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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2018

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 of Incorporation)	(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)

None

(Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of February 8, 2019, the registrant had 17,002,529 shares outstanding of its common stock, par value $1.00 per share, which is the registrant's only class of common stock.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION (UNAUDITED)
Item 1. Financial Statements

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

	December 31, 2018	June 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,333	$ 2,438
Accounts receivable, net	79,450	58,498
Inventories	115,540	104,431
Income tax receivable	324	305
Prepaid expenses	7,335	7,842
Total current assets	215,982	173,514
Property, plant and equipment, net	193,626	186,589
Goodwill	36,224	36,224
Intangible assets, net	30,179	31,515
Other assets	8,703	8,381
Deferred income taxes	43,343	39,308
Total assets	$ 528,057	$ 475,531
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	78,124	56,603
Accrued payroll expenses	17,176	17,918
Short-term borrowings under revolving credit facility	—	89,787
Short-term obligations under capital leases	103	190
Short-term derivative liabilities	4,201	3,300
Other current liabilities	8,448	10,659
Total current liabilities	108,052	178,457
Long-term borrowings under revolving credit facility	130,000	—
Accrued pension liabilities	47,593	40,380
Accrued postretirement benefits	18,336	20,473
Accrued workers' compensation liabilities	4,938	5,354
Other long-term liabilities	813	1,812
Total liabilities	$ 309,732	$ 246,476
Commitments and contingencies (Note 22)		
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 December 31, 2018 and June 30, 2018; liquidation preference of $15,355 and $15,089 as of December 31, 2018 and June 30, 2018, respectively	15	15
Common stock, $1.00 par value, 25,000,000 shares authorized; 17,002,529 and 16,951,659 shares issued and outstanding as of December 31, 2018 and June 30, 2018, respectively	17,002	16,952
Additional paid-in capital	56,135	55,965
Retained earnings	206,955	220,307
Unearned ESOP shares	—	(2,145)
Accumulated other comprehensive loss	(61,782)	(62,039)
Total stockholders' equity	$ 218,325	$ 229,055
Total liabilities and stockholders' equity	$ 528,057	$ 475,531

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

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Net sales	$ 159,773	$ 167,366	$ 307,213	$ 299,079
Cost of goods sold	106,529	111,089	205,734	196,719
Gross profit	53,244	56,277	101,479	102,360
Selling expenses	39,591	42,127	76,901	74,984
General and administrative expenses	12,140	14,305	20,757	25,664
Restructuring and other transition expenses	207	139	4,674	259
Net gains from sale of spice assets	(138)	(395)	(390)	(545)
Net losses from sales of other assets	942	91	1,113	144
Operating expenses	52,742	56,267	103,055	100,506
Income (loss) from operations	502	10	(1,576)	1,854
Other (expense) income:				
Dividend income	—	6	—	11
Interest income	—	1	—	2
Interest expense	(3,332)	(2,506)	(6,184)	(4,674)
Pension settlement charge	(10,948)	—	(10,948)	—
Other, net	953	2,217	1,610	3,967
Total other expense	(13,327)	(282)	(15,522)	(694)
(Loss) income before taxes	(12,825)	(272)	(17,098)	1,160
Income tax (benefit) expense	(2,725)	16,788	(4,012)	17,380
Net loss	$ (10,100)	$ (17,060)	$ (13,086)	$ (16,220)
Less: Cumulative preferred dividends, undeclared and unpaid	134	129	266	129
Net loss available to common stockholders	$ (10,234)	$ (17,189)	$ (13,352)	$ (16,349)
Net loss available to common stockholders per common share—basic	$ (0.60)	$ (1.03)	$ (0.79)	$ (0.98)
Net loss available to common stockholders per common share—diluted	$ (0.60)	$ (1.03)	$ (0.79)	$ (0.98)
Weighted average common shares outstanding—basic	16,985,157	16,723,498	16,971,995	16,711,660
Weighted average common shares outstanding—diluted	16,985,157	16,723,498	16,971,995	16,711,660

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

FARMER BROS. CO.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(In thousands)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Net loss	$ (10,100)	$ (17,060)	$ (13,086)	$ (16,220)
Other comprehensive (loss) income, net of tax:				
Unrealized gains (losses) on derivative instruments designated as cash flow hedges, net of tax	748	(1,279)	(5,349)	(1,707)
Losses (gains) on derivative instruments designated as cash flow hedges reclassified to cost of goods sold, net of tax	1,650	64	3,110	(708)
Change in funded status of retiree benefit obligations, net of tax	(5,651)	—	(5,651)	—
Pension settlement charge, net of tax	8,147	—	8,147	—
Total comprehensive loss, net of tax	$ (5,206)	$ (18,275)	$ (12,829)	$ (18,635)

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

FARMER BROS. CO.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Six Months Ended December 31,	
	2018	**2017**
Cash flows from operating activities:		
Net loss	$ (13,086)	$ (16,220)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	15,630	15,330
Provision for doubtful accounts	1,637	129
Restructuring and other transition expenses, net of payments	2,457	(958)
Deferred income taxes	(3,265)	16,555
Pension settlement charge	10,948	—
Net losses (gains) from sales of spice assets and other assets	723	(401)
ESOP and share-based compensation expense	1,857	1,844
Net losses (gains) on derivative instruments and investments	6,205	(726)
Change in operating assets and liabilities:		
Proceeds from sales of trading securities	—	375
Accounts receivable	(21,299)	(8,102)
Inventories	(11,326)	(6,629)
Income tax receivable	(19)	112
Derivative assets (liabilities), net	(9,234)	(3,038)
Prepaid expenses and other assets	1,213	352
Accounts payable	21,534	1,302
Accrued payroll expenses and other current liabilities	(5,458)	1,178
Accrued postretirement benefits	(2,137)	(676)
Other long-term liabilities	(2,026)	(1,960)
Net cash used in operating activities	$ (5,646)	$ (1,533)
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	$ —	$ (39,608)
Purchases of property, plant and equipment	(23,120)	(14,672)
Purchases of assets for construction of New Facility	—	(1,577)
Proceeds from sales of property, plant and equipment	105	85
Net cash used in investing activities	$ (23,015)	$ (55,772)
Cash flows from financing activities:		
Proceeds from revolving credit facility	$ 40,642	$ 69,758
Repayments on revolving credit facility	(429)	(12,949)
Payments of capital lease obligations	(137)	(591)
Payment of financing costs	(1,027)	(365)
Proceeds from stock option exercises	507	625
Net cash provided by financing activities	$ 39,556	$ 56,478
Net increase (decrease) in cash and cash equivalents	$ 10,895	$ (827)
Cash and cash equivalents at beginning of period	2,438	6,241
Cash and cash equivalents at end of period	$ 13,333	$ 5,414

	Six Months Ended December 31,	
	2018	2017
Supplemental disclosure of non-cash investing and financing activities:		
Net change in derivative assets and liabilities included in other comprehensive loss, net of tax	$ (2,239)	$ (2,415)
Non-cash additions to property, plant and equipment	$ 2,928	$ 557
Non-cash portion of earnout receivable recognized—spice assets sale	$ 390	$ 545
Non-cash receivable from West Coast Coffee—post-closing final working capital adjustment	$ —	$ 218
Non-cash portion of earnout payable recognized—West Coast Coffee	$ 840	$ —
Non-cash consideration given—Issuance of Series A Preferred Stock	$ —	$ 11,756
Non-cash Multiemployer Plan Holdback payable recognized—Boyd Coffee acquisition	$ —	$ 1,056
Cumulative preferred dividends, undeclared and unpaid	$ 266	$ 129

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

FARMER BROS. CO.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Introduction and Basis of Presentation

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the "Company"), is a national coffee roaster, wholesaler and distributor of coffee, tea, and culinary products.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of the interim financial data have been included. Operating results for the three and six months ended December 31, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2019. Events occurring subsequent to December 31, 2018 have been evaluated for potential recognition or disclosure in the unaudited condensed consolidated financial statements for the three and six months ended December 31, 2018.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018, filed with the Securities and Exchange Commission (the "SEC") on September 13, 2018 (the "2018 Form 10-K").

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries 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 ("CBI"), CBI, China Mist Brands, Inc., a Delaware corporation, Boyd Assets Co., a Delaware corporation, and Coffee Bean International LLC, a Delaware limited liability company. All inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and 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.

Note 2. Summary of Significant Accounting Policies

For a detailed discussion about the Company's significant accounting policies, see Note 2, "*Summary of Significant Accounting Policies*," in the Notes to Consolidated Financial Statements in the 2018 Form 10-K.

During the three and six months ended December 31, 2018, other than as set forth below and the adoption of Accounting Standards Update ("ASU") No. 2018-05, "Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118" ("ASU 2018-05"), ASU No. 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" ("ASU 2017-01"), ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"), ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), and ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), there were no significant updates made to the Company's significant accounting policies.

Concentration of Credit Risk

At December 31, 2018 and June 30, 2018, 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 December 31, 2018 and June 30, 2018, 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 the Company's broker and counterparty agreements.

Approximately 29% and 20% of the Company's trade accounts receivable balance was with five customers at December 31, 2018 and June 30, 2018, 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.

