 pandemic will continue to have a material impact on our revenues in future periods, especially the first half of our fiscal year ending June 30, 2021. Our DSD customers consist of small independent restaurants, foodservice operators, large institutional buyers, and convenience store chains, hotels, casinos, healthcare facilities, and foodservice distributors. Some customers have either limited operations, or have closed their operations in compliance with the restrictive measures enacted by federal, states and local governments restrictions on social distancing. Thus, our DSD sales channel weekly revenue from these customers at the height of the pandemic in April 2020, declined by 65% to 70% from the pre COVID-19 pandemic weeks. We have proactively responded with new concepts such as, warehouse and pop-up sales, and accelerated our roastery direct and e-commerce initiatives; these efforts have helped to mitigate the impact of the decline in DSD revenue. As of June 30, 2020, due to the above management initiatives, lifting of some of the government restrictions, and reopening of some of our customers' businesses, our revenues have recovered to some extent but are still down by approximately 45% from the pre COVID-19 pandemic weeks.

Our Direct Ship sales channel has also been negatively impacted by the COVID-19 pandemic. However, our retail business and products sold by key grocery stores under their private labels, as well as third party e-commerce platforms, have seen a slight to moderate increase in demand which has mitigated some of the impact of the COVID-19 pandemic.

In response to the pandemic's impact on our business, we instituted several initiatives in March 2020 to reduce operating expenses and capital expenditures to help mitigate the significant negative impact of our DSD revenue decline. Specifically, we have, among other things;

- reduced headcount and furloughed a significant percentage of employees;
- eliminated fiscal third quarter 2020 cash compensation for our Board of Directors;
- temporarily decreased executive leadership, corporate team member’s and all exempt employees (except route sales representatives) base salaries by instituting a 15% reduction;
- reduced discretionary spending, including a moratorium on all travel;
- reduced fiscal year ending 2020 management incentive bonus program;
- reduced plant production costs in two of our plants;
- suspended 401k cash matching for all eligible employees;
- reduced capital expenditures while also closely managing inventory and other spending;
- implemented cost controls throughout our coffee brewing equipment (“CBE”) program service network;
- instituted cost savings to reduce our general and administrative expenses; and
- reduced our DSD supply chain network costs by reducing freight and fleet, and consolidating routes.

The above initiatives have already resulted in significant monthly costs savings, improved our cost structure, and helped to mitigate the impact of the COVID-19 pandemic on our operating results.

In addition to the above initiatives to reduce operating expenses and capital expenditures, we also amended our existing senior secured revolving credit facility. The credit facility amendments, as described in the *Liquidity section*, provide us with increased flexibility to proactively manage our liquidity and working capital, while maintaining compliance with our debt financial covenants, and preserving financial liquidity to mitigate the impact of the uncertain business environment resulting from the COVID-19 pandemic, while continuing to execute on key strategic initiatives.

The magnitude of the COVID-19 pandemic, including the extent of the uncertain economic conditions resulting in weaker demand for our products, our financial position, results of operations and liquidity, which could be material, cannot be reasonably estimated at this time due to the rapid development and fluidity of the situation. It will be determined by the duration of the pandemic, its geographic spread, business disruptions and the overall impact on the global economy. Accordingly, we expect our results of operations will be adversely affected for our fiscal year ending June 30, 2021. While we anticipate that most of our revenue will continue to recover slowly as local and national governments ease social distancing restrictions, there can be no assurance that we will be successful in returning to the pre COVID-19 pandemic levels of revenue or profitability.

For other impacts of the COVID-19 pandemic, please see *Liquidity section* *and* *Risk Factors* *described in Part I, Item IA of this report.*

**Summary Overview of Fiscal Year Ended June 30, 2020 Results**

In fiscal year ended June 30, 2020, both our DSD and direct ship sales channels experienced sales declines compared to the prior year periods.

The DSD sales channel was negatively impacted by the COVID-19 pandemic, and to a lesser extent, the sale of our office coffee customers in July 2019 and net customer attrition. The impact of the COVID-19 pandemic on DSD revenues was during the second half of our fiscal year ended June 30, 2020. At the height of the pandemic in April 2020, DSD sales declined 65% to 70% from the pre–COVID pandemic sales run rates as the customer base had either limited operations, or had closed their doors in compliance with the federal, states and local governments restrictions on social distancing. The largest DSD revenue declines were from restaurants, hotels and casino channels, while demand from healthcare and C-stores channels were impacted less. Due to the above management initiatives, the lifting of some of the government restrictions, and reopening of some of our customers' businesses, DSD sales have recovered to some extent but are still down by about 45% from the pre COVID-19 pandemic weeks. Our direct ship channel sales were also impacted by lower coffee volumes due to the COVID-19 pandemic, and changes in coffee prices for our cost plus customers, offset by slightly favorable customer mix shift.

During fiscal year ended June 30, 2020, we experienced lower gross margin compared to the prior year periods primarily due to lower volumes and the impact of COVID-19 in the second half of the fiscal year. Gross margins decreased by 2.5% to 27.6% from 30.1% compared to the same prior period in fiscal 2019 mostly due to unfavorable customer mix since our DSD channel has higher margins, and higher reserves for slow moving inventories. The gross margin decline was partially offset by lower freight cost, lower warehouse cost, lower CBE cost and improved production variances resulting from the various cost initiatives implemented.

Operating expenses decreased by $12.7 million over the prior year period primarily driven by a $25.7 million increase in net gains from sales of assets, a $17.9 million decrease in selling expenses and a $6.4 million decrease in general and administrative expenses, partially offset by impairment of goodwill and intangible assets of $42.0 million. The impairment was primarily associated with the results of our annual goodwill and intangible impairment test as of January 31, 2020, adjusted further by the impact of the COVID-19 pandemic that had a negative impact on the fair value of our goodwill and intangible assets. Operating expenses benefited from cost savings actions taken due to COVID-19 pandemic, as well as other savings achieved earlier in the fiscal year due to headcount reductions, and other efficiencies realized from DSD route optimization.

During the fiscal year ended June 30, 2020, we completed the sales of certain assets associated with our office coffee customers, our Houston Texas manufacturing facility and nine branch properties for an aggregate sales price of $44.3 million. Net cash proceeds from these assets sales were $39.1 million. We recognized a net gain on these asset sales of $29.0 million during the fiscal year ended June 30, 2020. The proceeds from the sales provided us with increased liquidity and flexibility.

Our capital expenditures for the fiscal year ended June 30, 2020 were $17.6 million as compared to $34.8 million in the fiscal year ended June 30, 2019, representing lower maintenance capital spend of $11.8 million, a 49.5% reduction compared to the prior year period. These spending reductions were driven by several key initiatives put in place, including a focus on refurbished CBE equipment to drive cost savings, and reductions across some capital categories due to additional cost controls put in place during the COVID-19 pandemic.

As of June 30, 2020, the outstanding debt on our revolver was $122.0 million, an increase of $30.0 million since June 30, 2019. However, our cash increased by $53.0 million to $60.0 million as of June 30, 2020, compared to $7.0 million as of June 30, 2019. These improvements in our liquidity provide additional financial and operational flexibility during the COVID–19 pandemic.

Certain prior period amounts in the table below have been reclassified to conform to the current year presentation due to the adoption of new accounting standards.

***Financial Data Highlights (in thousands, except per share data and percentages)***

| | For The Years Ended June 30, | | | 2020 vs 2019 | | 2019 vs 2018 | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | Favorable (Unfavorable) | | Favorable (Unfavorable) | |
| | | | | Change | % Change | Change | % Change |
| **Income Statement Data:** | | | | | | | |
| Net sales | $ 501,320 | $ 595,942 | $ 606,544 | $ (94,622) | (15.9)% | $ (10,602) | (1.7)% |
| Gross margin | 27.6 % | 30.1% | 34.2% | (2.5)% | NM | (4.1)% | NM |
| Operating expenses as a % of sales | 36.1 % | 32.5% | 34.0% | 3.6 % | NM | (1.5)% | NM |
| (Loss) income from operations | $ (43,002) | $ (14,702) | $ 1,053 | $ (28,300) | 192.5 % | $ (15,755) | NM |
| Net loss | $ (37,087) | $ (73,595) | $ (18,280) | $ 36,508 | 49.6 % | $ (55,315) | NM |
| Net loss available to common stockholders per common share—basic | $ (2.19) | $ (4.36) | $ (1.11) | $ 2.17 | NM | $ (3.25) | NM |
| Net loss available to common stockholders per common share—diluted | $ (2.19) | $ (4.36) | $ (1.11) | $ 2.17 | NM | $ (3.25) | NM |
| | | | | | | | |
| **Operating Data:** | | | | | | | |
| Coffee pounds | 100,700 | 108,098 | 107,429 | (7,398) | (6.8)% | 669 | 0.6 % |
| EBITDA(1) | $ (1,796) | $ 3,617 | $ 32,673 | $ (5,413) | (149.7)% | (29,056) | (88.9)% |
| EBITDA Margin(1) | (0.4)% | 0.6% | 5.4% | (1.0)% | NM | (4.8)% | NM |
| Adjusted EBITDA(1) | $ 18,742 | $ 31,882 | $ 47,562 | $ (13,140) | (41.2)% | $ (15,680) | (33.0)% |
| Adjusted EBITDA Margin(1) | 3.7 % | 5.3% | 7.8% | (1.6)% | NM | (2.5)% | NM |
| | | | | | | | |
| **Percentage of Total Net Sales By Product Category** | | | | | | | |
| Coffee (Roasted) | 64.9 % | 63.5% | 62.6% | 1.4 % | 2.2 % | 0.9 % | 1.4 % |
| Coffee (Frozen Liquid) | 5.7 % | 5.8% | 5.7% | (0.1)% | (1.7)% | 0.1 % | 1.8 % |
| Tea (Iced & Hot) | 5.1 % | 5.6% | 5.4% | (0.5)% | (8.9)% | 0.2 % | 3.7 % |
| Culinary | 10.0 % | 10.8% | 10.6% | (0.8)% | (7.4)% | 0.2 % | 1.9 % |
| Spice | 4.3 % | 4.0% | 4.2% | 0.3 % | 7.5 % | (0.2)% | (4.8)% |
| Other beverages(2) | 9.0 % | 9.8% | 11.0% | (0.8)% | (8.2)% | (1.2)% | (10.9)% |
| Other revenues(3) | 0.5 % | —% | —% | | | | |
| Net sales by product category | 99.5 % | 99.5% | 99.5% | (0.5)% | (16.5)% | — % | (6.9)% |
| Fuel Surcharge | 0.5 % | 0.5% | 0.5% | — % | — % | — % | — % |
| Total | 100.0 % | 100.0% | 100.0% | (0.5)% | (16.5)% | — % | — % |
| | | | | | | | |
| Other data: | | | | | | | |
| Capital expenditures related to maintenance | $ 11,845 | $ 21,088 | $ 21,782 | $ (9,243) | (43.8)% | $ (694) | (3.2)% |
| Total capital expenditures | $ 17,560 | $ 34,759 | $ 37,020 | $ (17,199) | (49.5)% | $ (2,261) | (6.1)% |
| Depreciation and amortization expense | $ 29,896 | $ 31,065 | $ 30,464 | $ (1,169) | (3.8)% | $ 601 | 2.0 % |

_______________

NM - Not Meaningful

(1) EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. See "Non-GAAP Financial Measures" below for a reconciliation of these non-GAAP measures to their corresponding GAAP measures.
(2) Includes all beverages other than roasted coffee, frozen liquid coffee, and iced and hot tea, including cappuccino, cocoa, granitas, and concentrated and ready-to-drink cold brew and iced coffee.
(3) Represents revenues for certain transition services related to the sale of our office coffee assets.

**Factors Affecting Our Business**

We have identified factors that affect our industry and business which we expect will play an important role in our future growth and profitability. Some of these factors include:

- ***Investment in State-of-the-Art Facility and Capacity Expansion.*** We are focused on leveraging our investment in the Northlake, Texas, facility to produce the highest quality coffee in response to the market shift to premium and specialty coffee, support volume rebalancing across our manufacturing network and create sustainable long-term growth. However, until we complete the transition of most manufacturing to our Northlake facility, we will continue to experience higher manufacturing costs driven by downtime and inefficiencies associated with certain aging production infrastructure.

- ***Supply Chain Efficiencies and Competition***. In order to compete effectively and capitalize on growth opportunities, we must retain and continue to grow our customer base, evaluate and undertake initiatives to reduce costs and streamline our supply chain. We continue to look for ways to deploy our personnel, systems, assets and infrastructure to create or enhance stockholder value. Areas of focus include distribution network optimization, opening a western U.S. distribution facility, methods of procurement, logistics, inventory management, supporting technology, and real estate assets.

- ***Demographic and Channel Trends.*** Our success is dependent upon our ability to develop new products in response to demographic and other trends to better compete in areas such as premium coffee and tea, including expansion of our product portfolio by investing resources in what we believe to be key growth categories and different formats. We continue to focus on accelerating our roastery direct and e-commerce initiatives via a new digital platform.

- ***Fluctuations in Green Coffee Prices.*** Our primary raw material is green coffee, an exchange-traded agricultural commodity that is subject to price fluctuations. Over the past five years, coffee "C" market near month price per pound ranged from approximately $0.88 to $1.74. The coffee "C" market near month price as of June 30, 2020 and 2019 was $1.04 and $1.10 per pound, respectively. The price and availability of green coffee directly impacts our results of operations. For additional details, see ***Risk Factors*** in Part I, Item 1A of this report.

- ***Coffee Brewing Equipment and Service*.** We offer our customers a comprehensive equipment program and 24/7 nationwide equipment service which we believe differentiates us in the marketplace. We offer a full spectrum of equipment needs, which includes brewing equipment installation, water filtration systems, equipment training, and maintenance services to ensure we are able to meet our customer's demands.

- ***Hedging Strategy.*** We are exposed to market risk of losses due to changes in coffee commodity prices. Our business model strives to reduce the impact of green coffee price fluctuations on our financial results and to protect and stabilize our margins, principally through customer arrangements and derivative instruments, as further explained in Note 6, *Derivative Instruments*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

- ***Sustainability***. With an increasing focus on sustainability across the coffee and foodservice industry, and particularly from the customers we serve, it is important for us to embrace sustainability across our operations, in the quality of our products, as well as, how we treat our coffee growers. We believe that our collective efforts in measuring our social and environmental impact, creating programs for waste, water and energy reduction, promoting partnerships in our supply chain that aim at supply chain stability and food security, and focusing on employee engagement place us in a unique position to help retailers and foodservice operators create differentiated coffee and tea programs that can include sustainable supply chains, direct trade purchasing, training and technical assistance, recycling and composting networks, and packaging material reductions.

**Results of Operations**

The following table sets forth information regarding our consolidated results of operations for the years ended June 30, 2020, 2019 and 2018. Certain prior period amounts in the table below have been reclassified to conform to the current year presentation due to the adoption of new accounting standards (in thousands, except percentages)::

| | For the Years Ended June 30, | | | 2020 vs 2019 | | 2019 vs 2018 | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | Favorable (Unfavorable) | | Favorable (Unfavorable) | |
| | | | | Change | % Change | Change | % Change |
| Net sales | $ 501,320 | $ 595,942 | $ 606,544 | $ (94,622) | (15.9)% | $ (10,602) | (1.7)% |
| Cost of goods sold | 363,198 | 416,840 | 399,155 | 53,642 | 12.9 % | (17,685) | (4.4)% |
| Gross profit | 138,122 | 179,102 | 207,389 | (40,980) | (22.9)% | (28,287) | (13.6)% |
| Selling expenses | 121,762 | 139,647 | 153,391 | 17,885 | 12.8 % | 13,744 | 9.0 % |
| General and administrative expenses | 42,569 | 48,959 | 49,429 | 6,390 | 13.1 % | 470 | 1.0 % |
| Restructuring and other transition expenses | — | 4,733 | 662 | 4,733 | 100.0 % | (4,071) | NM |
| Net (gains) losses from sales of assets | (25,237) | 465 | (966) | 25,702 | NM | (1,431) | 148.1 % |
| Impairment of goodwill and intangible assets | 42,030 | — | 3,820 | (42,030) | NM | 3,820 | 100.0 % |
| Operating expenses | 181,124 | 193,804 | 206,336 | 12,680 | 6.5 % | 12,532 | 6.1 % |
| (Loss) income from operations | (43,002) | (14,702) | 1,053 | (28,300) | 192.5 % | (15,755) | NM |
| Other (expense) income: | | | | | | | |
| Dividend income | — | — | 12 | — | — % | (12) | (100.0)% |
| Interest income | — | — | 2 | — | — % | (2) | (100.0)% |
| Interest expense | (10,483) | (12,000) | (9,757) | 1,517 | (12.6)% | (2,243) | 23.0 % |
| Postretirement benefits curtailment gains and pension settlement (charge) | 5,760 | (10,948) | — | 16,708 | NM | (10,948) | NM |
| Other, net | 10,443 | 4,166 | 7,722 | 6,277 | 150.7 % | (3,556) | (46.1)% |
| Total other income (expense) | 5,720 | (18,782) | (2,021) | 24,502 | (130.5)% | (16,761) | NM |
| Loss before taxes | (37,282) | (33,484) | (968) | (3,798) | 11.3 % | (32,516) | NM |
| Income tax (benefit) expense | (195) | 40,111 | 17,312 | (40,306) | (100.5)% | 22,799 | 131.7 % |
| Net loss | $ (37,087) | $ (73,595) | $ (18,280) | $ 36,508 | (49.6)% | $ (55,315) | 302.6 % |
| Less: Cumulative preferred dividends, undeclared and unpaid | 554 | 535 | 389 | 19 | 3.6 % | 146 | 37.5 % |
| Net loss available to common stockholders | $ (37,641) | $ (74,130) | $ (18,669) | $ 36,489 | (49.2)% | $ (55,461) | 297.1 % |

NM - Not Meaningful

The following table presents changes in units sold, unit price and net sales by product category for the years ended June 30, 2020, 2019 and 2018 (in thousands, except unit price and percentages):

| | For the Years Ended June 30, | | | 2020 vs 2019 | | 2019 vs 2018 | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | Favorable (Unfavorable) | | Favorable (Unfavorable) | |
| | | | | Change | % Change | Change | % Change |
| **Units sold** | | | | | | | |
| Coffee (Roasted) | 80,560 | 86,478 | 85,943 | (5,918) | (6.84)% | 535 | 0.62 % |
| Coffee (Frozen Liquid) | 310 | 427 | 407 | (117) | (27.40)% | 20 | 4.91 % |
| Tea (Iced & Hot) | 2,381 | 2,755 | 2,706 | (374) | (13.58)% | 49 | 1.81 % |
| Culinary | 6,237 | 7,932 | 9,227 | (1,695) | (21.37)% | (1,295) | (14.03)% |
| Spice | 589 | 792 | 933 | (203) | (25.63)% | (141) | (15.11)% |
| Other beverages(1) | 3,566 | 4,631 | 5,932 | (1,065) | (23.00)% | (1,301) | (21.93)% |
| Total | 93,643 | 103,015 | 105,148 | (9,372) | (9.10)% | (2,133) | (2.03)% |
| | | | | | | | |
| **Unit Price** | | | | | | | |
| Coffee (Roasted) | $ 4.06 | $ 4.38 | $ 4.42 | $ (0.32) | (7.31)% | $ (0.04) | (0.90)% |
| Coffee (Frozen Liquid) | $ 92.32 | $ 80.89 | $ 85.49 | $ 11.43 | 14.13 % | $ (4.60) | (5.38)% |
| Tea (Iced & Hot) | $ 10.65 | $ 12.02 | $ 12.00 | $ (1.37) | (11.40)% | $ 0.02 | .17 % |
| Culinary | $ 8.16 | $ 8.08 | $ 6.98 | $ 0.08 | .99 % | $ 1.10 | 15.76 % |
| Spice | $ 36.46 | $ 30.43 | $ 26.96 | $ 6.03 | 19.82 % | $ 3.47 | 12.87 % |
| Other beverages(1) | $ 12.72 | $ 12.60 | $ 11.24 | $ 0.12 | .95 % | $ 1.36 | 12.10 % |
| Average unit price | $ 5.35 | $ 5.79 | $ 5.77 | $ (0.44) | (7.60)% | $ 0.02 | 0.35 % |
| | | | | | | | |
| **Total Net Sales By Product Category** | | | | | | | |
| Coffee (Roasted) | $ 327,283 | $ 378,583 | $ 379,951 | $ (51,300) | (13.55)% | $ (1,368) | (0.36)% |
| Coffee (Frozen Liquid) | 28,619 | 34,541 | 34,794 | (5,922) | (17.14)% | (253) | (.73)% |
| Tea (Iced & Hot) | 25,369 | 33,109 | 32,477 | (7,740) | (23.38)% | 632 | 1.95 % |
| Culinary | 50,917 | 64,100 | 64,432 | (13,183) | (20.57)% | (332) | (.52)% |
| Spice | 21,473 | 24,101 | 25,150 | (2,628) | (10.90)% | (1,049) | (4.17)% |
| Other beverages(1) | 45,342 | 58,367 | 66,699 | (13,025) | (22.32)% | (8,332) | (12.49)% |
| Net sales by product category | $ 499,003 | $ 592,801 | $ 603,503 | $ (93,798) | (15.82)% | $ (10,702) | (1.77)% |
| Fuel Surcharge | 2,317 | 3,141 | 3,041 | (824) | (26.23)% | 100 | 3.29 % |
| Total | $ 501,320 | $ 595,942 | $ 606,544 | $ (94,622) | (15.88)% | $ (10,602) | (1.75)% |

(1) Includes all beverages other than roasted coffee, frozen liquid coffee, and iced and hot tea, including cappuccino, cocoa, granitas, and concentrated and ready-to-drink cold brew and iced coffee.

***Fiscal Years Ended June 30, 2020 and 2019***

***Net Sales***

Net sales in fiscal 2020 decreased $94.6 million, or 15.9%, to $501.3 million from $595.9 million in fiscal 2019. The decline in net sales was primarily due to a decline in revenues and volume of green coffee processed and sold through our DSD network mostly impacted by COVID-19 pandemic, a decrease in net sales from tea and culinary products, unfavorable customer mix within our direct ship sales, and the impact of changes in coffee prices for our cost plus customers. At the height of COVID-19 pandemic in April 2020, DSD sales declined 65% to 70% from the pre–COVID weekly average run rates, but improved to approximately a 45% decline from pre-COVID-19 levels by June 30, 2020. Also, our DSD net sales were impacted by the sale of our office coffee business in July 2019, and net customer attrition. Our direct ship net sales in the fiscal year ended June 30, 2020 included $9.5 million in price decreases to customers utilizing commodity-based pricing arrangements, where the changes in the green coffee commodity costs are passed on to the customer, as compared to $6.9 million in price decreases to customers utilizing such arrangements in the fiscal ended June 30, 2019.

The following table presents the effect of changes in unit sales, unit pricing and product mix for the year ended June 30, 2020 compared to the same period in the prior fiscal year (in millions):

| | | For Year Ended June 30, 2020 vs. 2019 | % of Total Mix Change |
|---|---|---|---|
| Effect of change in unit sales | $ | (50.1) | (53.0)% |
| Effect of pricing and product mix changes | | (44.5) | (47.0)% |
| Total decrease in net sales | $ | (94.6) | (100.0)% |

Unit sales decreased 9.1% and average unit price declined by 7.6% in the year ended June 30, 2020 as compared to the same prior year period, resulting in a decrease in net sales of 15.9%. Average unit price decreased during the year ended June 30, 2020 due to a higher mix of product sold via direct ship versus DSD network, as direct ship has a lower average unit price. There were no new product category introductions in the year ended June 30, 2020 or 2019, which had a material impact on our net sales.

***Gross Profit***

Gross profit in fiscal 2020 decreased $41.0 million, or 22.9%, to $138.1 million from $179.1 million in fiscal 2019. Gross margin decreased to 27.6% in fiscal 2020 from 30.1% in fiscal 2019. The decrease in gross profit was primarily driven by lower net sales of $94.6 million partially offset by lower costs of goods sold. Gross margin during the fiscal year June 30, 2020 was negatively impacted by the COVID-19 pandemic on DSD customers, unfavorable customer mix and higher reserves for slow moving inventories, partially offset by lower freight costs, lower CBE costs, improved production variances and the impact of changes in coffee prices during the fiscal year June 30, 2020. In the our fiscal year ending June 30, 2021, we expect continued decline in our margin due to customer mix, and the continued impact of the COVID-19 pandemic on DSD customers.

***Operating Expenses***

In fiscal 2020, operating expenses decreased $12.7 million, or 6.5%, to $181.1 million, or 36.1% of net sales from $193.8 million, or 32.5%, of net sales in fiscal 2019, primarily due to a $25.7 million increase in net gains from sales of assets, a $17.9 million decrease in selling expenses, a $6.4 million decrease in general and administrative expenses and the absence of $4.7 million in restructuring and other transition expenses, partially offset by impairments of goodwill and intangible assets of $42.0 million.

Net gains from sales of assets in the fiscal year ended June 30, 2020 were primarily associated with the sales of the Houston Property, the office coffee assets and nine branch properties of $7.3 million, $7.2 million and $14.5 million, respectively.

See Note 5, Sales of Assets, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for details.

The decreases in selling expenses was primarily due to headcount reductions, lower DSD sales commissions and travel expenses, the conclusion of Boyd Coffee integration at the beginning of October 2018 and other efficiencies realized from DSD route optimization. The decrease in general and administrative expenses was associated primarily with reductions in third party costs, lower headcount and the absence of Boyd Coffee integration costs, partially offset by severance costs, employee incentive and benefit costs and proxy contest expenses incurred during the fiscal year ended June 30, 2020.

Impairment of goodwill and intangible assets of $42.0 million in the fiscal year ended June 30, 2020, was primarily associated with our annual impairment test as of January 31, 2020, adjusted further by the impact of the COVID-19 pandemic that had a negative impact on the fair value of the assets. See Note 12, *Goodwill and Intangible Assets*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for details.

***Total Other Income (Expense)***

Total other income (expense) in the fiscal year ended June 30, 2020 was $5.7 million of income compared to $18.8 million of expense in fiscal year ended June 30, 2019. The change in total other income (expense) in the fiscal year ended June 30, 2020 was primarily a result of:

- postretirement medical curtailment gains in the current year period;
- pension settlement charge in prior year period;
- higher employee postretirement benefit gains due to the plan curtailment;
- lower interest expense; and
- lower net losses on coffee-related derivative instruments in the fiscal year ended June 30, 2020.

In March 2020, we announced the termination of our postretirement medical benefit plan effective January 1, 2021. The announcement triggered a re-measurement, and resulted in curtailment gains of $5.8 million in the fiscal year ended June 30, 2020. The pension settlement charge incurred in the fiscal year ended June 30, 2019 of $10.9 million was due to the termination of the Farmer Bros. Co. Pension Plan for Salaried Employees effective December 1, 2018.

Interest expense in the fiscal year ended June 30, 2020 decreased $1.5 million to $10.5 million from $12.0 million in the prior year period. The decrease in interest expense in the fiscal year ended June 30, 2020 was principally due to lower pension interest expense and lower average outstanding borrowings on our revolving credit facility during the first half of fiscal 2020, partially offset by $0.4 million of realized loss from the partial unwinding of our interest rate swap notional amount from $80.0 million to $65.0 million.

Other, net in the fiscal year ended June 30, 2020 increased by $6.3 million to $10.4 million compared to in $4.2 million in the prior year period. The increase in Other, net in the fiscal year ended June 30, 2020 was primarily due to higher amortized gains on our postretirement medical benefit plan due to the curtailment announced in March 2020, partially offset by lower mark-to-market net losses on coffee-related derivative instruments not designated as accounting hedges.

***Income Taxes***

In the fiscal year ended June 30, 2020 we recorded income tax benefit of $0.2 million as compared to income tax expense of $40.1 million in fiscal ended June 30, 2019. The tax benefit is primarily due to the previously recorded valuation allowance and change in our estimated deferred tax liability during the fiscal year ended June 30, 2020 as compared to the prior year period. In the fiscal year ended June 30, 2019, we recorded a valuation allowance of $52.0 million to reduce our deferred tax assets. See Note 19, *Income Taxes*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

***Fiscal Years Ended June 30, 2019 and 2018***

*Net Sales*

Net sales in fiscal 2019 decreased $10.6 million, or 1.7%, to $595.9 million from $606.5 million in fiscal 2018. The decline in net sales was primarily due to a decrease in net sales from other beverages and spice products, a decline in revenues and volume of green coffee processed and sold through our DSD network, and the impact of lower coffee prices for our cost plus customers. The decrease in net sales was partially offset by an increase in sales from the addition of the Boyd Business which is fully reflected in the year ended June 30, 2019, compared to only nine months of Boyd Business operations in the year ended June 30, 2018. The impact of price decreases to customers utilizing commodity-based pricing arrangements was $6.9 million during the year ended June 30, 2019 as compared to $3.0 million in price decreases to customers utilizing such arrangements in the year ended June 30, 2018.

The following table presents the effect of changes in unit sales, unit pricing and product mix for the year ended June 30, 2019 compared to the same period in the prior fiscal year (in millions):

| | For Year Ended June 30, 2019 vs. 2018 | % of Total Mix Change |
|---|---|---|
| Effect of change in unit sales | $ (12.4) | (117.0)% |
| Effect of pricing and product mix changes | 1.8 | 17.0 % |
| Total decrease in net sales | $ (10.6) | (100.0)% |

Unit sales decreased 2.0% and average unit price was essentially flat in the year ended June 30, 2019 as compared to the same prior year period, resulting in a decrease in net sales of 1.7%. In the latter part of the fiscal year ended June 30, 2019, we experienced higher mix of product being sold via direct ship versus DSD which will negatively impact future overall average unit price as direct ship has a lower average unit price. There were no new product category introductions in the year ended June 30, 2019 or 2018 which had a material impact on our net sales.

*Gross Profit*

Gross profit in fiscal 2019 decreased $28.3 million, or 13.6%, to $179.1 million from $207.4 million in fiscal 2018. Gross margin decreased to 30.1% in fiscal 2019 from 34.2% in fiscal 2018. The decrease in gross profit was primarily driven by lower net sales of $10.6 million and higher cost of goods sold. Cost of goods sold in the year ended June 30, 2019 increased $17.7 million, or 4.4%, to $416.8 million, or 69.9% of net sales, from $399.2 million, or 65.8% of net sales, in fiscal 2018. Margin was negatively impacted by higher coffee brewing equipment and labor costs associated with increased installation activity during the period, higher production costs associated with the production operations in the Northlake facility, including higher depreciation expense for the Northlake, Texas facility, higher manufacturing costs driven by downtime associated with certain aging production infrastructure and higher write-down of slow moving inventories. The negative margin impact was partially offset by lower green coffee prices as the average Arabica “C” market price of green coffee decreased 13.2% in fiscal 2019 as compared to the prior year period.

*Operating Expenses*

In fiscal 2019, operating expenses decreased $12.5 million, or 6.1%, to $193.8 million, or 32.5% of net sales from $206.3 million, or 34.0%, of net sales in fiscal 2018, primarily due to a $13.7 million decrease in selling expenses, the absence of $3.8 million in impairment losses on intangible assets reported in the prior year period and a $0.5 million decrease in general and administrative expenses, partially offset by a $4.1 million increase in restructuring and other transition expenses and a $1.3 million increase in net losses from sales of other assets.

The decreases in selling expenses and general and administrative expenses in fiscal 2019 was primarily due to synergies achieved from the integration of the Boyd Business and conclusion of the transition services and co-manufacturing agreements with Boyd Coffee in the first half of fiscal 2019. In the fiscal year ended June 30, 2019, we paid Boyd Coffee a total of $3.7 million for services under these agreements, as compared to $25.4 million paid for such services in the fiscal year ended June 30, 2018.

Net losses from sales of assets in the fiscal year ended June 30, 2019 included net losses of $1.1 million from sales of other assets, primarily associated with the Boyd Coffee plant decommissioning offset by $0.6 million in earnout from the sale of spice assets, as compared to $0.8 million in earnout from the sale of spice assets and net gains of $0.2 million from sales of other assets in the prior year period.

Restructuring and other transition expenses increased $4.1 million in fiscal 2019, as compared to fiscal 2018. This increase includes $3.4 million, including interest, assessed by the Western Conference of Teamsters Pension Trust (the "WC Pension Trust") in the fiscal year ended June 30, 2019, representing the Company's share of the Western Conference of Teamsters Pension Plan ("WCTPP") unfunded benefits due to the Company's partial withdrawal from the WCTPP as a result of employment actions taken by the Company in 2016 in connection with the Corporate Relocation Plan. In addition, in the fiscal year ended June 30, 2019, we incurred $1.8 million in restructuring and other transition expenses, primarily employee-related costs, associated with the DSD Restructuring Plan, as compared to $1.0 million in restructuring and other transition expenses associated with the DSD Restructuring Plan in the fiscal year ended June 30, 2018.

*Total Other (Expense) Income*

Total other expense in the fiscal year ended June 30, 2019 was $18.8 million compared to $2.0 million fiscal year ended June 30, 2018. The change in total other expense in the fiscal year ended June 30, 2019 was primarily a result of a pension settlement charge in the amount of $10.9 million, higher interest expense and higher net losses on coffee-related derivative instruments.

The non-cash pension settlement charge incurred in the fiscal year ended June 30, 2019 was due to the termination of the Farmer Bros. Co. Pension Plan for Salaried Employees effective December 1, 2018. As a result of the pension plan termination, we expect to realize lower Pension Benefit Guaranty Corporation expenses in the future of approximately $0.3 million to $0.4 million per year.

Interest expense in the fiscal year ended June 30, 2019 increased $2.2 million to $12.0 million from $9.8 million in the prior year period. The increase in interest expense in the fiscal year ended June 30, 2019 was principally due to higher outstanding borrowings on our revolving credit facility, including borrowings for operations and borrowings related to the Boyd Business acquisition.

Other, net in the fiscal year ended June 30, 2019 decreased by $3.6 million to $4.2 million compared to in $7.7 million in the prior year period. The decrease in Other, net in the fiscal year ended June 30, 2019 was primarily due to increased mark-to-market losses on coffee-related derivative instruments not designated as accounting hedges.

*Income Taxes*

In the fiscal years ended June 30, 2019 and 2018, we recorded income tax expense of $40.1 million and $17.3 million, respectively. The $22.8 million increase in tax expense in the fiscal years ended June 30, 2019 is primarily due to a valuation allowance of $52.0 million recorded to reduce our deferred tax assets. See Note 19, *Income Taxes*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

**Non-GAAP Financial Measures**

In addition to net (loss) income determined in accordance with U.S. generally accepted accounting principles ("GAAP"), we use the following non-GAAP financial measures in assessing our operating performance:

*"EBITDA"* is defined as net (loss) income excluding the impact of:

- income taxes;
- interest expense; and
- depreciation and amortization expense.

*"EBITDA Margin"* is defined as EBITDA expressed as a percentage of net sales.

*"Adjusted EBITDA"* is defined as net (loss) income excluding the impact of:

- income taxes;
- interest expense;
- (loss) income from short-term investments;
- depreciation and amortization expense;
- ESOP and share-based compensation expense;
- non-cash impairment losses;
- non-cash pension withdrawal expense;
- restructuring and other transition expenses;
- severance costs;
- proxy contest-related expenses;
- non-recurring costs associated with the COVID-19 pandemic;
- net gains and losses from sales of assets;
- non-cash pension settlements and postretirement benefits curtailment; and
- acquisition, integration and strategic costs.

*"Adjusted EBITDA Margin"* is defined as Adjusted EBITDA expressed as a percentage of net sales.

Restructuring and other transition expenses are expenses that are directly attributable to (i) employee retention and separation benefits, pension withdrawal expense, facility-related costs and other related costs such as travel, legal, consulting and other professional services; and (ii) severance, prorated bonuses for bonus eligible employees, contractual termination payments and outplacement services, and other related costs, including legal, recruiting, consulting, other professional services, and travel.

For purposes of calculating EBITDA and EBITDA Margin and Adjusted EBITDA and Adjusted EBITDA Margin, we have excluded the impact of interest expense resulting from the adoption of ASU 2017-07, non-cash pretax pension and postretirement benefits resulting from the amendment and termination of the Farmer Bros. pension and postretirement benefits plans and severance because these items are not reflective of our ongoing operating results.

We believe these non-GAAP financial measures provide a useful measure of the Company's operating results, a meaningful comparison with historical results and with the results of other companies, and insight into the Company's ongoing operating performance. Further, management utilizes these measures, in addition to GAAP measures, when evaluating and comparing the Company's operating performance against internal financial forecasts and budgets.

We believe that EBITDA facilitates operating performance comparisons from period to period by isolating the effects of certain items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. These potential differences may be caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense). We also present EBITDA and EBITDA Margin because (i) we believe that these measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry, (ii) we believe that investors will find these measures useful in assessing our ability to service or incur indebtedness, and (iii) we use these measures internally as benchmarks to compare our performance to that of our competitors.

EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin, as defined by us, may not be comparable to similarly titled measures reported by other companies. We do not intend for non-GAAP financial measures to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP.

Set forth below is a reconciliation of reported net (loss) income to EBITDA (unaudited):

| | For the Year Ended June 30, | | |
|---|---|---|---|
| **(In thousands)** | **2020** | **2019** | **2018** |
| Net loss, as reported | $ (37,087) | $ (73,595) | $ (18,280) |
| Income tax (benefit) expense | (195) | 40,111 | 17,312 |
| Interest expense(1) | 5,590 | 6,036 | 3,177 |
| Depreciation and amortization expense | 29,896 | 31,065 | 30,464 |
| EBITDA | $ (1,796) | $ 3,617 | $ 32,673 |
| EBITDA Margin | (0.4)% | 0.6% | 5.4% |

(1) Excludes interest expense related to pension plans and postretirement benefits.

Set forth below is a reconciliation of reported net (loss) income to Adjusted EBITDA (unaudited):

| | | Year Ended June 30, | | |
|---|---|---|---|---|
| **(In thousands)** | | **2020** | **2019** | **2018** |
| Net loss, as reported | | $ (37,087) | $ (73,595) | $ (18,280) |
| Income tax (benefit) expense | | (195) | 40,111 | 17,312 |
| Interest expense(1) | | 5,590 | 6,036 | 3,177 |
| Income from short-term investments | | — | — | (19) |
| Depreciation and amortization expense | | 29,896 | 31,065 | 30,464 |
| ESOP and share-based compensation expense | | 4,329 | 3,723 | 3,822 |
| Restructuring and other transition expenses(2) | | — | 4,733 | 662 |
| Strategic initiatives | 341,000 | 523 | — | — |
| Net (gains) losses from sales of assets | | (25,237) | 465 | (966) |
| Impairment of goodwill and intangible assets | | 42,030 | — | 3,820 |
| Non-recurring costs associated with the COVID-19 pandemic | | 362 | — | — |
| Postretirement benefits gains curtailment and pension settlement charge | | (5,760) | 10,948 | — |
| Proxy contest-related expenses | | 463 | — | — |
| Acquisition and integration costs | | — | 6,123 | 7,570 |
| Severance | 2,273,000 | 3,828 | 2,273 | — |
| Adjusted EBITDA(3) | | $ 18,742 | $ 31,882 | $ 47,562 |
| Adjusted EBITDA Margin | | 3.7% | 5.3% | 7.8% |

(1) Excludes interest expense related to pension plans and postretirement benefits.
(2) Fiscal year ended June 30, 2019, includes $3.4 million, including interest, assessed by the WC Pension Trust representing the Company's share of the WCTPP unfunded benefits due to the Company's partial withdrawal from the WCTPP as a result of employment actions taken by the Company in 2016 in connection with the Corporate Relocation Plan, net of payments of $0.8 million.
(3) Adjusted EBITDA for fiscal 2020 includes $7.2 million of higher amortized gains resulting from the curtailment of the postretirement medical plan in March 2020. These higher gains will continue until the plan sunset on January 1, 2021. See Note 13, *Employee Benefit Plans*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

**Liquidity, Capital Resources and Financial Condition**

| | | | | June 30, 2020 | | June 30, 2019 | |
|---|---|---|---|---|---|---|---|
| (In thousands) | Debt Origination Date | Maturity | Original Borrowing Amount | Carrying Value | Weighted Average Interest Rate | Carrying Value | Weighted Average Interest Rate |
| Credit Facility | Revolver | 11/6/2023 | N/A | $ 122,000 | 4.91% | $ 92,000 | 3.98% |

***Revolving Credit Facility***

In March 2020, pursuant to Amendment No. 2 to Amended and Restated Credit Agreement (the "Second Amendment") we amended our existing senior secured revolving credit facility (such facility as amended to date, including pursuant to the Second Amendment and the Third Amendments (as defined below), the "Amended Revolving Facility") with certain financial institutions. The Second Amendment, amongst other things (described in more detail in Note 14, *Debt Obligations*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K) decreased the size of the revolving credit facility to $125.0 million from $150.0 million but retained most of its previous terms including the sublimit on letters of credit and swingline loans of $15.0 million each. The Amended Revolving Facility has no scheduled payback required on the principal prior to the maturity date on November 6, 2023.

Effective March 27, 2019, we entered into an interest rate swap to manage our interest rate risk on our floating-rate indebtedness. See Note 6 , *Derivative Instruments*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K, for details.

At June 30, 2020, we had outstanding borrowings of $122.0 million and utilized $2.3 million of the letters of credit sublimit under the Amended Revolving Facility. The amount available to borrow is subject to compliance with the applicable financial covenants set out under the Amended Revolving Facility (described in more detail below).

On July 23, 2020 (the "Effective Date"), pursuant to Amendment No. 3 to Amended and Restated Credit Agreement (the "Third Amendment"), we amended our existing senior secured revolving credit facility with certain financial institutions.

The Third Amendment, among other things:

(1) retained the revolving commitments under the Credit Agreement of $125.0 million and the sublimit on letters of credit and swingline loans of $15.0 million each;
(2) added a $5.0 million quarterly commitment reduction beginning September 30, 2021;
(3) adjusted from cash flow-based to an asset-based lending structure with borrowing a base of 85% of eligible accounts receivable plus 50% of eligible inventory with certain permitted maximum over advance amounts;
(4) removed all previous financial covenants of net leverage ratio, interest coverage ratio and minimum EBITDA;
(5) added a covenant relief period (commencing on the effective date of the Third Amendment and ending upon delivery of a compliance certificate on or after fiscal month ending September 30, 2021), during which the Company must comply with the following:
(i) a minimum cumulative EBITDA covenant, tested on a monthly basis until the last day of June 2021;
(ii) a standalone minimum monthly EBITDA covenant tested on the last day of July 2021 and August 2021; and
(iii) a restriction on capital expenditures such that the amount of capital expenditures shall not exceed $25.0 million in the aggregate.
(6) added a covenant requiring us to maintain a minimum liquidity covenant, tested on a weekly basis;
(7) added an anti-cash hoarding provision;
(8) added a minimum fixed charge coverage ratio of 1.05:1.00 commencing with fiscal quarter ending September 30, 2021, and tested on a quarterly basis thereafter;
(9) modified the applicable margin for base rate loans to range from PRIME + 3.50% to PRIME + 4.50% per annum and the applicable margin for Eurodollar loans to range from Adjusted LIBO Rate + 4.50% to Adjusted LIBO Rate + 5.50% per annum and fixed the commitment fee at 0.50%;

(10) provided for the revolving commitments to be reduced upon the occurrence of certain asset dispositions and incurrence of non-permitted indebtedness and imposed additional restrictions on the Company's ability to utilize certain other negative covenant baskets; and
(11) added a requirement to provide mortgages and related mortgage instruments with respect to certain specified real property owned by the Company.

The Third Amendment provides us with increased flexibility to proactively manage our liquidity and working capital, while maintaining compliance with our debt financial covenants, and preserving financial liquidity to mitigate the impact of the uncertain business environment resulting from the COVID-19 pandemic and continue to execute on key strategic initiatives.

***Liquidity***

We generally finance our operations through cash flows from operations and borrowings under our Amended Revolving facility described above. Also, in fiscal year ended June 30, 2020, the proceeds from the sale of assets helped financed our operations. In fiscal 2018, we filed a shelf registration statement with the SEC which allows us to issue unspecified amounts of common stock, preferred stock, depository shares, warrants for the purchase of shares of common stock or preferred stock, purchase contracts for the purchase of equity securities, currencies or commodities, and units consisting of any combination of any of the foregoing securities, in one or more series, from time to time and in one or more offerings up to a total dollar amount of $250.0 million. In light of our financial position, operating performance and current economic conditions, including the state of the global capital markets, there can be no assurance as to whether or when we will be able to raise capital by issuing securities pursuant to our effective shelf registration statement or otherwise. We believe our Amended Revolving Facility, to the extent available, in addition to our cash flows from operations, collectively, will be sufficient to fund our working capital and capital expenditure requirements for the next 12 months.

At June 30, 2020, we had $60.0 million in cash and cash equivalents and none of the cash in our coffee-related derivative margin accounts was restricted. As a result of the foregoing Third Amendment described above, we were in compliance with all of the covenants under the Amended Revolving Facility, and no event of default has occurred or existed through the Third Amendment effective date.

***Impact of COVID-19 on Our Liquidity***

The COVID-19 pandemic and related restrictive measures such as travel bans, quarantines, shelter-in-place orders, and shutdowns as well as changes in recent consumer behavior, have had an adverse impact on certain of our DSD customers, particularly restaurants, hotels, casinos and coffeehouses. Many of these customers have been forced to close or curtail operations, and are purchasing at reduced volumes, if at all. We are unable to predict the rate at which these customers will resume operations and purchases as the restrictive measures are lifted. As a result, sales from our DSD customers have declined from pre COVID-19 average sales. As of June 30, 2020, due to lifting of some the government restrictions, and reopening of some of our customers' businesses, our revenues have recovered to some extent but are still down by about 45% from the pre COVID-19 pandemic weeks, which is a significant improvement from the decline of approximately 65% to 70% at the end of March 2020.

Due to these factors, the degree to which the COVID-19 pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the pandemic or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume, as well as our effectiveness on serving our customer base and acquiring new customers. Therefore, with the uncertainty around the duration and breadth of the COVID-19 pandemic, the ultimate impact on our business, financial condition or operating results cannot be reasonably estimated.

We have modified our business practices due to the impact of COVID-19 pandemic on our operating results. To navigate through this period of uncertainty, we have reduced discretionary expenses, aggressively reduced capital expenditures, closely and proactively managed our inventory purchases, while prioritizing investments in e-commerce initiatives and serving current Direct Ship customers' needs. Additionally, we also continue to focused on the rebalancing of volume across our manufacturing network, bringing additional production into our Northlake, Texas facility to generate additional savings. Among others things, we have already taken the following actions:

- amended our existing senior secured revolving credit facility, as described above;

- reduced headcount and furloughed a significant percentage of employees;
- eliminated fiscal third quarter 2020 cash compensation for our Board of Directors;
- temporarily decreased executive leadership, corporate team members' and all exempt employees' (except route sales representatives) base salaries by 15%;
- reduced discretionary spending, including a moratorium on all travel;
- reduced fiscal year ending 2020 management incentive bonus program;
- reduced plant production costs in two of our plants;
- suspended 401(k) cash matching for all eligible employees;
- reduced capital expenditures while also closely managing inventory and other spending;
- implemented cost controls throughout our coffee brewing equipment ("CBE") program service network;
- instituted cost savings to reduce our selling, general and administrative expenses; and
- reduced our DSD supply chain network costs by reducing freight, and fleet, and consolidating routes.

These actions have improved our cost structure and helped in mitigating the impact of the COVID-19 pandemic on our operating results and liquidity; however we cannot make assurances that these actions will continue to be successful.

***Cash Flows***

The significant captions and amounts from our condensed consolidated statements of cash flows are summarized below:

| | For the Years Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| **Condensed Consolidated Statements of cash flows data (in thousands)** | | | |
| Net cash provided by operating activities | $ 1,455 | $ 35,450 | $ 8,855 |
| Net cash used in investing activities | 21,917 | (32,361) | (74,640) |
| Net cash provided by financing activities | 29,658 | 1,456 | 61,982 |
| **Net increase (decrease) in cash and cash equivalents** | $ 53,030 | $ 4,545 | $ (3,803) |

*Operating Activities*

Cash provided by operating activities in fiscal 2020 decreased $34.0 million as compared to fiscal 2019 primarily attributable to a higher use of cash for working capital during the current fiscal period. Working capital during the fiscal year ended June 30, 2020 was impacted by, among other items, declines in revenues and related net income and a reduction in outstanding accounts payable balances driven by significant reductions in past due balances. This was partially offset by lower inventory and trade accounts receivable balances resulting from lower revenues.

Cash provided by operating activities in fiscal 2019 increased $26.6 million as compared to fiscal 2018 primarily due to, among other items, improved collections on many large national accounts and distributors, improved vendor terms, and reduced cash purchases to fund inventory levels. These were partially offset by a decline in revenues and higher manufacturing and supply chain costs, higher labor and service costs associated with increased installations of coffee brewing equipment, and higher restructuring and other transition expenses.

*Investing Activities*

Net cash provided by investing activities during the fiscal year ended June 30, 2020 was $21.9 million as compared to net cash used of $32.4 million during the fiscal year ended June 30, 2019. The $54.3 million increase in cash provided from investment activities was principally due to the sales of assets during the current period resulting in net cash proceeds of $39.1 million. In addition, cash used for purchases of property, plant and equipment decreased $17.2 million primarily due to lower maintenance capital expenditures, and lower coffee brewing equipment purchases in the current year period as we focused on refurbished CBE equipment to drive cost savings. Investment capital also declined due to lower purchases of machinery and equipment for the Northlake, Texas plant compared to the prior year period.

Net cash used in investing activities during the fiscal year ended June 30, 2019 decreased $42.3 million as compared to fiscal year ended June 30, 2018. Investment activities were elevated in the prior year period principally due to the acquisition of the Boyd Business for $39.6 million in cash. For the fiscal year ended June 30, 2019 we had purchases of property, plant and equipment of $34.8 million, which included $13.7 million for machinery and equipment relating to the Northlake, Texas facility, and $21.1 million in maintenance capital expenditures. Maintenance capital expenditures included higher coffee brewing equipment purchases compared to the prior year period due to an increased level of installations for new customers during fiscal 2019.

*Financing Activities*

Net cash provided by financing activities in fiscal year ended June 30, 2020 increased $28.2 million as compared to fiscal year ended June 30, 2019. Net cash provided by financing activities in the current year included $30.0 million in net borrowings under our Revolving Facility compared to $2.2 million in net borrowings in the fiscal year ended June 30, 2019. The $30.0 million in net borrowings in the fiscal year ended June 30, 2020, was the result of increased borrowings as a proactive measure to increase our cash position and preserve financial flexibility due to the COVID-19 pandemic business uncertainty.

Net cash provided by financing activities in fiscal year ended June 30, 2019 decreased $60.5 million as compared to fiscal year ended June 30, 2018. Net cash provided by financing activities in fiscal year ended June 30, 2019 included $2.2 million in net borrowings compared to $62.2 million in net borrowings in the fiscal year ended June 30, 2018. In fiscal year ended June 30, 2018, $39.6 million of the net borrowings was used to fund the purchase of the Boyd Business.

**Contractual Obligations, Commitments and Contingencies**

*Contractual Obligations*

The following table contains information regarding total contractual obligations as of June 30, 2020:

| | Payment due by period | | | | |
|---|---|---|---|---|---|
| (In thousands) | Total | Less Than One Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| **Contractual obligations:** | | | | | |
| Operating lease obligations(1) | $ 21,482 | $ 5,854 | $ 8,348 | $ 6,157 | $ 1,123 |
| Finance lease obligations(1) | 9 | 9 | — | — | — |
| Pension plan obligations(2) | 72,790 | 7,260 | 14,170 | 14,700 | 36,660 |
| Postretirement benefits other than pension plans(2) | 5,166 | 750 | 915 | 963 | 2,538 |
| Revolving credit facility | 122,000 | — | — | 122,000 | — |
| Purchase commitments(3) | 65,702 | 65,702 | — | — | — |
| Derivative liabilities—noncurrent | 2,859 | — | 2,859 | — | — |
| Cumulative Preferred dividends, undeclared and unpaid-non-current | 1,478 | — | 1,478 | — | — |
| Total contractual obligations | $ 291,486 | $ 79,575 | $ 27,770 | $ 143,820 | $ 40,321 |

(1) See Note 7, *Leases,* of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

(2) See Note 13, *Employee Benefit Plans,* of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

(3) Purchase commitments include commitments under coffee purchase contracts for which all delivery terms have been finalized but the related coffee has not been received as of June 30, 2020. Amounts shown in the table above: (a) include all coffee purchase contracts that the Company considers to be from normal purchases; and (b) do not include amounts related to derivative instruments that are recorded at fair value on the Company's consolidated balance sheets. See Note 22, *Commitments and Contingencies,* of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

***Capital Expenditures***

For the fiscal years ended June 30, 2020, 2019 and 2018, our capital expenditures paid were as follows:

| | June 30, | | |
|---|---|---|---|
| (In thousands) | 2020 | 2019 | 2018 |
| Maintenance: | | | |
| Coffee brewing equipment | $ 6,479 | $ 14,925 | $ 12,067 |
| Building and facilities | 154 | 106 | 542 |
| Vehicles, machinery and equipment | 1,772 | 2,787 | 5,513 |
| Software, office furniture and equipment | 3,440 | 3,270 | 3,660 |
| Capital expenditures, maintenance | $ 11,845 | $ 21,088 | $ 21,782 |
| | | | |
| Expansion Project: | | | |
| Machinery and equipment | $ 5,417 | $ 13,671 | $ 10,746 |
| IT equipment | $ 298 | $ — | $ — |
| Capital expenditures, Expansion Project | $ 5,715 | $ 13,671 | $ 10,746 |
| | | | |
| New Facility Costs: | | | |
| Building and facilities, including land | $ — | $ — | $ 1,577 |
| Machinery and equipment | — | — | 2,489 |
| Software, office furniture and equipment | — | — | 426 |
| Capital expenditures, New Facility | $ — | $ — | $ 4,492 |
| Total capital expenditures | $ 17,560 | $ 34,759 | $ 37,020 |

In fiscal 2021, we anticipate maintenance capital expenditures will be between $10.0 million to $13.0 million. We expect to finance these expenditures through cash flows from operations and borrowings under our Revolving Facility.

Depreciation and amortization expense was $29.9 million, $31.1 million and $30.5 million in fiscal 2020, 2019 and 2018, respectively. We anticipate our depreciation and amortization expense will be approximately $6.5 million to $7.0 million per quarter in fiscal 2021 based on our existing fixed assets and the useful lives of our intangible assets.

***Acquisitions***

On October 2, 2017, we acquired substantially all of the assets and certain specified liabilities of Boyd Coffee. At closing, for consideration of the purchase, we paid Boyd Coffee $38.9 million in cash from borrowings under our Revolving Facility and issued to Boyd Coffee 14,700 shares of Series A Preferred Stock, with a fair value of $11.8 million as of the closing date. Additionally, we held back $3.2 million in cash and 6,300 shares of Series A Preferred Stock, with a fair value of $4.8 million as of the closing date, for the satisfaction of any post-closing net working capital adjustment and to secure Boyd Coffee's (and the other seller parties') indemnification obligations under the purchase agreement.

In addition to the $3.2 million cash holdback, as part of the consideration for the purchase, at closing we held back $1.1 million in cash to pay, on behalf of Boyd Coffee, any assessment of withdrawal liability made against Boyd Coffee following the closing date in respect of Boyd Coffee's multiemployer pension plan, which amount is recorded in other long-term liabilities on our consolidated balance sheet at June 30, 2018. On January 8, 2019, Boyd Coffee notified the Company of the assessment of $0.5 million in withdrawal liability against Boyd Coffee, which the Company timely paid from the Multiemployer Plan Holdback during the three months ended March 31, 2019. The Company has applied the remaining amount of the Multiemployer Plan Holdback of $0.5 million towards satisfaction of the Seller's post-closing net working capital deficiency under the Asset Purchase Agreement as of March 31, 2019.

The fair value of consideration transferred reflected the Company's best estimate of the post-closing net working capital adjustment of $8.1 million due to the Company at June 30, 2018 when the purchase price allocation was finalized. In January

2019, the post-closing net working capital adjustment was determined by an Independent Expert to be $6.3 million due to the Company.

As of March 31, 2019 and updated as of June 30, 2020 , we have satisfied the $6.3 million amount by applying the remaining amount of the Multiemployer Plan Holdback of $0.5 million, retaining all of the Holdback Cash Amount of $3.2 million and canceling 5,386 shares of Holdback Stock with a fair value of $2.6 million based on the stated value and deemed conversion price as defined in the asset purchase agreement. We have retained the remaining 914 shares of the Holdback Stock pending satisfaction of certain indemnification claims against the Seller following which the remaining Holdback Stock, if any, will be released to the Seller.

See Note 3, *Acquisitions*, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for further details of the acquisitions.

**Recent Accounting Pronouncements**

Refer to Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for a summary of recently adopted and recently issued accounting standards and their related effects or anticipated effects on our consolidated results of operations and financial condition.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

**Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates or judgments, however, are both subjective and subject to change, and actual results may differ from our assumptions and estimates. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change the underlying assumptions, estimates or judgments. See Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for a summary of our significant accounting estimates.

***Exposure to Commodity Price Fluctuations and Derivative Instruments***

We are exposed to commodity price risk arising from changes in the market price of green coffee. In general, increases in the price of green coffee could cause our cost of goods sold to increase and, if not offset by product price increases, could negatively affect our financial condition and results of operations. As a result, our business model strives to reduce the impact of green coffee price fluctuations on our financial results and to protect and stabilize our margins, principally through customer arrangements and derivative instruments.

Customers generally pay for our products based either on an announced price schedule or under commodity-based pricing arrangements whereby the changes in green coffee commodity and other input costs are passed through to the customer. The pricing schedule is generally subject to adjustment, either on contractual terms or in accordance with periodic product price adjustments, typically monthly, resulting in, at the least, a 30-day lag in our ability to correlate the changes in our prices with fluctuations in the cost of raw materials and other inputs.

In addition to our customer arrangements, we utilize derivative instruments to reduce further the impact of changing green coffee commodity prices. We purchase over-the-counter coffee derivative instruments to enable us to lock in the price of green coffee commodity purchases. These derivative instruments may be entered into at the direction of the customer under commodity-based pricing arrangements to effectively lock in the purchase price of green coffee under such customer arrangements, in certain cases up to 18 months or longer in the future. Notwithstanding this customer direction, pursuant to Accounting Standards Codification (“ASC“) 815, “Derivatives and Hedging,” we are considered the owner of these derivative instruments and, therefore, we are required to account for them as such. In the event the customer fails to purchase the products associated with the underlying derivative instruments for which the price has been locked-in on behalf of the customer, we expect that such derivative instruments will be assigned to, and assumed by, the customer in accordance with contractual terms or, in the absence of such terms, in accordance with standard industry custom and practice. In the event the customer fails to assume such derivative instruments, we will remain obligated on the derivative instruments at settlement. We generally settle derivative instruments to coincide with the receipt of the purchased green coffee or apply the derivative instruments to purchase orders effectively fixing the cost of in-bound green coffee purchases. As of June 30, 2020 and 2019, we had 44.8 million and 48.2 million pounds of green coffee covered under coffee-related derivative instruments, respectively. We do not purchase any derivative instruments to hedge cost fluctuations of any commodities other than green coffee.

The fair value of derivative instruments is based upon broker quotes. We account for certain coffee-related derivative instruments as accounting hedges in order to minimize the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods. The change in fair value of the derivative is reported in accumulated other comprehensive income (loss) (“AOCI”) on our consolidated balance sheet and subsequently reclassified into cost of goods sold in the period or periods when the hedged transaction affects earnings. At June 30, 2020, approximately 81% of our outstanding coffee-related derivative instruments, representing 36.4 million pounds of forecasted green coffee purchases, were designated as cash flow hedges. At June 30, 2019, approximately 87% of our outstanding coffee-related derivative instruments, representing 42.1 million pounds of forecasted green coffee purchases, were designated as cash flow hedges. The portion of open hedging contracts that are not designated as accounting hedges are marked to period-end market price and unrealized gains or losses based on whether the period-end market price was higher or lower than the price we locked-in are recognized in our financial results.

Additionally, we have interest swap rate derivative instruments on our debt facility. Therefore, movement in the underlying yield curves could negatively impact the amount of our interest expense, future earnings and cash flows.

***Inventories***

Inventories are valued at the lower of cost or net realizable value. Coffee, tea and culinary products, and coffee brewing equipment parts are accounted for on the FIFO basis. We regularly evaluate these inventories to determine the provision for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, historical experience and application of specific identification.

***Impairment of Goodwill and Indefinite-lived Intangible Assets***

We account for our goodwill and indefinite-lived intangible assets in accordance with Accounting Standards Codification ("ASC") 350, "Intangibles-Goodwill and Other" ("ASC 350"). Goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually, or more frequently if an event occurs or circumstances change which indicate that an asset might be impaired. We perform a qualitative assessment of goodwill and indefinite-lived intangible assets on our consolidated balance sheets, to determine if there is a more likely than not indication that our goodwill and indefinite-lived intangible assets are impaired as of January 31, during our fiscal third quarter. If the indicators of impairment are present, we perform a quantitative test to determine the impairment of these assets as of the measurement date. We may also elect to bypass the qualitative assessment and proceed directly to a quantitative analysis depending on the facts and circumstances. If, after assessing qualitative and quantitative factors, we believe that it is more likely than not that the fair value of the reporting unit is less than its carrying value, we will record the amount of goodwill and indefinite-lived intangible assets impairment as the excess of the carrying amount over the fair value. Indefinite-lived intangible assets consist of certain acquired trademarks, trade names and brand name.

In performing a quantitative analysis, recoverability of goodwill for each reporting unit is measured using an income approach based on discounted cash flow model incorporating discount rates commensurate with the risks involved. The income approach is supported by a reconciliation of our calculated fair value for the Company to the company's market capitalization. Use of a discounted cash flow model is common practice in assessing impairment in the absence of available transactional market evidence to determine the fair value. The key assumptions used in the discounted cash flow valuation model include discount rates, growth rates, tax rates, cash flow projections and terminal value rates. Discount rates, growth rates and cash flow projections are the most sensitive and susceptible to change as they require significant management judgment. We may engage third-party valuation consultants to assist with this process. The valuation consultants assess fair value by equally weighting a combination of two market approaches (market multiple analysis and comparable transaction analysis) and the discounted cash flow approach. Discount rates are determined by using a weighted average cost of capital ("WACC"). The WACC considers market and industry data as well as company-specific risk factors for each reporting unit in determining the appropriate discount rate to be used. The discount rate utilized for each reporting unit is indicative of the return an investor would expect to receive for investing in such a business. We consider industry and company-specific historical and projected data, to develop growth rates and cash flow projections for each reporting unit. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. If the calculated fair value is less than the current carrying amount, an impairment loss is recorded in the amount by which the carrying amount exceeds the reporting unit's fair value. An impairment loss cannot exceed the carrying amount of goodwill assigned to a reporting unit but may indicate certain long-lived and amortizable intangible assets associated with the reporting unit may require additional impairment testing.

We test indefinite-lived intangible assets quantitatively utilizing the relief from royalty method under the income approach to determine the estimated fair value for each indefinite-lived intangible asset. The relief from royalty method estimates our theoretical royalty savings from ownership of the intangible asset. Key assumptions used in this model include discount rates, royalty rates, growth rates, tax rates, sales projections and terminal value rates. Discount rates, royalty rates, growth rates and sales projections are the assumptions most sensitive and susceptible to change as they require significant management judgment. Discount rates used are similar to the rates estimated by the WACC considering any differences in company-specific risk factors. Royalty rates are established by management and are periodically substantiated by third-party valuation consultants. We consider industry and company-specific historical and projected data, to develop growth rates and sales projections associated with each indefinite-lived intangible asset. Terminal value rate determination follows common methodology of capturing the present value of perpetual sales projections beyond the last projected period assuming a constant WACC and low long-term growth rates.

Valuation methodologies utilized to evaluate goodwill and indefinite-lived intangible assets for impairment were consistent with prior periods. We periodically engage third-party valuation consultants to assist us with this process. Specific assumptions discussed above are updated at the date of each test to consider current industry and company-specific risk factors from the perspective of a market participant. The current business environment is subject to evolving market conditions and requires significant management judgment to interpret the potential impact to our assumptions. To the extent that changes in the current business environment result in adjusted management projections, impairment losses may occur in future periods.

Our annual impairment tests completed as of January 31, during our fiscal third quarter, and adjusted for the negative impact of COVID-19, indicated the fair values of our goodwill and certain indefinite-lived intangible assets were substantially below their carrying values. As a result, we recorded $36.2 million and $5.8 million, respectively, of impairments to goodwill and indefinite-lived intangibles during the year ended June 30, 2020. With this adjustment, our Goodwill assets are now fully impaired as of June 30, 2020. See Note 12, *Goodwill and Intangible Assets*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details.

***Other Intangible Assets***

Other intangible assets consist of finite-lived intangible assets including acquired recipes, non-compete agreements, customer relationships, a trade name/brand name and certain trademarks. These assets are amortized over their estimated useful lives and are tested for impairment by grouping them with other assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

***Self-Insurance***

We use a combination of insurance and self-insurance mechanisms to provide for the potential liability of certain risks including workers’ compensation, health care benefits, general liability, product liability, property insurance and director and officers’ liability insurance. Liabilities associated with risks retained by us are not discounted and are estimated by considering historical claims experience, demographics, exposure and severity factors and other actuarial assumptions.

Our self-insurance for workers’ compensation liability includes estimated outstanding losses of unpaid claims and allocated loss adjustment expenses (“ALAE”), case reserves, the development of known claims and incurred but not reported claims. ALAE are the direct expenses for settling specific claims. The amounts reflect per occurrence and annual aggregate limits maintained by the Company. The estimated liability analysis does not include estimating a provision for unallocated loss adjustment expenses. We believe that the amount recorded at June 30, 2020 is adequate to cover all known workers' compensation claims at June 30, 2020. If the actual costs of such claims and related expenses exceed the amount estimated, additional reserves may be required which could have a material negative effect on our operating results.

The estimated liability related to our self-insured group medical insurance is recorded on an incurred but not reported basis, within deductible limits, based on actual claims and the average lag time between the date insurance claims are filed and the date those claims are paid. The cost of general liability, product liability and commercial auto liability is accrued based on estimates of the aggregate liability claims incurred using certain actuarial assumptions and historical claims experience.

***Employee Benefit Plans***

We account for our defined benefit pension plans in accordance with ASC No. 715-20, “Compensation—Defined Benefit Plans—General” (“ASC 715-20”). The funded status is the difference between the fair value of plan assets and the benefit obligation. The adjustment to accumulated other comprehensive Income (loss) represents the net unrecognized actuarial gains or losses and unrecognized prior service costs. Future actuarial gains or losses that are not recognized as net periodic benefits cost in the same periods will be recognized as a component of other comprehensive income.

We maintain several defined benefit plans that cover certain employees. We record the expenses associated with these plans based on calculations which include various actuarial assumptions such as discount rates and expected long-term rates of return on plan assets. Material changes in pension costs may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plans and other factors.

We utilize a yield curve analysis to determine the discount rates for our defined benefit plans' obligations. The yield curve considers pricing and yield information for high quality bonds with maturities matched to estimated payouts of future pension benefits. The expected return on plan assets is based on our expectation of the long-term rates of return on each asset class based on the current asset mix of the funds, considering the historical returns earned on the type of assets in the funds. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. The effects of the modifications to the actuarial assumptions which impact the projected benefit obligation are amortized over future periods.

In connection with certain collective bargaining agreements to which we are a party, we are required to make contributions on behalf of certain union employees to multiemployer pension plans. The future contributions and liabilities associated with these plans could be material to our results of operations, financial position and cash flows.

See Note 13, *Employee Benefit Plans,* of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussions of our various pension plans.

***Share-based Compensation***

We measure all share-based compensation cost at the grant date, based on the fair values of the awards that are ultimately expected to vest, and recognize that cost on a straight line basis in our consolidated statements of operations over the requisite service period. Fair value of restricted stock and performance-based restricted stock units is the closing price of the Company's common stock on the date of grant. We estimate the fair value of stock option awards on the date of grant using the Black-Scholes valuation model which requires that we make certain assumptions regarding: (i) the expected volatility in the market price of our common stock; (ii) dividend yield; (iii) risk-free interest rate; and (iv) the period of time employees are expected to hold the award prior to exercise (referred to as the expected term).

We estimate the expected impact of forfeited awards and recognize share-based compensation cost only for those awards ultimately expected to vest. If actual forfeiture rates differ materially from our estimates, share-based compensation expense could differ significantly from the amounts we have recorded in the current period. We will periodically review actual forfeiture experience and revise our estimates, as necessary. We will recognize as compensation cost the cumulative effect of the change in estimated forfeiture rates on current and prior periods in earnings of the period of revision. As a result, if we revise our assumptions and estimates, our share-based compensation expense could change materially in the future. In fiscal 2020 and 2019, we used an estimated annual forfeiture rate of 10.0% and 13.0%, respectively to calculate share-based compensation expense based on actual forfeiture experience.

Our outstanding share-based awards include performance-based non-qualified stock options ("PNQs") and performance-based restricted stock units ("PBRSUs") that have performance-based vesting conditions in addition to time-based vesting. Awards with performance-based vesting conditions require the achievement of certain financial and other performance criteria as a condition to the vesting. We recognize the estimated fair value of performance-based awards, net of estimated forfeitures, as share-based compensation expense over the performance period based upon our determination of whether it is probable that the performance targets will be achieved. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets. Determining whether the performance criteria will be achieved involves judgment, and the estimate of share-based compensation expense may be revised periodically based on changes in the probability of achieving the performance criteria. Revisions are reflected in the period in which the estimate is changed. If performance goals are not met, no share-based compensation expense is recognized for the cancelled PNQs or PBRSUs, and, to the extent share-based compensation expense was previously recognized for those cancelled PNQs or PBRSUs, such share-based compensation expense is reversed. If performance goals are exceeded and the payout is more than 100% of the target shares in the case of PBRSUs, additional compensation expense is recorded in the period when that determination is certified by the Compensation Committee of the Board of Directors.

***Income Taxes***

Deferred income taxes are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Estimating our tax liabilities involves judgments related to uncertainties in the application of complex tax regulations. We make certain estimates and judgments to determine tax expense for financial statement purposes as we evaluate the effect of tax credits, tax benefits and deductions, some of which result from differences in the timing of recognition of revenue or expense for tax and financial statement purposes. Changes to these estimates may result in significant changes to our tax provision in future periods. Each fiscal quarter we re-evaluate our tax provision and reconsider our estimates and assumptions related to specific tax assets and liabilities, making adjustments as circumstances change.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

***Interest Rate Risk***

We historically have been exposed to market value risk arising from changes in interest rates on our securities portfolio for which we entered, from time to time, futures and options contracts, or invested in derivative instruments, to manage our interest rate risk. Effective March 27, 2019, as amended, we entered into an interest rate swap transaction utilizing a notional amount of $65.0 million, with an effective date of April 11, 2019 and a maturity date of October 11, 2023. See Note 6, *Derivative Instruments,* of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussions of our derivative instruments.

At June 30, 2020, we were eligible to borrow up to a total of $125.0 million under the Amended Revolving Facility and had outstanding borrowings of $122.0 million and had utilized $2.3 million of the letters of credit sublimit. As a result of the interest rate swap, only $57.0 million is now subject to interest rate variability. The weighted average interest rate on our outstanding borrowings subject to interest rate variability under the Amended Revolving Facility at June 30, 2020 was 4.91%.

The following table demonstrates the impact of interest rate changes on our annual interest expense on outstanding borrowings subject to interest rate variability under the Amended Revolving Facility based on the weighted average interest rate on the outstanding borrowings as of June 30, 2020:

| ($ in thousands) | Principal | Interest Rate | Annual Interest Expense |
|---|---|---|---|
| –150 basis points | $57,000 | 3.41% | $ 1,944 |
| –100 basis points | $57,000 | 3.91% | $ 2,229 |
| Unchanged | $57,000 | 4.91% | $ 2,799 |
| +100 basis points | $57,000 | 5.91% | $ 3,369 |
| +150 basis points | $57,000 | 6.41% | $ 3,654 |

***Commodity Price Risk***

We are exposed to commodity price risk arising from changes in the market price of green coffee. We value green coffee inventory on the FIFO basis. In the normal course of business we hold a large green coffee inventory and enter into forward commodity purchase agreements with suppliers. We are subject to price risk resulting from the volatility of green coffee prices. Due to competition and market conditions, volatile price increases cannot always be passed on to our customers. See Note 6, *Derivative Instruments,* of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussions of our derivative instruments.