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. See Note 10. Further, the Company classifies certain expenses related to coffee brewing equipment provided to customers as cost of goods sold. These costs include equipment depreciation as well as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts) and are considered directly attributable to the generation of revenues from its customers. Accordingly, such costs included in cost of goods sold in the accompanying unaudited condensed consolidated financial statements in the three months ended December 31, 2018 and 2017 were $8.4 million and $7.1 million, respectively. Coffee brewing costs included in cost of goods sold in the accompanying unaudited condensed consolidated financial statements in the six months ended December 31, 2018 and 2017 were $16.9 million and $13.5 million, respectively.

Revenue Recognition

The Company's significant accounting policy for revenue was updated as a result of the adoption of ASU 2014-09. The Company recognizes revenue in accordance with the five-step model as prescribed by ASU 2014-09 in which the Company evaluates the transfer of promised goods or services and recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to be entitled to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of ASU 2014-09, the Company performs the following five steps: (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 entity satisfies a performance obligation. See Note 21.

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 $3.5 million and $3.3 million, respectively, in the three months ended December 31, 2018 and 2017. Shipping and handling costs that were recorded as a component of the Company's selling expenses were $6.6 million and $5.1 million, respectively, in the six months ended December 31, 2018 and 2017.

Effective June 30, 2018, the Company implemented a change in accounting principle for freight costs incurred to transfer goods from a distribution center to a branch warehouse and warehousing overhead costs incurred to store and ready goods prior to their sale, and made certain corrections relating to the classification of allied freight, overhead variances and purchase price variances ("PPVs") from expensing such costs as incurred within selling expenses to capitalizing such costs as inventory and expensing through cost of goods sold. See Note 3.

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 plan 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. The Company recognizes pension settlements when payments from the plan exceed the sum of service and interest cost components of net periodic pension cost associated with the plan for the fiscal year. See Note 12.

The Company's significant accounting policy for pension plans was updated as a result of the adoption of ASU 2017-07, which impacted the presentation of the components of net periodic benefit cost in the condensed consolidated statements of income. Net periodic benefit cost, other than the service cost component, is retrospectively included in "Interest expense," and "Other, net" in the condensed consolidated statements of income.

Recently Adopted Accounting Standards

In March 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-05. ASU 2018-05 amends ASC 740, "Income Taxes," to provide guidance on accounting for the tax effects of the Tax Cuts and Jobs Act enacted on December 22, 2017 (the "Tax Act") pursuant to Staff Accounting Bulletin No. 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. Under SAB 118, companies are able to record a reasonable estimate of the impact of the Tax Act if one is able to be determined and report it as a provisional amount during the measurement period. The measurement period is not to extend beyond one year from the enactment date. The Company finalized its assessment of the income tax effects of the Tax Act in the second quarter of fiscal 2019. See Note 18.

In March 2017, the FASB issued ASU 2017-07. ASU 2017-07 amends the requirements in GAAP related to the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined benefit pension and other postretirement plans. Under ASU 2017-07, an entity must disaggregate and present the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs arising from services rendered during the period, and only the service cost component will be eligible for capitalization. Other components of net periodic benefit cost must be presented separately from the line items that include the service cost. The guidance in ASU 2017-07 is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. Entities are required to use a retrospective transition method to adopt the requirement for separate income statement presentation of the service cost and other components, and a prospective transition method to adopt the requirement to limit the capitalization of benefit cost to the service component. The Company adopted ASU 2017-07 beginning July 1, 2018 using a retrospective transition method to reclassify net periodic benefit cost, other than the service component, from "Cost of goods sold," "Selling expenses" and "General and administrative expenses" to "Interest expense" and "Other, net" in the condensed consolidated statements of income. Accordingly, "Interest expense" increased by $1.6 million in each of the three months ended December 31, 2018 and 2017, and "Other, net" increased by $1.8 million and $1.7 million in the three months ended December 31, 2018 and 2017, respectively. "Interest expense" increased by $3.3 million in each of the six months ended December 31, 2018 and 2017, and "Other, net" increased by $3.5 million and $3.3 million in the six months ended December 31, 2018 and 2017, respectively. See Note 3 and Note 6. In the fiscal years ended June 30, 2018 and 2017, "Interest expense" increased by $6.6 million and $6.4 million, respectively, and "Other, net" increased by $6.7 million and $6.8 million, respectively, due to reclassifications of net periodic benefit cost, other than the service component, as a result of adopting ASU 2017-07.

In January 2017, the FASB issued ASU 2017-01. The amendments in ASU 2017-01 clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses and provide a screen to determine when an integrated set of assets and activities (collectively referred to as a "set") is not a business. If the screen is not met, the amendments (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace the missing elements. The guidance in ASU 2017-01 is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those fiscal years, and should be applied prospectively. The Company adopted ASU 2017-01 beginning July 1, 2018. The Company will apply the new guidance to all applicable transactions after the adoption date.

In November 2016, the FASB issued ASU 2016-18. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. An entity with a material balance of restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions. The guidance in ASU 2016-18 is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted ASU 2016-18 beginning July 1, 2018.

In August 2016, the FASB issued ASU 2016-15. ASU 2016-15 addresses certain issues where diversity in practice was identified in classifying certain cash receipts and cash payments based on the guidance in ASC 230, “Statement of Cash Flows” (“ASC 230”). ASC 230 is principles based and often requires judgment to determine the appropriate classification of cash flows as operating, investing or financing activities. The application of judgment has resulted in diversity in how certain cash receipts and cash payments are classified. Certain cash receipts and cash payments may have aspects of more than one class of cash flows. ASU 2016-15 clarifies that an entity will first apply any relevant guidance in ASC 230 and in other applicable topics. If there is no guidance that addresses those cash receipts and cash payments, an entity will determine each separately identifiable source or use and classify the receipt or payment based on the nature of the cash flow. If a receipt or payment has aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use. The guidance in ASU 2016-15 is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted ASU 2016-15 beginning July 1, 2018. Adoption of ASU 2016-15 did not have a material effect on the results of operations, financial position or cash flows of the Company.

In May 2014, the FASB issued accounting guidance which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers under ASU 2014-09. ASU 2014-09 replaces most existing revenue recognition guidance in GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In 2015 and 2016, the FASB issued additional ASUs related to ASU 2014-09 that delayed the effective date of the guidance and clarified various aspects of the new revenue guidance, including principal versus agent considerations, identification of performance obligations, and accounting for licenses, and included other improvements and practical expedients. ASU 2014-09 is effective for public business entities for annual reporting periods beginning after December 31, 2017, including interim periods within those fiscal years. The Company adopted ASU 2014-09 beginning July 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. Adoption of ASU 2014-09 did not have a material effect on the results of operations, financial position or cash flows of the Company. The Company has included expanded disclosures in this report related to revenue recognition in order to comply with ASU 2014-09. See Note 21.

New Accounting Pronouncements

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. The guidance in ASU 2018-15 is effective for public business entities for annual periods beginning after December 15, 2019, and interim periods within those fiscal years, and is effective for the Company beginning July 1, 2020. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the impact ASU 2018-15 will have on its consolidated financial statements.

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 disclosure of other accounting and reporting requirements related to single-employer defined benefit pension or other postretirement benefit plans. The guidance in ASU 2018-14 is effective for public business entities for annual periods beginning after December 15, 2020, and is effective for the Company beginning

July 1, 2021. Early adoption is permitted. The Company is currently evaluating the impact ASU 2018-14 will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). ASU 2018-13 improves the effectiveness of fair value measurement disclosures and modifies the disclosure requirements on fair value measurements, including the consideration of costs and benefits. The guidance in ASU 2018-13 is effective for annual periods beginning after December 15, 2019, and interim periods within those fiscal years, and is effective for the Company beginning July 1, 2020. Early adoption is permitted. The Company is currently evaluating the impact ASU 2018-13 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 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act and requires certain disclosures about stranded tax effects. The guidance in ASU 2018-02 is effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years, and is effective for the Company beginning July 1, 2019 and should be applied either in the period of adoption or retrospectively. Early adoption is permitted. The Company is currently evaluating the impact ASU 2018-02 will have on its consolidated financial statements.

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. The guidance in ASU 2017-04 is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and is effective for the Company beginning July 1, 2020. Adoption of ASU 2017-04 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”), which introduces a new lessee model that brings substantially all leases onto the balance sheet. Under the new guidance, lessees are required to recognize a lease liability, which represents the discounted obligation to make future minimum lease payments and a related right-of-use asset. In July 2018, the FASB issued ASU No. 2018-10, “Codification Improvements to Topic 842, Leases,” and ASU No. 2018-11, “Leases (Topic 842): Targeted Improvements,” which provide additional guidance to consider when implementing ASU 2016-02. For public business entities, ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Early application is permitted. ASU 2016-02 is effective for the Company beginning July 1, 2019. The Company is in the process of evaluating the provisions of ASU 2016-02 and assessing its impact on the Company’s financial statements, information systems, business processes, and financial statement disclosures. The Company is implementing a project plan related to ASU 2016-02 and is identifying the lease population. The Company expects the adoption will have a material effect on the Company’s financial position resulting from the increase in assets and liabilities as well as additional disclosures. The Company will continue to evaluate the impact of the adoption of ASU 2016-02.