The following table summarizes the potential impact as of June 30, 2020 to net income (loss) and AOCI from a hypothetical 10% change in coffee commodity prices. The information provided below relates only to the coffee-related derivative instruments and does not include, when applicable, the corresponding changes in the underlying hedged items:

| | Increase (Decrease) to Net Income | | Increase (Decrease) to AOCI | |
|---|---|---|---|---|
| (In thousands) | 10% Increase in Underlying Rate | 10% Decrease in Underlying Rate | 10% Increase in Underlying Rate | 10% Decrease in Underlying Rate |
| Coffee-related derivative instruments(1) | $ 861 | $ (861) | $ 3,813 | $ (3,813) |

(1) The Company's purchase contracts that qualify as normal purchases include green coffee purchase commitments for which the price has been locked in as of June 30, 2020. These contracts are not included in the sensitivity analysis above as the underlying price has been fixed.

## Item 8. Financial Statements and Supplementary Data

The information required by this item is incorporated by reference to the consolidated financial statements and accompanying notes set forth in the F pages of this Annual Report on Form 10-K.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

## Item 9A. Controls and Procedures

***Disclosure Controls and Procedures***

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act, are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

As of June 30, 2020, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) promulgated under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2020, our disclosure controls and procedures are effective.

***Changes in Internal Control Over Financial Reporting***

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended June 30, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our consolidated financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our consolidated financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a material misstatement of our consolidated financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of June 30, 2020. The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report on the effectiveness of the Company's internal control over financial reporting. Their report follows.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Farmer Bros. Co.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Farmer Bros. Co. and subsidiaries (the "Company") as of June 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended June 30, 2020, of the Company and our report dated September 10, 2020, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
September 10, 2020

**Item 9B. Other Information**

None

## PART III

**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this item will be set forth in the Proxy Statement and is incorporated in this report by reference.

***Code of Conduct and Ethics***

We maintain a written Code of Conduct and Ethics for all employees, officers and directors, including our principal executive officer, principal financial officer, principal accounting officer or controller, and other persons performing similar functions. To view this Code of Conduct and Ethics free of charge, please visit our website at www.farmerbros.com. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this Code of Conduct and Ethics, if any, by posting such information on our website as set forth above.

***Compliance with Section 16(a) of the Exchange Act***

To the Company’s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations from certain reporting persons that no other reports were required during the fiscal year ended June 30, 2020, its officers, directors and ten percent stockholders complied with all applicable Section 16(a) filing requirements. The foregoing is in addition to any filings that may be listed in the Company's Proxy Statement expected to be dated and filed with the SEC not later than 120 days after the conclusion of the Company's fiscal year ended June 30, 2020.

**Item 11. Executive Compensation**

The information required by this item will be set forth in the Proxy Statement and is incorporated in this report by reference.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be set forth in the Proxy Statement and is incorporated in this report by reference.

***Equity Compensation Plan Information***

Information about our equity compensation plans at June 30, 2020 that were either approved or not approved by our stockholders were as follows:

| Plan Category | Number of Shares to be Issued Upon Exercise / Vesting of Outstanding Options or Rights(2) | Weighted Average Exercise Price of Outstanding Options(3) | Number of Shares Remaining Available for Future Issuance(4) |
|---|---|---|---|
| Equity compensation plans approved by stockholders(1) | 535,430 | $13.56 | 458,947 |
| Equity compensation plans not approved by stockholders (5) | 88,495 | $6.72 | 211,505 |
| Total | 623,925 | | 670,452 |

(1) Includes shares issued under the Prior Plans and the 2017 Plan. The 2017 Plan succeeded the Prior Plans. On the Effective Date of the 2017 Plan, the Company ceased granting awards under the Prior Plans; however, awards outstanding under the Prior Plans will remain subject to the terms of the applicable Prior Plan.

(2) Includes shares that may be issued upon the achievement of certain financial and other performance criteria as a condition to vesting in addition to time-based vesting pursuant to PBRSUs granted under the 2017 Plan. The PBRSUs included in the table include the maximum number of shares that may be issued under the awards. Under the terms of the awards, the recipient may earn between 0% and 150% of the target number of PBRSUs depending on the extent to which the Company meets or exceeds the achievement of the applicable financial performance goals.

(3) Does not include outstanding PBRSUs.

(4) The 2017 Plan authorizes the issuance of (i) 900,000 shares of common stock plus (ii) the number of shares of common stock subject to awards under the Company's Prior Plans that are outstanding as of the Effective Date and that expire or are forfeited, cancelled or similarly lapse following the Effective Date. Subject to certain limitations, shares of common stock covered by awards granted under the 2017 Plan that are forfeited, expire or lapse, or are repurchased for or paid in cash, may be used again for new grants under the 2017 Plan. Shares of common stock granted under the 2017 Plan may be authorized but unissued shares, shares purchased on the open market or treasury shares. In no event will more than 900,000 shares of common stock be issuable pursuant to the exercise of incentive stock options under the 2017 Plan. The 2017 Plan provides for the grant of stock options (including incentive stock options and non-qualified stock options), stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance shares and other stock- or cash-based awards to eligible participants. Non-employee directors of the Company and employees of the Company or any of its subsidiaries are eligible to receive awards under the 2017 Plan.

(5) Consists of grants made under the Farmer Bros. Co. 2020 Inducement Incentive Award Plan (the "Inducement Award Plan"), which in accordance with Rule 5635(c)(4) of the Nasdaq Stock Market LLC listing rules ("Rule 5635(c)(4)") permits grants of up to 300,000 shares of common stock to newly hired employees who have not previously been a member of the Board, or to an employee who is being rehired following a bona fide period of non-employment by the Company or a subsidiary, as a material inducement to the employee's entering into employment with the Company or its subsidiary. Subject to certain limitations, shares of common stock covered by awards granted under the Inducement Award Plan that are forfeited, expire or lapse, or are repurchased for or paid in cash, may be used again for new grants under the 2017 Plan. The Inducement Award Plan allows for the grant of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, and dividend equivalents

## Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be set forth in the Proxy Statement and is incorporated in this report by reference.

## Item 14. Principal Accountant Fees and Services

The information required by this item will be set forth in the Proxy Statement and is incorporated in this report by reference.

## PART IV

**Item 15. Exhibits and Financial Statement Schedules**

(a) List of Financial Statements and Financial Statement Schedules:

1. Financial Statements included in Part II, Item 8 of this report:

Consolidated Balance Sheets as of June 30, 2020 and 2019.

Consolidated Statements of Operations for the Years Ended June 30, 2020, 2019 and 2018.

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended June 30, 2020, 2019 and 2018.

Consolidated Statements of Cash Flows for the Years Ended June 30, 2020, 2019 and 2018.

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2020, 2019 and 2018.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules: Financial Statement Schedules are omitted as they are not applicable, or the required information is given in the consolidated financial statements and notes thereto.

3. The exhibits to this Annual Report on Form 10-K are listed on the accompanying index to exhibits and are incorporated herein by reference or are filed as part of the Annual Report on Form 10-K. Each management contract or compensation plan required to be filed as an exhibit is identified by an asterisk (*).

(b) Exhibits:

| Exhibit No. | Description |
|---|---|
| 2.1 | Asset Purchase Agreement, dated as of November 16, 2015, by and between Farmer Bros. Co. and Harris Spice Company Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on November 20, 2015 and incorporated herein by reference).* |
| 2.2 | Purchase Agreement, dated as of September 9, 2016, among Tea Leaf Acquisition Corp., China Mist Brands, Inc., certain stockholders of China Mist Brands, Inc., for certain limited purposes, Daniel W. Schweiker and John S. Martinson, and Daniel W. Schweiker, in his capacity as the sellers' representative (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 14, 2016 and incorporated herein by reference).* |
| 2.3 | Asset Purchase Agreement, dated as of August 18, 2017, by and among Farmer Bros. Co., Boyd Assets Co., Boyd Coffee Company, and each of the parties set forth on Exhibit A thereto (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 21, 2017 and incorporated herein by reference).* |
| 2.4 | Purchase and Sale Agreement, by and between Farmer Bros. Co., as Seller and Sage Interest, Inc., as Buyer (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 19, 2019 and incorporated herein by reference).* |
| 3.1 | Amended and Restated Certificate of Incorporation of Farmer Bros. Co. (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the SEC on September 11, 2019 and incorporated herein by reference). |

| Exhibit No. | Description |
|---|---|
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Farmer Bros. Co. filed March 20, 2020. (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 filed with the SEC on May 8, 2020 and incorporated herein by reference). |
| 3.3 | Amended and Restated Bylaws (filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2019 filed with the SEC on February 11, 2019 and incorporated herein by reference). |
| 3.4 | Amendment No. 1 to Amended and Restated Bylaws of Farmer Bros. Co. (filed herewith). |
| 3.5 | Certificate of Elimination (filed as Exhibit 3.3 to the Company's Registration Statement on Form 8-A12B/A filed with the SEC on September 24, 2015 and incorporated herein by reference). |
| 3.6 | Certificate of Designations of Series A Convertible Participating Cumulative Perpetual Preferred Stock of Farmer Bros. Co (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on October 3, 2017 and incorporated herein by reference). |
| 4.1 | Specimen Stock Certificate for Common Stock (filed as Exhibit 4.1 to the Company's Registration Statement on Form 8-A12B/A filed with the SEC on September 24, 2015 and incorporated herein by reference). |
| 4.2 | Specimen Stock Certificate for Series A Convertible Participating Cumulative Perpetual Preferred Stock (filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 7, 2017 and incorporated herein by reference). |
| 4.3 | Registration Rights Agreement, dated as of June 16, 2016, among Farmer Bros. Co. and the Investors identified on the signature pages thereto (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 21, 2016 and incorporated herein by reference). |
| 10.1 | Credit Agreement, dated as of March 2, 2015, by and among Farmer Bros. Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 6, 2015 and incorporated herein by reference). |
| 10.2 | Pledge and Security Agreement, dated as of March 2, 2015, by and among Farmer Bros. Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc. and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 6, 2015 and incorporated herein by reference). |
| 10.3 | Joinder Agreement, dated as of October 11, 2016, by and among China Mist Brands, Inc., Farmer Bros. Co., as the Borrower Representative, and JPMorgan Chase Bank, N.A., as Administrative Agent, under that certain Credit Agreement dated as of March 2, 2015 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016 filed with the SEC on February 9, 2017 and incorporated herein by reference). |
| 10.4 | Joinder to Pledge and Security Agreement, dated as of October 11, 2016, by and among Farmer Bros. Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc., China Mist Brands, Inc. and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016 filed with the SEC on February 9, 2017 and incorporated herein by reference). |
| 10.5 | First Amendment to Credit Agreement and First Amendment to Pledge and Security Agreement, dated as of August 25, 2017, by and among Farmer Bros. Co., China Mist Brands, Inc., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Company, Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 30, 2017 and incorporated herein by reference). |

| Exhibit No. | Description |
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| 10.6 | Second Amendment to Credit Agreement, dated as of September 10, 2018, by and among Farmer Bros. Co., China Mist Brands, Inc., Boyd Assets Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Company, Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K filed with the SEC on September 13, 2018 and incorporated herein by reference). |
| 10.7 | Third Amendment to Credit Agreement and Second Amendment to Pledge and Security Agreement, dated as of October 18, 2018, by and among Farmer Bros. Co., China Mist Brands, Inc., Boyd Assets Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2018 and incorporated herein by reference) |
| 10.8 | Amended and Restated Credit Agreement dated as of November 6, 2018, by and among Farmer Bros. Co., China Mist Brands, Inc., Boyd Assets Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed with the SEC on November 9, 2018 and incorporated herein by reference). |
| 10.9 | Amended and Restated Pledge and Security Agreement, dated as of November 6, 2018, by and among Farmer Bros. Co., China Mist Brands, Inc., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Company, Inc., the Grantors party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed with the SEC on November 9, 2018 and incorporated herein by reference). |
| 10.10 | Amendment No. 1 dated September 6, 2019 by and among Farmer Bros. Co., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, to that certain Amended and Restated Credit Agreement dated as of November 6, 2018 (filed as Exhibit 10.62 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2019 filed with the SEC on February 7, 2020 and incorporated herein by reference). |
| 10.11 | Amendment No. 2 to Amended and Restated Credit, dated as of March 5, 2020, by and among Farmer Bros. Co., a Delaware corporation, the financial institutions party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2020 and incorporated herein by reference). |
| 10.12 | Amendment No. 3 to Amended and Restated Credit Agreement, dated as of July 23, 2020, by and among Farmer Bros. Co., a Delaware corporation, the other loan parties named therein, the lenders named therein, and JPMorgan Chase Bank, N.A., as administrative agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 29, 2020 and incorporated herein by reference). |
| 10.13 | Amended and Restated Pledge and Security Agreement dated as of dated as of July 23, 2020, by and among Farmer Bros. Co., a Delaware corporation, the other loan parties named therein, the lenders named therein and JPMorgan Chase Bank, N.A., as administrative agent and lender (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 29, 2020 and incorporated herein by reference). |
| 10.14 | Amendment No. 4 to Amended and Restated Credit Agreement, dated as of July 23, 2020, by and among Farmer Bros. Co., a Delaware corporation, the other loan parties named therein, the lenders named therein, and JPMorgan Chase Bank, N.A., as administrative agent (filed herewith). |
| 10.15 | Joinder Agreement, dated as of November 29, 2017, by and among Boyd Assets Co., Farmer Bros. Co., as the Borrower's Representative, and JPMorgan Chase Bank, N.A., as Administrative Agent, under that certain Credit Agreement dated as of March 2, 2015, as amended by that certain First Amendment to Credit Agreement, dated as of August 25, 2017 (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 filed with the SEC on February 7, 2018 and incorporated herein by reference). |

| Exhibit No. | Description |
|---|---|
| 10.16 | Joinder to Pledge and Security Agreement, dated as of November 29, 2017, by and among Farmer Bros. Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc., China Mist Brands, Inc., Boyd Assets Co. and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 filed with the SEC on February 7, 2018 and incorporated herein by reference). |
| 10.17 | Farmer Bros. Co. Pension Plan for Salaried Employees, Farmer Bros. Co. Retirement Plan (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 filed with the SEC on November 7, 2017 and incorporated herein by reference).** |
| 10.18 | Amendment No. 1 to Farmer Bros. Co. Pension Plan for Salaried Employees, Farmer Bros. Co. Retirement Plan effective June 30, 2011 (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2016 filed with the SEC on September 14, 2016 and incorporated herein by reference).** |
| 10.19 | Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Retirement Plan, effective as of December 6, 2012 (filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed with the SEC on May 9, 2018 and incorporated herein by reference).** |
| 10.20 | Amendment to the Farmer Bros. Co. Retirement Plan, dated as of December 1, 2018 (filed as Exhibit 10.53 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).** |
| 10.21 | Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).** |
| 10.22 | Amendment to Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 10, 2014 and incorporated herein by reference).** |
| 10.23 | Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, as adopted by the Board of Directors on December 9, 2010 and effective as of January 1, 2010 (filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC on May 6, 2016 and incorporated herein by reference).** |
| 10.24 | Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 2012 (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 filed with the SEC on September 28, 2017 and incorporated herein by reference).** |
| 10.25 | Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 2015 (filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 filed with the SEC on November 9, 2015 and incorporated herein by reference).** |
| 10.26 | Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 2015 (filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 filed with the SEC on November 9, 2015 and incorporated herein by reference).** |
| 10.27 | Amendment dated October 6, 2016 to Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 7, 2016 and incorporated herein by reference).** |

| Exhibit No. | Description |
|---|---|
| 10.28 | Second Amendment to the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, dated as of December 31, 2018 (filed as Exhibit 10.52 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).** |
| 10.29 | Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 2017 (filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 filed with the SEC on February 7, 2018 and incorporated herein by reference).** |
| 10.30 | ESOP Loan Agreement including ESOP Pledge Agreement and Promissory Note, dated March 28, 2000, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC on May 6, 2016 and incorporated herein by reference). |
| 10.31 | Amendment No. 1 to ESOP Loan Agreement, dated June 30, 2003, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC on May 6, 2016 and incorporated herein by reference). |
| 10.32 | ESOP Loan Agreement No. 2 including ESOP Pledge Agreement and Promissory Note, dated July 21, 2003 between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC on May 6, 2016 and incorporated herein by reference). |
| 10.33 | Employment Agreement, dated March 9, 2012, by and between Farmer Bros. Co. and Michael H. Keown (filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed with the SEC on May 10, 2017 and incorporated herein by reference).** |
| 10.34 | Employment Agreement, effective as of August 6, 2015, by and between Farmer Bros. Co. and Thomas J. Mattei, Jr. (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2015 filed with the SEC on September 14, 2015 and incorporated herein by reference).** |
| 10.35 | Employment Agreement, dated as of February 17, 2017, by and between Farmer Bros. Co. and David G. Robson (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 23, 2017 and incorporated herein by reference).** |
| 10.36 | Employment Agreement, dated as of February 17, 2017, by and between Farmer Bros. Co. and Ellen D. Iobst (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 23, 2017 and incorporated herein by reference).** |
| 10.37 | Employment Agreement, dated as of February 17, 2017, by and between Farmer Bros. Co. and Scott A. Siers (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on February 23, 2017 and incorporated herein by reference).** |
| 10.38 | Form of First Amendment to Employment Agreement entered into between Farmer Bros. Co. and each of Michael H. Keown, David G. Robson, Ellen D. Iobst, Scott W. Bixby, Scott A. Siers and Thomas J. Mattei, Jr. (filed as Exhibit 10.25 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed with the SEC on May 10, 2017 and incorporated herein by reference).** |
| 10.39 | Offer Letter, dated May 6, 2019, between Farmer Bros. Co. and Christopher P. Mottern (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 8, 2019 and incorporated herein by reference).** |
| 10.40 | Employment Agreement, dated as of September 6, 2019, by and between Farmer Bros. Co. and Deverl Maserang (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 10, 2019 and incorporated herein by reference).** |

| Exhibit No. | Description |
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| 10.41 | Separation and Release Agreement, dated as of May 7, 2019, by and between Farmer Bros. Co., and Michael Keown (filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K filed with the SEC on September 11, 2019 and incorporated herein by reference).** |
| 10.42 | Separation and Release Agreement, dated as of July 19, 2019, by and between Farmer Bros. Co., and Thomas J. Mattei, Jr. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2019 and incorporated herein by reference).** |
| 10.43 | Separation and Release Agreement, dated as of July 26, 2019, by and between Farmer Bros. Co., and Ellen Iobst (filed herewith).** |
| 10.44 | Separation and Release Agreement, dated as of July 19, 2019, by and between Farmer Bros. Co., and Scott Siers (filed herewith).** |
| 10.45 | Separation and Release Agreement by and between David Robson and Farmer Bros. Co. dated November 1, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 7, 2019 and incorporated herein by reference).** |
| 10.46 | Separation and Release Agreement, dated as of June 2, 2020, by and between Farmer Bros. Co., and Gabriela Villalobos (filed herewith).** |
| 10.47 | Farmer Bros. Co. 2007 Omnibus Plan, as amended (as approved by the stockholders at the 2012 Annual Meeting of Stockholders on December 6, 2012) (filed as Exhibit 10.27 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 filed with the SEC on November 7, 2017 and incorporated herein by reference).** |
| 10.48 | Form of Farmer Bros. Co. 2007 Omnibus Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.39 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed with the SEC on May 9, 2018 and incorporated herein by reference).** |
| 10.49 | Form of Farmer Bros. Co. 2007 Omnibus Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.41 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed with the SEC on May 9, 2018 and incorporated herein by reference).** |
| 10.50 | Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (as approved by the stockholders at the 2013 Annual Meeting of Stockholders on December 5, 2013) (filed as Exhibit 10.35 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).** |
| 10.51 | Addendum to Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (filed as Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2014 filed with the SEC on February 9, 2015 and incorporated herein by reference).** |
| 10.52 | Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.43 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference). |
| 10.53 | Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.45 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).** |
| 10.54 | Farmer Bros. Co. 2017 Long-Term Incentive Plan (as approved by the stockholders at the Special Meeting of Stockholders on June 20, 2017) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 26, 2017 and incorporated herein by reference).** |

| Exhibit No. | Description |
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| 10.55 | Form of Farmer Bros. Co. 2017 Long-Term Incentive Plan Stock Option Award Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2017 and incorporated herein by reference).** |
| 10.56 | Form of Farmer Bros. Co. 2017 Long-Term Incentive Plan Stock Restricted Unit Award Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 22, 2020 and incorporated herein by reference).** |
| 10.57 | Form of Farmer Bros. Co. 2017 Long-Term Incentive Plan Stock Restricted Unit Award Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2017 and incorporated herein by reference).** |
| 10.58 | Form of Farmer Bros. Co. 2017 Long-Term Incentive Plan Stock Restricted Grant Agreement (Directors) (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2017 and incorporated herein by reference).** |
| 10.59 | Form of Farmer Bros. Co. 2017 Long-Term Incentive Plan Stock Restricted Grant Agreement (Employees) (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2017 and incorporated herein by reference).** |
| 10.60 | Farmer Bros. Co. 2020 Inducement Incentive Plan (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on March 16, 2020 and incorporated herein by reference).** |
| 10.61 | Form of Farmer Bros. Co. 2020 Inducement Incentive Plan Stock Option Award Agreement (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on March 16, 2020 and incorporated herein by reference).** |
| 10.62 | Form of Farmer Bros. Co. 2020 Inducement Incentive Plan Restricted Stock Unit Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 22, 2020 and incorporated herein by reference).**. |
| 10.63 | Stock Ownership Guidelines for Directors and Executive Officers, as amended February 7, 2019 (filed as Exhibit 10.46 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).** |
| 10.64 | Form of Change in Control Severance Agreement for Executive Officers of the Company (with schedule of executive officers attached) (filed filed as Exhibit 10.2 to to the Company's Current Report on Form 8-K filed with the SEC on June 10, 2020 and incorporated herein by reference).** |
| 10.65 | Form of Change in Control Severance Agreement for Officers of the Company (with schedule of officers attached) (filed herewith).** |
| 10.66 | Form of First Amendment to Change in Control Severance Agreement entered into between Farmer Bros. Co. and each of Michael H. Keown, David G. Robson, Ellen D. Iobst, Scott A. Siers and Thomas J. Mattei, Jr. (filed as Exhibit 10.36 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed with the SEC on May 10, 2017 and incorporated herein by reference).** |
| 10.67 | Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on December 8, 2017 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 10, 2020 and incorporated herein by reference).** |
| 10.68 | Standard Form of Agreement between Owner and Design-Builder (AIA Document A141-2014 Edition), dated as of October 23, 2017, by and between Farmer Bros. Co. and The Haskell Company (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 15, 2018 and incorporated herein by reference). |

| Exhibit No. | Description |
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| 10.69 | Project Specific Task Order Release Form No. 006, dated as of February 9, 2018, between Farmer Bros. Co. and The Haskell Company (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K filed with the SEC on February 15, 2018 and incorporated herein by reference). |
| 10.70 | ISDA Master Agreement, dated as of March 20, 2019, by and between Farmer Bros. Co. and Citibank, N.A. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 29, 2019 and incorporated herein by reference).** |
| 10.71 | Schedule to the ISDA Master Agreement, dated as of March 20, 2019, by and between Farmer Bros., Co. and Citibank, N.A. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 29, 2019 and incorporated herein by reference).** |
| 10.72 | Interest Rate Swap Confirmation, dated as of March 28, 2019, by and between Farmer Bros., Co. and Citibank, N.A. (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on March 29, 2019 and incorporated herein by reference).** |
| 14.1 | Farmer Bros. Co. Code of Conduct and Ethics adopted on August 26, 2010 and updated February 2013 and September 7, 2017 (filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 filed with the SEC on September 29, 2017 and incorporated herein by reference). |
| 21.1 | List of all Subsidiaries of Farmer Bros. Co. (filed herewith). |
| 23.1 | Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm (filed herewith). |
| 31.1 | Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.2 | Principal Financial and Accounting Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32.1 | Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 32.2 | Principal Financial and Accounting Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (furnished herewith). |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document (furnished herewith). |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document (furnished herewith). |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document (furnished herewith). |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document (furnished herewith). |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document (furnished herewith). |
| 104 | Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (furnished herewith). |

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* Pursuant to Item 601(b)(2) of Regulation S-K, the schedules and/or exhibits to this agreement have been omitted. The Registrant undertakes to supplementally furnish copies of the omitted schedules and/or exhibits to the Securities and Exchange Commission upon request.

** Management contract or compensatory plan or arrangement.

**Item 16. Form 10-K Summary**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

**FARMER BROS. CO.**

By: /s/ Deverl Maserang

**Deverl Maserang**
**President and Chief Executive Officer**
**(principal executive officer)**
**September 10, 2020**

By: /s/ Scott R. Drake

**Scott R. Drake**
**Chief Financial Officer**
**(principal financial officer)**
**September 10, 2020**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| | | |
|---|---|---|
| /s/ Christopher P. Mottern<br>Christopher P. Mottern | Chairman of the Board and Director | September 10, 2020 |
| /s/ Deverl Maserang<br>Deverl Maserang | President and Chief Executive Officer | September 10, 2020 |
| /s/ Allison M. Boersma<br>Allison M. Boersma | Director | September 10, 2020 |
| /s/ Randy E. Clark<br>Randy E. Clark | Director | September 10, 2020 |
| /s/ Stacy Loretz-Congdon<br>Stacy Loretz-Congdon | Director | September 10, 2020 |
| /s/ Charles F. Marcy<br>Charles F. Marcy | Director | September 10, 2020 |
| /s/ David W. Ritterbush<br>David W. Ritterbush | Director | September 10, 2020 |

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the stockholders and the Board of Directors of Farmer Bros. Co.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Farmer Bros. Co. and subsidiaries (the "Company") as of June 30, 2020 and 2019, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 10, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
September 10, 2020

We have served as the Company’s auditor since fiscal 2014.

**FARMER BROS. CO.**
**CONSOLIDATED BALANCE SHEETS**
**(In thousands, except share and per share data)**

| | As of June 30, | |
|---|---|---|
| | 2020 | 2019 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 60,013 | $ 6,983 |
| Accounts receivable, net of allowance for doubtful accounts of $1,796 and $1,324, respectively | 40,882 | 55,155 |
| Inventories | 67,408 | 87,910 |
| Income tax receivable | 831 | 1,191 |
| Short-term derivative assets | 165 | 1,865 |
| Prepaid expenses | 7,414 | 6,804 |
| Total current assets | 176,713 | 159,908 |
| Property, plant and equipment, net | 165,633 | 189,458 |
| Goodwill | — | 36,224 |
| Intangible assets, net | 20,662 | 28,878 |
| Other assets | 8,564 | 9,468 |
| Long-term derivative assets | 10 | 674 |
| Right-of-use operating lease assets | 21,117 | — |
| Total assets | $ 392,699 | $ 424,610 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | 36,987 | 72,771 |
| Accrued payroll expenses | 9,394 | 14,518 |
| Operating leases liabilities - current | 5,854 | — |
| Short-term derivative liabilities | 5,255 | 1,474 |
| Other current liabilities | 6,802 | 7,309 |
| Total current liabilities | 64,292 | 96,072 |
| Long-term borrowings under revolving credit facility | 122,000 | 92,000 |
| Accrued pension liabilities | 58,772 | 47,216 |
| Accrued postretirement benefits | 9,993 | 23,024 |
| Accrued workers' compensation liabilities | 4,569 | 4,747 |
| Operating lease liabilities - noncurrent | 15,628 | — |
| Other long-term liabilities | 5,532 | 4,057 |
| Total liabilities | 280,786 | 267,116 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, $1.00 par value, 500,000 shares authorized; Series A Convertible Participating Cumulative Perpetual Preferred Stock, 21,000 shares authorized; 14,700 shares issued and outstanding as of June 30, 2020 and 2019, respectively; liquidation preference of $16,178 and $15,624 as of June 30, 2020 and 2019, respectively | 15 | 15 |
| Common stock, $1.00 par value, 25,000,000 shares authorized; 17,347,774 and 17,042,132 shares issued and outstanding at June 30, 2020 and 2019, respectively | 17,348 | 17,042 |
| Additional paid-in capital | 62,043 | 57,912 |
| Retained earnings | 108,536 | 146,177 |
| Accumulated other comprehensive loss | (76,029) | (63,652) |
| Total stockholders' equity | $ 111,913 | $ 157,494 |
| Total liabilities and stockholders' equity | $ 392,699 | $ 424,610 |

The accompanying notes are an integral part of these consolidated financial statements.

**FARMER BROS. CO.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except share and per share data)**

| | For the Years Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Net sales | $ 501,320 | $ 595,942 | $ 606,544 |
| Cost of goods sold | 363,198 | 416,840 | 399,155 |
| Gross profit | 138,122 | 179,102 | 207,389 |
| Selling expenses | 121,762 | 139,647 | 153,391 |
| General and administrative expenses | 42,569 | 48,959 | 49,429 |
| Restructuring and other transition expenses | — | 4,733 | 662 |
| Net (gains) losses from sales of assets | (25,237) | 465 | (966) |
| Impairment of goodwill and intangible assets | 42,030 | — | 3,820 |
| Operating expenses | 181,124 | 193,804 | 206,336 |
| (Loss) income from operations | (43,002) | (14,702) | 1,053 |
| Other (expense) income: | | | |
| Dividend income | — | — | 12 |
| Interest income | — | — | 2 |
| Interest expense | (10,483) | (12,000) | (9,757) |
| Postretirement benefits curtailment gains and pension settlement (charge) | 5,760 | (10,948) | — |
| Other, net | 10,443 | 4,166 | 7,722 |
| Total other income (expense) | 5,720 | (18,782) | (2,021) |
| Loss before taxes | (37,282) | (33,484) | (968) |
| Income tax (benefit) expense | (195) | 40,111 | 17,312 |
| Net loss | $ (37,087) | $ (73,595) | $ (18,280) |
| Less: Cumulative preferred dividends, undeclared and unpaid | 554 | 535 | 389 |
| Net loss available to common stockholders | $ (37,641) | $ (74,130) | $ (18,669) |
| Net loss available to common stockholders per common share—basic | $ (2.19) | $ (4.36) | $ (1.11) |
| Net loss available to common stockholders per common share—diluted | $ (2.19) | $ (4.36) | $ (1.11) |
| Weighted average common shares outstanding—basic | 17,205,849 | 16,996,354 | 16,815,020 |
| Weighted average common shares outstanding—diluted | 17,205,849 | 16,996,354 | 16,815,020 |

The accompanying notes are an integral part of these consolidated financial statements.

**FARMER BROS. CO.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**
**(In thousands)**

| | For the Years Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Net loss | $ (37,087) | $ (73,595) | $ (18,280) |
| Other comprehensive (loss) income, net of tax: | | | |
| Unrealized losses on derivative instruments designated as cash flow hedges, net of tax | (7,518) | (9,198) | (5,922) |
| Losses on derivative instruments designated as cash flow hedges reclassified to cost of goods sold, net of tax | 8,863 | 9,197 | 800 |
| Change in pension and retiree benefit obligations, net of tax | (13,722) | (1,612) | 4,576 |
| Total comprehensive loss, net of tax | $ (49,464) | $ (75,208) | $ (18,826) |

The accompanying notes are an integral part of these consolidated financial statements.

**FARMER BROS. CO.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(In thousands, except share and per share data)**

| | Preferred Shares | Preferred Stock Amount | Common Shares | Common Stock Amount | Additional Paid-in Capital | Retained Earnings | Unearned ESOP Shares | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at June 30, 2017** | **—** | **—** | **16,846,002** | **16,846** | **41,495** | **236,993** | **(4,289)** | **(61,493)** | **229,552** |
| Net loss | — | — | — | — | — | (18,280) | — | — | (18,280) |
| Adjustment due to the adoption of ASU 2017-12 | — | — | — | — | — | 342 | — | (209) | 133 |
| Adjustment due to the adoption of ASU 2016-09 | — | — | — | — | — | 1,641 | — | — | 1,641 |
| Unrealized losses on derivative instruments designated as cash flow hedges, net of reclassifications to cost of goods sold, net of tax | — | — | — | — | — | — | — | (4,913) | (4,913) |
| Change in the funded status of retiree benefit obligations, net of tax | — | — | — | — | — | — | — | 4,576 | 4,576 |
| ESOP compensation expense, including reclassifications | — | — | — | — | 150 | — | 2,144 | — | 2,294 |
| Share-based compensation | — | — | 9,155 | 9 | 1,518 | — | — | — | 1,527 |
| Stock option exercises | — | — | 96,502 | 97 | 1,245 | — | — | — | 1,342 |
| Consideration for Boyd Coffee acquisition | 14,700 | 15 | — | — | 11,557 | — | — | — | 11,572 |
| Cumulative preferred dividends, undeclared and unpaid | — | — | — | — | — | (389) | — | — | (389) |
| **Balance at June 30, 2018** | **14,700** | **15** | **16,951,659** | **16,952** | **55,965** | **220,307** | **(2,145)** | **(62,039)** | **229,055** |
| Net loss | — | — | — | — | — | (73,595) | — | — | (73,595) |
| Net reclassification of unrealized losses on cash flow hedges, net of tax | — | — | — | — | — | — | — | (1) | (1) |
| Change in pension and retiree benefit obligations, net of tax | — | — | — | — | — | — | — | (1,612) | (1,612) |
| ESOP compensation expense, including reclassifications | — | — | 37,571 | 37 | 364 | — | 2,145 | — | 2,546 |
| Share-based compensation | — | — | 18,298 | 18 | 1,111 | — | — | — | 1,129 |
| Stock option exercises | — | — | 34,604 | 35 | 472 | — | — | — | 507 |
| Cumulative preferred dividends, undeclared and unpaid | — | — | — | — | — | (535) | — | — | (535) |
| **Balance at June 30, 2019** | **14,700** | **$ 15** | **17,042,132** | **$ 17,042** | **$ 57,912** | **$ 146,177** | **$ —** | **$ (63,652)** | **$ 157,494** |
| Net loss | — | — | — | — | — | (37,087) | — | — | (37,087) |
| Net reclassification of unrealized gains on cash flow hedges, net of taxes | — | — | — | — | — | — | — | 1,345 | 1,345 |
| Change in retiree benefit obligations, net of taxes | — | — | — | — | — | — | — | (13,722) | (13,722) |
| ESOP compensation expense, including reclassifications | — | — | 266,429 | 266 | 2,719 | — | — | — | 2,985 |
| Share-based compensation | — | — | — | — | 1,323 | — | — | — | 1,323 |
| Issuance of common stock and stock option exercises | — | — | 39,213 | 40 | 89 | — | — | — | 129 |
| Cumulative preferred dividends, undeclared and unpaid | — | — | — | — | — | (554) | — | — | (554) |
| **Balance at June 30, 2020** | **14,700** | **$ 15** | **17,347,774** | **$ 17,348** | **$ 62,043** | **$ 108,536** | **$ —** | **$ (76,029)** | **$ 111,913** |

The accompanying notes are an integral part of these consolidated financial statements.