Note 3. Changes in Accounting Principles and Corrections to Previously Issued Financial Statements

Effective June 30, 2018, the Company changed its method of accounting for its coffee, tea and culinary products from the LIFO basis to the FIFO basis. Total inventories accounted for utilizing the LIFO cost flow assumption represented 91% of the Company’s total inventories as of June 30, 2018 prior to this change in method. The Company believes that this change is preferable as it better matches revenues with associated expenses, aligns the accounting with the physical flow of inventory, and improves comparability with the Company’s peers.

Additionally, effective June 30, 2018, the Company implemented a change in accounting principle for freight costs incurred to transfer goods from a distribution center to a branch warehouse and warehousing overhead costs incurred to store and ready goods prior to their sale, from expensing such costs as incurred within selling expenses to capitalizing such costs as inventory and expensing through cost of goods sold. The Company has determined that it is preferable to capitalize such costs into inventory and expense through cost of goods sold because it better represents the costs incurred in bringing the inventory to its existing condition and location for sale to customers and it is consistent with the Company’s accounting treatment of similar costs.

In connection with these changes in accounting principles, subsequent to the issuance of the Company's consolidated financial statements for the fiscal year ended June 30, 2017, the Company determined that freight associated with certain non-coffee product lines ("allied") was incorrectly expensed as incurred in selling expenses, and the overhead variances and purchase price variances (“PPVs”) associated with these product lines were incorrectly expensed as incurred in cost of goods sold for the fiscal years ended June 30, 2017 and 2016 and for the first three quarters in the fiscal year ended June 30, 2018. These costs should have been capitalized as inventory costs in accordance with ASC 330, "Inventory." Accordingly, the Company has corrected the accompanying condensed consolidated financial statements for the three and six months ended December 31, 2017 to capitalize the appropriate portion of these costs in ending inventory and to reclassify remaining allied freight to cost of goods sold.

In accordance with SFAS No. 154, “Accounting Changes and Error Corrections,” the change in method of accounting for coffee, tea and culinary products and the change in accounting principle for freight and warehousing overhead costs have been retrospectively applied, and the corrections relating to the reclassification and capitalization of allied freight and the capitalization of allied overhead variances and PPVs have been made, to all prior periods presented herein.

The cumulative effect on retained earnings for these changes as of July 1, 2017 is $17.6 million.

In addition to the foregoing, during the six months ended December 31, 2018, the Company adopted new accounting standards that required retrospective application. The Company updated the condensed consolidated statements of income as a result of adopting ASU 2017-07, and updated the condensed consolidated statements of cash flows as a result of adopting ASU 2016-18. See Note 2.

The following table presents the impact of these changes on the Company's condensed consolidated statement of operations for the three months ended December 31, 2017:

(In thousands, except per share data)	Three Months Ended December 31, 2017					
	As Previously Reported	LIFO to FIFO Adjustment	Preferable Freight and Warehousing Adjustments	Corrections of Freight, Overhead Variances and PPVs	ASU 2017-07 Adjustments(1)	Retrospectively Adjusted
Cost of goods sold	$ 101,847	$ 2,330	$ 5,226	$ 1,772	$ (86)	$ 111,089
Gross profit	$ 65,519	$ (2,330)	$ (5,226)	$ (1,772)	$ 86	$ 56,277
Selling expenses	$ 49,328	$ —	$ (5,878)	$ (1,036)	$ (287)	$ 42,127
General and administrative expenses	$ 13,914	$ —	$ —	$ —	$ 391	$ 14,305
Operating expenses	$ 63,077	$ —	$ (5,878)	$ (1,036)	$ 104	$ 56,267
Income from operations	$ 2,442	$ (2,330)	$ 652	$ (736)	$ (18)	$ 10
Interest expense	$ (861)	$ —	$ —	$ —	$ (1,645)	$ (2,506)
Other, net	$ 554	$ —	$ —	$ —	$ 1,663	$ 2,217
Total other expense	$ (300)	$ —	$ —	$ —	$ 18	$ (282)
Income (loss) before taxes	$ 2,142	$ (2,330)	$ 652	$ (736)	$ —	$ (272)
Income tax expense	$ 20,910	$ (3,978)	$ 1,113	$ (1,257)	$ —	$ 16,788
Net loss	$ (18,768)	$ 1,648	$ (461)	$ 521	$ —	$ (17,060)
Net loss available to common stockholders	$ (18,897)	$ 1,648	$ (461)	$ 521	$ —	$ (17,189)
Net loss available to common stockholders per common share—basic	$ (1.13)	$ 0.10	$ (0.03)	$ 0.03	$ —	$ (1.03)
Net loss available to common stockholders per common share—diluted	$ (1.13)	$ 0.10	$ (0.03)	$ 0.03	$ —	$ (1.03)

(1) Reflects changes resulting from the adoption of ASU 2017-07. See Note 2.

The following table presents the impact of these changes on the Company's condensed consolidated statement of operations for the six months ended December 31, 2017:

	Six Months Ended December 31, 2017					
(In thousands, except per share data)	As Previously Reported	LIFO to FIFO Adjustment	Preferable Freight and Warehousing Adjustments	Corrections of Freight, Overhead Variances and PPVs	ASU 2017-07 Adjustments(1)	Retrospectively Adjusted
Cost of goods sold	$ 184,553	$ 1,885	$ 9,689	$ 721	$ (129)	$ 196,719
Gross profit	$ 114,526	$ (1,885)	$ (9,689)	$ (721)	$ 129	$ 102,360
Selling expenses	$ 88,243	$ —	$ (10,923)	$ (2,078)	$ (258)	$ 74,984
General and administrative expenses	$ 25,241	$ —	$ —	$ —	$ 423	$ 25,664
Operating expenses	$ 113,342	$ —	$ (10,923)	$ (2,078)	$ 165	$ 100,506
Income from operations	$ 1,184	$ (1,885)	$ 1,234	$ 1,357	$ (36)	$ 1,854
Interest expense	$ (1,384)	$ —	$ —	$ —	$ (3,290)	$ (4,674)
Other, net	$ 641	$ —	$ —	$ —	$ 3,326	$ 3,967
Total other expense	$ (730)	$ —	$ —	$ —	$ 36	$ (694)
Income before taxes	$ 454	$ (1,885)	$ 1,234	$ 1,357	$ —	$ 1,160
Income tax expense	$ 20,200	$ (3,370)	$ 1,264	$ (714)	$ —	$ 17,380
Net loss	$ (19,746)	$ 1,485	$ (30)	$ 2,071	$ —	$ (16,220)
Net loss available to common stockholders	$ (19,875)	$ 1,485	$ (30)	$ 2,071	$ —	$ (16,349)
Net loss available to common stockholders per common share—basic	$ (1.19)	$ 0.09	—	$ 0.12	$ —	$ (0.98)
Net loss available to common stockholders per common share—diluted	$ (1.19)	$ 0.09	$ —	$ 0.12	$ —	$ (0.98)

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(1) Reflects changes resulting from the adoption of ASU 2017-07. See Note 2.

The following table presents the impact of these changes on the Company's condensed consolidated statement of cash flows for the six months ended December 31, 2017:

(In thousands)	Six Months Ended December 31, 2017				
	As Previously Reported	LIFO to FIFO Adjustment	Preferable Freight and Warehousing Adjustments	Corrections of Freight, Overhead Variances and PPVs	Retrospectively Adjusted
Net loss	$ (19,746)	$ 1,485	$ (30)	$ 2,071	$ (16,220)
Adjustments to reconcile net loss to net cash used in operating activities:					
Deferred income taxes	$ 19,375	$ (3,370)	$ 1,264	$ (714)	$ 16,555
Net losses (gains) on derivative instruments and investments	$ 1,033	$ (1,759)	$ —	$ —	$ (726)
Change in operating assets and liabilities:					
Inventories	$ (7,682)	$ 3,644	$ (1,234)	$ (1,357)	$ (6,629)
Derivative assets (liabilities), net	$ (3,000)	$ (38)	$ —	$ —	$ (3,038)
Accounts payable	$ 1,264	$ 38	$ —	$ —	$ 1,302

The impacts shown above have also been reflected in the Company's condensed consolidated statements of comprehensive loss for the three and six months ended December 31, 2017 as follows:

(In thousands)	Three Months Ended December 31, 2017		Six Months Ended December 31, 2017	
	As Previously Reported	Retrospectively Adjusted	As Previously Reported	Retrospectively Adjusted
Net loss	$ (18,768)	$ (17,060)	$ (19,746)	$ (16,220)
Unrealized losses on derivative instruments designated as cash flow hedges, net of tax	$ (1,279)	$ (1,279)	$ (1,711)	$ (1,707)
Losses (gains) on derivative instruments designated as cash flow hedges reclassified to cost of goods sold, net of tax	$ 365	$ 64	$ 369	$ (708)
Total comprehensive loss, net of tax	$ (19,682)	$ (18,275)	$ (21,088)	$ (18,635)

Note 4. 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 Company ("Boyd Coffee" or "Seller"), 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 (see Note 13), and issued to Boyd Coffee 14,700 shares of the Company's Series A 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 working capital adjustment and to secure the Seller's (and the other seller parties') indemnification obligations under the purchase agreement. Any Holdback Cash Amount and Holdback Stock not used to satisfy indemnification claims (including pending claims) will be released to the Seller on the 18-month anniversary of the Closing Date.

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 sheets in "Other current liabilities" and "Other long-term liabilities" at December 31, 2018 and June 30, 2018, respectively. See Note 16 and Note 17. 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 paid from the Multiemployer Plan Holdback. See Note 23.

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 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. See Note 23.

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. See Note 11.

The determination of the fair value of intangible assets acquired was primarily based on significant inputs not observable in an active market and thus represent Level 3 fair value measurements as defined under GAAP.

The fair value assigned to the customer relationships was determined based on management's estimate of the retention rate utilizing certain benchmarks. Revenue and earnings projections were also significant inputs into estimating the value of customer relationships.

The fair value assigned to the trade name/trademark was determined utilizing a multi-period excess earnings approach. Under the multi-period excess earnings approach, the fair value of the intangible asset is estimated to be the present value of future earnings attributable to the asset and this method utilizes revenue and cost projections including an assumed contributory asset charge.

The following table presents the net sales and income before taxes from the Boyd Business operations that are included in the Company’s condensed consolidated statements of operations for the three and six months ended December 31, 2018 (unaudited):

(In thousands)	Three Months Ended December 31, 2018	Six Months Ended December 31, 2018
Net sales	$ 24,081	$ 44,584
Income before taxes	$ 3,505	$ 4,216

The Company considers the acquisition to be material to the Company’s 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 three and six months ended December 31, 2018 and 2017, as if the acquisition of the Boyd Business was consummated on the same terms as of the first day of the applicable fiscal period.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
(In thousands)				
Net sales	$ 159,773	$ 167,366	$ 307,213	321,061
(Loss) income before taxes	$ (12,825)	$ 2,142	$ (17,098)	3,900

At closing, the parties entered into a transition services agreement where the Seller agreed to provide certain accounting, marketing, human resources, information technology, sales and distribution and other administrative support during a transition period of up to 12 months. The Company also entered into a co-manufacturing agreement with the Seller for a transition period of up to 12 months as the Company transitioned production into its plants. Amounts paid by the Company to the Seller for these services totaled $3.7 million in the three and six months ended December 31, 2018 and $9.2 million in the three and six months ended December 31, 2017. The transition services and co-manufacturing agreements expired on October 2, 2018.

The Company has incurred acquisition and integration costs related to the Boyd Business acquisition, consisting primarily of legal and consulting expenses, Boyd Coffee plant decommissioning and equipment relocation costs, and one-time payroll and benefit expenses of $2.7 million and $1.0 million during the three months ended December 31, 2018 and

2017, respectively, and $3.7 million and $3.4 million during the six months ended December 31, 2018 and 2017, respectively. These expenses are included in operating expenses in the Company's condensed consolidated statements of operations.

Note 5. Restructuring Plans

Corporate Relocation Plan

On February 5, 2015, the Company announced a plan (the “Corporate Relocation Plan”) to close its Torrance, California facility (the “Torrance Facility”) and relocate its corporate headquarters, product development lab, and manufacturing and distribution operations from Torrance, California to a new facility in Northlake, Texas (the “New Facility”). Approximately 350 positions were impacted as a result of the Torrance Facility closure. The Company’s decision resulted from a comprehensive review of alternatives designed to make the Company more competitive and better positioned to capitalize on growth opportunities.

In the three and six months ended December 31, 2018, the Company incurred $3.4 million in restructuring and other transition expenses associated with the assessment by the Western Conference of Teamsters Pension Trust (the “WCT Pension Trust”) of the Company’s share of the Western Conference of Teamsters Pension Plan (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 (see Note 12), of which the Company has paid $0.8 million and has outstanding contractual obligations of $2.6 million as of December 31, 2018 (see Note 22).

Since the adoption of the Corporate Relocation Plan through December 31, 2018, the Company has recognized a total of $35.2 million in aggregate cash costs including $17.4 million in employee retention and separation benefits, $3.4 million in pension withdrawal liability, $7.0 million in facility-related costs related to the temporary office space, costs associated with the move of the Company’s headquarters, relocation of the Company’s Torrance operations and certain distribution operations and $7.4 million in other related costs. The Company also recognized from inception through December 31, 2018 non-cash depreciation expense of $2.3 million associated with the Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities and $1.4 million in non-cash rent expense recognized in the sale-leaseback of the Torrance Facility.

Direct Store Delivery (“DSD”) Restructuring Plan

On February 21, 2017, the Company announced a 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 “DSD Restructuring Plan”). 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 expects to complete the DSD Restructuring Plan by the end of fiscal 2019.

The Company estimates that it will recognize approximately $4.9 million of pre-tax restructuring charges by the end of fiscal 2019 consisting of approximately $2.7 million in employee-related costs and contractual termination payments, including severance, prorated bonuses for bonus eligible employees and outplacement services, and $2.2 million in other related costs, including legal, recruiting, consulting, other professional services, and travel. The Company may also incur other charges not currently contemplated due to events that may occur as a result of, or associated with, the DSD Restructuring Plan.

The Company incurred expenses related to the DSD Restructuring Plan in the amounts of $0.2 million and $0, in employee-related costs and $0 and $0.1 million, in other related costs for three months ended December 31, 2018 and 2017, respectively, and $1.2 million and $24,000, in employee-related costs and $0.2 million and $0.2 million, in other related costs for the six months ended December 31, 2018 and 2017, respectively. Since the adoption of the DSD Restructuring Plan through December 31, 2018, the Company has recognized a total of $4.4 million in aggregate cash costs including $2.5 million in employee-related costs, and $1.9 million in other related costs. As of December 31, 2018, the Company had paid a total of $4.2 million of these costs, and had a balance of $0.3 million in DSD Restructuring Plan-related liabilities on the Company’s condensed consolidated balance sheet. The remaining costs are expected to be incurred in the remainder of fiscal 2019.

Note 6. Derivative Instruments

Derivative Instruments Held

Coffee-Related Derivative Instruments

The Company is exposed to commodity price risk associated with its price to be fixed green coffee purchase contracts, which are described further in Note 2 to the consolidated financial statements in the 2018 Form 10-K. 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 December 31, 2018 and June 30, 2018:

(In thousands)	December 31, 2018	June 30, 2018
Derivative instruments designated as cash flow hedges:		
Long coffee pounds	31,350	40,913
Derivative instruments not designated as cash flow hedges:		
Long coffee pounds	7,145	2,546
Total	38,495	43,459

Coffee-related derivative instruments designated as cash flow hedges outstanding as of December 31, 2018 will expire within 18 months.

Effect of Derivative Instruments on the Financial Statements

Balance Sheets

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

	Derivative Instruments Designated as Cash Flow Hedges		Derivative Instruments Not Designated as Accounting Hedges	
	December 31, 2018	June 30, 2018	December 31, 2018	June 30, 2018
(In thousands)				
Financial Statement Location:				
Short-term derivative assets(1):				
Coffee-related derivative instruments	$ 5	$ —	$ 12	$ —
Short-term derivative liabilities(1):				
Coffee-related derivative instruments	$ 2,661	$ 3,081	$ 1,557	$ 219
Long-term derivative liabilities(2):				
Coffee-related derivative instruments	$ 322	$ 386	$ —	$ —

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

Statements of Operations

The following table presents pretax net gains and losses on coffee-related derivative instruments designated as cash flow hedges, as recognized in accumulated other comprehensive income (loss) "AOCI" and "Cost of goods sold" (prior period amounts have been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements as described in Note 3).

	Three Months Ended December 31,		Six Months Ended December 31,		
(In thousands)	2018	2017	2018	2017	Financial Statement Classification
Net gains (losses) recognized in AOCI	$ 1,005	$ (2,094)	$ (7,188)	$ (2,453)	AOCI
Net losses recognized in earnings	$ (2,217)	$ (105)	$ (4,179)	$ 1,161	Costs of goods sold

For the three and six months ended December 31, 2018 and 2017, there were no gains or losses recognized in earnings as a result of excluding amounts from the assessment of hedge effectiveness or as a result of reclassifications to earnings following the discontinuance of any cash flow hedges.

Net gains on derivative instruments and investments in the Company's condensed consolidated statements of cash flows also include net gains and losses on coffee-related derivative instruments designated as cash flow hedges reclassified to cost of goods sold from AOCI in the three and six months ended December 31, 2018 and 2017. Gains and losses on derivative instruments not designated as accounting hedges are included in "Other, net" in the Company's condensed consolidated statements of operations and in "Net losses (gains) on derivative instruments and investments" in the Company's condensed consolidated statements of cash flows.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	2018	2017	2018	2017
Net losses on coffee-related derivative instruments(1)	$ (920)	$ (190)	$ (2,025)	$ (93)
Net gains on investments	—	16	—	7
Non-operating pension and other postretirement benefit plans cost(2)	1,763	1,663	3,526	3,326
Other gains, net	110	728	109	727
Other, net	$ 953	$ 2,217	$ 1,610	$ 3,967

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(1) Excludes net gains and losses on coffee-related derivative instruments designated as cash flow hedges recorded in cost of goods sold in the three and six months ended December 31, 2018 and 2017.

(2) Presented in accordance with newly implemented ASU 2017-07. See Note 2.