## FARMER BROS. CO.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**(In thousands)**

| | For the Years Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Cash flows from operating activities: | | | |
| Net loss | $ (37,087) | $ (73,595) | $ (18,280) |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 29,896 | 31,065 | 30,464 |
| Provision for doubtful accounts | 1,379 | 1,363 | 137 |
| Impairment of goodwill and intangible assets | 42,030 | — | 3,820 |
| Change in estimated fair value of contingent earnout consideration | — | — | (500) |
| Restructuring and other transition expenses, net of payments | — | 1,172 | (1,185) |
| Deferred income taxes | (300) | 41,654 | 17,155 |
| Postretirement benefits and pension settlement cost | (5,760) | 10,948 | — |
| Net (gains) losses from sales of assets | (25,237) | 466 | (995) |
| ESOP and share-based compensation expense | 4,309 | 3,674 | 3,822 |
| Net losses on derivative instruments and investments | 9,818 | 9,196 | 1,982 |
| Change in operating assets and liabilities: | | | |
| Accounts receivable | 12,893 | 2,757 | (4,628) |
| Inventories | 19,530 | 16,192 | (15,513) |
| Derivative (liabilities) assets, net | (1,082) | (18,901) | (7,782) |
| Other assets | 990 | 114 | 1,073 |
| Accounts payable | (35,784) | 16,546 | 3,864 |
| Accrued expenses and other | (14,140) | (7,201) | (4,579) |
| Net cash provided by operating activities | $ 1,455 | $ 35,450 | $ 8,855 |
| Cash flows from investing activities: | | | |
| Acquisitions of businesses, net of cash acquired | $ — | $ — | $ (39,608) |
| Purchases of property, plant and equipment | (17,560) | (34,760) | (35,443) |
| Purchases of assets for construction of New Facility | — | — | (1,577) |
| Proceeds from sales of property, plant and equipment | 39,477 | 2,399 | 1,988 |
| Net cash provided (used) in investing activities | $ 21,917 | $ (32,361) | $ (74,640) |
| Cash flows from financing activities: | | | |
| Proceeds from revolving credit facility | $ 90,000 | $ 50,642 | $ 85,315 |
| Repayments on revolving credit facility | (60,000) | (48,429) | (23,149) |
| Payments of finance lease obligations | (53) | (215) | (947) |
| Payment of financing costs | (418) | (1,049) | (579) |
| Proceeds from stock option exercises | 129 | 507 | 1,342 |
| Net cash provided by financing activities | $ 29,658 | $ 1,456 | $ 61,982 |
| Net increase (decrease) in cash and cash equivalents | $ 53,030 | $ 4,545 | $ (3,803) |
| Cash and cash equivalents at beginning of year | 6,983 | 2,438 | 6,241 |
| Cash and cash equivalents at end of year | $ 60,013 | $ 6,983 | $ 2,438 |

The accompanying notes are an integral part of these consolidated financial statements.

FARMER BROS. CO.
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**
**(In thousands)**

| | For the Years Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest | $ 4,426 | $ 5,512 | $ 3,177 |
| Cash paid for income taxes | $ 21 | $ 107 | $ 144 |
| Supplemental disclosure of non-cash investing and financing activities: | | | |
| Non-cash additions to property, plant and equipment | $ 446 | $ 2,619 | $ 2,814 |
| Non-cash portion of earnout receivable recognized—Spice Assets sale | $ — | $ — | $ 298 |
| Non-cash portion of earnout payable recognized—West Coast Coffee acquisition | $ — | $ 400 | $ — |
| Non-cash receivable from West Coast Coffee—post-closing final working capital adjustment | $ — | $ — | $ 218 |
| Non-cash post-closing working capital adjustment—Boyd Coffee acquisition | $ — | $ 2,277 | $ 1,056 |
| Non-cash Issuance of 401-K shares of Common Stock | $ 266 | $ 37 | $ — |
| Non-cash consideration given-Issuance of Series A Preferred Stock | $ — | $ — | $ 11,756 |
| Cumulative preferred dividends, undeclared and unpaid | $ 554 | $ 535 | $ 389 |

The accompanying notes are an integral part of these consolidated financial statements.

## Note 1. Introduction and Basis of Presentation

***Description of Business***

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the “Company,” or “Farmer Bros.”), is a national coffee roaster, wholesaler and distributor of coffee, tea and culinary products. The Company serves a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurant, department and convenience store chains, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors. The Company’s product categories consist of roast and ground coffee, frozen liquid coffee; flavored and unflavored iced and hot teas; culinary products; spices; and other beverages including cappuccino, cocoa, granitas, and concentrated and ready-to-drink cold brew and iced coffee. The Company was founded in 1912, incorporated in California in 1923, and reincorporated in Delaware in 2004. The Company's principal office and product development lab is located in Northlake, Texas ("Northlake facility"). The Company operates in one business segment.

The Company operates production facilities in Northlake, Texas; Houston, Texas; Portland, Oregon; and Hillsboro, Oregon. Distribution takes place out of the Northlake facility, the Portland and Hillsboro facilities, as well as separate distribution centers in Northlake, Illinois; and Moonachie, New Jersey.

The Company’s products reach its customers primarily in the following ways: through the Company’s nationwide direct-store-delivery or DSD network of 186 delivery routes and 97 branch warehouses as of June 30, 2020, or direct-shipped via common carriers or third-party distributors. The Company operates a large fleet of trucks and other vehicles to distribute and deliver its products through its DSD network, and relies on third-party logistic (“3PL”) service providers for its long-haul distribution. DSD sales are primarily made “off-truck” by the Company to its customers at their places of business.

**Note 2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying consolidated financial statements are prepared in accordance with the generally accepted accounting principles in the United States ("GAAP").

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries. All inter-company balances and transactions have been eliminated.

***Use of Estimates***

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. The Company reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates and actual results may differ from those estimates.

***Cash Equivalents***

The Company considers all highly liquid investments with original maturity dates of 90 days or less to be cash equivalents. Fair values of cash equivalents approximate cost due to the short period of time to maturity.

***Allowance for doubtful accounts***

A portion of our accounts receivable is not expected to be collected due to non-payment, bankruptcies and deductions. Our accounting policy for the allowance for doubtful accounts requires us to reserve an amount based on the evaluation of the aging of accounts receivable, detailed analysis of high-risk customers' accounts, and the overall market and economic conditions of our customers. This evaluation considers the customer demographic, such as large commercial customers as compared to small businesses or individual customers. We consider our accounts receivable delinquent or past due based on payment terms established with each customer. Accounts receivable are written off when the account are determined to be uncollectible.

***Investments***

The Company's investments, from time to time, consist of money market instruments, marketable debt, equity and hybrid securities. Investments are held for trading purposes and stated at fair value. The cost of investments sold is determined on the specific identification method. Dividend and interest income are accrued as earned.

***Fair Value Measurements***

The Company groups its assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1—Valuation is based upon quoted prices for identical instruments traded in active markets.

- Level 2—Valuation is based upon inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. interest rate and yield curves observable at commonly quoted intervals, default rates, etc.). Observable inputs include quoted prices for similar instruments in active and non-active markets. Level 2 includes those financial instruments that are valued with industry standard valuation models that incorporate inputs that are observable in the marketplace throughout the full term of the instrument, or can otherwise be derived from or supported by observable market data in the marketplace. Level 2 inputs may also include insignificant adjustments to market observable inputs.

- Level 3—Valuation is based upon one or more unobservable inputs that are significant in establishing a fair value estimate. These unobservable inputs are used to the extent relevant observable inputs are not available and are developed based on the best information available. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Securities with quotes that are based on actual trades or actionable bids and offers with a sufficient level of activity on or near the measurement date are classified as Level 1. Securities that are priced using quotes derived from implied values, indicative bids and offers, or a limited number of actual trades, or the same information for securities that are similar in many respects to those being valued, are classified as Level 2. If market information is not available for securities being valued, or materially-comparable securities, then those securities are classified as Level 3. In considering market information, management evaluates changes in liquidity, willingness of a broker to execute at the quoted price, the depth and consistency of prices from pricing services, and the existence of observable trades in the market.

***Derivative Instruments***

The Company executes various derivative instruments to hedge its commodity price and interest rate risks. These derivative instruments consist primarily of forward, option and swap contracts. The Company reports the fair value of derivative instruments on its consolidated balance sheets in “Short-term derivative assets,” “Long-term derivative assets,” “Short-term derivative liabilities,” or “Other long-term liabilities.” The Company determines the current and noncurrent classification based on the timing of expected future cash flows of individual trades and reports these amounts on a gross basis. Additionally, the Company reports, if any, cash held on deposit in margin accounts for coffee-related derivative instruments on a gross basis on its consolidated balance sheet in “Restricted cash.”

The accounting for the changes in fair value of the Company's derivative instruments can be summarized as follows:

| Derivative Treatment | Accounting Method |
|---|---|
| Normal purchases and normal sales exception | Accrual accounting |
| Designated in a qualifying hedging relationship | Hedge accounting |
| All other derivative instruments | Mark-to-market accounting |

The Company enters into green coffee purchase commitments at a fixed price or at a price to be fixed (“PTF”). PTF contracts are purchase commitments whereby the quality, quantity, delivery period, price differential to the coffee “C” market price and other negotiated terms are agreed upon, but the date, and therefore the price at which the base “C” market price will be fixed has not yet been established. The coffee “C” market price is fixed at some point after the purchase contract date and before the futures market closes for the delivery month and may be fixed either at the direction of the Company to the vendor, or by the application of a derivative that was separately purchased as a hedge. For both fixed-price and PTF contracts, the Company expects to take delivery of and to utilize the coffee in a reasonable period of time and in the conduct of normal business. Accordingly, these purchase commitments qualify as normal purchases and are not recorded at fair value on the Company's consolidated balance sheets.

The Company follows the guidelines of Accounting Standards Codification (“ASC”) 815, “Derivatives and Hedging” (“ASC 815”), to account for certain coffee-related derivative instruments as accounting hedges, in order to minimize the volatility created in the Company's quarterly results from utilizing these derivative instruments and to improve comparability between reporting periods. For a derivative to qualify for designation in a hedging relationship, it must meet specific criteria and the Company must maintain appropriate documentation. The Company establishes hedging relationships pursuant to its risk management policies. The hedging relationships are evaluated at inception and on an ongoing basis to determine whether the hedging relationship is, and is expected to remain, highly effective in achieving offsetting changes in fair value or cash flows attributable to the underlying risk being hedged. The Company also regularly assesses whether the hedged forecasted transaction is probable of occurring. If a derivative ceases to be or is no longer expected to be highly effective, or if the Company believes the likelihood of occurrence of the hedged forecasted transaction is no longer probable, hedge accounting is discontinued for that derivative, and future changes in the fair value of that derivative are recognized in “Other, net*.”*

For coffee-related derivative instruments designated as cash flow hedges, the change in fair value of the derivative is reported as accumulated other comprehensive income (loss) (“AOCI”) and subsequently reclassified into cost of goods sold in the period or periods when the hedged transaction affects earnings. Gains or losses deferred in AOCI associated with terminated derivative instruments, derivative instruments that cease to be highly effective hedges, derivative instruments for which the forecasted transaction is reasonably possible but no longer probable of occurring, and cash flow hedges that have been otherwise discontinued remain in AOCI until the hedged item affects earnings. If it becomes probable that the forecasted transaction designated as the hedged item in a cash flow hedge will not occur, any gain or loss deferred in AOCI is recognized in “Other, net” at that time. For derivative instruments that are not designated in a hedging relationship, and for which the normal purchases and normal sales exception has not been elected, the changes in fair value are reported in “Other, net.” See Note 8.

For interest rate swap derivative instrument designated as a cash flow hedge, the change in fair value of the derivative is reported as AOCI and subsequently reclassified into interest expense in the period or periods when the hedged transaction affects earnings.

***Concentration of Credit Risk***

At June 30, 2020, the financial instruments which potentially expose the Company to concentration of credit risk consist of cash in financial institutions (in excess of federally insured limits), derivative instruments and trade receivables.

The Company does not have any credit-risk related contingent features that would require it to post additional collateral in support of its net derivative liability positions. At June 30, 2020 and 2019, none of the cash in the Company's coffee-related derivative margin accounts was restricted. Further changes in commodity prices and the number of coffee-related derivative instruments held, could have a significant impact on cash deposit requirements under certain of the Company's broker and counterparty agreements.

Approximately 39% and 28% of the Company's trade accounts receivable balance was with five customers at June 30, 2020 and 2019, respectively. The Company estimates its maximum credit risk for accounts receivable at the amount recorded on the balance sheet. The trade accounts receivables are generally short-term and all probable bad debt losses have been appropriately considered in establishing the allowance for doubtful accounts.

***Inventories***

Inventories are valued at the lower of cost or net realizable value. Effective June 30, 2018, the Company changed its method of accounting for coffee, tea and culinary products from the last in, first out ("LIFO") basis to the first in, first out ("FIFO") basis. The impact of this change in accounting principle has been reflected through retrospective application to the financial statements for each period presented. The Company continues to account for coffee brewing equipment parts on a FIFO basis. The Company regularly evaluates these inventories to determine the provision for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, historical experience and application of specific identification.

***Property, Plant and Equipment***

Property, plant and equipment is carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method. The following useful lives are used:

| | |
|---|---|
| Buildings and facilities | 10 to 30 years |
| Machinery and equipment | 3 to 15 years |
| Equipment under finance leases | Shorter of term of lease or estimated useful life |
| Office furniture and equipment | 5 to 7 years |
| Capitalized software | 3 to 5 years |

Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the asset or the remaining lease term. When assets are sold or retired, the asset and related accumulated depreciation are removed from the respective account balances and any gain or loss on disposal is included in operations. Maintenance and repairs are charged to expense, and enhancements are capitalized.

***Coffee Brewing Equipment and Service***

The Company capitalizes coffee brewing equipment and depreciates it over five years and reports the depreciation expense in cost of goods sold. Other non-depreciation expenses related to coffee brewing equipment provided to customers, such as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts), are considered directly attributable to the generation of revenues from the customers. These non-depreciation expenses are also included in cost of goods sold. See Note 11 for details of the depreciation amounts and non-depreciation expenses.

***Leases***

The Company makes a determination if an arrangement constitutes a lease at inception, and categorizes the lease as either an operating or finance lease. Operating leases are included in right-of-use operating lease assets and operating lease liabilities in the Company's Condensed Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, net and other long-term liabilities in the Condensed Consolidated Balance Sheets. Leases with an initial term of 12 months or less are not recorded on the Condensed Consolidated Balance Sheets.

The Company has entered into leases for building facilities, vehicles and other equipment. The Company's leases have remaining contractual terms of up to 8 years, some of which have options to extend the lease for up to an additional 10 years. For purposes of calculating operating lease liabilities, lease terms are deemed not to include options to extend the lease renewals until it is reasonably certain that the Company will exercise that option. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Right-of-use lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the company will exercise that option. Lease expense is primarily recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are combined for certain assets classes.

***Income Taxes***

Deferred income taxes are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which differences are expected to reverse. Estimating the Company's tax liabilities involves judgments related to uncertainties in the application of complex tax regulations. The Company makes certain estimates and judgments to determine tax expense for financial statement purposes as it evaluates the effect of tax credits, tax benefits and deductions, some of which result from differences in the timing of recognition of revenue or expense for tax and financial statement purposes. Changes to these estimates may result in significant changes to the Company's tax provision in future periods. Each fiscal quarter the Company re-evaluates its tax provision and reconsiders its estimates and assumptions related to specific tax assets and liabilities, making adjustments as circumstances change.

***Deferred Tax Asset Valuation Allowance***

The Company evaluates its deferred tax assets quarterly to determine if a valuation allowance is required and considers whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets will or will not ultimately be realized in future periods. In making this assessment, significant weight is given to evidence that can be objectively verified, such as recent operating results, and less consideration is given to less objective indicators, such as future income projections. After consideration of positive and negative evidence, if the Company determines that it is more likely than not that it will generate future income sufficient to realize its deferred tax assets, the Company will record a reduction in the valuation allowance.

***Revenue Recognition***

The Company recognizes revenue in accordance with the way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company performs the following steps to determine revenue recognition for an arrangement: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the performance obligations are satisfied.

***Net (Loss) Income Per Common Share***

Net (loss) income per share ("EPS") represents net (loss) income available to common stockholders divided by the weighted-average number of common shares outstanding for the period, excluding unallocated shares held by the Company's

Employee Stock Ownership Plan (“ESOP”). Dividends on the Company's outstanding Series A Convertible Participating Cumulative Perpetual Preferred Stock, par value $1.00 per share ("Series A Preferred Stock"), that the Company has paid or intends to pay are deducted from net (loss) income in computing net (loss) income available to common stockholders.

Under the two-class method, net (loss) income available to nonvested restricted stockholders and holders of Series A Preferred Stock is excluded from net (loss) income available to common stockholders for purposes of calculating basic and diluted EPS.

Diluted EPS represents net income available to holders of common stock divided by the weighted-average number of common shares outstanding, inclusive of the dilutive impact of common equivalent shares outstanding during the period. Common equivalent shares include potentially dilutive shares from share-based compensation including stock options, unvested restricted stock, performance-based restricted stock units, and shares of Series A Preferred Stock, as converted, because they are deemed participating securities. In the absence of contrary information, the Company assumes 100% of the target shares are issuable under performance-based restricted stock units.

The dilutive effect of Series A Preferred Stock is reflected in diluted EPS by application of the if-converted method. In applying the if-converted method, conversion will not be assumed for purposes of computing diluted EPS if the effect would be anti-dilutive. The Series A Preferred Stock is antidilutive whenever the amount of the dividend declared or accumulated in the current period per common share obtainable upon conversion exceeds basic EPS.

***Employee Stock Ownership Plan***

Compensation cost for the ESOP is based on the fair market value of shares released or deemed to be released to employees in the period in which they are committed. As a leveraged ESOP with the Company as lender, a contra equity account is established to offset the Company’s note receivable. The contra account will change as compensation expense is recognized. The cost of shares purchased by the ESOP which have not been committed to be released or allocated to participants are shown as a contra-equity account “Unearned ESOP Shares” and are excluded from EPS calculations.

On December 31, 2018, the Company froze the ESOP such that (i) no employees of the Company may commence participation in the ESOP on or after December 31, 2018; (ii) no Company contributions will be made to the ESOP with respect to services performed or compensation received after December 31, 2018; and (iii) the ESOP accounts of all individuals who are actively employed by the Company and participating in the ESOP on December 31, 2018 will be fully vested as of such date. Additionally, the Administrative Committee, with the consent of the Board of Directors, designated certain employees who were terminated in connection with certain reductions-in-force in 2018 to be fully vested in their ESOP accounts as of their severance dates.

Effective January 1, 2019, the Company amended and restated its 401(k) Plan to, among other things, provide for annual contribution of shares of the Company’s common stock equal to 4% of each eligible participant’s annual plan compensation. See Note 13 for details.

***Share-based Compensation***

The Company measures all share-based compensation cost at the grant date, based on the fair values of the awards that are ultimately expected to vest, and recognizes that cost as an expense on a straight line-basis in its consolidated statements of operations over the requisite service period. Fair value of restricted stock and performance-based restricted stock units is the closing price of the Company's common stock on the date of grant. The Company estimates the fair value of option awards using the Black-Scholes option valuation model, which requires management to make certain assumptions for estimating the fair value of stock options at the date of grant.

In addition, the Company estimates the expected impact of forfeited awards and recognizes share-based compensation cost only for those awards ultimately expected to vest. If actual forfeiture rates differ materially from the Company’s estimates, share-based compensation expense could differ significantly from the amounts the Company has recorded in the current period. The Company periodically reviews actual forfeiture experience and will revise its estimates, as necessary. The Company will recognize as compensation cost the cumulative effect of the change in estimated forfeiture rates on current and prior periods in earnings of the period of revision. As a result, if the Company revises its assumptions and estimates, the Company’s share-based compensation expense could change materially in the future.

The Company's outstanding share-based awards include performance-based non-qualified stock options ("PNQs") and performance-based restricted stock units ("PBRSUs") that have performance-based vesting conditions in addition to time-based vesting. Awards with performance-based vesting conditions require the achievement of certain financial and other performance criteria as a condition to the vesting. The Company recognizes the estimated fair value of performance-based awards, net of estimated forfeitures, as share-based compensation expense over the service period based upon the Company's determination of whether it is probable that the performance targets will be achieved. At each reporting period, the Company reassesses the probability of achieving the performance criteria and the performance period required to meet those targets. Determining whether the performance criteria will be achieved involves judgment, and the estimate of share-based compensation expense may be revised periodically based on changes in the probability of achieving the performance criteria. Revisions are reflected in the period in which the estimate is changed. If performance goals are not met, no share-based compensation expense is recognized for the cancelled PNQs or PBRSUs, and, to the extent share-based compensation expense was previously recognized for those cancelled PNQs or PBRSUs, such share-based compensation expense is reversed. If performance goals are exceeded and the payout is more than 100% of the target shares in the case of PBRSUs, additional compensation expense is recorded in the period when that determination is certified by the Compensation Committee of the Board of Directors.

***Impairment of Goodwill and Indefinite-lived Intangible Assets***

The Company accounts for its goodwill and indefinite-lived intangible assets in accordance with Accounting Standards Codification ("ASC") 350, "Intangibles-Goodwill and Other" ("ASC 350"). Goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually, or more frequently if an event occurs or circumstances change which indicate that an asset might be impaired. Pursuant to ASC 350, the Company performs a qualitative assessment of goodwill and indefinite-lived intangible assets on its consolidated balance sheets, to determine if there is a more likely than not indication that its goodwill and indefinite-lived intangible assets are impaired as of January 31. If the indicators of impairment are present, the Company performs a quantitative assessment to determine the impairment of these assets as of the measurement date. See Note 12 for details of the goodwill and indefinite-lived intangible assets impairment test.

The Company test for impairment of goodwill by comparing the fair value of its reporting units to the carrying value of the reporting units. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recognized equal to the excess of the carrying amount of the reporting unit over its fair value.

Indefinite-lived intangible assets consist of certain acquired trademarks, trade names and a brand name. Indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values. An impairment charge is recorded if the estimated fair value of such assets has decreased below their carrying values.

***Other Intangible Assets***

Other intangible assets consist of finite-lived intangible assets including acquired recipes, non-compete agreements, customer relationships, a trade name/brand name and certain trademarks. These assets are amortized over their estimated useful lives and are tested for impairment by grouping them with other assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. The Company reviews the recoverability of its finite-lived intangible assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

***Shipping and Handling Costs***

The Company's shipping and handling costs are included in both cost of goods sold and selling expenses, depending on the nature of such costs. Shipping and handling costs included in cost of goods sold reflect inbound freight of raw materials and finished goods, and product loading and handling costs at the Company's production facilities to the distribution centers and branches. Shipping and handling costs included in selling expenses consist primarily of those costs associated with moving finished goods to customers. Shipping and handling costs that were recorded as a component of the Company's selling expenses were $9.8 million, $11.4 million and $11.9 million, respectively, in the fiscal years ended June 30, 2020, 2019 and 2018.

***Collective Bargaining Agreements***

Certain Company employees are subject to collective bargaining agreements which expire on or before January 31, 2025. At June 30, 2020 approximately 19% of the Company's workforce was covered by such agreements.

***Self-Insurance***

The Company uses a combination of insurance and self-insurance mechanisms to provide for the potential liability of certain risks including workers' compensation, health care benefits, general liability, product liability, property insurance and director and officers' liability insurance. Liabilities associated with risks retained by the Company are not discounted and are estimated by considering historical claims experience, demographics, exposure and severity factors and other actuarial assumptions.

The Company's self-insurance for workers' compensation liability includes estimated outstanding losses of unpaid claims, and allocated loss adjustment expenses ("ALAE"), case reserves, the development of known claims and incurred but not reported claims. ALAE are the direct expenses for settling specific claims. The amounts reflect per occurrence and annual aggregate limits maintained by the Company. The estimated liability analysis does not include estimating a provision for unallocated loss adjustment expenses.

The estimated gross undiscounted workers' compensation liability relating to such claims was $5.2 million and $5.4 million, as of June 30, 2020 and 2019, respectively and the estimated recovery from reinsurance was $0.8 million for both periods. The short-term and long-term accrued liabilities for workers' compensation claims are presented on the Company's consolidated balance sheets in "Other current liabilities" and in "Accrued workers' compensation liabilities," respectively. The estimated insurance receivable is included in "Other assets" on the Company's consolidated balance sheets.

At June 30, 2020 the Company had posted $1.5 million in cash and a $2.3 million letter of credit, and at June 30, 2019 the Company had posted $1.4 million in cash and a $2.3 million letter of credit, as a security deposit for self-insuring workers' compensation, general liability and auto insurance coverages.

The estimated liability related to the Company's self-insured group medical insurance was $0.9 million in each of the years ended June 30, 2020 and 2019, recorded on an incurred but not reported basis, within deductible limits, based on actual claims and the average lag time between the date insurance claims are filed and the date those claims are paid.

The Company accrues the cost for general liability, product liability and commercial auto liability insurance based on estimates of the aggregate liability claims incurred using certain actuarial assumptions and historical claims experience. The Company's liability reserve for such claims was $1.6 million and $1.8 million at June 30, 2020 and 2019, respectively. The estimated liability related to the Company's self-insured group medical insurance, general liability, product liability and commercial auto liability is included on the Company's consolidated balance sheets in "Other current liabilities."

***Pension Plans***

The Company's defined benefit pension plans are not admitting new participants, therefore, changes to pension liabilities are primarily due to market fluctuations of investments for existing participants and changes in interest rates. The Company's defined benefit pension plans are accounted for using the guidance of ASC 710, "Compensation—General" and ASC 715, "Compensation-Retirement Benefits" and are measured as of the end of the fiscal year.

The Company recognizes the overfunded or underfunded status of a defined benefit pension as an asset or liability on its consolidated balance sheets. Changes in the funded status are recognized through AOCI, in the year in which the changes occur. See Note 13.

***Business Combinations***

The Company accounts for business combinations under the acquisition method of accounting. The purchase price of each business acquired is allocated to the tangible and intangible assets acquired and the liabilities assumed based on information regarding their respective fair values on the date of acquisition. Any excess of the purchase price over the fair value of the separately identifiable assets acquired and the liabilities assumed is allocated to goodwill. Management determines the fair values used in purchase price allocations for intangible assets based on historical data, estimated discounted future cash flows, and expected royalty rates for trademarks and trade names, as well as certain other information. The valuation of assets acquired and liabilities assumed requires a number of judgments and is subject to revision as additional information about the fair value of assets and liabilities becomes available. Additional information, which existed as of the acquisition date but unknown to the Company at that time, may become known during the remainder of the measurement period, a period not to exceed twelve months from the acquisition date. Adjustments in the purchase price allocation may require a recasting of the amounts allocated to goodwill and intangible assets. If such an adjustment is required, the Company will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment, including the effect on earnings of any amounts it would have recorded in previous periods if the accounting had been completed at the acquisition date. Transaction costs, including legal, accounting and integration expenses, are expensed as incurred and are included in operating expenses in the Company's consolidated statements of operations. Contingent consideration, such as earnout, is deferred as a short-term or long-term liability based on an estimate of the timing of the future payment. These contingent consideration liabilities are recorded at fair value on the acquisition date and are re-measured quarterly based on the then assessed fair value and adjusted if necessary. The results of operations of businesses acquired are included in the Company's consolidated financial statements from their dates of acquisition.

***Restructuring Plans***

The Company accounts for exit or disposal of activities in accordance with ASC 420, “Exit or Disposal Cost Obligations.“ The Company defines a business restructuring as an exit or disposal activity that includes but is not limited to a program which is planned and controlled by management and materially changes either the scope of a business or the manner in which that business is conducted. Business restructuring charges may include (i) one-time termination benefits related to employee separations, (ii) contract termination costs and (iii) other related costs associated with exit or disposal activities.

A liability is recognized and measured at its fair value for one-time termination benefits once the plan of termination is communicated to affected employees and it meets all of the following criteria: (i) management commits to a plan of termination, (ii) the plan identifies the number of employees to be terminated and their job classifications or functions, locations and the expected completion date, (iii) the plan establishes the terms of the benefit arrangement and (iv) it is unlikely that significant changes to the plan will be made or the plan will be withdrawn. Contract termination costs include costs to terminate a contract or costs that will continue to be incurred under the contract without benefit to the Company. A liability is recognized and measured at its fair value when the Company either terminates the contract or ceases using the rights conveyed by the contract.

***Recent Accounting Pronouncements***

The Company considers the applicability and impact of all ASUs issued. ASUs not listed below were assessed and either determined to be not applicable or expected to have minimal impact on its condensed consolidated financial statements.

The following table provides a brief description of the applicable recent ASUs issued by the FASB:

| Standard | Description | Effective Date | Effect on the Financial Statements or Other Significant Matters |
|---|---|---|---|
| In March 2020, the FASB issued ASU No. 2020-04, “Facilitation of the Effect of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”). | The London Interbank Offered Rate (LIBOR) is set to expire at the end of 2021. Contracts affected by the rate change would be required to be modified. Under current U.S. GAAP, those modifications would have to be evaluated to determine whether they result in new contracts or continuation of the existing contracts. ASU 2020-04 provides temporary optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the transition from LIBOR to alternative reference rate. | Issuance date of March 12, 2020 through December 31, 2022. | The Company is currently evaluating the impact ASU 2020-04 will have on its consolidated financial statements. |
| In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes" ("ASU 2019-12"). | ASU 2019-12 guidance simplifies the accounting for income taxes by removing the exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income). With the removal of this exception, entities will determine the tax effect of pre-tax income or loss from continuing operations without consideration of the tax effects of other items that are not included in continuing operations. | Annual periods beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. | The Company is currently evaluating the impact ASU 2019-12 will have on its consolidated financial statements. |
| In August 2018, the FASB issued ASU No. 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract” (“ASU 2018-15”). | ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. | Annual periods beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. | The Company will adopt the new guidance effective July 1, 2020, on a prospective basis, which will not require the Company to adjust comparative periods. Adoption of ASU 2018-15 will not have a material impact on the results of operations, financial position or cash flows of the Company. |
| In August 2018, the FASB issued ASU No. 2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans” (“ASU 2018-14”). | ASU 2018-14 modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing disclosures that no longer are considered cost beneficial, clarifying the specific requirements of disclosures and adding disclosure requirements identified as relevant. | Annual periods beginning after December 15, 2020. Early adoption is permitted. | Effective for the Company beginning July 1, 2021. The Company is currently evaluating the impact ASU 2018-14 will have on its consolidated financial statements. |
| In February 2018, the FASB issued ASU No. 2018-02, “Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income” (“ASU 2018-02”). | ASU 2018-02 provides entities an option to reclassify certain stranded tax effects resulting from the tax reform from accumulated other comprehensive income to retained earnings. | The guidance in ASU 2018-02 is effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years, and should be applied either in the period of adoption or retrospectively. | The Company did not elect the option to reclassify certain stranded tax effects resulting from the tax reform from accumulated other comprehensive income to retained earnings. |

| Standard | Description | Effective Date | Effect on the Financial Statements or Other Significant Matters |
|---|---|---|---|
| In January 2017, the FASB issued ASU No. 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). | The amendments in ASU 2017-04 address concerns regarding the cost and complexity of the two-step goodwill impairment test, and remove the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. | Annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019. | The Company adopted the new guidance effective January 1, 2020, on a prospective basis, which did not require the Company to adjust comparative periods. Adoption of ASU 2017-04 did not have a material impact on the results of operations, financial position or cash flows of the Company. |
| In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Since that date, the FASB has issued additional ASUs clarifying certain aspects of ASU 2016-13. | The objective of the guidance in ASU 2016-13 is to allow entities to recognize estimated credit losses in the period that the change in valuation occurs. The amendments in ASU 2016-13 requires an entity to present financial assets measured on an amortized cost basis on the balance sheet net of an allowance for credit losses. The model requires an estimate of the credit losses expected over the life of an exposure or pool of exposures. The income statement will reflect the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. | Annual reporting periods beginning after December 15, 2019 and interim periods within those reporting periods. | The Company will adopt the guidance effective beginning July 1, 2020. The Company has completed its assessment of the guidance and has concluded that it will not have a material impact on its consolidated financial statements. |
| In February 2016, the FASB issued ASU 2016-02, Leases. Since that date, the FASB has issued additional ASUs clarifying certain aspects of ASU 2016-02. | ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for both finance and operating leases. Subsequent guidance issued after February 2016 did not change the core principle of ASU 2016-02. | Annual periods beginning after December 15, 2018, and interim periods within those annual periods. Early application is permitted. | The Company adopted the new guidance effective July 1, 2019, using the modified retrospective transition method, which did not require the Company to adjust comparative periods. See Note 7 for the applicable disclosure of ASU 2016-02 adoption. . |

***Adoption of ASC 842 - Leases***

Effective July 1, 2019, the Company adopted the FASB Topic 842 ("ASC 842"), *Leases*. The Company adopted ASC 842 under the modified retrospective approach using the practical expedients; therefore, the presentation of prior year periods has not been adjusted. No cumulative effect of initially adopting ASC 842 as an adjustment to the opening balance of components of equity as of July 1, 2019 was necessary. The adoption of ASC 842 resulted in the recording of Operating lease right-of-use assets and Operating lease liabilities of $16.3 million, as of July 1, 2019. The adoption of ASC 842 had no impact on retained earnings. See Note 7 for detail disclosure.

**Note 3. Acquisitions**

***Boyd Coffee Company***

On October 2, 2017 (“Closing Date”), the Company acquired substantially all of the assets and certain specified liabilities of Boyd Coffee, a coffee roaster and distributor with a focus on restaurants, hotels, and convenience stores on the West Coast of the United States. The acquired business of Boyd Coffee (the “Boyd Business”) is expected to add to the Company’s product portfolio, improve the Company's growth potential, deepen the Company’s distribution footprint and increase the Company's capacity utilization at its production facilities.

At closing, as consideration for the purchase, the Company paid the Seller $38.9 million in cash from borrowings under its senior secured revolving credit facility, and issued to Boyd Coffee 14,700 shares of the Company’s Series A Preferred Stock Convertible Participating Cumulative Perpetual Preferred Stock, par value $1.00 per share (“Series A Preferred Stock”), with a fair value of $11.8 million as of the Closing Date. Additionally, the Company held back $3.2 million in cash (“Holdback Cash Amount”) and 6,300 shares of Series A Preferred Stock (“Holdback Stock”) with a fair value of $4.8 million as of the Closing Date, for the satisfaction of any post-closing net working capital adjustment and to secure the Seller’s (and the other seller parties’) indemnification obligations under the purchase agreement.

In addition to the Holdback Cash, as part of the consideration for the purchase, at closing the Company held back $1.1 million in cash (the “Multiemployer Plan Holdback”) to pay, on behalf of the Seller, any assessment of withdrawal liability made against the Seller following the Closing Date in respect of the Seller’s multiemployer pension plan, which amount was recorded on the Company's consolidated balance sheet in "Other long-term liabilities" at June 30, 2018. On January 8, 2019, the Seller notified the Company of the assessment of $0.5 million in withdrawal liability against the Seller, which the Company timely paid from the Multiemployer Plan Holdback during the twelve months ended June 30, 2019. The Company has applied the remaining amount of the Multiemployer Plan Holdback of $0.5 million towards satisfaction of the Seller's post-closing net working capital deficiency under the Asset Purchase Agreement as of March 31, 2019 as described below.

The acquisition was accounted for as a business combination. The fair value of consideration transferred was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the remaining unallocated amount recorded as goodwill. The fair value of consideration transferred reflected the Company’s best estimate of the post-closing net working capital adjustment of $8.1 million due to the Company at June 30, 2018 when the purchase price allocation was finalized. On January 23, 2019, PricewaterhouseCoopers LLP (“PwC”), as the “Independent Expert” designated under the Asset Purchase Agreement to resolve working capital disputes, issued its determination letter with respect to adjustments to working capital. The post-closing net working capital adjustment, as determined by the Independent Expert, was $6.3 million due to the Company.

During the year ended June 30, 2019 and updated as of June 30, 2020, the Company satisfied the $6.3 million amount by applying the remaining amount of the Multiemployer Plan Holdback of $0.5 million, retaining all of the Holdback Cash Amount of $3.2 million and canceling 5,386 shares of Holdback Stock with a fair value of $2.6 million based on the stated value and deemed conversion price under the Asset Purchase Agreement. The Company has retained the remaining 914 shares of the Holdback Stock pending satisfaction of certain indemnification claims against the Seller following which the remaining Holdback Stock, if any, will be released to the Seller.

The following table summarizes the final allocation of consideration transferred as of the acquisition date:

| (In thousands) | | Fair Value | Estimated Useful Life (years) |
|---|---|---|---|
| Cash paid | $ | 38,871 | |
| Holdback Cash Amount | | 3,150 | |
| Multiemployer Plan Holdback | | 1,056 | |
| Fair value of Series A Preferred Stock (14,700 shares)(1) | | 11,756 | |
| Fair value of Holdback Stock (6,300 shares)(1) | | 4,825 | |
| Estimated post-closing net working capital adjustment | | (8,059) | |
| Total consideration | $ | 51,599 | |
| | | | |
| Accounts receivable | $ | 7,503 | |
| Inventory | | 9,415 | |
| Prepaid expense and other assets | | 1,951 | |
| Property, plant and equipment | | 4,936 | |
| Goodwill | | 25,395 | |
| Intangible assets: | | | |
| Customer relationships | | 16,000 | 10 |
| Trade name/trademark—indefinite-lived | | 3,100 | |
| Accounts payable | | (15,080) | |
| Other liabilities | | (1,621) | |
| Total consideration | $ | 51,599 | |

(1) Fair value of Series A Preferred Stock and Holdback Stock as of the Closing Date, estimated as the sum of (a) the present value of the dividends payable thereon and (b) the stated value of the Series A Preferred Stock or Holdback Stock, as the case may be, adjusted for both the conversion premium and the discount for lack of marketability arising from conversion restrictions.

In connection with this acquisition, the Company recorded goodwill of $25.4 million, which is deductible for tax purposes. The Company also recorded $16.0 million in finite-lived intangible assets that included customer relationships and $3.1 million in indefinite-lived intangible assets that included a trade name/trademark. The amortization period for the finite-lived intangible assets is 10.0 years. The purchase price allocation is final. The goodwill amount was impaired and written-off in fiscal year ended June 30, 2020. See Note 12 for further details.

The following table presents the net sales and income before taxes from the Boyd Business operations that are included in the Company's consolidated statements of operations for the fiscal year ended June 30, 2018:

| (In thousands) | For the Year Ended June 30, 2018 |
|---|---|
| Net sales | $ 67,385 |
| Income before taxes | $ 1,572 |

The Company considers the acquisition to be material to the Company's consolidated financial statements and has provided certain pro forma disclosures pursuant to ASC 805, "Business Combinations."

The following table sets forth certain unaudited pro forma financial results for the Company for the fiscal years ended June 30, 2018, as if the acquisition of the Boyd Business was consummated on the same terms as of the first day of the applicable fiscal year.

| (In thousands) | For the Year Ended June 30, 2018 |
|---|---|
| Net sales | $ 628,526 |
| (Loss) income before taxes | $ (642) |

The unaudited pro forma financial results for the Company are based on estimates and assumptions, which the Company believes are reasonable. These results are not necessarily indicative of the Company's consolidated statements of operations in future periods or the results that actually would have been realized had the Company acquired the Boyd Business during the periods presented.

**Note 4. Restructuring Plans**

***DSD Restructuring Plan***

On February 21, 2017, the Company announced the DSD Restructuring Plan to reorganize its DSD operations in an effort to realign functions into a channel-based selling organization, streamline operations, acquire certain channel specific expertise, and improve selling effectiveness and financial results. The strategic decision to undertake the DSD Restructuring Plan resulted from an ongoing operational review of various initiatives within the DSD selling organization. The Company had revised its estimated time of completion of the DSD Restructuring Plan from the end of calendar 2018 to the end of fiscal 2019.

The Company recognized approximately $4.5 million of pre-tax restructuring charges by the end of fiscal 2020 consisting of approximately $2.6 million in employee-related costs and contractual termination payments, including severance, prorated bonuses for bonus eligible employees and outplacement services, and $1.9 million in other related costs, including legal, recruiting, consulting, other professional services, and travel.

The following table sets forth the activity in liabilities associated with the DSD Restructuring Plan from the time of adoption through the fiscal year ended June 30, 2020:

| (In thousands) | Balances as of June 30, 2017 | Additions | Payments | Non-Cash Settled | Adjustments | Balances as of June 30, 2020 |
|---|---|---|---|---|---|---|
| Employee-related costs | $ — | $ 2,634 | $ 2,634 | $ — | $ — | $ — |
| Other | — | 1,949 | 1,949 | — | — | — |
| Total | $ — | $ 4,583 | $ 4,583 | $ — | $ — | $ — |

The following table sets forth the expenses associated with the DSD Restructuring Plan for the fiscal years ended June 30, 2020, 2019 and 2018:

| | Year Ended June 30, | | |
|---|---|---|---|
| (In thousands) | 2020 | 2019 | 2018 |
| Employee-related costs | $ 30 | $ 1,487 | $ 612 |
| Other | — | 284 | 429 |
| Total | $ 30 | $ 1,771 | $ 1,041 |

## Note 5. Sales of Assets

### *Sale of Office Coffee Assets*

In order to focus on its core product offerings, in July 2019, the Company completed the sale of certain assets associated with its office coffee customers for $9.3 million in cash paid at the time of closing plus an earnout of up to an additional $2.3 million if revenue expectations were achieved during test periods scheduled to occur at various branches at various times and concluded by early third quarter of fiscal year 2020. The earnout of up to an additional $2.3 million was not paid to the Company because the revenue expectations were not achieved. The Company recognized a net gain on the asset sales of $7.2 million during the fiscal year ended June 30, 2020. The sale of office coffee assets did not represent a strategic shift for the Company and did not have a material impact on the Company's results of operations because the Company signed a supply agreement to provide certain coffee products to the assets purchaser.

### *Sale of Branch Properties*

During the fiscal year ended June 30, 2020, the Company completed the sale of nine branch properties and entered into two operating lease agreements with the purchasers of two of the branch properties as detailed in the following table:

| (In thousands) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name of Branch Property | Date Sold | Sales Price | | Net Proceed | | Gain (loss) | Long-Term Leaseback | Lease Term | Monthly Base Rent |
| Seattle, Washington | 8/28/2019 | $ | 7,900 | $ 7,300 | | $ 6,800 | No | N/A | N/A |
| Indianapolis, Indiana | 11/19/2019 | $ | 250 | $ 186 | | $ (173) | No | N/A | N/A |
| Hayward, California(1) | 12/23/2019 | $ | 7,050 | $ 6,569 | | $ 2,016 | Yes | 5 years | $ 28 |
| Denver, Colorado(1) | 12/31/2019 | $ | 2,300 | $ 2,075 | | $ 1,989 | Yes | 7 years | $ 17 |
| Casper, Wyoming | 12/31/2019 | $ | 385 | $ 355 | | $ 304 | No | N/A | N/A |
| Tempe, Arizona | 1/28/2020 | $ | 1,150 | $ 1,077 | | $ 841 | No | N/A | N/A |
| Great Falls, Montana | 2/28/2020 | $ | 385 | $ 356 | | $ 283 | No | N/A | N/A |
| Fort Collins, Colorado | 6/24/2020 | $ | 1,275 | $ 1,179 | | $ 1,112 | No | N/A | N/A |
| Oxnard, California | 6/25/2020 | $ | 1,650 | $ 1,545 | | $ 1,390 | No | N/A | N/A |

(1) Has an option to renew the lease for additional five years.

### *Sale leaseback of Houston Facility*

In November 2019, the Company completed the sale of its Houston, Texas manufacturing facility and warehouse (the "Property") for an aggregate purchase price, exclusive of closing costs, of $10.0 million. Cash proceeds from the sale of the Property were $9.0 million. The Company recognized a net gain on the Property sale of $7.3 million during the fiscal year ended June 30, 2020. The Property did not meet the accounting guidance criteria to be classified as discontinued operations.

Following the close of the sale of the Property, the Company and the purchaser of the Property entered into a three-year leaseback agreement with respect to the Property for a base rent of $50,000 per month. The Company may terminate the leaseback no earlier than the first day of the eighteenth full calendar month of the term providing at least nine months' notice. The purchaser of the Property does not have any material relationship with the Company or its subsidiaries.

**Note 6. Derivative Instruments**

***Derivative Instruments Held***

*Coffee-Related Derivative Instruments*

The Company is exposed to commodity price risk associated with its PTF green coffee purchase contracts, which are described further in Note 2. The Company utilizes forward and option contracts to manage exposure to the variability in expected future cash flows from forecasted purchases of green coffee attributable to commodity price risk. Certain of these coffee-related derivative instruments utilized for risk management purposes have been designated as cash flow hedges, while other coffee-related derivative instruments have not been designated as cash flow hedges or do not qualify for hedge accounting despite hedging the Company's future cash flows on an economic basis.

The following table summarizes the notional volumes for the coffee-related derivative instruments held by the Company at June 30, 2020 and 2019:

| | As of June 30, | |
|---|---|---|
| (In thousands) | 2020 | 2019 |
| **Derivative instruments designated as cash flow hedges:** | | |
| Long coffee pounds | 36,413 | 42,113 |
| **Derivative instruments not designated as cash flow hedges:** | | |
| Long coffee pounds | 8,348 | 6,070 |
| Total | 44,761 | 48,183 |

Coffee-related derivative instruments designated as cash flow hedges outstanding as of June 30, 2020 will expire within 18 months. At June 30, 2020 and 2019 approximately 81% and 87%, respectively, of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges.

*Interest Rate Swap Derivative Instruments*

Pursuant to an International Swap Dealers Association, Inc. Master Agreement (“ISDA”) effective March 20, 2019, the Company on March 27, 2019, entered into a swap transaction utilizing a notional amount of $80.0 million, with an effective date of April 11, 2019 and a maturity date of October 11, 2023 (the “Rate Swap”). In December 2019, the Company amended the notional amount to $65.0 million. The Rate Swap is intended to manage the Company’s interest rate risk on its floating-rate indebtedness under the Company’s revolving credit facility. Under the terms of the Rate Swap, the Company receives 1-month LIBOR, subject to a 0% floor, and makes payments based on a fixed rate of 2.1975%. The Company’s obligations under the ISDA are secured by the collateral which secures the loans under the revolving credit facility on a pari passu and pro rata basis with the principal of such loans. The Company has designated the Rate Swap derivative instruments as a cash flow hedge.

***Effect of Derivative Instruments on the Financial Statements***

*Balance Sheets*

Fair values of derivative instruments on the Company's consolidated balance sheets:

| | Derivative Instruments Designated as Cash Flow Hedges | | Derivative Instruments Not Designated as Accounting Hedges | |
|---|---|---|---|---|
| | As of June 30, | | As of June 30, | |
| (In thousands) | 2020 | 2019 | 2020 | 2019 |
| **Financial Statement Location:** | | | | |
| Short-term derivative assets: | | | | |
| Coffee-related derivative instruments(1) | $ 35 | $ 1,254 | $ 130 | $ 611 |
| Long-term derivative assets: | | | | |
| Coffee-related derivative instruments(2) | $ 10 | $ 671 | $ — | $ 3 |
| Short-term derivative liabilities: | | | | |
| Coffee-related derivative instruments(3) | $ 3,322 | $ 1,114 | $ 706 | $ 114 |
| Interest rate swap derivative instruments(3) | $ 1,228 | $ 246 | $ — | $ — |
| Long-term derivative liabilities: | | | | |
| Coffee-related derivative instruments(4) | $ 246 | $ 13 | $ — | $ — |
| Interest rate swap derivative instruments(4) | $ 2,613 | $ 1,599 | $ — | $ — |

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(1) Included in "Short-term derivative assets" on the Company's consolidated balance sheets.
(2) Included in "Long-term derivative assets" on the Company's consolidated balance sheets.
(3) Included in "Short-term liabilities" on the Company's consolidated balance sheets.
(4) Included in "Other long-term liabilities" on the Company's consolidated balance sheets.

*Statements of Operations*

The following table presents pretax net gains and losses for the Company's derivative instruments designated as cash flow hedges, as recognized in "AOCI," "Cost of goods sold" and "Other, net".

| | Year Ended June 30, | | | |
|---|---|---|---|---|
| (In thousands) | 2020 | 2019 | 2018 | Financial Statement Classification |
| Net losses recognized in AOCI - Interest rate swap | $ (2,863) | $ (1,791) | $ — | AOCI |
| Net (losses) gains recognized from AOCI to earnings - Interest rate swap | $ (383) | $ 45 | $ — | Interest Expense |
| Net losses reclassified from AOCI to earnings for partial unwind of interest swap - Interest rate swap (1) | $ (407) | $ — | $ — | Interest Expense |
| Net losses recognized in AOCI - Coffee-related | $ (4,655) | $ (7,407) | $ (8,420) | AOCI |
| Net losses recognized in earnings - Coffee-related | $ (8,073) | $ (9,242) | $ (1,179) | Costs of goods sold |
| Net gains (losses) recognized in earnings (ineffective portion) | $ — | $ — | $ 48 | Other, net |

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(1) The 407 thousand of realized loss was due to partial unwinding of interest rate swap resulting from the amendment of the notional amount from $80.0 million to $65.0 million.

For the fiscal years ended June 30, 2020, 2019 and 2018, there were no gains or losses recognized in earnings as a result of excluding amounts from the assessment of hedge effectiveness.

Net losses (gains) on derivative instruments in the Company's consolidated statements of cash flows also includes net losses (gains) on coffee-related derivative instruments designated as cash flow hedges reclassified to cost of goods sold from AOCI in the fiscal years ended June 30, 2020, 2019 and 2018. Gains and losses on derivative instruments not designated as accounting hedges are included in “Other, net” in the Company's consolidated statements of operations and in “Net losses (gains) on derivative instruments and investments” in the Company's consolidated statements of cash flows.

Net gains and losses recorded in “Other, net” are as follows:

| | Year Ended June 30, | | |
|---|---|---|---|
| (In thousands) | 2020 | 2019 | 2018 |
| Net losses on coffee-related derivative instruments | $ (1,362) | $ (2,252) | $ (469) |
| Net gains on investments | — | — | 7 |
| Net losses on derivative instruments and investments(1) | (1,362) | (2,252) | (462) |
| Non-operating pension and other postretirement benefit plans cost(2) | 11,651 | 6,315 | 6,651 |
| Other gains, net | 154 | 103 | 1,533 |
| Other, net | $ 10,443 | $ 4,166 | $ 7,722 |

___________
(1) Excludes net losses and net gains on coffee-related derivative instruments designated as cash flow hedges recorded in cost of goods sold in the fiscal years ended June 30, 2020, 2019 and 2018.
(2) Presented in accordance with implementation of ASU 2017-07. Includes amortized gains on postretirement medical benefit plan due to the curtailment announced in March 2020.

***Offsetting of Derivative Assets and Liabilities***

The Company has agreements in place that allow for the financial right of offset for derivative assets and liabilities at settlement or in the event of default under the agreements. Additionally, under certain coffee derivative agreements, the Company maintains accounts with its counterparties to facilitate financial derivative transactions in support of its risk management activities.

The following table presents the Company’s net exposure from its offsetting derivative asset and liability positions, as well as cash collateral on deposit with its counterparty as of the reporting dates indicated:

| (In thousands) | | Gross Amount Reported on Balance Sheet | Netting Adjustments | Cash Collateral Posted | Net Exposure |
|---|---|---|---|---|---|
| As of June 30, 2020 | Derivative Assets | $ 175 | $ (175) | $ — | $ — |
| | Derivative Liabilities | $ 8,115 | $ (176) | $ — | $ 7,939 |
| As of June 30, 2019 | Derivative Assets | $ 2,539 | $ (698) | $ — | $ 1,841 |
| | Derivative Liabilities | $ 3,086 | $ (698) | $ — | $ 2,388 |

***Cash Flow Hedges***

Changes in the fair value of the Company’s coffee-related derivative instruments designated as cash flow hedges are deferred in AOCI and subsequently reclassified into cost of goods sold in the same period or periods in which the hedged forecasted purchases affect earnings, or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. Based on recorded values at June 30, 2020, $2.6 million of net losses on coffee-related derivative instruments designated as cash flow hedge are expected to be reclassified into cost of goods sold within the next twelve months. These recorded values are based on market prices of the commodities as of June 30, 2020.

Changes in the fair value of the Company's interest rate swap derivative instruments designated as a cash flow hedge are deferred in AOCI and subsequently reclassified into interest expense in the period or periods when the hedged transaction affects earnings or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. As of June 30, 2020, $1.2 million of net losses on interest rate swap derivative instruments designated as a cash flow hedge are expected to be reclassified into interest expense within the next twelve months assuming no significant changes in the LIBOR rates. Due to LIBOR volatility, actual gains or losses realized within the next twelve months will likely differ from these values.

**Note 7. Leases**

See Note 2 for additional information regarding the adoption of ASU 2016-02, *Leases*.

Supplemental consolidated balance sheet information related to leases is as follows:

| (In thousands) | Classification | | As of June 30, 2020 |
|---|---|---|---|
| Operating lease assets | Right-of-use operating lease assets | $ | 21,117 |
| Finance lease assets | Property, plant and equipment, net | | 9 |
| **Total lease assets** | | **$** | **21,126** |
| | | | |
| Operating lease liabilities - current | Operating lease liabilities - current | $ | 5,854 |
| Operating lease liabilities - noncurrent | Operating lease liabilities - noncurrent | | 15,628 |
| Finance lease liabilities | Other long-term liabilities | | 9 |
| **Total lease liabilities** | | **$** | **21,491** |

The components of lease expense are as follows:

| (In thousands) | Classification | | For the Year Ended June 30, 2020 |
|---|---|---|---|
| Operating lease expense | General and administrative expenses and cost of goods sold | $ | 5,354 |
| Finance lease expense: | | | |
| Amortization of finance lease assets | General and administrative expenses | | 52 |
| Interest on finance lease liabilities | Interest expense | | 2 |
| **Total lease expense** | | **$** | **5,408** |

| | For the Years Ended June 30, | | | |
|---|---|---|---|---|
| (In thousands) | | Operating Leases | | Finance Leases |
| *Maturities of lease liabilities are as follows:* | | | | |
| 2021 | $ | 5,854 | $ | 9 |
| 2022 | | 4,454 | | — |
| 2023 | | 3,894 | | — |
| 2024 | | 3,654 | | — |
| 2025 | | 2,503 | | — |
| Thereafter | | 3,954 | | — |
| Total lease payments | | 24,313 | | 9 |
| Less: interest | | (2,831) | | — |
| **Total lease obligations** | **$** | **21,482** | **$** | **9** |

*Lease term and discount rate:*

| | As of June 30, 2020 |
|---|---|
| Weighted-average remaining lease terms (in years): | |
| Operating lease | 8.3 |
| Finance lease | 0.2 |
| | |
| Weighted-average discount rate: | |
| Operating lease | 4.50% |
| Finance lease | 4.50% |

*Other Information:*

| | For the Year Ended June 30, 2020 | |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ | 5,000 |
| Operating cash flows from finance leases | $ | 2 |
| Financing cash flows from finance leases | $ | 51 |
| | | |
| Leased assets obtained in exchange for new finance lease liabilities | $ | — |
| Leased assets obtained in exchange for new operating lease liabilities | $ | — |

***Disclosures related to periods prior to adoption of ASU 2016-02***

Rent expense paid for the fiscal years ended June 30, 2019 and 2018 were $6.4 million and $5.5 million, respectively.

The minimum annual payments under operating and capital leases as of June 30, 2019 are as follows:

| (In thousands) | Operating Lease Obligations | | Capital Lease Obligations | |
|---|---|---|---|---|
| **Year Ended June 30,** | | | | |
| 2020 | $ | 4,434 | $ | 36 |
| 2021 | | 3,238 | | 1 |
| 2022 | | 2,472 | | — |
| 2023 | | 2,131 | | — |
| 2024 | | 2,025 | | — |
| Thereafter | | 4,389 | | — |
| Total minimum lease payments | **$** | **18,689** | | 37 |
| Less: imputed interest (0.82% to 10.66%) | | | | (2) |
| Present value of future minimum lease payments | | | | 35 |
| Less: current portion | | | | (34) |
| Long-term capital lease obligations | | | **$** | **1** |

## Note 8. Fair Value Measurements

Assets and liabilities measured and recorded at fair value on a recurring basis were as follows:

| (In thousands) | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **As of June 30, 2020** | | | | |
| Derivative instruments designated as cash flow hedges: | | | | |
| Coffee-related derivative assets(1) | $ 45 | $ — | $ 45 | $ — |
| Coffee-related derivative liabilities(1) | $ 3,568 | $ — | $ 3,568 | $ — |
| Interest rate swap derivative liabilities(2) | $ 3,841 | $ — | $ 3,841 | $ — |
| Derivative instruments not designated as accounting hedges: | | | | |
| Coffee-related derivative assets(1) | $ 130 | $ — | $ 130 | $ — |
| Coffee-related derivative liabilities(1) | $ 706 | $ — | $ 706 | $ — |

| (In thousands) | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **As of June 30, 2019** | | | | |
| Derivative instruments designated as cash flow hedges: | | | | |
| Coffee-related derivative assets(1) | $ 1,925 | $ — | $ 1,925 | $ — |
| Coffee-related derivative liabilities(1) | $ 1,127 | $ — | $ 1,127 | $ — |
| Interest rate swap derivative liabilities(2) | $ 1,845 | $ — | $ 1,845 | $ — |
| Derivative instruments not designated as accounting hedges: | | | | |
| Coffee-related derivative assets(1) | $ 614 | $ — | $ 614 | $ — |
| Coffee-related derivative liabilities(1) | $ 114 | $ — | 114 | $ — |

(1) The Company's coffee-related derivative instruments are traded over-the-counter and, therefore, classified as Level 2.
(2) The Company's interest rate swap derivative instrument are model-derived valuations with directly or indirectly observable significant inputs such as interest rate and, therefore, classified as Level 2.

During the fiscal years ended June 30, 2020 and 2019, there were no transfers between the levels.

**Note 9. Accounts Receivable, Net**

| | As of June 30, | |
|---|---|---|
| **(In thousands)** | **2020** | **2019** |
| Trade receivables | $ 40,695 | $ 53,593 |
| Other receivables(1) | 1,983 | 2,886 |
| Allowance for doubtful accounts | (1,796) | (1,324) |
| Accounts receivable, net | $ 40,882 | $ 55,155 |

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(1)Includes vendor rebates and other non-trade receivables.

Allowance for doubtful accounts:

| **(In thousands)** | |
|---|---|
| Balance at June 30, 2017 | $ (721) |
| Provision | (909) |
| Write-off | 1,530 |
| Recoveries | (395) |
| Balance at June 30, 2018 | $ (495) |
| Provision | (1,761) |
| Write-off | 533 |
| Recoveries | 399 |
| Balance at June 30, 2019 | $ (1,324) |
| Provision | (1,872) |
| Write-off | 1,196 |
| Recoveries | 204 |
| Balance at June 30, 2020 | $ (1,796) |

**Note 10. Inventories**

| | As of June 30, | |
|---|---|---|
| **(In thousands)** | **2020** | **2019** |
| Coffee | | |
| Processed | $ 17,840 | $ 25,769 |
| Unprocessed | 32,913 | 33,259 |
| Total | $ 50,753 | $ 59,028 |
| Tea and culinary products | | |
| Processed | $ 10,627 | $ 21,767 |
| Unprocessed | 45 | 74 |
| Total | $ 10,672 | $ 21,841 |
| Coffee brewing equipment parts | $ 5,983 | $ 7,041 |
| Total inventories | $ 67,408 | $ 87,910 |

In addition to product cost, inventory costs include expenditures such as direct labor and certain supply, freight, warehousing, overhead variances, PPVs and other expenses incurred in bringing the inventory to its existing condition and location. The “Unprocessed” inventory values as stated in the above table represent the value of raw materials and the “Processed” inventory values represent all other products consisting primarily of finished goods.

**Note 11. Property, Plant and Equipment**

| (In thousands) | As of June 30, 2020 | 2019 |
|---|---|---|
| Buildings and facilities (1) | $ 98,293 | $ 107,915 |
| Machinery and equipment (2) | 240,431 | 249,477 |
| Capitalized software | 29,765 | 27,666 |
| Office furniture and equipment | 14,042 | 14,035 |
| | $ 382,531 | $ 399,093 |
| Accumulated depreciation | (229,829) | (225,826) |
| Land (1) | 12,931 | 16,191 |
| Property, plant and equipment, net | $ 165,633 | $ 189,458 |

(1) Decrease as of June 30, 2020 is due to the sale of assets. See Note 5 for details.
(2) Decrease as of June 30, 2020 is due to retirements and sale of assets.

Depreciation expense was $29.9 million, $31.1 million, and $30.5 million, for the years ended June 30, 2020, 2019, and 2018, respectively.

Maintenance and repairs to property, plant and equipment charged to expense for the years ended June 30, 2020, 2019, and 2018 were $8.6 million, $10.3 million and $9.6 million, respectively.

***Coffee Brewing Equipment ("CBE") and Service***

Capitalized CBE included in machinery and equipment above are:

| (In thousands) | As of June 30, 2020 | 2019 |
|---|---|---|
| Coffee Brewing Equipment (1) | $ 98,734 | $ 106,593 |
| Accumulated depreciation (1) | (67,800) | (70,202) |
| Coffee Brewing Equipment, net | $ 30,934 | $ 36,391 |

(1) Decrease as of June 30, 2020 is due to retirement of assets.

Depreciation expense related to capitalized CBE and other CBE related expenses (excluding CBE depreciation) provided to customers and reported in cost of goods sold were as follows:

| (In thousands) | For the Years Ended June 30, 2020 | 2019 | 2018 |
|---|---|---|---|
| Depreciation expense | $ 9,572 | $ 9,109 | $ 8,629 |
| Other CBE expenses | $ 27,906 | $ 33,855 | $ 30,172 |

Other expenses related to CBE provided to customers, such as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts), are considered directly attributable to the generation of revenues from the customers. Therefore, these costs are included in cost of goods sold.

**Note 12. Goodwill and Intangible Assets**

The following is a summary of changes in the carrying value of goodwill (in thousands):

| | | |
|---|---|---|
| Balance at June 30, 2017 | $ | 10,996 |
| Final Purchase Price Allocation Adjustment (West Coast Coffee) | | (167) |
| Additions (Boyd Coffee) | | 25,395 |
| Balance at June 30, 2018 | $ | 36,224 |
| Additions | | — |
| Balance at June 30, 2019 | | 36,224 |
| Additions | | — |
| Impairment | | (36,224) |
| Balance at June 30, 2020 | $ | — |

The carrying value of goodwill was fully impaired and written down to zero at June 30, 2020. There was no impairment of goodwill recorded during the years ended June 30, 2019 and 2018.

The Company tests goodwill and indefinite-lived intangible assets for impairment annually, as of January 31, or when events or changes in circumstances would indicate that more likely than not the fair values may be below the carrying amounts of the assets. Additionally, because of the COVID-19 pandemic during the second half of the Company's fiscal year ended June 30, 2020, and the resulting deterioration in the business environment and the general economic outlook, the fair value of these assets were negatively impacted. As a result of the test for impairment, the Company recorded $36.2 million of impairment to goodwill during the year ended June 30, 2020.

The following is a summary of the Company’s amortized and unamortized intangible assets other than goodwill:

| | | As of June 30, | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2020 | | | | 2019 | | |
| **(In thousands)** | **Weighted Average Amortization Period as of June 30, 2020** | **Gross Carrying Amount** | **Accumulated Amortization** | **Impairment** | **Net** | **Gross Carrying Amount** | **Accumulated Amortization** | **Net** |
| Amortized intangible assets: | | | | | | | | |
| Customer relationships | 6.7 | $ 33,003 | $ (17,492) | $ — | $ 15,511 | $ 33,003 | $ (15,291) | $ 17,712 |
| Non-compete agreements | 1.5 | 220 | (161) | — | 59 | 220 | (122) | 98 |
| Recipes | 3.3 | 930 | (487) | — | 443 | 930 | (354) | 576 |
| Trade name/brand name | 3.4 | 510 | (383) | — | 127 | 510 | (346) | 164 |
| Total amortized intangible assets | | $ 34,663 | $ (18,523) | $ — | $ 16,140 | $ 34,663 | $ (16,113) | $ 18,550 |
| Unamortized intangible assets: | | | | | | | | |
| Trademarks, trade names and brand name with indefinite lives | | $ 10,328 | $ — | $ (5,806) | $ 4,522 | $ 10,328 | $ — | $ 10,328 |
| Total unamortized intangible assets | | $ 10,328 | $ — | $ (5,806) | $ 4,522 | $ 10,328 | $ — | $ 10,328 |
| Total intangible assets | | $ 44,991 | $ (18,523) | $ (5,806) | $ 20,662 | $ 44,991 | $ (16,113) | $ 28,878 |

As a result of the test for impairment, the Company recorded $5.8 million and $3.5 million, respectively, of impairment to indefinite-lived intangibles during the year ended June 30, 2020 and 2018. There were no indefinite-lived intangible asset impairment charges recorded in the fiscal year ended June 30, 2019.

The Company also assessed the recoverability of certain finite-lived intangible assets. No impairment was recorded for the finite-lived intangibles for the years ended June 30, 2020 and 2019. In fiscal year ended June 30, 2018, the Company recorded an impairment charge related to finite-lived intangibles of $0.3 million.

Amortization expense for the years ended June 30, 2020, 2019, and 2018 were $2.4 million, $2.6 million, and $2.4 million, respectively.

At June 30, 2020, future annual amortization of finite-lived intangible assets for the years 2021 through 2025 and thereafter is estimated to be (in thousands):

| | | |
|---|---|---|
| For the fiscal year ending: | | |
| June 30, 2021 | $ | 2,412 |
| June 30, 2022 | | 2,388 |
| June 30, 2023 | | 2,370 |
| June 30, 2024 | | 2,260 |
| June 30, 2025 | | 2,200 |
| Thereafter | | 4,510 |
| **Total** | **$** | **16,140** |

**Note 13. Employee Benefit Plans**

The Company provides the following benefit plans for full-time employees who work 30 hours or more per week:

- 401(k);
- health and other welfare benefit plans; and
- in certain circumstances, pension and postretirement benefits.

See below for detail description of each benefit plan. Generally, the plans provide health benefits after 30 days of employment and other retirement benefits based on years of service and/or a combination of years of service and earnings.

***Single Employer Pension Plans***

As of June 30, 2020, the Company has two defined benefit pension plans for certain hourly employees covered under collective bargaining agreements (the “Brewmatic Plan” and the “Hourly Employees' Plan”). Effective October 1, 2016, the Company froze benefit accruals and participation in the Hourly Employees' Plan. After the plan freeze, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan. After the freeze the participants in the plan are eligible to receive the Company's matching contributions to their 401(k).

Effective December 1, 2018 the Company amended and terminated the Farmer Bros. Co. Pension Plan for Salaried Employees (the “Farmer Bros. Plan”), a defined benefit pension plan for Company employees hired prior to January 1, 2010 who were not covered under a collective bargaining agreement. The Company previously amended the Farmer Bros. Plan, freezing the benefit for all participants effective June 30, 2011.

Prior to the termination of the Farmer Bros. Plan, the Company spun off the benefit liability and obligations, and all allocable assets for all retirement plan benefits of certain active employees with accrued benefits in excess of $25,000, retirees and beneficiaries currently receiving benefit payments under the Farmer Bros. Plan, and former employees who have deferred vested benefits under the Farmer Bros. Plan, to the Brewmatic Plan. Upon termination of the Farmer Bros. Plan, all remaining plan participants elected to receive a distribution of his/her entire accrued benefit under the Farmer Bros. Plan in a single cash lump sum or an individual insurance company annuity contract, in either case, funded directly by Farmer Bros. Plan assets.

Termination of the Farmer Bros. Plan triggered re-measurement and settlement of the Farmer Bros. Plan and re-measurement of the Brewmatic Plan. As a result of the distributions to the remaining plan participants of the Farmer Bros. Plan, the Company recognized a non-cash pension settlement charge of $10.9 million for the year ended June 30, 2019.

## Obligations and Funded Status

| | Brewmatic Plan As of June 30, | | Hourly Employees' Plan As of June 30, | | Farmer Bros. Plan As of June 30, | Total | |
|---|---|---|---|---|---|---|---|
| ($ in thousands) | 2020 | 2019 | 2020 | 2019 | 2019 | 2020 | 2019 |
| **Change in projected benefit obligation** | | | | | | | |
| Benefit obligation at the beginning of the year | $ 121,752 | $ 3,724 | $ 4,475 | $ 4,040 | $ 137,175 | $ 126,227 | $ 144,939 |
| Interest cost | 4,084 | 2,339 | 152 | 161 | 2,722 | 4,236 | 5,222 |
| Actuarial (gain) loss | 13,433 | 8,482 | 561 | 349 | (1,571) | 13,994 | 7,260 |
| Benefits paid | (5,943) | (3,097) | (102) | (75) | (3,574) | (6,045) | (6,746) |
| Pension settlement | — | (21,286) | — | — | (3,162) | — | (24,448) |
| Other - Plan merger | — | 131,590 | — | — | (131,590) | — | — |
| Projected benefit obligation at the end of the year | $ 133,326 | $ 121,752 | $ 5,086 | $ 4,475 | $ — | $ 138,412 | $ 126,227 |
| **Change in plan assets** | | | | | | | |
| Fair value of plan assets at the beginning of the year | $ 75,411 | $ 3,719 | $ 3,778 | $ 3,629 | $ 97,211 | $ 79,189 | $ 104,559 |
| Actual return on plan assets | 3,382 | 9,325 | 239 | 224 | (6,236) | 3,621 | 3,313 |
| Employer contributions | 3,054 | 1,800 | — | — | 1,525 | 3,054 | 3,325 |
| Benefits paid | (5,943) | (3,097) | (102) | (75) | (3,574) | (6,045) | (6,746) |
| Pension settlement | — | (22,100) | — | — | $ (3,162) | — | (25,262) |
| Other - Plan merger | — | 85,764 | — | — | $ (85,764) | — | — |
| Fair value of plan assets at the end of the year | $ 75,904 | $ 75,411 | $ 3,915 | $ 3,778 | $ — | $ 79,819 | $ 79,189 |
| **Funded status at end of year (underfunded) overfunded** | **$ (57,422)** | **$ (46,341)** | **$ (1,171)** | **$ (697)** | **$ —** | **$ (58,593)** | **$ (47,038)** |
| **Amounts recognized in consolidated balance sheets** | | | | | | | |
| Non-current liabilities | (57,422) | (46,341) | (1,171) | (697) | — | (58,593) | (47,038) |
| Total | $ (57,422) | $ (46,341) | $ (1,171) | $ (697) | $ — | $ (58,593) | $ (47,038) |
| **Amounts recognized in AOCI** | | | | | | | |
| Net loss | 62,830 | 50,080 | 1,115 | 565 | — | 63,945 | 50,645 |
| Total AOCI (not adjusted for applicable tax) | $ 62,830 | $ 50,080 | $ 1,115 | $ 565 | $ — | $ 63,945 | $ 50,645 |
| **Weighted average assumptions used to determine benefit obligations** | | | | | | | |
| Discount rate | 2.55% | 3.45% | 2.55% | 3.45% | 4.10% | 2.55% | 4.05% |
| Rate of compensation increase | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

**Components of Net Periodic Benefit Cost and**
**Other Changes Recognized in Other Comprehensive Income (Loss) (OCI)**

| ($ in thousands) | Brewmatic Plan June 30, 2020 | Brewmatic Plan June 30, 2019 | Hourly Employees' Plan June 30, 2020 | Hourly Employees' Plan June 30, 2019 | Farmer Bros. Plan June 30, 2019 | Total 2020 | Total 2019 |
|---|---|---|---|---|---|---|---|
| **Components of net periodic benefit cost** | | | | | | | |
| Interest cost | 4,084 | 2,339 | 152 | 161 | 2,722 | 4,236 | 5,222 |
| Expected return on plan assets | (4,174) | (2,257) | (232) | (222) | (2,767) | (4,406) | (5,246) |
| Amortization of net loss | 1,475 | 796 | 4 | — | 710 | 1,479 | 1,506 |
| Pension settlement charge | — | 9,586 | — | — | 1,356 | — | 10,942 |
| Net periodic benefit cost | $ 1,385 | $ 10,464 | $ (76) | $ (61) | $ 2,021 | $ 1,309 | $ 12,424 |
| **Other changes recognized in OCI** | | | | | | | |
| Net loss (1) | $ 14,225 | $ 1,413 | $ 554 | $ 347 | $ 7,433 | $ 14,779 | $ 9,193 |
| Prior service cost (credit) | — | — | — | — | — | — | — |
| Amortization of net loss | (1,475) | (796) | (4) | — | (710) | (1,479) | (1,506) |
| Pension settlement charge | — | (9,586) | — | — | (1,356) | — | (10,942) |
| Allocation of net Loss - Plan merger | — | 56,446 | — | — | (56,446) | — | — |
| Net loss due to annuity purchase | — | 814 | — | — | — | — | 814 |
| Total recognized in OCI | $ 12,750 | $ 48,291 | $ 550 | $ 347 | $ (51,079) | $ 13,300 | $ (2,441) |
| Total recognized in net periodic benefit cost and OCI | $ 14,135 | $ 58,755 | $ 474 | $ 286 | $ (49,058) | $ 14,609 | $ 9,983 |
| **Weighted-average assumptions used to determine net periodic benefit cost** | | | | | | | |
| Discount rate | 3.45% | 4.10% | 3.45% | 4.05% | 4.05% | 3.45% | 4.05% |
| Expected long-term return on plan assets | 6.75% | 6.75% | 6.75% | 6.75% | —% | 6.75% | 6.75% |
| Rate of compensation increase | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

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(1) Net loss for fiscal year ended June 30, 2020 was primarily due to decline in interest rate, and to a less extent decline in plan assets returns.