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, the Company maintains accounts with its brokers to facilitate financial derivative transactions in support of its risk management activities. Based on the value of the Company's positions in these accounts and the associated margin requirements, the Company may be required to deposit cash into these broker accounts.

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 counterparties as of the reporting dates indicated:

(In thousands)		Gross Amount Reported on Balance Sheet	Netting Adjustments	Cash Collateral Posted	Net Exposure
December 31, 2018	Derivative Assets	$ 17	$ (17)	$ —	$ —
	Derivative Liabilities	$ 4,540	$ 17	$ —	$ 4,557
June 30, 2018	Derivative Assets	$ —	$ —	$ —	$ —
	Derivative Liabilities	$ 3,686	$ —	$ —	$ 3,686

Cash Flow Hedges

Changes in the fair value of the Company’s coffee-related derivative instruments designated as cash flow hedges, to the extent effective, are deferred in AOCI and 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 December 31, 2018, $(9.7) million of net losses on coffee-related derivative instruments designated as cash flow hedges 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 December 31, 2018. Due to the volatile nature of commodity prices, actual gains or losses realized within the next twelve months will likely differ from these values. At December 31, 2018 and June 30, 2018 approximately 81% and 94%, respectively, of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges.

Note 7. 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
December 31, 2018				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets(1)	$ 5	$ —	$ 5	$ —
Coffee-related derivative liabilities(1)	$ 2,983	$ —	$ 2,983	$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets(1)	$ 12	$ —	$ 12	$ —
Coffee-related derivative liabilities(1)	$ 1,557	$ —	$ 1,557	$ —

(In thousands)	Total	Level 1	Level 2	Level 3
June 30, 2018				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative liabilities(1)	$ 3,467	$ —	$ 3,467	$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative liabilities(1)	$ 219	$ —	$ 219	$ —

(1) The Company’s coffee-related derivative instruments are traded over-the-counter and, therefore, classified as Level 2.

Note 8. Accounts Receivable, Net

(In thousands)	December 31, 2018	June 30, 2018
Trade receivables	$ 76,738	$ 54,547
Other receivables(1)	4,551	4,446
Allowance for doubtful accounts	(1,839)	(495)
Accounts receivable, net	$ 79,450	$ 58,498

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

The $1.3 million increase in the allowance for doubtful accounts during the six months ended December 31, 2018 was due to bad debt expense of $1.6 million associated with an increase in aging receivables offset by net accounts receivable write-offs of $0.3 million.

Note 9. Inventories

(In thousands)	December 31, 2018	June 30, 2018
Coffee		
Processed	$ 32,933	$ 26,882
Unprocessed	42,165	37,097
Total	$ 75,098	$ 63,979
Tea and culinary products		
Processed	$ 33,847	$ 32,406
Unprocessed	102	1,161
Total	$ 33,949	$ 33,567
Coffee brewing equipment parts	$ 6,493	$ 6,885
Total inventories	$ 115,540	$ 104,431

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. See Note 3. 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 10. Property, Plant and Equipment

(In thousands)	December 31, 2018	June 30, 2018
Buildings and facilities	$ 108,675	$ 108,590
Machinery and equipment	245,858	231,581
Equipment under capital leases	1,369	1,408
Capitalized software	26,070	24,569
Office furniture and equipment	13,795	13,721
	$ 395,767	$ 379,869
Accumulated depreciation	(218,359)	(209,498)
Land	16,218	16,218
Property, plant and equipment, net	$ 193,626	$ 186,589

The Company capitalized coffee brewing equipment (included in machinery and equipment) in the amounts of $8.9 million and $4.8 million in the six months ended December 31, 2018 and 2017, respectively. Depreciation expense related to capitalized coffee brewing equipment reported in cost of goods sold was $2.2 million and $2.3 million in the three months ended December 31, 2018 and 2017, respectively, and $4.4 million in each of the six months ended December 31, 2018 and 2017.

Note 11. Goodwill and Intangible Assets

There were no changes to the carrying value of goodwill in the six months ended December 31, 2018. The carrying value of goodwill at December 31, 2018 and June 30, 2018 was $36.2 million.

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

	December 31, 2018		June 30, 2018	
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer relationships	$ 33,003	$ (14,096)	$ 33,003	$ (12,903)
Non-compete agreements	220	(102)	220	(81)
Recipes	930	(287)	930	(221)
Trade name/brand name	510	(327)	510	(271)
Total amortized intangible assets	$ 34,663	$ (14,812)	$ 34,663	$ (13,476)
Unamortized intangible assets:				
Trademarks, trade names and brand name with indefinite lives	$ 10,328	$ —	$ 10,328	$ —
Total unamortized intangible assets	$ 10,328	$ —	$ 10,328	$ —
Total intangible assets	$ 44,991	$ (14,812)	$ 44,991	$ (13,476)

Aggregate amortization expense for the three months ended December 31, 2018 and 2017 was $0.7 million and $1.1 million, respectively. Aggregate amortization expense for the six months ended December 31, 2018 and 2017 was $1.3 million and $1.4 million, respectively.

Note 12. Employee Benefit Plans

The Company provides benefit plans for full-time employees who work 30 hours or more per week, including 401(k), health and other welfare benefit plans and, in certain circumstances, pension benefits. Generally, the plans provide health benefits after 30 days and other retirement benefits based on years of service and/or a combination of years of service and earnings. In addition, the Company contributes to two multiemployer defined benefit pension plans, one multiemployer defined contribution pension plan and 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. In addition, the Company sponsors a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees and provides retiree medical coverage and, depending on the age of the retiree, dental and vision coverage. The Company also provides a postretirement death benefit to certain of its employees and retirees.

The Company is required to recognize the funded status of a benefit plan in its consolidated balance sheets. The Company is also required to recognize in other comprehensive income ("OCI") certain gains and losses that arise during the period but are deferred under pension accounting rules.

Single Employer Pension Plans

As of December, 31, 2018, the Company has two defined benefit pension plans for certain employees (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.

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.

Immediately 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 reduced its overall pension projected benefit obligation by approximately $24.4 million and recognized a non-cash pension settlement charge of $8.1 million after-tax ($10.9 million pretax) in the three and six months ended December 31, 2018. After the re-measurement and settlement, the new projected benefit obligation and fair value of plan assets for the Brewmatic Plan are $114.1 million and $67.4 million, respectively, resulting in a net underfunded status of $46.7 million as of December 31, 2018. This represents a $6.7 million increase from the net underfunded status of the Farmer Bros. Plan and Brewmatic Plan as of June 30, 2018 primarily due to actual losses recognized on plan assets during the six months ended December 31, 2018. The Hourly Employees' Plan was not impacted by this transaction.

The net periodic benefit cost for the defined benefit pension plans is as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
(In thousands)				
Service cost	$ —	$ —	$ —	$ —
Interest cost	1,426	1,432	2,852	2,864
Expected return on plan assets	(1,485)	(1,456)	(2,970)	(2,912)
Amortization of net loss(1)	370	418	740	836
Pension settlement charge	10,948	—	10,948	—
Net periodic benefit cost	$ 11,259	$ 394	$ 11,570	$ 788

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(1) These amounts represent the estimated portion of the net loss in AOCI that is expected to be recognized as a component of net periodic benefit cost over the current fiscal year.

On July 1, 2018, the Company adopted ASU 2017-07, which impacted the presentation of the components of net periodic benefit cost in the condensed consolidated statements of income. Net periodic benefit cost, other than the service cost component, is retrospectively included in "Interest expense" and "Other, net" in the condensed consolidated statements of income. See Note 2.

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost

	Fiscal	
	2019	2018
Discount rate	4.05%	3.80%
Expected long-term return on plan assets	6.75%	6.75%

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) 2016. 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 2016 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.

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 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.

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.

On October 30, 2017, counsel to the Company received written confirmation that the WCT Pension Trust will be retracting its claim, stated in its letter to the Company dated July 10, 2017 (the "WCT Pension Trust Letter"), that certain of the Company's employment actions in 2015 resulting from the Corporate Relocation Plan constituted a partial withdrawal from the WCTPP. The written confirmation stated that the WCT Pension Trust has determined that a partial withdrawal did not occur in 2015 and further stated that the withdrawal liability assessment has been rescinded. This rescinding of withdrawal liability assessment applied to Company employment actions in 2015 with respect to the bargaining units that were specified in the WCT Pension Trust Letter.

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. The Company agreed with the WCT Pension Trust's assessment of pension withdrawal liability in the amount of $3.4 million, including interest, which is payable in 17 monthly installments of $190,507 followed by a final monthly installment of $153,822, commencing September 10, 2018. At December 31, 2018 the Company had recorded $2.6 million on its condensed consolidated balance sheet relating to this obligation, with the current portion included in "Accrued payroll expenses" and the long-term portion included in "Accrued pension liabilities." See Note 22.

In fiscal 2012, the Company withdrew from the Local 807 Labor-Management Pension Fund ("Local 807 Pension Fund") and recorded a charge of $4.3 million associated with withdrawal from this plan, representing the present value of the estimated withdrawal liability expected to be paid in quarterly installments of $0.1 million over 80 quarters. On November 18, 2014, the Local 807 Pension Fund sent the Company a notice of assessment of withdrawal liability in the amount of $4.4 million, which the Local 807 Pension Fund adjusted to $4.9 million on January 5, 2015. The Company commenced quarterly installment payments to the Local 807 Pension Fund of $91,000 pending the final settlement of the liability. The Company recorded $3.8 million in "Other current liabilities" on its consolidated balance sheet at June 30, 2018 representing the present value of the Company's estimated withdrawal liability at June 30, 2018.

During the three months ended December 31, 2018, the parties agreed to settle the Company's remaining withdrawal liability to the Local 807 Pension Fund for a lump sum cash settlement payment of $3.0 million plus two remaining installment payments of $91,000 due on or before October 1, 2034 and on or before January 1, 2035. In the three and six months ended December 31, 2018, the Company paid the Local 807 Pension Fund $3.0 million and recorded $0.2 million in "Accrued pension liabilities" on the Company's condensed consolidated balance sheet at December 31, 2018.

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 expire on or before June 30, 2022.

401(k) Plan

The Company's 401(k) Plan is available to all eligible employees. 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.

For the calendar years 2018 and 2017, the Company's Board of Directors approved a Company matching contribution for eligible employees who worked more than 1,000 hours during the calendar year and who were employed at the end of the calendar year or, in the case of calendar year 2018, who were active participants in the plan at any time during the plan year and who were terminated in connection with certain reductions-in-force that occurred during 2018, of 50% of an employee's annual contribution to the 401(k) Plan, up to 6% of the employee's eligible income. For employees subject to a collective bargaining agreement, the match was only available if so provided in the labor agreement. The matching contributions (and any earnings thereon) vest at the rate of 20% for each of the participant's first 5 years of vesting service, so that a participant is fully vested in his or her matching contribution account after 5 years of vesting service, subject to accelerated vesting under certain circumstances in connection with the Corporate Relocation Plan due to the closure of the Company's Torrance Facility, a reduction-in-force at another Company facility designated by the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans (the "Administrative Committee"), or in connection with certain reductions-in-force that occurred during 2017 and 2018. A participant is automatically vested in the Company's matching contribution in the event of death, disability or attainment of age 65 while employed by the Company.

The Company recorded matching contributions of $0.4 million and $0.5 million in operating expenses in the three months ended December, 2018 and 2017. The Company recorded matching contributions of $0.9 million and $1.0 million in operating expenses in the six months ended December, 2018 and 2017.

During the three months ended December 31, 2018, the Company amended and restated the 401(k) Plan effective January 1, 2019 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 members of union local 265 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.

Postretirement Benefits

The Company sponsors a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees ("Retiree Medical Plan"). 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 also provides 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.

Retiree Medical Plan and Death Benefit

The following table shows the components of net periodic postretirement benefit cost for the Retiree Medical Plan and Death Benefit for the three and six months ended December 31, 2018 and 2017. Net periodic postretirement benefit cost for the three and six months ended December 31, 2018 was based on employee census information and asset information as of June 30, 2018.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
(In thousands)				
Components of Net Periodic Postretirement Benefit Cost (Credit):				
Service cost	$ 133	$ 152	$ 266	$ 304
Interest cost	222	209	444	418
Amortization of net gain	(209)	(210)	(418)	(420)
Amortization of prior service credit	(439)	(439)	(878)	(878)
Net periodic postretirement benefit credit	$ (293)	$ (288)	$ (586)	$ (576)

On July 1, 2018, the Company adopted ASU 2017-07, which impacted the presentation of the components of net periodic postretirement benefit cost in the condensed consolidated statements of income. Net periodic postretirement benefit cost, other than the service cost component, is retrospectively included in “Interest expense” and “Other, net” in the condensed consolidated statements of income. See Note 2.

Weighted-Average Assumptions Used to Determine Net Periodic Postretirement Benefit Cost

	Fiscal	
	2019	2018
Retiree Medical Plan discount rate	4.25%	4.13%
Death Benefit discount rate	4.25%	4.12%

Note 13. Revolving Credit Facility

On November 6, 2018, the Company entered into a new $150.0 million senior secured revolving credit facility (the “New Revolving Facility”) with Bank of America, N.A, Citibank, N.A., JPMorgan Chase Bank, N.A., PNC Bank, National Association, Regions Bank, and SunTrust Bank, with a sublimit on letters of credit and swingline loans of $15.0 million each. The New Revolving Facility includes an accordion feature whereby the Company may increase the revolving commitments or enter into one or more tranches of incremental term loans, up to an additional $75.0 million in aggregate of increased commitments and incremental term loans, subject to certain conditions. The commitment fee is based on a leverage grid and ranges from 0.20% to 0.40%. Borrowings under the New Revolving Facility bear interest based on a leverage grid with a range of PRIME + 0.25% to PRIME + 0.875% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 1.875%. Under the New 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 and interest expense coverage. 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 New Revolving Facility matures on November 6, 2023, subject to the ability for the Company (subject to certain conditions) to agree with lenders who so consent to extend the maturity date of the commitments of such consenting lenders for a period of one year, such option being exercisable not more than two times during the term of the facility.

The New Revolving Facility replaced, by way of amendment and restatement, the Company’s senior secured revolving credit facility (the “Prior Revolving Facility”) with JPMorgan Chase Bank, N.A. and SunTrust Bank, with revolving commitments of $125.0 million as of September 30, 2018 and $135.0 million as of October 18, 2018 (the “Third Amendment Effective Date”), subject to an accordion feature. Under the Prior Revolving Facility, as amended, advances were based on the Company’s eligible accounts receivable, eligible inventory, eligible equipment, the value of certain real property and trademarks, and an amount based on the lesser of $10.0 million (subject to monthly reduction) and the sum of certain eligible accounts and eligible inventory, less required reserves. The commitment fee was a flat fee of 0.25% per annum irrespective of average revolver usage. Outstanding obligations were collateralized by all of the Company's and guarantors' assets, excluding, amongst other things, certain real property not included in the borrowing base. Borrowings under the Prior Revolving Facility bore interest based on average historical excess availability levels with a range of PRIME - 0.25% to PRIME + 0.50% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 2.00%; provided, that, after the Third Amendment Effective Date, (i) until March 31, 2019 the applicable rate was PRIME + 0.25% or Adjusted LIBO Rate + 1.75%; and (ii) loans up to certain formula amounts were subject to an additional margin ranging from 0.375% to 0.50%. The Prior Revolving Facility included a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including a financial covenant relating to the maintenance of a fixed charge coverage ratio, and provided for customary events of default.

At December 31, 2018, the Company was eligible to borrow up to a total of $150.0 million under the New Revolving Facility and had outstanding borrowings of $130.0 million and utilized $2.0 million of the letters of credit sublimit. At December 31, 2018, the weighted average interest rate on the Company's outstanding borrowings under the New Revolving Facility was 3.94% and the Company was in compliance with all of the covenants under the New Revolving Facility.

The Company classifies borrowings contractually due to be settled one year or less as short-term and more than one year as long-term. The Company classifies outstanding borrowings as short-term or long-term based on its ability and intent to pay or refinance the outstanding borrowings on a short-term or long-term basis. Outstanding borrowings under the Company's revolving credit facility were classified on the Company's consolidated balance sheets as "Long-term borrowings under revolving credit facility" at December 31, 2018 and "Short-Term borrowings under revolving credit facility" at June 30, 2018.

Note 14. Employee Stock Ownership Plan

The Company's ESOP was established in 2000. The plan is a leveraged ESOP in which the Company is the lender. One of the two loans established to fund the ESOP matured in fiscal 2016 and the remaining loan matured in December 2018. The loan was repaid from the Company's discretionary plan contributions over the original 15 year term with a variable rate of interest. The annual interest rate was 3.80% at June 30, 2018.

	December 31, 2018	June 30, 2018
Loan amount (in thousands)	$ —	$ 2,145

Shares are held by the plan trustee for allocation among participants as the loan is repaid. The unencumbered shares are allocated to 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.

Historically, the Company used the dividends, if any, on ESOP shares to pay down the loans, and allocated to the ESOP participants shares equivalent to the fair market value of the dividends they would have received. No dividends were paid in the three and six months ended December 31, 2018.

During the three and six months ended December 31, 2018, the Company charged $0.4 million and $0.9 million, respectively, to compensation expense related to the ESOP. During the three and six months ended December 31, 2017, the Company charged $0.6 million and $1.2 million, respectively, to compensation expense related to the ESOP.

The decrease in ESOP expense in the three and six months ended December 31, 2018 was primarily due to the reduction in the number of shares being allocated to participant accounts as a result of paying down the loan amount. The difference between cost and fair market value of committed to be released shares, which was zero and $0.1 million at December 31, 2018 and June 30, 2018, respectively, is recorded as additional paid-in capital.

	December 31, 2018	June 30, 2018
Allocated shares	1,323,307	1,502,323
Committed to be released shares	72,114	73,826
Unallocated shares	—	72,114
Total ESOP shares	1,395,421	1,648,263
(In thousands)		
Fair value of ESOP shares	$ 32,555	$ 50,354

During the three months ended 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.

Note 15. 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 December 31, 2018, there were 960,288 shares available under the 2017 Plan including shares that were forfeited under the Prior Plans. 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 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 of the 2017 Plan 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.