*Basis Used to Determine Expected Long-term Return on Plan Assets*

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2020. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2020 is 20 to 30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies.

*Description of Investment Policy*

The Company's investment strategy is to build an efficient, well-diversified portfolio based on a long-term, strategic outlook of the investment markets. The investment markets outlook utilizes both the historical-based and forward-looking return forecasts to establish future return expectations for various asset classes. These return expectations are used to develop a core asset allocation based on the specific needs of each plan. The core asset allocation utilizes investment portfolios of various asset classes and multiple investment managers in order to maximize the plan's return while providing multiple layers of diversification to help minimize risk.

### Additional Disclosures

| ($ in thousands) | Brewmatic Plan June 30, 2020 | Brewmatic Plan June 30, 2019 | Hourly Employees' Plan June 30, 2020 | Hourly Employees' Plan June 30, 2019 | Total 2020 | Total 2019 |
|---|---|---|---|---|---|---|
| **Comparison of obligations to plan assets** | | | | | | |
| Projected benefit obligation | $ 133,326 | $ 121,752 | $ 5,086 | $ 4,475 | $ 138,412 | $ 126,227 |
| Accumulated benefit obligation | $ 133,326 | $ 121,752 | $ 5,086 | $ 4,475 | $ 138,412 | $ 126,227 |
| Fair value of plan assets at measurement date | $ 75,904 | $ 75,411 | $ 3,915 | $ 3,778 | $ 79,819 | $ 79,189 |
| **Plan assets by category** | | | | | | |
| Equity securities | $ 49,744 | $ 48,464 | $ 2,572 | $ 2,440 | $ 52,316 | $ 50,904 |
| Debt securities | 21,439 | 22,461 | 1,111 | 1,100 | 22,550 | 23,561 |
| Real estate | 4,721 | 4,486 | 232 | 238 | 4,953 | 4,724 |
| Total | $ 75,904 | $ 75,411 | $ 3,915 | $ 3,778 | $ 79,819 | $ 79,189 |
| **Plan assets by category** | | | | | | |
| Equity securities | 66% | 64% | 66% | 65% | 66% | 64% |
| Debt securities | 28% | 30% | 28% | 29% | 28% | 30% |
| Real estate | 6% | 6% | 6% | 6% | 6% | 6% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |

Fair values of plan assets were as follows:

| (In thousands) | As of June 30, 2020 Total | Level 1 | Level 2 | Level 3 | Investments measured at NAV |
|---|---|---|---|---|---|
| Brewmatic Plan | $ 75,904 | $ — | $ — | $ — | $ 75,904 |
| Hourly Employees' Plan | $ 3,915 | $ — | $ — | $ — | $ 3,915 |

| (In thousands) | As of June 30, 2019 Total | Level 1 | Level 2 | Level 3 | Investments measured at NAV |
|---|---|---|---|---|---|
| Brewmatic Plan | $ 75,411 | $ — | $ — | $ — | $ 75,411 |
| Hourly Employees' Plan | $ 3,778 | $ — | $ — | $ — | $ 3,778 |

The following is the target asset allocation for the Company's single employer pension plans— Brewmatic Plan and Hourly Employees' Plan—for fiscal 2021:

| | Fiscal 2021 |
|---|---|
| U.S. large cap equity securities | 37.7% |
| U.S. small cap equity securities | 4.6% |
| International equity securities | 23.2% |
| Debt securities | 28.3% |
| Real estate | 6.2% |
| Total | 100.0% |

*Estimated Amounts in OCI Expected To Be Recognized*

In fiscal 2021, the Company expects to recognize net periodic benefit costs of $1.3 million for the Brewmatic Plan and recognize net periodic benefit credit of $41,000 for the Hourly Employees' Plan.

*Estimated Future Contributions and Refunds*

In fiscal 2021, the Company expects to contribute $5.8 million to the Brewmatic Plan and does not expect to contribute to the Hourly Employees' Plan. The Company is not aware of any refunds expected from single employer pension plans.

*Estimated Future Benefit Payments*

The following benefit payments are expected to be paid over the next 10 fiscal years:

| (In thousands) | Brewmatic Plan | Hourly Employees' Plan |
|---|---|---|
| **Year Ending:** | | |
| June 30, 2021 | $ 7,100 | $ 160 |
| June 30, 2022 | $ 6,820 | $ 160 |
| June 30, 2023 | $ 7,010 | $ 180 |
| June 30, 2024 | $ 7,110 | $ 190 |
| June 30, 2025 | $ 7,200 | $ 200 |
| June 30, 2026 to June 30, 2030 | $ 35,510 | $ 1,150 |

These amounts are based on current data and assumptions and reflect expected future service, as appropriate.

***Multiemployer Pension Plans***

The Company participates in two multiemployer defined benefit pension plans that are union sponsored and collectively bargained for the benefit of certain employees subject to collective bargaining agreements, of which the Western Conference of Teamsters Pension Plan ("WCTPP") is individually significant. The Company makes contributions to these plans generally based on the number of hours worked by the participants in accordance with the provisions of negotiated labor contracts.

Contributions made by the Company to the multiemployer pension plans are as follows:

| (In thousands) | WCTPP(1)(2)(3)(5) | All Other Plans(4) |
|---|---|---|
| **Year Ended:** | | |
| June 30, 2020 | $ 1,685 | $ 34 |
| June 30, 2019 | $ 3,634 | $ 39 |
| June 30, 2018 | $ 1,605 | $ 35 |

(1) Individually significant plan.
(2) Less than 5% of total contribution to WCTPP based on WCTPP's FASB Disclosure Statement for the calendar year ended December 31, 2019.
(3) The Company guarantees that one hundred seventy-three (173) hours will be contributed upon for all employees who are compensated for all available straight time hours for each calendar month. An additional 6.5% of the basic contribution must be paid for PEER or the Program for Enhanced Early Retirement.
(4) Includes one plan that is not individually significant.
(5) June 30, 2019 includes WCT monthly settlement obligations of $190,507.

The risks of participating in multiemployer pension plans are different from single-employer plans in that: (i) assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (iii) if the Company stops participating in the multiemployer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company received a letter dated July 10, 2018 from the WCT Pension Trust assessing withdrawal liability against the Company for a share of the WCTPP unfunded vested benefits, on the basis claimed by the WCT Pension Trust that employment actions by the Company in 2016 in connection with the Corporate Relocation Plan constituted a partial withdrawal from the WCTPP. Additionally, in fiscal 2012, the Company withdrew from the Local 807 Labor-Management Pension Fund.

Outstanding balance of settlement obligations of the Company to WCT and Local 807 multiemployer pension plans are as follows:

| (In thousands) | June 30, 2020 | June 30, 2019 |
|---|---|---|
| WCT Pension Trust (1) | — | $ 1,487 |
| Local 807 Pension Fund (2) | $ 182 | $ 182 |

(1) Initial liability amount of $3.4 million, including interest, commencing in September 10, 2018, payable in 17 monthly installments of $190,507 followed by a final monthly installment of $153,822 in February 2020.
(2) Lump sum cash settlement payment of $3.0 million in fiscal 2019 plus two remaining installment payments of $91,000 due on or before October 1, 2034 and on or before January 1, 2035. As of June 30, 2020, the Company has paid the Local 807 Pension Fund $3.0 million and has accrued $0.2 million within “Accrued pension liabilities” on the Company’s consolidated balance sheet.

Future collective bargaining negotiations may result in the Company withdrawing from the remaining multiemployer pension plans in which it participates and, if successful, the Company may incur a withdrawal liability, the amount of which could be material to the Company's results of operations and cash flows.

***Multiemployer Plans Other Than Pension Plans***

The Company participates in nine multiemployer defined contribution plans other than pension plans that provide medical, vision, dental and disability benefits for active, union-represented employees subject to collective bargaining agreements. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, and provide that participating employers make monthly contributions to the plans in an amount as specified in the collective bargaining agreements. Also, the plans provide that participants make self-payments to the plans, the amounts of which are negotiated through the collective bargaining process. The Company's participation in these plans is governed by collective bargaining agreements which expires on or before January 31, 2025. The Company's aggregate contributions to multiemployer plans other than pension plans in the fiscal years ended June 30, 2020, 2019 and 2018 were $4.2 million, $5.2 million and $4.8 million, respectively. The Company expects to contribute an aggregate of approximately $4.5 million towards multiemployer plans other than pension plans in fiscal 2021.

***401(k) Plan***

The Company's 401(k) Plan is available to all eligible employees. The Company's 401(k) match portion is available to all eligible employees who have worked more than 1,000 hours during a calendar year and were employed at the end of the calendar year. Participants in the 401(k) Plan may choose to contribute a percentage of their annual pay subject to the maximum contribution allowed by the Internal Revenue Service. The Company's matching contribution is discretionary, based on approval by the Company's Board of Directors. The Company matching contribution for the calendar years 2020, 2019 and 2018, was 50% of an employee's annual contribution to the 401(k) Plan, up to 6% of the employee's eligible income. The Company recorded matching contributions of $1.8 million, $2.2 million and $2.0 million in operating expenses for the fiscal years ended June 30, 2020, 2019 and 2018, respectively. Effective March 31, 2020, the Company temporarily suspended its 401K matching program in response to the COVID-19 pandemic.

Effective January 1, 2019, the Company amended and restated the 401(k) Plan to, among other things, provide for: (i) an annual safe harbor non-elective contribution of shares of the Company’s common stock equal to 4% of each eligible participant’s annual plan compensation; (ii) an elective matching contribution for non-collectively bargained employees and certain union-represented employees equal to 100% of the first 3% of such eligible participant’s tax-deferred contributions to the 401(k) Plan; and (iii) profit-sharing contributions at the Company’s discretion. Participants are immediately vested in their contributions, the safe harbor non-elective contributions, the employer’s elective matching contributions, and the employer’s discretionary contributions. For the fiscal years ended June 30, 2020 and 2019, the Company contributed a total of 290,567 and 90,105 shares of the Company’s common stock with a value of $2.9 million and $1.6 million, respectively, to eligible participants’ annual plan compensation.

***Postretirement Benefits***

The Company sponsors a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees ("Retiree Medical Plan"). On March 23, 2020, the Company announced a plan to amend and terminate the Retiree Medical Plan effective January 1, 2021. The plan provides medical, dental and vision coverage for retirees under age 65 and medical coverage only for retirees age 65 and above. Under this postretirement plan, the Company's contributions toward premiums for retiree medical, dental and vision coverage for participants and dependents are scaled based on length of service, with greater Company contributions for retirees with greater length of service, subject to a maximum monthly Company contribution. The Company's retiree medical, dental and vision plan is unfunded, and its liability was calculated using an assumed discount rate of 0.06% at June 30, 2020. The Company projects an initial medical trend rate of 7.65% in fiscal 2021, ultimately reducing to 4.50% through the plan termination effective January 1, 2021.

The Company's communication of its intention to amend and terminate the Retiree Medical Plan triggered re-measurement and curtailment of the plan. As a result, the re-measurement generated a prior service credit of $13.4 million to be amortized over the remaining months of the plan, and a revised net periodic postretirement benefit credit for fiscal 2021 of $14.6 million. Also, the Company recognized a one-time non-cash curtailment credit of $5.8 million for the year ended June 30, 2020.

The Company continues to provide a postretirement death benefit ("Death Benefit") to certain of its employees and retirees, subject, in the case of current employees, to continued employment with the Company until retirement and certain other conditions related to the manner of employment termination and manner of death. The Company records the actuarially determined liability for the present value of the postretirement death benefit. The Company has purchased life insurance policies to fund the postretirement death benefit wherein the Company owns the policy but the postretirement death benefit is paid to the employee's or retiree's beneficiary. The Company records an asset for the fair value of the life insurance policies which equates to the cash surrender value of the policies.

The following table shows the components of net periodic postretirement benefit cost for the Retiree Medical Plan and Death Benefit for the fiscal years ended June 30, 2020, 2019 and 2018. Net periodic postretirement benefit cost for fiscal 2020 was based on employee census information as of June 30, 2020.

| | Year Ended June 30, | | |
|---|---|---|---|
| (In thousands) | 2020 | 2019 | 2018 |
| **Components of Net Periodic Postretirement Benefit Cost (Credit):** | | | |
| Service cost | $ 446 | $ 530 | $ 609 |
| Interest cost | 725 | 887 | 835 |
| Amortization of net gain | (3,067) | (834) | (841) |
| Curtailment credit - Retiree Medical | (5,750) | — | — |
| Amortization of prior service credit | (5,666) | (1,757) | (1,757) |
| Net periodic postretirement benefit (credit) cost | $ (13,312) | $ (1,174) | $ (1,154) |

The tables below show the remaining bases for the transition (asset) obligation, prior service cost (credit), and the calculation of the amortizable gain or loss.

| | Retiree Medical Plan | | Death Benefit | |
|---|---|---|---|---|
| | Year Ended June 30, | | Year Ended June 30, | |
| ($ in thousands) | 2020(1) | 2019 | 2020 | 2019 |
| **Amortization of Net (Gain) Loss:** | | | | |
| Net (gain) loss as of July 1 | $ — | $ (7,039) | $ 2,903 | $ 1,878 |
| Net (gain) loss subject to amortization | — | (7,039) | 2,903 | 1,878 |
| Corridor (10% of greater of APBO or assets) | — | 1,490 | 1,043 | 919 |
| Net (gain) loss in excess of corridor | $ — | $ (5,549) | $ 1,860 | $ 959 |
| Amortization years | — | 8.6 | 5.8 | 6.5 |

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(1) Amounts are zero due to the plan termination effective January 1, 2021.

The following tables provide a reconciliation of the benefit obligation and plan assets:

| | As of June 30, | |
|---|---|---|
| (In thousands) | 2020 | 2019 |
| **Change in Benefit Obligation:** | | |
| Projected postretirement benefit obligation at beginning of year | $ 24,092 | $ 21,283 |
| Service cost | 446 | 530 |
| Interest cost | 725 | 887 |
| Participant contributions | 593 | 605 |
| Amendments | (13,441) | — |
| Actuarial gains (losses) | (621) | 2,010 |
| Benefits paid | (1,055) | (1,223) |
| Projected postretirement benefit obligation at end of year | $ 10,739 | $ 24,092 |

| | Year Ended June 30, | |
|---|---|---|
| (In thousands) | 2020 | 2019 |
| **Change in Plan Assets:** | | |
| Fair value of plan assets at beginning of year | $ — | $ — |
| Employer contributions | 462 | 618 |
| Participant contributions | 593 | 605 |
| Benefits paid | (1,055) | (1,223) |
| Fair value of plan assets at end of year | $ — | $ — |
| Projected postretirement benefit obligation at end of year | 10,739 | 24,092 |
| Funded status of plan | $ (10,739) | $ (24,092) |

| | June 30, | |
|---|---|---|
| (In thousands) | 2020 | 2019 |
| **Amounts Recognized in the Consolidated Balance Sheets Consist of:** | | |
| Current liabilities | $ (744) | $ (1,068) |
| Non-current liabilities | (9,995) | (23,024) |
| Total | $ (10,739) | $ (24,092) |

| (In thousands) | Year Ended June 30, 2020 | Year Ended June 30, 2019 |
|---|---|---|
| **Amounts Recognized in AOCI Consist of:** | | |
| Net gain | $ (2,714) | $ (5,160) |
| Prior service credit | (8,961) | (6,936) |
| Total AOCI | $ (11,675) | $ (12,096) |

| (In thousands) | Year Ended June 30, 2020 | Year Ended June 30, 2019 |
|---|---|---|
| **Other Changes in Plan Assets and Benefit Obligations Recognized in OCI:** | | |
| Unrecognized actuarial gains (loss) | $ (621) | $ 2,010 |
| Prior service (credit) cost | (13,441) | — |
| Unrecognized prior service cost | — | — |
| Amortization of net loss | 3,068 | 835 |
| Amortization of prior service cost | 11,416 | 1,757 |
| Total recognized in OCI | 422 | 4,602 |
| Net periodic benefit cost | (13,312) | (1,174) |
| Total recognized in net periodic benefit credit and OCI | $ (12,890) | $ 3,428 |

The estimated net gain that will be amortized from AOCI into net periodic benefit cost in fiscal 2021 is $5.6 million. Prior service credit that will be amortized from AOCI into net periodic benefit cost in fiscal 2021 is $9.0 million.

| (In thousands) | |
|---|---|
| Estimated Future Benefit Payments: | |
| **Year Ending:** | |
| June 30, 2021 | $ 750 |
| June 30, 2022 | $ 451 |
| June 30, 2023 | $ 464 |
| June 30, 2024 | $ 476 |
| June 30, 2025 | $ 487 |
| June 30, 2026 to June 30, 2030 | $ 2,538 |
| | |
| **Expected Contributions:** | |
| June 30, 2021 | $ 750 |

*Sensitivity in Fiscal 2021 Results*

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percentage point change in assumed health care cost trend rates would have the following effects in fiscal 2021:

| (In thousands) | 1-Percentage Point Increase | 1-Percentage Point Decrease |
|---|---|---|
| Effect on total of service and interest cost components | $ 50 | $ (43) |
| Effect on accumulated postretirement benefit obligation | $ — | $ — |

**Note 14. Debt Obligations**

The following table summarizes the Company's debt obligations:

| | | | | June 30, 2020 | | June 30, 2019 | |
|---|---|---|---|---|---|---|---|
| (In thousands) | Debt Origination Date | Maturity | Original Borrowing Amount | Carrying Value | Weighted Average Interest Rate | Carrying Value | Weighted Average Interest Rate |
| Credit Facility | Revolver | 11/6/2023 | N/A | $ 122,000 | 4.91% | $ 92,000 | 3.98% |

In March 2020, pursuant to Amendment No. 2 to Amended and Restated Credit Agreement (the "Second Amendment") the Company amended its existing senior secured revolving credit facility (such facility as amended to date, including pursuant to the Second Amendment, the "Amended Revolving Facility") with certain financial institutions. The Second Amendment, among other things: (i) decreased the size of the revolving credit facility to $125.0 million from $150.0 million;(ii) made certain adjustments to the commitment fee rates and interest rates; (iii) increased the maximum total net leverage ratio financial covenant until the quarter ending December 31, 2021; (iv) added a minimum EBITDA financial covenant until the quarter ending December 31, 2021; (v) amended the definitions of "EBITDA" and "Permitted Acquisition"; (vi) removed the accordion feature; (vii) removed the Company's option to request and agree to an extension of the maturity date with individual lenders; (viii) provided for a mortgage on certain of the Company's real property; (ix) provides for the revolving commitments to be reduced upon the occurrence of certain asset dispositions and incurrences of other indebtedness; (x) added a monthly reporting requirement; and (xi) modified certain of the Company's covenant-related baskets.

The Amended Revolving Facility otherwise retained many of its previous terms, including the sublimit on letters of credit and swingline loans of $15.0 million each. The commitment fee is based on a leverage grid and ranges from 0.20% to 0.50%. Borrowings under the Amended Revolving Facility bear interest on base rate loans based on a leverage grid with a range of PRIME + 0.50% to 2.50%, and on Eurodollar loans based on a leverage grid with a range of Adjusted LIBO Rate + 1.50% to 3.50%. Effective March 27, 2019, the Company entered into a rate swap agreement and in December 2019 amended the agreement to reduce the notional amount. The impact of the amendment for the year ended June 30, 2020, was $0.4 million of realized loss due to the partial unwinding of interest rate swap resulting from the amendment of the notional amount from $80.0 million to $65.0 million. See Note 6 for details.

Under the Amended Revolving Facility, the Company is subject to a variety of affirmative and negative covenants of types customary in a senior secured lending facility, including financial covenants relating to leverage, interest expense coverage and (until the quarter ending December 31, 2021) minimum adjusted EBITDA. The Company is allowed to pay dividends, provided, among other things, a total net leverage ratio is met, and no default exists or has occurred and is continuing as of the date of any such payment and after giving effect thereto. The Amended Revolving Facility has no scheduled payback required on the principal prior to the maturity date on November 6, 2023.

At June 30, 2020, the Company had outstanding borrowings of $122.0 million and had utilized $2.3 million of the letters of credit sublimit.

On July 23, 2020 (the "Effective Date"), pursuant to Amendment No. 3 to Amended and Restated Credit Agreement (the "Third Amendment"), the Company amended its existing senior secured revolving credit facility with certain financial institutions.

The Third Amendment, among other things:

(1) retained the revolving commitments under the Credit Agreement of $125.0 million and the sublimit on letters of credit and swingline loans of $15.0 million each;
(2) added a $5.0 million quarterly commitment reduction beginning September 30, 2021;
(3) adjusted from cash flow-based to an asset-based lending structure with borrowing a base of 85% of eligible accounts receivable plus 50% of eligible inventory with certain permitted maximum over advance amounts;
(4) removed all previous financial covenants of net leverage ratio, interest coverage ratio and minimum EBITDA;
(5) added a covenant relief period (commencing on the effective date of the Third Amendment and ending upon delivery of a compliance certificate on or after fiscal month ending September 30, 2021), during which the Company must comply with the following:
(i) a minimum cumulative EBITDA covenant, tested on a monthly basis until the last day of June 2021;

(ii) a standalone minimum monthly EBITDA covenant tested on the last day of July 2021 and August 2021; and
(iii) a restriction on capital expenditures such that the amount of capital expenditures shall not exceed $25.0 million in the aggregate.

(6) added covenant requiring the Company to maintain a minimum liquidity covenant, tested on a weekly basis;
(7) added an anti-cash hoarding provision;
(8) added a minimum fixed charge coverage ratio of 1.05:1.00 commencing with fiscal quarter ending September 30, 2021, and tested on a quarterly basis thereafter;
(9) modified the applicable margin for base rate loans to range from PRIME + 3.50% to PRIME + 4.50% per annum and the applicable margin for Eurodollar loans to range from Adjusted LIBO Rate + 4.50% to Adjusted LIBO Rate + 5.50% per annum and fixed the commitment fee at 0.50%;
(10) provided for the revolving commitments to be reduced upon the occurrence of certain asset dispositions and incurrence of non-permitted indebtedness and imposed additional restrictions on the Company's ability to utilize certain other negative covenant baskets; and
(11) added a requirement to provide mortgages and related mortgage instruments with respect to certain specified real property owned by the Company.

Upon executing the foregoing Third Amendment, the Company was in compliance with all of the financial covenants under the Amended Revolving Facility, and no event of default has occurred or existed through the Third Amendment effective date. Furthermore, the Company believes it will be in compliance with the related financial covenants under the Third Amendment for the next twelve months.

**Note 15. Employee Stock Ownership Plan**

The Company's ESOP was established in 2000. As of December 31, 2018, the Company froze the ESOP such that (i) no employees of the Company may commence participation in the ESOP on or after December 31, 2018; (ii) no Company contributions will be made to the ESOP with respect to services performed or compensation received after December 31, 2018; and (iii) the ESOP accounts of all individuals who are actively employed by the Company and participating in the ESOP on December 31, 2018 will be fully vested as of such date. Additionally, the Administrative Committee, with the consent of the Board of Directors, designated certain employees who were terminated in connection with certain reductions-in-force in 2018 to be fully vested in their ESOP accounts as of their severance dates.

Shares were held by the plan trustee for allocation among participants using a compensation-based formula. Subject to vesting requirements, allocated shares are owned by participants and shares are held by the plan trustee until the participant retires.

During the fiscal years ended June 30, 2019 and 2018, the Company charged $0.9 million and $2.3 million, respectively, to compensation expense related to the ESOP. No expenses were recorded for fiscal year ended June 30, 2020. The difference between cost and fair market value of committed to be released shares was recorded as additional paid-in-capital.

| | As of June 30, | |
|---|---|---|
| | 2020 | 2019 |
| Allocated shares | 1,170,015 | 1,393,530 |
| Committed to be released shares | — | — |
| Unallocated shares | — | — |
| Total ESOP shares | 1,170,015 | 1,393,530 |
| | | |
| (In thousands) | | |
| Fair value of ESOP shares | $ 8,588 | $ 22,812 |

**Note 16. Share-based Compensation**

***Farmer Bros. Co. 2017 Long-Term Incentive Plan***

On June 20, 2017 (the “Effective Date“), the Company’s stockholders approved the Farmer Bros. Co. 2017 Long-Term Incentive Plan (the “2017 Plan”). The 2017 Plan succeeded the Company's prior long-term incentive plans, the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (the “Amended Equity Plan“) and the Farmer Bros. Co. 2007 Omnibus Plan (collectively, the “Prior Plans“). On the Effective Date, the Company ceased granting awards under the Prior Plans; however, awards outstanding under the Prior Plans will remain subject to the terms of the applicable Prior Plan.

The 2017 Plan provides for the grant of stock options (including incentive stock options and non-qualified stock options), stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance shares and other stock- or cash-based awards to eligible participants. Non-employee directors of the Company and employees of the Company or any of its subsidiaries are eligible to receive awards under the 2017 Plan. The 2017 Plan authorizes the issuance of (i) 900,000 shares of common stock plus (ii) the number of shares of common stock subject to awards under the Company’s Prior Plans that are outstanding as of the Effective Date and that expire or are forfeited, cancelled or similarly lapse following the Effective Date. Subject to certain limitations, shares of common stock covered by awards granted under the 2017 Plan that are forfeited, expire or lapse, or are repurchased for or paid in cash, may be used again for new grants under the 2017 Plan. As of June 30, 2020, there were 458,947 shares remain available under the 2017 Plan including shares that were forfeited under the Prior Plans for future issuance. Shares of common stock granted under the 2017 Plan may be authorized but unissued shares, shares purchased on the open market or treasury shares. In no event will more than 900,000 shares of common stock be issuable pursuant to the exercise of incentive stock options under the 2017 Plan.

The 2017 Plan includes annual limits on certain awards that may be granted to any individual participant. The maximum aggregate number of shares of common stock with respect to all stock options and stock appreciation rights that may be granted to any one person during any calendar year is 250,000 shares. The 2017 Plan also includes limits on the maximum aggregate amount that may become payable pursuant to all performance bonus awards that may be granted to any one person during any calendar year and the maximum amount that may become payable pursuant to all cash-based awards granted under the 2017 Plan and the aggregate grant date fair value of all equity-based awards granted under the 2017 Plan to any non-employee director during any calendar year for services as a member of the Board.

The 2017 Plan contains a minimum vesting requirement, subject to limited exceptions, that awards made under the 2017 Plan may not vest earlier than the date that is one year following the grant date of the award. The 2017 Plan also contains provisions with respect to payment of exercise or purchase prices, vesting and expiration of awards, adjustments and treatment of awards upon certain corporate transactions, including stock splits, recapitalizations and mergers, transferability of awards and tax withholding requirements.

The 2017 Plan may be amended or terminated by the Board at any time, subject to certain limitations requiring stockholder consent or the consent of the applicable participant. In addition, the administrator may not, without the approval of the Company’s stockholders, authorize certain re-pricings of any outstanding stock options or stock appreciation rights granted under the 2017 Plan. The 2017 Plan will expire on June 20, 2027.

***Farmer Bros. Co. 2020 Inducement Incentive Plan***

In March 2020, the Company’s Board of Directors approved the Farmer Bros. Co. 2020 Inducement Incentive Plan (the “2020 Inducement Plan”). The 2020 Inducement Plan’s purpose is to enhance the Company’s ability to attract persons who make (or are expected to make) important contributions to the Company by providing these individuals with equity ownership opportunities. Awards under the 2020 Inducement Plan has the same terms and conditions as the 2017 Plan. The Board of Directors has reserved 300,000 shares of the Company’s common stock for issuance under the 2020 Inducement Plan. As of June 30, 2020, there were 211,505 shares remain available under the 2020 Inducement Plan for future issuance of which 40,134 were issued on July 1, 2020.

***Non-qualified stock options with time-based vesting ("NQOs")***

One-third of the total number of NQO vest ratably on each of the first three anniversaries of the grant date, contingent on continued employment, and subject to accelerated vesting in certain circumstances.

Following are the assumptions used in the Black-Scholes valuation model for NQOs granted on the date of the grant during the fiscal years ended June 30, 2020, 2019 and 2018:

| | Year Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Weighted average fair value of NQOs | $ 4.24 | $ 7.78 | $ 10.41 |
| Risk-free interest rate | 1.5% | 3.0% | 2.0% |
| Dividend yield | —% | —% | —% |
| Average expected term | 4.6 years | 4.6 years | 4.6 years |
| Expected stock price volatility | 35.4% | 29.6% | 35.4% |

The Company's assumption regarding expected stock price volatility is based on the historical volatility of the Company's stock price. The risk-free interest rate is based on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the expected life of the stock options. The average expected term is based on historical weighted time outstanding and the expected weighted time outstanding calculated by assuming the settlement of outstanding awards at the midpoint between the vesting date and the end of the contractual term of the award. Currently, management estimates an annual forfeiture rate of 10.0% based on actual forfeiture experience. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The following table summarizes NQO activity for the year ended June 30, 2020:

| Outstanding NQOs: | Number of NQOs | Weighted Average Exercise Price ($) | Weighted Average Remaining Life (Years) | Aggregate Intrinsic Value ($ in thousands) |
|---|---|---|---|---|
| Outstanding at June 30, 2019 | 198,049 | 27.35 | 5.25 | 40 |
| Granted | 536,468 | 13.16 | — | — |
| Exercised | (10,360) | 12.48 | — | 28 |
| Forfeited | (157,172) | 24.14 | — | — |
| Expired | (38,027) | 31.31 | — | — |
| Outstanding at June 30, 2020 | 528,958 | 13.92 | 6.21 | 55 |
| Exercisable at June 30, 2020 | 20,017 | 28.27 | 3.23 | — |

The weighted-average grant-date fair value of options granted during the year ended June 30, 2020 was $4.24.

The aggregate intrinsic values outstanding at the end of each fiscal period in the table above represent the total pretax intrinsic value, based on the Company's closing stock price of $7.34 at June 30, 2020 and $16.37 at June 28, 2019, representing the last trading day of the respective fiscal years, which would have been received by NQO holders had all award holders exercised their NQOs that were in-the-money as of those dates. The aggregate intrinsic value of NQO exercises in each fiscal period above represents the difference between the exercise price and the value of the Company's common stock at the time of exercise. NQOs outstanding that are expected to vest are net of estimated forfeitures.

The Company received $0.1 million, $0.3 million and $1.1 million in proceeds from exercises of vested NQOs in fiscal 2020, 2019 and 2018, respectively.

As of June 30, 2020 and 2019, respectively, there was $1.7 million and $1.1 million of unrecognized compensation cost related to NQOs. The unrecognized compensation cost related to NQOs at June 30, 2020 is expected to be recognized over the weighted average period of 2.28 years. Total compensation expense for NQOs was $0.7 million, $0.5 million and $0.3 million in fiscal 2020, 2019 and 2018, respectively.

***Non-qualified stock options with performance-based and time-based vesting ("PNQs")***

PNQ shares granted for each fiscal year are subject to forfeiture if a target modified net income goal is not attained. For this purpose, "Modified Net Income" is defined as net income (GAAP) before taxes and excluding any gains or losses from sales of assets, and excluding the effect of restructuring and other transition expenses. These PNQs have an exercise price equal the closing price of the Company's common stock on the date of grant. One-third of the total number of shares subject to each such stock option vest ratably on each of the first three anniversaries of the grant date, contingent on continued employment, and subject to accelerated vesting in certain circumstances.

PNQ shares were not granted during the fiscal years ended June 30, 2020, 2019 and 2018.

The following table summarizes PNQ activity for the year ended June 30, 2020:

| Outstanding PNQs: | Number of PNQs | Weighted Average Exercise Price ($) | Weighted Average Remaining Life (Years) | Aggregate Intrinsic Value ($ in thousands) |
|---|---|---|---|---|
| Outstanding at June 30, 2019 | 229,961 | 26.21 | 1.23 | — |
| Granted | — | — | — | — |
| Exercised | — | — | — | — |
| Forfeited | (6,212) | 32.85 | — | — |
| Expired | (210,119) | 25.86 | — | — |
| Outstanding at June 30, 2020 | 13,630 | 28.60 | 2.36 | — |
| Exercisable at June 30, 2020 | 8,822 | 26.89 | 1.98 | — |

The aggregate intrinsic values outstanding at the end of each fiscal period in the table above represent the total pretax intrinsic values, based on the Company's closing stock price of $7.34 at June 30, 2020 and $16.37 at June 28, 2019, representing the last trading day of the respective fiscal years, which would have been received by PNQ holders had all award holders exercised their PNQs that were in-the-money as of those dates. The aggregate intrinsic value of PNQ exercises in each fiscal period represents the difference between the exercise price and the value of the Company's common stock at the time of exercise. PNQs outstanding that are expected to vest are net of estimated forfeitures.

There were no options exercised during the fiscal year ended June 30, 2020. The Company received $0.1 million and $0.3 million in proceeds from exercises of vested PNQs in fiscal 2019 and 2018, respectively.

As of June 30, 2020 and 2019, there were zero and $39.7 thousand, respectively, of unrecognized compensation cost related to PNQs. Total compensation expense related to PNQs in fiscal 2020, 2019 and 2018 was $18.3 thousand, $0.3 million and $0.8 million, respectively.

***Restricted Stock***

Restricted stock awards cliff vest on the earlier of the one year anniversary of the grant date or the date of the first annual meeting of the Company's stockholders immediately following the grant date, in the case of non-employee directors, and the third anniversary of the grant date, in the case of eligible employees, in each case subject to continued service to the Company through the vesting date and the acceleration provisions of the award plan and restricted stock agreement. Restricted stock is expected to vest net of estimated forfeitures.

The following table summarizes restricted stock activity for the year ended June 30, 2020:

| Outstanding and Nonvested Restricted Stock Awards: | Shares Awarded | Weighted Average Grant Date Fair Value ($) |
|---|---|---|
| Outstanding at June 30, 2019 | 32,056 | 21.10 |
| Granted | 229,573 | 13.0 |
| Exercised/Released | (30,352) | 20.8 |
| Cancelled/Forfeited | (12,673) | 17.7 |
| Outstanding and nonvested at June 30, 2020 | 218,604 | 13.0 |

The total grant-date fair value of restricted stock granted during the year ended June 30, 2020 was $2.5 million.

As of June 30, 2020 and 2019, there was $1.7 million and $0.4 million, respectively, of unrecognized compensation cost related to restricted stock. The unrecognized compensation cost related to restricted stock at June 30, 2020 is expected to be recognized over the weighted average period of 1.41 years. Total compensation expense for restricted stock was $1.1 million, $23.0 thousand and $0.3 million, for the fiscal years ended June 30, 2020, 2019 and 2018, respectively.

***Performance-Based Restricted Stock Units ("PBRSUs")***

The PBRSU awards cliff vest on the third anniversary of the date of grant based on the Company's achievement of certain financial performance goals during the performance periods, subject to certain continued employment conditions and subject to acceleration provisions of the award plan and restricted stock unit agreement. At the end of the three-year performance period, the number of PBRSUs that actually vest will be 0% to 200% of the target amount, depending on the extent to which the Company meets or exceeds the achievement of those financial performance goals measured over the full three-year performance period. PBRSUs are expected to vest net of estimated forfeitures.

The following table summarizes PBRSU activity for the year ended June 30, 2020:

| Outstanding and Nonvested PBRSUs: | PBRSUs Awarded | Weighted Average Grant Date Fair Value ($) |
|---|---|---|
| Outstanding and nonvested at June 30, 2019 | 51,237 | 27.69 |
| Granted | 81,236 | 14.46 |
| Vested/Released | — | — |
| Cancelled/Forfeited | (51,136) | 25.63 |
| Outstanding and nonvested at June 30, 2020 | 81,337 | 15.78 |

The total grant-date fair value of PBRSUs granted during the year ended June 30, 2020 was $1.2 million.

As of June 30, 2020 and 2019, there was $0.5 million and $0.3 million, respectively, of unrecognized compensation cost related to PBRSUs. The unrecognized compensation cost related to PBRSUs at June 30, 2020 is expected to be recognized over the weighted average period of 2.17 years. Total compensation expense for PBRSUs was $0.2 million in each of the year ended June 30, 2020 and 2018. There was no compensation expense for PBRSUs for the fiscal year ended June 30, 2019.

***Performance Cash Awards ("PCAs")***

In November 2019, the Company granted PCAs under the 2017 Plan to certain employees. The PCAs cliff vest on the third anniversary of the date of grant based on the Company's achievement of certain financial performance goals for the performance period July 1, 2019 through June 30, 2022, subject to certain continued employment conditions and subject to acceleration provisions of the 2017 Plan. At the end of the three-year performance period, the amount of PCAs that actually vest will be 0% to 200% of the target amount, depending on the extent to which the Company meets or exceeds the achievement of those financial performance goals measured over the full three-year performance period.

The PCAs are measured initially based on a fixed amount of the awards at the date of grant and are required to be re-measured based on the probability of achieving the performance conditions at each reporting date until settlement. Compensation expense for PCAs is recognized over the applicable performance periods. The Company records a liability equal to the cost of PCAs for which achievement of the performance condition is deemed probable. As of June 30, 2020, the Company had recognized accrued liabilities of $72.3 thousand.

At June 30, 2020, there was $0.3 million of unrecognized PCA compensation cost. The unrecognized PCA compensation cost at June 30, 2020 is expected to be recognized over the weighted average period of 2.37 years. Total compensation expense for PCAs was $72.3 thousand for the fiscal year ended June 30, 2020.

**Note 17. Other Current Liabilities**

Other current liabilities consist of the following:

| | As of June 30, | |
|---|---|---|
| (In thousands) | 2020 | 2019 |
| Accrued postretirement benefits | $ 744 | $ 1,068 |
| Accrued workers' compensation liabilities | 1,466 | 1,495 |
| Cumulative preferred dividends, undeclared and unpaid (1) | 1,477 | 305 |
| Earnout payable(2) | — | 1,000 |
| Working capital dispute payable(3) | 551 | 354 |
| Other(4) | 2,564 | 3,087 |
| Other current liabilities | $ 6,802 | $ 7,309 |

(1) Represents the cumulative preferred dividends, undeclared and unpaid. Previously accrued long-term portion has been reclassified to current liabilities.
(2) Represents the estimated fair value of earnout paid in connection with the Company's acquisition of substantially all of the assets of West Coast Coffee completed on February 7, 2017.
(3) Represents accrued expenses related to working capital disputes in connection with the Company's acquisition of Boyd Coffee on October 2, 2017.
(4) Includes accrued property taxes, sales and use taxes and insurance liabilities.

**Note 18. Other Long-Term Liabilities**

Other long-term liabilities include the following:

| | As of June 30, | |
|---|---|---|
| (In thousands) | 2020 | 2019 |
| Finance leases liabilities | $ 9 | $ 32 |
| Derivative liabilities—noncurrent | 2,859 | 1,612 |
| Deferred compensation (1) | 1,170 | — |
| Cumulative preferred dividends, undeclared and unpaid—noncurrent | — | 618 |
| Deferred income taxes (2) | 1,494 | 1,795 |
| Other long-term liabilities | $ 5,532 | $ 4,057 |

(1) Includes payroll taxes and performance cash awards liability.
(2) Includes deferred tax liabilities that have an indefinite reversal pattern.

**Note 19. Income Taxes**

The current and deferred components of the provision for income taxes consist of the following:

| | For the Years Ended June 30, | | |
|---|---|---|---|
| (In thousands) | 2020 | 2019 | 2018 |
| Current: | | | |
| Federal | $ — | $ (1,774) | $ 101 |
| State | 105 | 231 | 56 |
| Total current income tax (benefit) expense | 105 | (1,543) | 157 |
| Deferred: | | | |
| Federal | (458) | 30,618 | 17,090 |
| State | 158 | 11,036 | 65 |
| Total deferred income tax expense | (300) | 41,654 | 17,155 |
| **Income tax expense** | **$ (195)** | **$ 40,111** | **$ 17,312** |

A reconciliation of income tax expense to the federal statutory tax rate is as follows:

| | For the Years Ended June 30, | | |
|---|---|---|---|
| (In thousands) | 2020 | 2019 | 2018 |
| Statutory tax rate | **21%** | **21%** | **28%** |
| Income tax (benefit) expense at statutory rate | $ (7,829) | $ (7,032) | $ (272) |
| State income tax (benefit) expense, net of federal tax benefit | (1,523) | (1,295) | 12 |
| Valuation allowance | 9,153 | 50,123 | 283 |
| Change in tax rate | 233 | 124 | 18,022 |
| Retiree life insurance | — | — | 19 |
| Other (net) | (229) | (1,809) | (752) |
| **Income tax expense** | **$ (195)** | **$ 40,111** | **$ 17,312** |

Pursuant to the Tax Cuts and Jobs Act enacted on December 22, 2017 (the "Tax Act"), the federal corporate tax rate was reduced to 21.0%, effective for the tax years beginning on or after January 1, 2018. Deferred tax amounts are calculated based on the rates at which they are expected to reverse in the future.

The primary components of the temporary differences which give rise to the Company's net deferred tax assets (liabilities) are as follows:

| | As of June 30, | |
|---|---|---|
| (In thousands) | 2020 | 2019 |
| Deferred tax assets: | | |
| Postretirement benefits | $ 20,232 | $ 20,775 |
| Accrued liabilities | 3,970 | 5,042 |
| Net operating loss carryforwards | 38,754 | 37,768 |
| Intangible assets | 9,482 | — |
| Operating lease liabilities | 5,419 | — |
| Other | 6,893 | 5,950 |
| **Total deferred tax assets** | **84,750** | **69,535** |
| Deferred tax liabilities: | | |
| Fixed assets | (13,427) | (15,562) |
| Right-of-use operating lease assets | (5,513) | — |
| Other | (2,950) | (3,749) |
| Total deferred tax liabilities | (21,890) | (19,311) |
| Valuation allowance | (64,354) | (52,019) |
| **Net deferred tax liabilities** | **$ (1,494)** | **$ (1,795)** |

At June 30, 2020, the Company had approximately $150.6 million in federal and $115.0 million in state net operating loss carryforwards that will expire from June 30, 2021 to June 30, 2030. Additionally, at June 30, 2020, the Company had $0.8 million of federal business tax credits that will expire from June 30, 2025 to June 30, 2038.

At June 30, 2020, the Company had net deferred tax assets of $62.9 million before valuation allowance of $64.4 million. In assessing if the deferred tax assets will be realized, the Company considers whether it is probable that some or all of the deferred tax assets will not be realized. In determining whether the deferred taxes are realizable, the Company considers the period of expiration of the tax asset, historical and projected taxable income, and tax liabilities for the tax jurisdiction in which the tax asset is located. Valuation allowances are provided to reduce the amounts of deferred tax assets to an amount that is more likely than not to be realized based on an assessment of positive and negative evidence, including estimates of future taxable income necessary to realize future deductible amounts.

For the years ended June 30, 2020, 2019 and 2018, due to recent cumulative losses, the Company concluded that certain federal and state net operating loss carry forwards and tax credit carryovers will not be utilized before expiration. The amounts of valuation allowance recorded in the Consolidated Balance Sheets were $64.4 million, $52.0 million and $1.9 million to reduce deferred tax assets in fiscal 2020, 2019 and 2018, respectively. The Company's valuation allowance increased in fiscal 2020, 2019 and 2018 by $12.3 million, $50.1 million and $0.3 million, respectively.

As of, and for the three years ended June 30, 2020, 2019 and 2018, the Company had no significant uncertain tax positions.

The Company files income tax returns in the U.S. and in various state jurisdictions with varying statutes of limitations. The Company is no longer subject to U.S. income tax examinations for the fiscal years prior to June 30, 2018. Although the outcome of tax audits is always uncertain, the Company does not believe the outcome of any future audit will have a material adverse effect on the Company's consolidated financial statements.

The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. There were no amount of interest and penalties recognized in the Consolidated Balance Sheets in the fiscal years ended June 30, 2020 and 2019, associated with uncertain tax positions. Additionally, the Company did not record any income tax expense related to interest and penalties on uncertain tax positions in the fiscal years ended June 30, 2020, 2019 and 2018, respectively.

### Note 20. Net (Loss) Income Per Common Share

Basic net income (loss) per common share is calculated by dividing net income (loss) attributable to the Company by the weighted average number of common shares outstanding during the periods presented. Diluted net income (loss) per common share is calculated by dividing diluted net income (loss) attributable to the Company by the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, unvested performance-based restricted stock units, and shares of Series A Preferred Stock, as converted, during the periods presented. The calculation of dilutive shares outstanding excludes out-of-the-money stock options (i.e., such option's exercise prices were greater than the average market price of our common shares for the period) and unvested performance-based restricted stock units because their inclusion would be have been anti-dilutive.

The following table presents the computation of basic and diluted earnings per common share:

| | For the Years Ended June 30, | | |
|---|---|---|---|
| (In thousands, except share and per share amounts) | 2020 | 2019 | 2018 |
| Undistributed net (loss) income available to common stockholders | $ (37,462) | $ (74,054) | $ (18,652) |
| Undistributed net (loss) income available to nonvested restricted stockholders and holders of convertible preferred stock | (179) | (76) | (17) |
| Net (loss) income available to common stockholders—basic | $ (37,641) | $ (74,130) | $ (18,669) |
| | | | |
| Weighted average common shares outstanding—basic | 17,205,849 | 16,996,354 | 16,815,020 |
| Effect of dilutive securities: | | | |
| Shares issuable under stock options | — | — | — |
| Weighted average common shares outstanding—diluted | 17,205,849 | 16,996,354 | 16,815,020 |
| Net (loss) income per common share available to common stockholders—basic | $ (2.19) | $ (4.36) | $ (1.11) |
| Net (loss) income per common share available to common stockholders—diluted | $ (2.19) | $ (4.36) | $ (1.11) |

The following table summarizes anti-dilutive securities excluded from the computation of diluted net income (loss) per common share for the periods indicated:

| | For the Years Ended June 30, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Shares issuable under stock options | 330,627 | 157,850 | 462,032 |
| Shares issuable under convertible preferred stock | 422,193 | 407,734 | 393,769 |
| Shares issuable under PBRSUs | 73,012 | 65,971 | 35,732 |

**Note 21. Preferred Stock**

The Company is authorized to issue 500,000 shares of preferred stock at a par value of $1.00, including 21,000 authorized shares of Series A Preferred Stock.

***Series A Convertible Participating Cumulative Perpetual Preferred Stock***

The Series A Preferred Stock (a) pays a dividend, when, as and if declared by the Company's Board of Directors, of 3.5% APR of the stated value per share, payable quarterly in arrears, (b) has an initial stated value of $1,000 per share, adjustable up or down by the amount of undeclared and unpaid dividends or subsequent payment of accumulated dividends thereon, respectively, and (c) has a conversion price of $38.32. Dividends may be paid in cash. The Company accrues for undeclared and unpaid dividends as they are payable in accordance with the terms of the Certificate of Designations filed with the Secretary of State of the State of Delaware. At June 30, 2020, the Company had undeclared and unpaid preferred dividends of $1,478,429 on 14,700 issued and outstanding shares of Series A Preferred Stock. Series A Preferred Stock is a participating security and has rights to earnings that otherwise would have been available to holders of the Company's common stock. On an as converted basis, holders of Series A Preferred Stock are entitled to vote together with the holders of the Company's common stock and are entitled to share in the dividends on the Company's common stock, when declared. Each share of Series A Preferred Stock is convertible into the number of shares of the Company's common stock (rounded down to the nearest whole share and subject to adjustment in accordance with the terms of the Certificate of Designations) equal to the stated value per share of Series A Preferred Stock divided by the conversion price of $38.32. Series A Preferred Stock is a perpetual stock and is not redeemable at the election of the Company or any holder. Based on its characteristics, the Company classified Series A Preferred Stock as permanent equity.

At June 30, 2020, Series A Preferred Stock consisted of the following:

**(In thousands, except share and per share amounts)**

| Shares Authorized | Shares Issued and Outstanding | Stated Value per Share | Carrying Value | Cumulative Preferred Dividends, Undeclared and Unpaid | Liquidation Preference |
|---|---|---|---|---|---|
| 21,000 | 14,700 | $ 1,101 | $ 16,178 | $ 1,478 | $ 16,178 |

**Note 22. Commitments and Contingencies**

***Purchase Commitments***

As of June 30, 2020, the Company had committed to purchase green coffee inventory totaling $50.5 million under fixed-price contracts, $7.0 million in other inventory under non-cancelable purchase orders and $8.2 million in other purchases under non-cancelable purchase orders.

***Legal Proceedings***

*Council for Education and Research on Toxics (“CERT”) v. Brad Berry Company Ltd., et al., Superior Court of the State of California, County of Los Angeles*

On August 31, 2012, CERT filed an amendment to a private enforcement action adding a number of companies as defendants, including the Company’s subsidiary, Coffee Bean International, Inc., which sell coffee in California under the State of California's Safe Drinking Water and Toxic Enforcement Act of 1986 (“Prop 65”). The suit alleges that the defendants have failed to issue clear and reasonable warnings in accordance with Prop 65 that the coffee they produce, distribute, and sell contains acrylamide. This lawsuit was filed in Los Angeles Superior Court (the “Court”). CERT alleges that the Company and the other defendants failed to provide warnings for their coffee products of exposure to the chemical acrylamide as required under Prop 65. Plaintiff seeks equitable relief, including providing warnings to consumers of coffee products, as well as civil penalties in the amount of the statutory maximum of $2,500.00 per day per violation of Prop 65. The Plaintiff asserts that every consumed cup of coffee, absent a compliant warning, is equivalent to a violation under Prop 65.

The Company, as part of a joint defense group (“JDG”) organized to defend against the lawsuit, disputes the claims of CERT. Acrylamide is not added to coffee but is present in all coffee in small amounts (parts per billion) as a byproduct of the coffee bean roasting process. Acrylamide is produced naturally in connection with the heating of many foods, especially starchy foods, and is believed to be caused by the Maillard reaction, though it has also been found in unheated foods such as olives. With respect to coffee, acrylamide is produced when coffee beans are heated during the roasting process-it is the roasting itself that produces the acrylamide. While there has been a significant amount of research concerning proposals for treatments and other processes aimed at reducing acrylamide content of different types of foods, to our knowledge there is currently no known strategy for reducing acrylamide in coffee without negatively impacting the sensorial properties of the product.

The Company has asserted multiple affirmative defenses. Trial of the first phase of the case commenced on September 8, 2014, and was limited to three affirmative defenses shared by all defendants. On September 1, 2015, the trial court issued a final ruling adverse to defendants on all Phase 1 defenses. Trial of the second phase of the case commenced in the fall of 2017. On May 7, 2018, the trial court issued a ruling adverse to defendants on the Phase 2 defense, the Company's last remaining defense to liability. On June 22, 2018, the California Office of Environmental Health Hazard Assessment (OEHHA) proposed a new regulation clarifying that cancer warnings are not required for coffee under Proposition 65. The case was set to proceed to a third phase trial on damages, remedies and attorneys' fees on October 15, 2018. However, on October 12, 2018, the California Court of Appeal granted the “defendants” request for a stay of the Phase 3 trial.

On June 3, 2019, the Office of Administrative Law (OAL) approved the coffee exemption regulation. The regulation became effective on October 1, 2019. On June 24, 2019, the Court of Appeal lifted the stay of the litigation. A status conference was held on July 11, 2019. The Court granted the JDG’s motion for leave to amend its answers to add the coffee exemption regulation as a defense. Concurrently, the Court denied CERT’s motion to add OEHHA as a party but granted CERT’s motions to complete the administrative record with respect to the exemption and to undertake certain third party discovery. A status conference was held November 12, 2019 to discuss discovery issues and dispositive motions. Plaintiff’s motion to compel OEHHA to add documents to the rulemaking file for the new coffee exemption regulation was denied. CERT continues to pursue third-party discovery with plans to file motions to compel appearances of proposed deponents. These motions, along with CERT’s eight summary judgment motions, were heard at a January 21, 2020 hearing where the Court denied several of CERT’s discovery requests. The JDG’s reply in support of its motion for summary judgment was due to the Court on the March 16, 2020 however, on March 17, 2020, notice was given that the Court was rescheduling the hearings set for March 23, 2020. Due to COVID 19 restrictions, the Court continued the hearing on the nine motions until July 16, 2020. At the hearing, the Court denied three of CERT’s motions for summary adjudication that challenged the OEHHA rulemaking, and rescheduled the balance of the pending motions for August 10, 2020. Subsequent to the hearing on January 21, 2020, Plaintiff made broad discovery requests against each of the defendants in hopes of opening up a third round of discovery. The discovery focuses on “additives to” and “flavorings” in coffee. The JDG has responded to the discovery requests but Plaintiff has filed a motion to compel further answers to discovery and production of documents. The Court has continued a hearing on this matter until August 21, 2020.

At the August 10, 2020 hearing, the Court denied multiple motions by the Plaintiffs for summary adjudication. The hearing on the remaining motions was scheduled for August 21, 2020 and at that hearing, the Court denied CERT’s motion for summary judgment and granted the JDG’s motion for summary judgment, noting that the discovery and claims regarding additives were outside the scope of this case.

The JDG is preparing an order and a proposed form of judgment reflecting the Courts ruling to submit to the Court. At this time, the Company is unable to predict the timing of the final judgment or any procedural next steps by CERT. In addition, the Company is not able to predict the probability of the outcome or estimate of loss, if any, related to this matter.

The Company is a party to various other pending legal and administrative proceedings. It is management’s opinion that the outcome of such proceedings will not have a material impact on the Company’s financial position, results of operations, or cash flows.

**Note 23. Revenue Recognition**

The Company’s primary sources of revenue are sales of coffee, tea and culinary products. The Company recognizes revenue when control of the promised good or service is transferred to the customer and in amounts that the Company expects to collect. The timing of revenue recognition takes into consideration the various shipping terms applicable to the Company’s sales.

The Company delivers products to customers primarily through two methods, DSD to the Company’s customers at their place of business and direct ship from the Company’s warehouse to the customer’s warehouse or facility. Each delivery or shipment made to a third party customer is to satisfy a performance obligation. Performance obligations generally occur at a point in time and are satisfied when control of the goods passes to the customer. The Company is entitled to collection of the sales price under normal credit terms in the regions in which it operates.

The Company disaggregates net sales from contracts with customers based on the characteristics of the products sold:

| | For the Years Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| (In thousands) | $ | % of total | $ | % of total | $ | % of total |
| Net Sales by Product Category: | | | | | | |
| Coffee (Roasted) | $ 325,764 | 64.9% | $ 378,583 | 63.5% | $ 379,951 | 62.6% |
| Coffee (Frozen Liquid) | 28,619 | 5.7% | 34,541 | 5.8% | 34,794 | 5.7% |
| Tea (Iced & Hot) | 25,369 | 5.1% | 33,109 | 5.6% | 32,477 | 5.4% |
| Culinary | 50,135 | 10.0% | 64,100 | 10.8% | 64,432 | 10.6% |
| Spice | 21,473 | 4.3% | 24,101 | 4.0% | 25,150 | 4.2% |
| Other beverages(1) | 44,983 | 9.0% | 58,367 | 9.8% | 66,699 | 11.0% |
| Other revenues(2) | 2,701 | 0.5% | — | —% | — | —% |
| Net sales by product category | 499,044 | 99.5% | 592,801 | 99.5% | 603,503 | 99.5% |
| Fuel surcharge | 2,276 | 0.5% | 3,141 | 0.5% | 3,041 | 0.5% |
| Net sales | $ 501,320 | 100.0% | $ 595,942 | 100.0% | $ 606,544 | 100.0% |

(1) Includes all beverages other than roasted coffee, frozen liquid coffee, and iced and hot tea, including cappuccino, cocoa, granitas, and concentrated and ready-to drink cold brew and iced coffee.
(2) Represents revenues for certain transition services related to the sale of the Company’s office coffee assets.

The Company does not have any material contract assets and liabilities as of June 30, 2020. Receivables from contracts with customers are included in “Accounts receivable, net” on the Company’s condensed consolidated balance sheets. At June 30, 2020, 2019 and 2018, “Accounts receivable, net” included, $40.7 million, $53.6 million and $54.5 million, respectively, in receivables from contracts with customers.

**Note 24. Selected Quarterly Financial Data (Unaudited)**

The following tables set forth certain unaudited quarterly information for each of the eight fiscal quarters in the two year period ended June 30, 2020. This quarterly information has been prepared on a consistent basis with the audited consolidated financial statements and, in the opinion of management, includes all adjustments which management believes are necessary for a fair presentation of the information for the periods presented. All prior period amounts have been retrospectively adjusted to reflect the impact of the certain changes in accounting principles and corrections to previously issued financial statements.

The Company's quarterly operating results may fluctuate significantly as a result of a variety of factors, and operating results for any fiscal quarter are not necessarily indicative of results for a full fiscal year or future fiscal quarters.

| | For The Three Months Ended | | | |
|---|---|---|---|---|
| (In thousands, except per share data) | September 30, 2019 | December 31, 2019 | March 31, 2020 | June 30, 2020 |
| Net sales | $ 138,600 | $ 152,498 | $ 129,139 | $ 81,083 |
| Cost of goods sold | $ 97,959 | $ 108,513 | $ 91,190 | $ 65,536 |
| Gross profit | $ 40,641 | $ 43,985 | $ 37,949 | $ 15,547 |
| Selling expenses | $ 33,614 | $ 34,906 | $ 31,968 | $ 21,274 |
| Income (loss) from operations | $ 6,892 | $ 8,870 | $ (45,169) | $ (13,595) |
| Net income (loss) | $ 4,654 | $ 7,754 | $ (39,777) | $ (9,718) |
| Net income (loss) available to common stockholders per common share—basic | $ 0.26 | $ 0.44 | $ (2.32) | $ (0.57) |
| Net income (loss) available to common stockholders per common share—diluted | $ 0.26 | $ 0.43 | $ (2.32) | $ (0.57) |

| | For The Three Months Ended | | | |
|---|---|---|---|---|
| (In thousands, except per share data) | September 30, 2018 | December 31, 2018 | March 31, 2019 | June 30, 2019 |
| Net sales | $ 147,440 | $ 159,773 | $ 146,679 | $ 142,050 |
| Cost of goods sold | $ 99,205 | $ 106,529 | $ 106,779 | $ 104,327 |
| Gross profit | $ 48,235 | $ 53,244 | $ 39,900 | $ 37,723 |
| Selling expenses | $ 37,310 | $ 39,591 | $ 34,422 | $ 28,324 |
| (Loss) income from operations | $ (2,078) | $ 502 | $ (6,102) | $ (7,024) |
| Net loss | $ (2,986) | $ (10,100) | $ (51,749) | $ (8,760) |
| Net loss available to common stockholders per common share—basic | $ (0.18) | $ (0.60) | $ (3.05) | $ (0.52) |
| Net loss available to common stockholders per common share—diluted | $ (0.18) | $ (0.60) | $ (3.05) | $ (0.52) |

**Note 25. Subsequent Events**

The Company evaluated all events or transactions that occurred after June 30, 2019 through the date the consolidated financial statements were issued. During this period the Company had the following material subsequent events that require disclosure:

On July 23, 2020, pursuant to Amendment No. 3 to Amended and Restated Credit Agreement, the Company amended its existing senior secured revolving credit facility with certain financial institutions. See Note 14 for summary description of the key items of Amendment No. 3. The full text of Amendment No. 3 has been included as Exhibit 10.12 in this Annual Report on Form 10-K.

**AMENDMENT NO. 1**

**TO**

**AMENDED AND RESTATED BYLAWS**

**OF**

**FARMER BROS. CO.**

The Amended and Restated Bylaws of Farmer Bros. Co. are hereby amended by deleting Sections 3.1 and 3.2, and inserting the following in lieu thereof:

"3.1 Number and Election of Directors. Subject to the Certificate of Incorporation, the number of directors shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the active Board of Directors. Directors shall be elected by the stockholders at the Annual Meeting of Stockholders, and the term of each director so elected shall be as set forth in the Certificate of Incorporation.

3.2 Vacancies. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy or newly created directorship shall hold office for the term set forth in the Certificate of Incorporation."

EXECUTION VERSION

AMENDMENT NO. 4

Dated as of July 23, 2020

to

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of November 6, 2018

THIS AMENDMENT NO. 4 (this "Amendment") is made as of July 23, 2020 by and among Farmer Bros. Co., a Delaware corporation (the "Borrower"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), under that certain Amended and Restated Credit Agreement dated as of November 6, 2018 by and among the Borrower, the other Loan Parties from time to time party thereto, the Lenders and the Administrative Agent (as amended by that certain Amendment No. 1, dated as of September 6, 2019, that certain Amendment No. 2, dated as of March 5, 2020, that certain Amendment No. 3, dated as of July 23, 2020, and as further amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement, as amended hereby.

WHEREAS, the Borrower has requested that the Required Lenders and the Administrative Agent agree to make certain amendments to the Credit Agreement; and

WHEREAS, the Borrower, the Lenders party hereto and the Administrative Agent have so agreed on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendment to the Credit Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the parties hereto agree that the Credit Agreement shall be amended as follows:

(a) Article V of the Credit Agreement is amended to add a new Section 5.14 thereto, as set forth below:

"SECTION 5.14 Financial Consultant.

(a) On or before September 15, 2020 (or such later date as agreed by the Administrative Agent in its sole discretion), the Borrower covenants and agrees to have countersigned a binding engagement letter, in form and substance reasonably acceptable to Administrative Agent and the Borrower (the "Engagement Letter"), providing for the retention by the Borrower of a nationally recognized financial consultant reasonably acceptable to the Administrative Agent and the Borrower (the "Financial Consultant"), until the expiration of the Covenant Relief Period (the "Financial Consultant Termination Date"). The Financial Consultant shall be retained by and at the sole cost and expense of the Borrower and solely on behalf of the Borrower at all times during the period commencing on the date of effectiveness of the Engagement Letter and ending on the Financial Consultant Termination Date. Without the prior written consent of the Administrative Agent, the Borrower shall not terminate its engagement of the Financial Consultant unless a replacement Financial Consultant reasonably acceptable to the Administrative Agent or other arrangement reasonably acceptable to the Administrative Agent has been approved by the Administrative Agent and the Borrower shall have retained such replacement Financial Consultant pursuant to a binding engagement letter in form and substance reasonably acceptable to Administrative Agent and the Borrower in accordance with the provisions of this Section 5.14; provided, that, notwithstanding the foregoing, if prior to the Financial Consultant Termination Date, the Borrower terminates its engagement of the Financial Consultant for cause as expressly permitted under the Engagement Letter or if the Financial Consultant terminates the engagement as expressly permitted under the Engagement Letter, the Borrower shall retain a replacement Financial Consultant (pursuant to a binding engagement letter in form and substance reasonably acceptable to Administrative Agent and the Borrower in accordance with the provisions of this Section 5.14) reasonably acceptable to the Administrative Agent not later than 20 Business Days following such termination (or such later date as agreed by the Administrative Agent in its sole discretion).

(b) The scope of the Financial Consultant's work shall be (without limiting the Borrower's right in its discretion to request additional services from the Financial Consultant): (i) providing financial advice with respect to the Loan Parties as described in the Engagement Letter; and (ii) providing general assessments of the 13-week rolling cash flow projections prepared by the Borrower and the business and cash flow financial models of the Loan Parties.

(c) The Borrower (i) agrees that it shall cooperate with the Financial Consultant in a commercially reasonable manner, (ii) agrees (with reasonable advance notice) to make management of the Borrower available to the Financial Consultant including arranging a weekly call for the Administrative Agent, the Financial Consultant and the Borrower to review the actual cash flow report of the Borrower and discuss, generally, the performance and progress of the Loan Parties, (iii) agrees that the Engagement Letter shall (x) provide that the Administrative Agent and the Lenders shall be permitted to communicate directly with the Financial Consultant from time to time (including, if so requested, without the Borrower being present), so long as the Borrower is given a reasonable opportunity to be included in such communications to which the Borrower is invited, it being understood that the Financial Consultant will covenant to use best efforts to include the Borrower in such communications to which the Borrower is invited and (y) authorize and direct the Financial Consultant to provide the Administrative Agent (for distribution to the Lenders) with (A) copies of reports or analyses prepared by the Financial Consultant for or in respect of the Borrower in connection with its engagement by the Borrower and (B) any other reports or analyses prepared by the Financial Consultant in connection with its engagement by the Borrower as the Administrative Agent or any Lender may reasonably request from the Financial Consultant from time to time."

(b) Section 7.01(d)(i) of the Credit Agreement is amended and restated to read as "(i) Section 5.02(a), 5.03 (with respect to a Loan Party's existence), 5.08, 5.14(a) or 5.14(c) or in Article VI of this Agreement;".

2. Conditions to Effectiveness. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

(a) The Administrative Agent (or its counsel) shall have received (i) counterparts of this Amendment duly executed by the Borrower, the Required Lenders and the Administrative Agent and (ii) a customary legal opinion of the Loan Parties' counsel, addressed to the Administrative Agent, the Issuing Bank and the Lenders, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(b) The Administrative Agent (or its counsel) shall have received payment of its reasonable and documented out-of-pocket expenses (including reasonable and documented out-of-pocket fees and expenses of counsel for the Administrative Agent) in connection with this Amendment.

3. Representations and Warranties of the Loan Parties. Each Loan Party hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement (as amended hereby) constitute legal, valid, and binding obligations of such Loan Party, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) As of the date hereof and after giving effect to the terms of this Amendment, (i) no Default or Event of Default has occurred and is continuing and (ii) the representations and warranties of such Loan Party set forth in the Loan Documents (as amended hereby) are true and correct in all material respects with the same effect as though made on and as of the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date is true and correct in all material respects only as of such specified date, and that any representation or warranty which is subject to any materiality qualifier shall be required to be true and correct in all respects).

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import, and each reference in the Loan Documents to "Credit Agreement", "thereunder", "thereof", "therein" or words of similar import, shall mean and be a reference to the Credit Agreement as amended hereby.

(b) The Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(d) This Amendment is a Loan Document.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Reaffirmation. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each Loan Party hereby (a) reaffirms the terms and conditions of the Credit Agreement (as amended hereby) and any other Loan Document executed by it and acknowledges and agrees that such Credit Agreement (as amended hereby) and each and every such Loan Document executed by it in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed, (b) to the extent such Loan Party granted Liens on or security interests in any of its properties pursuant to any Loan Document and any filing made with any Governmental Authority relating thereto, hereby ratifies and reaffirms each such grant of security and confirms that such Liens and security interests continue to secure the Secured Obligations, and (c) to the extent such Loan Party guaranteed or was an

accommodation party with respect to any of the Secured Obligations or any portion thereof, hereby ratifies and reaffirms such guaranties or accommodation liabilities, in each case, subject to the limitations set forth in the applicable Loan Document(s).

7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

8. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or other electronic means shall have the same force and effect as manual signatures delivered in person. Delivery of an executed signature page to this Amendment by facsimile or other electronic transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart hereof. The words "execution," "signed," "signature," and words of like import in this Amendment shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, or any other state laws based on the Uniform Electronic Transactions Act.

9. Release of Claims. Each Loan Party hereby represents and warrants that, as of the date of its execution of this Amendment, there are no claims or offsets against or defenses or counterclaims to its obligations under the Loan Documents (as amended hereby) and, in accordance therewith, each Loan Party, both for itself and on behalf of each of its Subsidiaries, hereby: (a) waives any and all such claims, offsets, defenses or counterclaims, whether known or unknown, arising prior to the date of its execution of this Amendment and (b) releases and discharges the Administrative Agent, the Lenders and their respective Related Parties (collectively the "Released Parties") from any and all obligations, indebtedness, liabilities, claims, rights, causes of action or demands whatsoever, whether known or unknown, suspected or unsuspected, in law or equity, which such Loan Party or any of its Subsidiaries ever had, now has, claims to have or may have against any Released Party arising on or prior to the date hereof and from or in connection with the Loan Documents (as amended hereby) or the transactions contemplated hereby or thereby.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

**BORROWER:**

FARMER BROS. CO.,
as the Borrower

By: Scott R. Drake
Name: Scott Drake
Title: Chief Financial Officer

**OTHER LOAN PARTIES:**

CHINA MIST BRANDS, INC.,
a Delaware corporation

By: Scott R. Drake
Name: Scott Drake
Title: Chief Financial Officer

BOYD ASSETS CO.,
a Delaware corporation

By: Scott R. Drake
Name: Scott Drake
Title: Chief Financial Officer

COFFEE BEAN INTERNATIONAL, INC.,
an Oregon corporation

By: Scott R. Drake
Name: Scott Drake
Title: Chief Financial Officer

FBC FINANCE COMPANY,
a California corporation

By: Scott R. Drake
Name: Scott Drake
Title: Chief Financial Officer

COFFEE BEAN HOLDING CO., INC.,
a Delaware corporation

By: [signature]

Name: Scott Drake
Title: Chief Financial Officer

JPMORGAN CHASE BANK, N.A.,
individually as a Lender and as Administrative Agent

By:____________________________________
Name: Charles W. Shaw
Title: Authorized Officer

Randy Humphreys
Sr. Group Manager, Director
GEID 1010503975
Citibank N.A.
2001 Ross Ave Ste 4300
Dallas, TX 75201
214-647-0784

CITIBANK, N.A.,
as a Lender

By: Randy Humphreys
Name: Randy Humphreys
Title: Director

Signature Page to Amendment No. 4 to
Amended and Restated Credit Agreement dated as of November 6, 2018

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: Ruining Nguyen
Name: R. Ruining Nguyen
Title: SVP

BANK OF AMERICA, N.A.,
as a Lender

By: ______________________________
Name: Rick Macias
Title: Senior Vice President

REGIONS BANK,
as a Lender

By: ______________________________
Name: David Baynash
Title: Senior Vice President

Signature Page to Amendment No. 4 to
Amended and Restated Credit Agreement dated as of November 6, 2018
Farmer Bros. Co.

ADVANTAGE CAPITAL MANAGEMENT LLC -
HAYMARKET INSURANCE COMPANY,
as a Lender

DocuSigned by:

By: ______________________
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Name: Yuan Zhou
Title: CIO

Signature Page to Amendment No. 4 to
Amended and Restated Credit Agreement dated as of November 6, 2018
Farmer Bros. Co.

**EXHIBIT A**
**RELEASE AGREEMENT**

I understand that my position with Farmer Bros. Co. (the "Company") terminated effective ___________, 20__ (the "Separation Date"). The Company has agreed that if I choose to sign this Agreement, the Company will pay me severance benefits (minus the standard withholdings and deductions) pursuant to the terms of the Employment Agreement entered into as of February 17, 2017 between myself and the Company. I understand that I am not entitled to this severance payment unless I sign this Agreement. I understand that in addition to this severance, the Company will pay me all of my accrued salary and paid days off, to which I am entitled by law regardless of whether I sign this release.

In consideration for the severance payment I am receiving under this Agreement, I acknowledge and agree that I am bound by the provisions of Sections 10A and 10B of my Employment Agreement and hereby release the Company and its current and former officers, directors, agents, attorneys, employees, stockholders, and affiliates from any and all claims, liabilities, demands, causes of action, attorneys' fees, damages, or obligations of every kind and nature, whether they are known or unknown, arising at any time prior to the date I sign this Agreement. This general release includes, but is not limited to: all federal and state statutory and common law claims related to my employment or the termination of my employment or related to breach of contract, tort, wrongful termination, discrimination, wages or benefits, or claims for any form of compensation. This release is not intended to release any claims I have or may have against any of the released parties for (a) indemnification as a director, officer, agent or employee under applicable law, charter document or agreement, (b) severance and other termination benefits specifically provided for in my Employment Agreement which constitutes a part of the consideration for this release, (c) health or other insurance benefits based on claims already submitted or which are covered claims properly submitted in the future, (d) vested rights under pension, retirement or other benefit plans, or (e) in respect of events, acts or omissions occurring after the date of this Release Agreement.

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the federal Age Discrimination in Employment Act of 1967, as amended ("ADEA"). I also acknowledge that the consideration given for the waiver in the above paragraph is in addition to anything of value to which I was already entitled. I have been advised by this writing, as required by the ADEA that: (a) my waiver and release do not apply to any claims that may arise after my signing of this Agreement; (b) I should consult with an attorney prior to executing this release; (c) I have at least twenty-one (21) days within which to consider this release (although I may choose to voluntarily execute this release earlier); (d) I have seven (7) days following the execution of this release to revoke the Agreement; and (e) this Agreement will not be effective until the eighth day after this Agreement has been signed both by me and by the Company.