Non-qualified stock options with time-based vesting (“NQOs”)

In the six months ended December 31, 2018, the Company granted 154,263 shares issuable upon the exercise of NQOs to eligible employees under the 2017 Plan. These NQOs have an exercise price of $25.04 per share, which was the closing price of the Company’s common stock as reported on the NASDAQ Global Select Market 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.

Following are the assumptions used in the Black-Scholes valuation model for NQOs granted during the six months ended December 31, 2018.

	Six Months Ended December 31, 2018
Weighted average fair value of NQOs	$ 7.78
Risk-free interest rate	3.0%
Dividend yield	—%
Average expected term	4.6 years
Expected stock price volatility	29.6%

The following table summarizes NQO activity for the six months ended December 31, 2018:

Outstanding NQOs:	Number of NQOs	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2018	161,324	26.82	9.24	5.1	741
Granted	154,263	25.04	7.78	6.9	—
Exercised	(28,798)	11.32	5.33	—	466
Cancelled/Forfeited	(4,769)	31.70	10.41	—	—
Outstanding at December 31, 2018	282,020	27.35	9.30	6.2	112
Vested and exercisable at December 31, 2018	50,106	27.71	9.54	4.8	112
Vested and expected to vest at December 31, 2018	263,507	27.38	9.32	6.2	112

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 $23.33 at December 31, 2018 and $30.55 at June 29, 2018, representing the last trading day of the respective fiscal periods, 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 the six months ended December 31, 2018 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.

During the six months ended December 31, 2018, 50,106 NQOs vested and 28,798 NQOs were exercised. Total fair value of NQOs vested during the six months ended December 31, 2018 was $0.4 million. The Company received $0.3 million and $0.5 million in proceeds from exercises of vested NQOs in the six months ended December 31, 2018 and 2017, respectively.

At December 31, 2018 and June 30, 2018, respectively, there was $2.0 million and $1.0 million of unrecognized compensation cost related to NQOs. The unrecognized compensation cost related to NQOs at December 31, 2018 is expected to be recognized over the weighted average period of 2.3 years. Total compensation expense for NQOs in the three months ended December 31, 2018 and 2017 was $185,000 and $62,000, respectively. Total compensation expense for NQOs in the six months ended December 31, 2018 and 2017 was $283,000 and $64,000, respectively.

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

In the six months ended December 31, 2018, the Company granted no shares issuable upon the exercise of PNQs.

The following table summarizes PNQ activity for the six months ended December 31, 2018:

Outstanding PNQs:	Number of PNQs	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2018	300,708	27.08	10.89	4.00	1,207
Granted	—	—	—	—	—
Exercised	(5,806)	22.70	10.29	—	17
Cancelled/Forfeited	(5,021)	31.09	11.44	—	—
Outstanding at December 31, 2018	289,881	27.10	10.89	3.49	118
Vested and exercisable at December 31, 2018	267,317	26.61	10.85	3.37	118
Vested and expected to vest at December 31, 2018	288,943	27.08	10.89	3.48	118

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 $23.33 at December 31, 2018 and $30.55 at June 29, 2018, representing the last trading day of the respective fiscal periods, 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 the six months ended December 31, 2018 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.

During the six months ended December 31, 2018, 51,368 PNQs vested and 5,806 PNQs were exercised. Total fair value of PNQs vested during the six months ended December 31, 2018 was $0.6 million. The Company received $0.1 million and $0.2 million in proceeds from exercises of vested PNQs in the six months ended December 31, 2018 and 2017, respectively.

At December 31, 2018 and June 30, 2018, there was $0.2 million and $0.5 million, respectively, of unrecognized compensation cost related to PNQs. The unrecognized compensation cost related to PNQs at December 31, 2018 is expected to be recognized over the weighted average period of 0.9 years. Total compensation expense related to PNQs in the three months ended December 31, 2018 and 2017 was $0.1 million and $0.2 million, respectively. Total compensation expense related to PNQs in the six months ended December 31, 2018 and 2017 was $0.3 million and $0.4 million, respectively.

Restricted Stock

During the six months ended December 31, 2018, the Company granted 16,266 shares of restricted stock under the 2017 Plan to non-employee directors with a grant date fair value of $23.98 per share. These 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, subject to continued service to the Company through the vesting date and the acceleration provisions of the 2017 Plan and restricted stock agreement.

The following table summarizes restricted stock activity for the six months ended December 31, 2018:

Outstanding and Nonvested Restricted Stock Awards:	Shares Awarded	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding and nonvested at June 30, 2018	14,958	33.48	1.7	457
Granted	16,266	23.98	0.9	390
Vested/Released	(12,722)	33.81	—	315
Cancelled/Forfeited	—	—	—	—
Outstanding and nonvested at December 31, 2018	18,502	24.90	1.0	432
Expected to vest at December 31, 2018	17,611	24.88	1.0	411

The aggregate intrinsic values of shares 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 $23.33 at December 31, 2018 and $30.55 at June 29, 2018, representing the last trading day of the respective fiscal periods. Restricted stock that is expected to vest is net of estimated forfeitures.

At December 31, 2018 and June 30, 2018, there was $0.4 million and $0.3 million, respectively, of unrecognized compensation cost related to restricted stock. The unrecognized compensation cost related to restricted stock at December 31, 2018 is expected to be recognized over the weighted average period of 1.0 years. Total compensation expense for restricted stock was $0.1 million in each of the three months ended December 31, 2018 and 2017. Total compensation expense for restricted stock was $0.2 million and $0.1 million in the six months ended December 31, 2018 and 2017, respectively.

Performance-Based Restricted Stock Units (“PBRSUs”)

During the six months ended December 31, 2018, the Company granted 47,928 PBRSUs under the 2017 Plan to eligible employees with a grant date fair value of $25.04 per unit. The fiscal 2019 PBRSU awards 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, 2018 through June 30, 2021, subject to certain continued employment conditions and subject to acceleration provisions of the 2017 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 150% 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 following table summarizes PBRSU activity for the six months ended December 31, 2018:

Outstanding and Nonvested PBRSUs:	PBRSUs Awarded(1)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding and nonvested at June 30, 2018	35,732	31.70	3.4	1,092
Granted(1)	47,928	25.04	2.9	1,200
Vested/Released	—	—	—	—
Cancelled/Forfeited	(1,567)	31.70	—	—
Outstanding and nonvested at December 31, 2018	82,093	27.81	2.5	1,915
Expected to vest at December 31, 2018	73,095	27.34	2.5	1,705

(1) The target number of PBRSUs is presented in the table. 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.

The aggregate intrinsic value of PBRSUs outstanding at the end of each fiscal period in the table above represents the total pretax intrinsic value, based on the Company’s closing stock price of $23.33 at December 31, 2018 and $30.55 at June

29, 2018, representing the last trading day of the respective fiscal periods. PBRSUs that are expected to vest are net of estimated forfeitures.

At December 31, 2018 and June 30, 2018, there was $1.6 million and $0.9 million, respectively, of unrecognized compensation cost related to PBRSUs. The unrecognized compensation cost related to PBRSUs at December 31, 2018 is expected to be recognized over the weighted average period of 2.5 years. Total compensation expense for PBRSUs was $117,000 and $48,000 for the three months ended December 31, 2018 and 2017, respectively. Total compensation expense for PBRSUs was $199,000 and $48,000 for the six months ended December 31, 2018 and 2017, respectively.

Note 16. Other Current Liabilities

Other current liabilities consist of the following:

(In thousands)	December 31, 2018	June 30, 2018
Accrued postretirement benefits	$ 810	$ 810
Accrued workers’ compensation liabilities	1,668	1,698
Short-term pension liabilities (1)	—	3,761
Earnout payable (2)	840	600
Multiemployer Plan Holdback—Boyd Coffee (3)	1,056	—
Other (4)	4,074	3,790
Other current liabilities	$ 8,448	$ 10,659

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(1) Amount recorded at June 30, 2018 represents the present value of the Company’s estimated withdrawal liability under the Local 807 Pension Fund, which was settled during the three months ended December 31, 2018. See Note 12.
(2) Includes $0.8 million and $0.6 million at December 31, 2018 and June 30, 2018, respectively, in estimated fair value of earnout payable in connection with the Company’s acquisition of substantially all of the assets of West Coast Coffee completed on February 7, 2017.
(3) Multiemployer Plan Holdback—Boyd Coffee reclassified from long-term at June 30, 2018 to short-term at December 31, 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 paid from the Multiemployer Plan Holdback. See Note 23.
(4) Includes accrued property taxes, sales and use taxes, insurance liabilities and dividends payable.

Note 17. Other Long-Term Liabilities

Other long-term liabilities include the following:

(In thousands)	December 31, 2018	June 30, 2018
Long-term obligations under capital leases	$ 7	$ 58
Derivative liabilities—noncurrent	322	386
Multiemployer Plan Holdback—Boyd Coffee (1)	—	1,056
Cumulative preferred dividends, undeclared and unpaid—noncurrent	484	312
Other long-term liabilities	$ 813	$ 1,812

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(1) Multiemployer Plan Holdback—Boyd Coffee reclassified from long-term at June 30, 2018 to short-term at December 31, 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 paid from the Multiemployer Plan Holdback. See Note 23.