I accept and agree to the terms and conditions stated above:

_______________________________
Ellen Iobst

**EXHIBIT A**
**RELEASE AGREEMENT**

I understand that my position with Farmer Bros. Co. (the "Company") terminated effective August 30, 20 19 (the "Separation Date"). The Company has agreed that if I choose to sign this Agreement, the Company will pay me severance benefits (minus the standard withholdings and deductions) pursuant to the terms of the Employment Agreement entered into as of February 17, 2017 between myself and the Company. I understand that I am not entitled to this severance payment unless I sign this Agreement. I understand that in addition to this severance, the Company will pay me all of my accrued salary and paid days off, to which I am entitled by law regardless of whether I sign this release.

In consideration for the severance payment I am receiving under this Agreement, I acknowledge and agree that I am bound by the provisions of Sections 10A and 10B of my Employment Agreement and hereby release the Company and its current and former officers, directors, agents, attorneys, employees, stockholders, and affiliates from any and all claims, liabilities, demands, causes of action, attorneys' fees, damages, or obligations of every kind and nature, whether they are known or unknown, arising at any time prior to the date I sign this Agreement. This general release includes, but is not limited to: all federal and state statutory and common law claims related to my employment or the termination of my employment or related to breach of contract, tort, wrongful termination, discrimination, wages or benefits, or claims for any form of compensation. This release is not intended to release any claims I have or may have against any of the released parties for (a) indemnification as a director, officer, agent or employee under applicable law, charter document or agreement, (b) severance and other termination benefits specifically provided for in my Employment Agreement which constitutes a part of the consideration for this release, (c) health or other insurance benefits based on claims already submitted or which are covered claims properly submitted in the future, (d) vested rights under pension, retirement or other benefit plans, or (e) in respect of events, acts or omissions occurring after the date of this Release Agreement. In releasing claims unknown to me at present, I am waiving all rights and benefits under Section 1542 of the California Civil Code, and any law or legal principle of similar effect in any jurisdiction: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the federal Age Discrimination in Employment Act of 1967, as amended ("ADEA"). I also acknowledge that the consideration given for the waiver in the above paragraph is in addition to anything of value to which I was already entitled. I have been advised by this writing, as required by the ADEA that: (a) my waiver and release do not apply to any claims that may arise after my signing of this Agreement; (b) I should consult with an attorney prior to executing this release; (c) I have at least twenty-one (21) days within which to consider this release (although I may choose to voluntarily execute this release earlier); (d) I have seven (7) days following the execution of this release to revoke the Agreement; and (e) this Agreement will not be effective until the eighth day after this Agreement has been signed both by me and by the Company.

I accept and agree to the terms and conditions stated above:

Scott Siers — August 30, 2019

[EXHIBIT A]

**<u>CONFIDENTIAL GENERAL RELEASE AND SEPARATION AGREEMENT</u>**

This Confidential General Release and Separation Agreement ("AGREEMENT") is made and entered into by and between Gabriella Villalobos ("EMPLOYEE") and Farmer Bros. Co., a Delaware corporation (the "Company").

In consideration of the covenants undertaken and releases contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Company and EMPLOYEE agree as follows:

1. <u>Separation</u>. EMPLOYEE is hereby separated from employment with Company effective June 10, 2020 (the "Separation Date"). Company acknowledges EMPLOYEE's separation pursuant to the covenants, releases, terms, and conditions set forth in this AGREEMENT.

2. <u>Severance Package</u>.

(a) <u>Severance Pay</u>. In consideration for the covenants and releases herein by EMPLOYEE, the Company shall pay EMPLOYEE 40 weeks of severance pay (the "Severance Pay"), which amount is determined in accordance with the Company's Severance Pay Plan set forth by its standard policies and procedures. The Severance Pay shall be paid in regular [bi-weekly] installments on the Company's regular pay dates, commencing on the first regular pay date after the Separation Date that is at least eight (8) days after I sign and return this Agreement and continuing until all installments are paid (the "Severance Period"), EMPLOYEE's total Severance Pay shall equal $249,577.00. The Severance Pay shall be subject to normal withholding and any other deductions required by law or previously authorized by EMPLOYEE. The severance is contingent on employee maintaining a satisfactory level of performance through the date of separation.

(b) <u>Health Insurance</u>. Health Insurance coverage will continue until the last day of the month in which the Separation Date occurs. Thereafter, Company shall not provide EMPLOYEE or EMPLOYEE's qualified spouse or dependents with health insurance coverage at Company's expense; however, EMPLOYEE may be eligible to continue health insurance by electing COBRA benefits at EMPLOYEE's expense.

3. <u>No Further Obligations</u>. Except for the obligations expressly set forth herein, Company shall make no further payments or contributions on behalf of EMPLOYEE or EMPLOYEE's family members, whether for salary, vacation, sick days, life insurance, long term disability insurance, cash profit sharing, tuition reimbursement, deferred profit sharing or for any other compensation or benefits following the Separation Date. EMPLOYEE shall continue to be entitled to any benefits vested under any Company retirement benefit plan.

4. <u>Release and Other Covenants of EMPLOYEE</u>. In consideration for the Severance Pay, other payments and benefits, and other covenants of Company made herein:

(a) *General Release.* EMPLOYEE, on his own behalf and on behalf of his descendants, dependents, spouse, heirs, executors, administrators, assignees and successors, and each of them, hereby releases and forever discharges Company and any and all of its parent, subsidiary, and affiliated corporations, businesses and partnerships, and all of its officers, directors, employees, agents, shareholders, attorneys, insurers, employee benefits plans, past and present, as well as the heirs, executors, administrators, predecessors, successors and assigns (the "RELEASEES") from and against any and all damages, costs, claims, debts, demands, suits, actions, causes of action, employment benefits, grievances, wages, obligations, debts and liability of any kind or nature whatsoever, including but not limited to attorneys' fees, whether known or unknown, fixed or contingent, that EMPLOYEE ever had or may now or hereafter have or claim to have or incur as a result of any matter whatsoever



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from the beginning of time through the date of this AGREEMENT, or based upon the relationship that has heretofore existed between the EMPLOYEE and Company, or arising out of or based upon any act, omission or event which occurred or should have occurred prior to the date of this AGREEMENT. EMPLOYEE also hereby covenants not to file a lawsuit or participate in a class action lawsuit to assert any claims released by EMPLOYEE pursuant to this AGREEMENT. This general release includes but is not limited to claims arising out of or in connection with: (i) EMPLOYEE's employment relationship with Company or the EMPLOYEE's termination thereof; (ii) any allegation that Company wrongfully or unlawfully terminated, discharged or laid off EMPLOYEE; (iii) any allegation of violation of Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Worker's Adjustment and Retraining Notification Act, the National Labor Relations Act, the Rehabilitation Act of 1973, the Uniform Services Employment and Reemployment Rights Act, the Family and Medical Leave Act of 1993; or any other applicable state, municipal or city ordinance; (iv) any allegation of breach of contract, defamation, intentional or negligent infliction of emotional distress, workplace harassment or discrimination, invasion of privacy, violation of public policy, negligence or any other tort; (v) any allegation of a breach of any contract of employment, express or implied, or of a violation of any Company policy or procedure, of the U.S. Constitution or constitution of any state, or any other law, rule, regulation or ordinance pertaining to employment or the termination of employment; and/or (vi) any other statutory or common law cause of action. EMPLOYEE acknowledges and affirms that EMPLOYEE is not aware of any conduct, occurrences or facts occurring before or during employment with Company or at any time before the date of this AGREEMENT that would constitute a violation of or give rise to a claim under any statute, common law or legal theory released in this Section 4(a). The foregoing release does not extend to EMPLOYEE's vested right(s), if any, to receive any benefit under the terms of any "employee benefit plan," as defined in Section 3(3) of ERISA.

(b) *Leave Rights.* EMPLOYEE represents that EMPLOYEE has received all leave under the Family and Medical Leave Act, as amended ("FMLA") and any State or local law providing for family or medical leave to which EMPLOYEE believes EMPLOYEE is entitled, and EMPLOYEE is not aware of any facts on which a claim under either the FMLA or a State's Family Rights Act could be brought.

(c) *Unknown Claims.* It is EMPLOYEE's intention in signing this AGREEMENT that it should be effective as a bar to each and every claim, demand and cause of action stated above. In furtherance of this intention, EMPLOYEE hereby expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the California Civil Code or similar State civil code or statute, and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542, which provides:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her, must have materially affected his or her settlement with the debtor."

(d) *Claims Not Released.* Section 4(a) is not intended to and does not release any claim arising out of any breach of this AGREEMENT by Company, EMPLOYEE's right to challenge the validity of this AGREEMENT, or any claims that cannot be waived or released as a matter of law including any pending workers' compensation claims filed by EMPLOYEE against Company.

(f) *No Right to Rehire.* EMPLOYEE recognizes that EMPLOYEE's employment relationship with Company has been permanently severed as of the Separation Date, and that Company has no obligation, contractual or otherwise, to rehire, reemploy, recall or hire EMPLOYEE in the future.

(g) *No Unauthorized Access.* EMPLOYEE agrees that EMPLOYEE will not, without consent



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of Company, enter the exterior or interior premises of any Company facility, or attend any meeting, function or event sponsored by Company.

(h) *All Wages Paid.* EMPLOYEE acknowledges that EMPLOYEE has been paid EMPLOYEE's compensation in full through the Separation Date, including all benefits and unused, earned or accrued vacation, and is not entitled to any other compensation except as specifically set forth in this AGREEMENT.

(i) *No Assignment of Claims.* EMPLOYEE represents that EMPLOYEE has not assigned or otherwise transferred to any party any claim that is being released pursuant to this AGREEMENT.

(j) *Acknowledgment of Obligations.* EMPLOYEE acknowledges and agrees to the obligations and provisions described in Section 2(c) and Section 5 of the Company's Severance Pay Plan.

(k) *No Actions.* EMPLOYEE represents that EMPLOYEE has not filed any action, lawsuit, claim, charge, or complaining against any of the RELEASEES with any local, state or federal agency or court. EMPLOYEE further represents that EMPLOYEE is not aware of any employment-related injury for which EMPLOYEE may be entitled to workers' compensation benefits for which no claim has been filed to as of the date of EMPLOYEE's signature below.

5. Remedies for Breach. In the event that EMPLOYEE breaches any of the terms or provisions of this AGREEMENT, Company's obligations under this AGREEMENT shall immediately terminate, including without limitation, all remaining monetary obligations of Company to EMPLOYEE other than any obligation for vested pension benefits that are outstanding at the time of the breach. EMPLOYEE acknowledges that the remedies at law for a breach of this AGREEMENT are inadequate and that Company shall be entitled to injunctive relief from a court of competent jurisdiction to prevent a breach by EMPLOYEE of the terms of this AGREEMENT.

6. No Admission. The parties expressly agree that nothing contained in this AGREEMENT is or may be construed as an admission by Company or EMPLOYEE of any liability, wrongdoing or unlawful conduct. Neither this AGREEMENT nor anything in this AGREEMENT shall be construed to be, or shall be admissible in any proceeding as, evidence of liability or wrongdoing by the Company or any of its employees or agents.

7. Severability. Each of the terms of this AGREEMENT is deemed severable in whole or in part and if any term or provision, or the application thereof, in any circumstance should be illegal, invalid or unenforceable, the remaining terms and provisions shall not be affected thereby and shall remain in full force and effect.

8. Governing Law/Jurisdiction. This AGREEMENT shall be deemed to have been executed and delivered within the state in which EMPLOYEE was employed. To the full extent permitted by law, in all respects the rights and obligations of the parties under this AGREEMENT shall be interpreted, enforced and governed in accordance with the laws of the state in which EMPLOYEE was employed applicable to contracts made and to be performed in that state and without regard to the principles of conflict of laws. Any and all legal actions or proceedings against either party arising out of this AGREEMENT or EMPLOYEE's employment with Company shall be brought in a court of appropriate jurisdiction sitting in the state in which EMPLOYEE was employed and each party submits to and accepts the exclusive jurisdiction of such courts for the purpose of such legal action or proceeding. Each party hereby irrevocably waives any objection it may now have or hereafter have to this choice of venue of any legal action or proceeding in any such court and further waives any claim that any legal action or proceeding brought in any such court has been brought in an inappropriate forum.

9. Entire Agreement. Except where specifically incorporated by reference herein, This Agreement



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constitutes and contains the entire agreement and understanding concerning Employee's termination of employment and the other subject matters addressed herein between the parties, and supersedes and replaces all prior negotiations and all agreements proposed or otherwise, whether written or oral, concerning the subject matters hereof. This is an integrated document.

10. No Other Promises. EMPLOYEE represents that EMPLOYEE is entering into this AGREEMENT without any threat or coercion, and without reliance on any promise, inducement or statement, written or oral, made by any person representing Company, except as expressly set forth in this AGREEMENT.

11. Successors and Assigns. This AGREEMENT shall be binding on and shall inure to the benefit of Company and its legal representatives, transferees, successors, and assigns, and shall be binding on EMPLOYEE and EMPLOYEE's legal representatives, heirs, transferees, successors and assigns; provided that, notwithstanding anything to the contrary contained elsewhere in this AGREEMENT, the obligations of Company to make payments and provide other benefits to EMPLOYEE or EMPLOYEE's dependents under this AGREEMENT shall terminate upon the EMPLOYEE's death, unless sooner terminated on the dates set forth earlier in this AGREEMENT.

12. Waiver. No waiver of any breach of any term or provision of this AGREEMENT shall be construed to be, nor shall be, a waiver of any other breach of this AGREEMENT. No waiver shall be binding unless in writing and signed by the party waiving the breach.

13. ADEA Waiver. In accordance with the Older Workers Benefit Protection Act of 1990, EMPLOYEE is hereby advised that this AGREEMENT includes a release and waiver of claims under the Age Discrimination in Employment Act, and EMPLOYEE agrees as follows:

(a) This AGREEMENT is written in a manner calculated to be understood by EMPLOYEE, and EMPLOYEE understands it;

(b) This AGREEMENT provides consideration to EMPLOYEE in addition to anything else EMPLOYEE is already entitled to receive;

(c) EMPLOYEE is hereby advised to consult with an attorney before signing this AGREEMENT;

(d) EMPLOYEE has forty-five (45) days, from June 10, 2020 (through July 25, 2020) to consider this AGREEMENT. If EMPLOYEE signs this Agreement before the expiration of the forty-five (45) day period, EMPLOYEE hereby waives the remainder of that period. EMPLOYEE agrees that any changes or amendments to this AGREEMENT, whether or not material, will not restart the forty-five (45) day period;

(e) EMPLOYEE has seven (7) days after signing this AGREEMENT to revoke this AGREEMENT, and this AGREEMENT will not be effective, and EMPLOYEE will not receive any of the separation benefits, until that revocation period has expired; and

If EMPLOYEE wishes to revoke this AGREEMENT, EMPLOYEE must deliver written notice via email, stating EMPLOYEE's intent to revoke to Ron Lynch, Sr. Director – HR Services, E-mail address: rlynch@farmerbros.com on or before 5:00 p.m. on the seventh ($7^{th}$) day after the date on which you sign this AGREEMENT.

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IN WITNESS WHEREOF, the parties have executed this AGREEMENT as of the 19 day of June, 2020.

| | |
|---|---|
| **EMPLOYEE NAME** | **FARMER BROS. CO.** |
| Gabriella Villalobos | By: |
| 06/19/20 | Its: 6/19/20 |

## ENDORSEMENT

I, Gabriela Villalobos, hereby acknowledge that I was granted forty-five (45) days to to consider the foregoing Agreement and, if I signed it before the expiration of the forty-five (45) day period, I did so voluntarily.

I declare under penalty of perjury under the laws of the State of Texas that the foregoing is true and correct.

**EXECUTED this 19 day of June, 2020, at Lewisville, TX, USA**

Gabriella Villalobos

**FORM OF OFFICER (NON-EXECUTIVE DIRECT REPORT TO CEO) )**
**CHANGE IN CONTROL SEVERANCE AGREEMENT**

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (this "Agreement"), effective as of ________________ (the "Effective Date"), is made by and between FARMER BROS. CO., a Delaware corporation (the "Company"), and __________________________________ (the "Employee").

WHEREAS, the Company considers it essential to foster the continued employment of well qualified, senior management-level personnel; and

WHEREAS, the Company has determined that appropriate steps should be taken to foster such continued employment by setting forth the benefits and compensation to be awarded to such personnel in the event of a voluntary or involuntary termination within the meaning of this Agreement; and

WHEREAS, the Company further recognizes that the possibility of a Change in Control of the Company exists and that such possibility, and the uncertainty and questions that it may raise among management-level personnel, may result in the departure or distraction of management-level personnel to the detriment of the Company; and

WHEREAS, the Company has further determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management-level personnel, including the Employee, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Employee hereby agree as follows:

1. Term of Agreement. The term of this Agreement shall commence as of the date hereof and expire on the close of business on December 31, ____; provided, however, that (i) commencing on January 1, _____ and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company (provided no Change in Control has occurred and no Threatened Change in Control is pending) or the Employee shall have given notice that it or the Employee, as the case may be, does not wish to have the Term extended; (ii) if the Employee ceases for any reason to be an employee of the Company prior to a Change in Control and while a Threatened Change in Control is not pending, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect.

2. Definitions

(a) "Base Salary" shall mean the Employee's salary, which excludes Bonuses, at the rate in effect when an event triggering benefits under Section 3 of this Agreement occurs.

(b) "Beneficial Owner" or "Beneficial Ownership" shall have the meaning ascribed to such term in Rule 13d-3 of the Exchange Act.

(c) "Board" or "Board of Directors" shall mean the Board of Directors of Farmer Bros. Co., or its successor.

(d) "Bonus(es)" shall mean current cash compensation over and above Base Salary whether awarded under the Company's Incentive Compensation Plan or otherwise awarded.

(e) "Cause" shall mean:

(i) commission of, or plea of guilty or *nolo contendere* by, the Employee for committing a felony under federal law or the law of the state in which such action occurred;

(ii) willful or material neglect of the Employee's employment duties or a material breach of any written agreement between the Company and the Employee;

(iii) the Employee's dishonesty, fraud, malfeasance, or gross negligence, in any case, in connection with the performance of the Employee's duties to the Company;

(iv) the Employee's willful or material misconduct with respect to business affairs of the Company or any subsidiary of the Company; or

(v) a material violation of the Company's ethics and compliance program or other material policies.

Notwithstanding the foregoing, following a Change in Control, or while a Threatened Change in Control is pending, any determination as to whether "Cause" exists shall be subject to *de novo* review.

(f) "Change in Control" shall mean:

(i) An acquisition by any Person (as such term is defined in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof) of Beneficial Ownership of the Shares then outstanding (the "Company Shares Outstanding") or the voting securities of the Company then outstanding entitled to vote generally in the election of directors (the "Company Voting Securities Outstanding"), if such acquisition of Beneficial Ownership results in the Person beneficially owning (within the meaning of Rule 13d-3 promulgated under the Exchange Act) fifty percent (50%) or more of the Company Shares Outstanding or fifty percent (50%) or more of the combined voting power of the Company Voting Securities Outstanding; excluding, however, any such acquisition by a trustee or other fiduciary holding such Shares under one or more employee benefit plans maintained by the Company or any of its subsidiaries; or

(ii) The approval of the stockholders of the Company of a reorganization, merger, consolidation, complete liquidation, or dissolution of the Company, the sale or disposition of all or substantially all of the assets of the Company or any similar corporate transaction (in each case referred to in this Section 2(f) as a "Corporate Transaction"), other than a Corporate Transaction that would result in the outstanding common stock of the Company immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into common stock of the surviving entity or a parent or affiliate thereof) at least fifty percent (50%) of the outstanding common stock of the Company or such surviving entity or parent or affiliate thereof immediately after such Corporate Transaction; provided, however, if the consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the Change in Control shall not occur until the obtaining of such consent (either explicitly or implicitly); or

(iii) A change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 2(f) that any individual who becomes a member of the Board subsequent to the Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board

(g) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(h) "Disability" shall mean the Employee's inability as a result of physical or mental incapacity to substantially perform his/her duties for the Company on a full-time basis for a period of six (6) months.

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

(j) "Involuntary Termination" shall mean a termination of the Employee's employment by the Company that occurs for reasons other than for Cause, Disability or death.

(k) "Threatened Change in Control" shall mean any bona fide pending tender offer for any class of the Company's outstanding Shares, or any pending bona fide offer to acquire the Company by merger or consolidation, or any other pending action or plan to effect, or which would lead to, a Change in Control of the Company as determined by the Incumbent Board. A Threatened Change in Control Period shall commence on the first day the actions described in the preceding sentence become manifest and shall end when such actions are abandoned or the Change in Control occurs.

(l) "Shares" shall mean the shares of common stock of the Company.

(m) "Resignation for Good Reason" shall mean a termination of the Employee's employment by the Employee due to:

(i) a material reduction of the Employee's responsibilities, duties or authority;

(ii) a material reduction in the Employee's Base Salary; or

(iii) a Company-required material relocation of the Employee's principal place of employment;

provided, however, that any such condition shall not constitute "Good Reason" unless both (x) the Employee provides written notice to the Company describing the condition claimed to constitute Good Reason in reasonable detail within ninety (90) days of the initial existence of such condition, and (y) the Company fails to remedy such condition within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Employee's employment with the Company shall not be treated as a termination for "Good Reason" unless such termination occurs not more than one (1) year following the initial existence of the condition claimed to constitute "Good Reason.

3. Events That Trigger Benefits Under This Agreement. The Employee shall be eligible for the compensation and benefits described in Section 4 of this Agreement as follows:

(a) A Change in Control occurs and Employee's employment is Involuntarily Terminated or terminated by Resignation for Good Reason within twenty-four (24) months following the occurrence of the Change in Control; or

(b) A Threatened Change in Control occurs and the Employee's employment is Involuntarily Terminated or terminated by Resignation for Good Reason during the Threatened Change in Control Period.

4. Benefits Upon Termination. If the Employee becomes eligible for benefits under Section 3 above, subject to the Employee's timely execution and return to the Company of an effective general release of claims substantially in the form attached hereto as Exhibit A (the "Release"), the Company shall pay or provide to the Employee the following compensation and benefits:

(a) Salary. The Employee will receive as severance an amount equal to his/her Base Salary at the rate in effect on the date of termination for a period of twelve (12) months, such payment to be made in installments in accordance with the Company's standard payroll practices, such installments to commence, subject to Section 9(i)(ii), on the first payroll date following the date on which the Release is effective and is no longer subject to revocation), with the first such installment payment to include any amounts otherwise payable between the Employee's date of termination and such first installment payment; provided, that, if the period in which the Release can become effective and irrevocable spans more than one taxable year, then such payments will not commence until the later taxable year (and any amounts otherwise payable prior to such later taxable year shall be paid together in a lump sum, with the first payment occurring in such later taxable year). The Employee shall also receive a payment equal to one hundred percent (100%) of the Employee's target Bonus for the fiscal year in which the date of termination occurs (or, if no target Bonus has been assigned to the Employee as of the date of termination, the average Bonus paid by the Company to the Employee for the last three (3) completed fiscal years or for the number of completed fiscal years that Employee has been in the employ of the Company if fewer than three, prior to the termination date), such payment to be made, subject to Section 9(i)(ii), in a lump sum prior to the later of thirty (30) days after the end of the Company's fiscal year in which the Employee's date of termination occurs or the sixty (60) days following the Employee's date of termination. As used herein, a "Separation from Service" occurs when the Employee dies, retires, or otherwise has a termination of employment with the Company that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

(b) Health, Dental, and Life Insurance Coverage. The health, dental, and life insurance benefits coverage provided to the Employee at his/her date of termination shall be continued by the Company during the twelve (12) month period following the Employee's date of termination unless the Employee commences employment prior to the end of the twelve (12) month period and qualifies for company-provided insurance benefits with the Employee's new employer, in which case, such insurance coverages shall end on the date of qualification. The Employee shall inform the Company promptly of his/her qualification for any of such insurance coverages. The Company shall provide for such insurance coverages at its expense at the same level, at the same pre-tax cost to the Employee, and in the same manner as if the Employee's employment had not terminated (subject to the customary changes in such coverages if the Employee retires under a Company retirement plan, reaches age 65, or similar events and subject to Employee's right to make any changes in such coverages that an active employee is permitted to make). Any additional coverages the Employee had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any pre-tax costs the Employee was paying for such coverages at the time of termination shall be paid by the Employee by separate check payable to the Company each month in advance. To the extent that such continuation coverage would adversely affect the tax status of the plan pursuant to which such continuation coverage is provided, or result in taxability of benefits paid thereunder or penalty taxes to the Employee pursuant to Section 409A of the Code or otherwise, the cost of such coverage shall be reported by the Company as taxable income to the Employee. The COBRA healthcare continuation coverage period under Section 4980B of the Code shall run concurrently with the continuation coverage period specified herein. If the Employee is covered by a split-dollar or similar life insurance program at the date of termination, he shall have the option in his/her sole discretion to have such policy transferred to him upon termination, provided that the Company is paid for its interest in the policy upon such transfer.

(c) Outplacement Services. The Company shall provide the Employee with outplacement services by a firm selected by the Employee, at the expense of the Company, in an amount up to $15,000. The outplacement expenses must be incurred by the Employee no later than the December 31 of the second calendar year following the calendar year in which Employee's termination occurs and must be paid by the Company no later than the last day of the third fiscal year following the fiscal year in which Employee's termination occurs.

(e) No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Employee to find reasonably comparable employment following termination of Employee's employment by the Company and that the non-solicitation covenant contained in Section 6 may further limit the employment opportunities for the Employee. Accordingly, the payment of the compensation and benefits by the Company to the Employee in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Employee will not be required to mitigate the amount of any payment provided for this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Employee hereunder or otherwise, except as expressly provided in the first sentence of Section 4(c).

5. Parachute Payments. Notwithstanding anything contained in this Agreement to the contrary, in the event that the compensation and benefits provided for in this Agreement to Employee together with all other payments and the value of any benefit received or to be received by Employee:

(a) constitute "parachute payments" within the meaning of Section 280G of the Code, and

(b) but for this Section, would be subject to the excise tax imposed by Section 4999 of the Code, the Employee's compensation and benefits pursuant to the terms of this Agreement shall be payable either:

(i) in full, or

(ii) in such lesser amount which would result in no portion of such compensation and benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Employee on an after-tax basis, of the greatest amount of compensation and benefits under this Agreement, notwithstanding that all or some portion of such compensation and benefits may be subject to the excise tax imposed under Section 4999 of the Code. Unless the Company and Employee otherwise agree in writing, any determination required under this Section 5 shall be made in writing by the Company's independent public accountants serving immediately before the Change in Control (the "Accountants"), whose determination shall be conclusive and binding upon Employee and the Company for all purposes. For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable good faith interpretations concerning the applications of Section 280G and 4999 of the Code. The Company shall cause the Accountants to provide detailed supporting calculations of its determination to Employee and the Company. Employee and the Company shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 5.

6. Obligation Not to Solicit

(a) Employee hereby agrees that while Employee is receiving compensation and benefits under this Agreement, Employee shall not in any manner attempt to induce or assist others to attempt to induce any officer, employee, customer or client of the Company to terminate its association with the Company, nor do anything directly or indirectly to interfere with the relationship between the Company and any such persons or concerns.

(b) In the event that the Employee engages in any activity in violation of Section 6(a), all compensation and benefits described in Section 4 shall immediately cease.

7. Confidentiality. The terms of this Agreement are to be of the highest confidentiality. In order to insure and maintain such confidentiality, it is agreed that neither party, including all persons and entities under a party's control, shall, directly or indirectly, publicize or disclose to third persons the terms of this Agreement or the substance of negotiations with respect to it; provided, however, that nothing herein shall be construed to prevent disclosures which are reasonably necessary to enforce the terms of this Agreement or which are otherwise required by law to be made to governmental agencies or others; moreover, nothing herein shall be construed to prevent the parties hereto, or their attorneys, from making such disclosures for legitimate business purposes to their respective insurers, financial institutions, accountants and attorneys or, in the case of a corporation, limited liability company or partnership, to its respective officers, directors, employees, managers, members and agents or any of its respective subsidiaries, group or divisions, provided that each such recipient of such disclosures agrees to be bound by the requirements concerning disclosure of confidential information as set forth in this Paragraph 7. For the avoidance of doubt, nothing herein will be construed to prohibit the Employee from filing a charge with, reporting possible violations to, or participating or cooperating with any governmental agency or entity, including but not limited to the Equal Employment Opportunity Commission, the Department of Justice, the Securities and Exchange Commission, Congress, or any agency Inspector General, or making other disclosures that are protected under the whistleblower, anti-discrimination, or anti-retaliation provisions of federal, state or local law or regulation; provided, however, that the Employee may not disclose information of the Company or any of its affiliates that is protected by the attorney-client privilege, except as otherwise required by law. The Employee does not need the prior authorization of the Company to make any such reports or disclosures, and the Employee is not required to notify the Company that he has made such reports or disclosures.

8. Settlement of Disputes; Arbitration

(a) All disputes arising under or in connection with this Agreement (including disputes over enforceability, interpretation, construction and breach of this Agreement), shall be submitted to binding arbitration in Tarrant County, Texas before an arbitrator selected by mutual agreement of the parties. If the parties are unable to agree mutually on an arbitrator within thirty (30) days after a written demand for arbitration is made, the matter shall be submitted to the American Arbitration Association ("AAA") or successor organization for binding arbitration in Tarrant County, Texas by a single arbitrator who shall be a lawyer licensed to practice law in the state of Texas and Board Certified by the Texas Board of Legal Specialization in labor and employment law. The arbitrator shall be selected by AAA in an impartial manner determined by its rules. Except as may be otherwise provided herein, the arbitration shall be conducted under the Federal Arbitration Act and pursuant to the AAA's Rules for the Resolution of Employment Disputes. The arbitration hearing shall be commenced within ninety (90) days of the appointment of the arbitrator, and a decision shall be rendered by the arbitrator within thirty (30) days of the conclusion of the hearing. The arbitrator shall award costs of the proceeding, including reasonable attorneys' fees, to the party or parties determined to have substantially prevailed, but such award for attorneys' fees shall not exceed One Hundred Thousand Dollars ($100,000). Judgment on the award can be entered in a court of competent jurisdiction.

(b) The foregoing notwithstanding, if the amount in controversy exceeds $200,000, exclusive of attorneys' fees and costs, the matter shall be litigated in the court located in federal or state district courts located in Tarrant County, Texas as a regular civil action sitting without a jury (a jury being waived by all parties hereto). The prevailing party shall be entitled to receive its reasonable attorneys' fees and costs from the other party, but such award for attorneys' fees shall not exceed One Hundred Thousand Dollars ($100,000).

9. Miscellaneous

(a) Notices. Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and shall be deemed to have been duly given when delivered personally or seven days after mailing if mailed first class by registered or certified mail, postage prepaid, addressed as follows:

If to the Company: Farmer Bros. Co
1912 Farmer Brothers Drive
Northlake, TX 76262
Attn: General Counsel

If to the Employee: __________________________
__________________________
__________________________

or to such other address as any party may designate by notice to the others.

(b) Assignment. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective executors, administrators, heirs, personal representatives, and successors, but, except as hereinafter provided, neither this Agreement nor any right hereunder may be assigned or transferred by either party thereto, or by any beneficiary or any other person, nor be subject to alienation, anticipation, sale, pledge, encumbrance, execution, levy, or other legal process of any kind against the Employee, his/her beneficiary or any other person. Notwithstanding the foregoing, any person or business entity succeeding to substantially all of the business of the Company by purchase, merger, consolidation, sale of assets, or otherwise, shall be bound by and shall adopt and assume this Agreement and the Company shall cause the assumption of this Agreement by such successor. If Employee shall die while any amount would still be payable to Employee hereunder (other than amounts that, by their terms, terminate upon the death of Employee) if Employee had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of Employee's estate.

(c) No Obligation to Fund. The agreement of the Company (or its successor) to make payments to the Employee hereunder shall represent solely the unsecured obligation of the Company (and its successor), except to the extent the Company (or its successors) in its sole discretion elects in whole or in part to fund its obligations under this Agreement pursuant to a trust arrangement or otherwise.

(d) Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas, without giving effect to conflict of law principles.

(e) Amendment. This Agreement may only be amended by a written instrument signed by the parties hereto, which makes specific reference to this Agreement.

(f) Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

(g) Withholding. The Company shall have the right to withhold any and all local, state and federal taxes which may be withheld in accordance with applicable law.

(h) Employment Rights; Entire Agreement. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Employee to have the Employee remain in the employment of the Company or any Subsidiary prior to or following any Change in Control. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral, with respect to the subject matter hereof. In furtherance, and not in limitation, of the foregoing, the Employee hereby agrees that in consideration for the payments and benefits to be received under this Agreement, the Employee waives any and all rights to any payments or benefits under any plans, programs, contracts or arrangements of the Company or its affiliates that provide for severance or termination payments or benefits upon a termination of employment.

(i) Section 409A

(i) It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) ("Code Section 409A") so as not to subject the Employee to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Employee.

(ii) Notwithstanding any provision of this Agreement to the contrary, with respect to any payment or benefit pursuant to Section 4 that constitutes nonqualified deferred compensation subject to Code Section 409A, if the Employee is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Employee's Separation from Service, the Employee shall not be entitled to any such payment or benefit until the earlier of (i) the date which is six (6) months after the Employee's Separation from Service for any reason other than death, or (ii) the date of the Employee's death. Any amounts otherwise payable to the Employee upon or in the six (6) month period following the Employee's Separation from Service that are not so paid by reason of this Section 9(i)(ii) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Employee's Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Employee's death). The provisions of this Section 9(i)(ii) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A.

(iii) To the extent that any benefits or reimbursements pursuant to Section 4(b) or Section 4(c) are taxable to the Employee, any reimbursement payment due to the Employee pursuant to any such provision shall be paid to the Employee on or before the last day of the Employee's taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to such provisions are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that the Employee receives in one taxable year shall not affect the amount of such benefits or reimbursements that the Employee receives in any other taxable year.

**[SIGNATURES FOLLOW]**

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officers and the Employee has hereunder set his/her hand, as of the date first above written.

**Company:** FARMER BROS. CO.,
a Delaware corporation

By:______________

**Employee:** ______________

**SCHEDULE OF OFFICERS**

Ronald J. Friedman
Jerry Michael Walsh
Jennifer H. Brown
Dawn Garrison
Nathalie Oetzel

**EXHIBIT 21.1**

**SUBSIDIARIES OF FARMER BROS. CO.**

FBC Finance Company, a California corporation

Coffee Bean Holding Co., Inc., a Delaware corporation, the parent company of Coffee Bean International, Inc., an Oregon corporation

Coffee Bean International, Inc., an Oregon corporation

China Mist Brands, Inc., a Delaware corporation

Boyd Assets Co., a Delaware corporation

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-218997, 333-157169 and 333-207170 on Form S-8 and Registration Statement No. 333-213132 and 333-221346 on Form S-3 of our reports dated September 10, 2020, relating to the consolidated financial statements of Farmer Bros. Co. and subsidiaries, and the effectiveness of Farmer Bros. Co. and subsidiaries internal control over financial reporting, appearing in this Annual Report on Form 10-K of Farmer Bros. Co. for the year ended June 30, 2020.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
September 10, 2020

**EXHIBIT 31.1**

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Deverl Maserang certify that:

1. I have reviewed this Annual Report on Form 10-K of Farmer Bros. Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 10, 2020

/S/ DEVERL MASERANG

**Deverl Maserang**
**President and Chief Executive Officer**
**(principal executive officer)**

**EXHIBIT 31.2**

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Scott R. Drake, certify that:

1. I have reviewed this Annual Report on Form 10-K of Farmer Bros. Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 10, 2020

/S/ SCOTT R. DRAKE

**Scott R. Drake**
**Chief Financial Officer**
**(principal financial officer)**

**EXHIBIT 32.1**

**Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Farmer Bros. Co. (the “Company”) on Form 10-K for the fiscal year ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Deverl Maserang, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 10, 2020

/S/ DEVERL MASERANG

**Deverl Maserang**
**President and Chief Executive Officer**
**(principal executive officer)**

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 32.2**

**Certification of Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Farmer Bros. Co. (the "Company") on Form 10-K for the fiscal year ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott R. Drake, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: September 10, 2020

/S/ SCOTT R. DRAKE

**Scott R. Drake**
**Chief Financial Officer**
**(principal financial officer)**

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.