Note 18. Income Taxes

On December 22, 2017, the President of the United States signed into law the Tax Act. The SEC subsequently issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Act. Under SAB 118, companies are able to record a reasonable estimate of the impacts of the Tax Act if one is able to be determined and report it as a provisional amount during the measurement period. The measurement period is not to extend beyond one year from the enactment date. Impacts of the Tax Act that a company is not able to make a reasonable estimate for should not be recorded until a reasonable estimate can be made during the measurement period.

Pursuant to the Tax Act, the federal corporate tax rate was reduced to 21.0%, effective January 1, 2018. Deferred tax amounts are calculated based on the rates at which they are expected to reverse in the future. The provisional amount recorded in fiscal 2018 relating to the re-measurement of the Company's deferred tax balances as a result of the reduction in the corporate tax rate was $18.0 million. There were no provisional adjustments recorded in the three and six months ended December 31, 2018. The Company finalized its assessment of the income tax effects of the Tax Act in the second quarter of fiscal 2019.

The Company's effective tax rates for the three months ended December 31, 2018 and 2017 were 21.0% and (6,154.6)%, respectively. The Company's effective tax rates for the six months ended December 31, 2018 and 2017 were 23.3% and 1,498.0%, respectively. The effective tax rates for the three and six months ended December 31, 2017 have been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements as described in Note 3. The effective tax rates for the three and six months ended December 31, 2018 varied from the federal statutory rate of 21.0% primarily due to state income taxes, offset by a deferred tax benefit resulting from the pension settlement charge of $10.9 million. The effective tax rates for the three and six months ended December 31, 2017 varied from the federal statutory rate of 28.1% primarily due to income tax expense of $(16.8) million and $(17.4) million, respectively, resulting from the adjustment of deferred tax amounts due to the enactment of the Tax Act, in addition to state income taxes.

The Company evaluates its deferred tax assets quarterly to determine if a valuation allowance is required. In making such 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, including the Company's cumulative 12-month income position at December 31, 2018, the Company concluded that it is more likely than not that the Company will generate future income sufficient to realize the majority of the Company's deferred tax assets at December 31, 2018. As of December 31, 2018, the Company cannot conclude that certain state net operating loss carry forwards and tax credit carryovers will be utilized before expiration. Accordingly, the Company will maintain a valuation allowance of $1.9 million to offset this deferred tax asset.

As of December 31, 2018 and June 30, 2018 the Company had no unrecognized tax benefits.

Note 19. Net (Loss) Income Per Common Share

Computation of net (loss) income per share ("EPS") for the three and six months ended December 31, 2018 excludes the dilutive effect of 571,901 shares issuable under stock options, 82,093 PBRSUs and 400,691 shares issuable upon the assumed conversion of the outstanding Series A Preferred Stock because the Company incurred net losses in the three and six months ended December 31, 2018 so their inclusion would be anti-dilutive. There were no unearned ESOP shares excluded from EPS calculations in the three and six months ended December 31, 2018.

Computation of EPS for the three and six months ended December 31, 2017 excludes the dilutive effect of 525,059 shares issuable under stock options, 37,414 PBRSUs and 383,611 shares issuable upon the assumed conversion of the outstanding Series A Preferred Stock because the Company incurred net losses in the three and six months ended December 31, 2017 so their inclusion would be anti-dilutive. There were 72,114 unearned ESOP shares excluded from EPS calculations in the three and six months ended December 31, 2017.

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands, except share and per share amounts)	2018	2017(1)	2018	2017(1)
Undistributed net loss available to common stockholders	$ (10,225)	$ (17,190)	$ (13,341)	$ (16,384)
Undistributed net (loss) income available to nonvested restricted stockholders and holders of convertible preferred stock	(9)	1	(11)	35
Net loss available to common stockholders—basic	$ (10,234)	$ (17,189)	$ (13,352)	$ (16,349)
Weighted average common shares outstanding—basic	16,985,157	16,723,498	16,971,995	16,711,660
Effect of dilutive securities:				
Shares issuable under stock options	—	—	—	—
Shares issuable under PBRSUs	—	—	—	—
Shares issuable under convertible preferred stock	—	—	—	—
Weighted average common shares outstanding—diluted	16,985,157	16,723,498	16,971,995	16,711,660
Net loss per common share available to common stockholders—basic	$ (0.60)	$ (1.03)	$ (0.79)	$ (0.98)
Net loss per common share available to common stockholders—diluted	$ (0.60)	$ (1.03)	$ (0.79)	$ (0.98)

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(1) Prior period amounts have been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements as described in Note 3.

Note 20. 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.

On October 2, 2017, the Company issued 14,700 shares of Series A Preferred Stock in connection with the Boyd Coffee acquisition. At December 31, 2018, 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	$ 1,045	$ 15,354	$ 654	$ 15,354

Note 21. Revenue Recognition

On July 1, 2018, the Company adopted ASU 2014-09, using the modified retrospective method for all contracts not completed as of the date of adoption. Adoption of ASU 2014-09 did not have a material effect on the results of operations, financial position or cash flows of the Company. See Note 2.

The Company's primary source 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, direct-store-delivery 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 considered 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.

ASC Topic 606, "Revenue from Contracts with Customers" ("ASC Topic 606"), provides certain practical expedients in order to ease the burden of implementation. The Company elected to apply the practical expedient related to applying the guidance to a portfolio of contracts with similar characteristics as the Company does not expect the effects on its condensed consolidated financial statements to differ materially from applying the guidance to the individual contracts within that portfolio. As DSD customers generally sign a standard form of contract, the Company believes that each contract in the DSD portfolio shares similar characteristics and would not result in a material difference when evaluated on an individual basis, therefore the Company adopted the practical expedient and applied one accounting treatment to the entire portfolio of DSD contracts.

In accordance with ASC Topic 606, the Company disaggregates net sales from contracts with customers based on the characteristics of the products sold:

	Three Months Ended December 31,			
	2018		2017	
(In thousands)	$	% of total	$	% of total
Net Sales by Product Category:				
Coffee (Roasted)	$ 99,286	62%	$ 104,457	62%
Coffee (Frozen Liquid)	9,318	6%	9,326	6%
Tea (Iced & Hot)	8,651	5%	7,751	5%
Culinary	16,795	10%	17,376	10%
Spice	6,002	4%	6,333	4%
Other beverages(1)	18,915	12%	21,429	13%
Net sales by product category	158,967	99%	166,672	100%
Fuel surcharge	806	1%	694	—%
Net sales	$ 159,773	100%	$ 167,366	100%

(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.

	Six Months Ended December 31,			
	2018		2017	
(In thousands)	$	% of total	$	% of total
Net Sales by Product Category:				
Coffee (Roasted)	$ 194,640	63%	$ 187,340	63%
Coffee (Frozen Liquid)	17,874	6%	17,150	6%
Tea (Iced & Hot)	17,555	6%	15,423	5%
Culinary	32,789	11%	31,139	10%
Spice	12,160	4%	12,607	4%
Other beverages(1)	30,541	10%	34,035	11%
Net sales by product category	305,559	100%	297,694	99%
Fuel surcharge	1,654	—%	1,385	1%
Net sales	$ 307,213	100%	$ 299,079	100%

(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.

Contract assets and liabilities are immaterial. Receivables from contracts with customers are included in “Accounts receivable, net” on the Company’s condensed consolidated balance sheets. At December 31, 2018 and June 30, 2018, “Accounts receivable, net” included, $76.7 million and $54.5 million, respectively, in receivables from contracts with customers.

Note 22. Commitments and Contingencies

For a detailed discussion about the Company’s commitments and contingencies, see Note 24, “*Commitments and Contingencies*” in the Notes to Consolidated Financial Statements in the 2018 Form 10-K. During the six months ended December 31, 2018, other than the following, there were no material changes in the Company’s commitments and contingencies.

Expansion Project Contract

In the third quarter of fiscal 2018, the Company commenced a project to expand its production lines (the “Expansion Project”) in the New Facility, including expanding capacity to support the transition of acquired business volumes under a guaranteed maximum price contract of up to $19.3 million. In the six months ended December 31, 2018, the Company paid $10.6 million for machinery and equipment expenditures associated with the Expansion Project. Since inception of the contract through December 31, 2018, the Company has paid a total of $18.9 million and accrued one remaining payment of $36,000 against the guaranteed maximum price contract for the Expansion Project. See Note 10.

Pension Plan Obligations

As of December 31, 2018, the Company’s pension plan obligations include: (i) $70.5 million in estimated future benefit payments on single employer pension plan obligations; (ii) $2.6 million in pension withdrawal liability from the WCTPP; (iii) $0.2 million in aggregate future payments in fiscal 2035 to settle the withdrawal liability associated with the Company’s withdrawal from the Local 807 Labor Management Pension Plan; and (iv) $0.8 million in estimated contributions to multiemployer pension plans in the remainder of fiscal 2019.

Boyd Coffee Multiemployer Plan Holdback

In connection with the Boyd Business acquisition, at closing the Company held back $1.1 million in cash 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. 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 paid from the Multiemployer Plan Holdback. The Company expects to retain and apply the remaining amount of the Multiemployer Plan Holdback of $0.5 million toward satisfaction of the Seller’s post-closing net working capital deficiency under the Asset Purchase Agreement. See Note 23.

Borrowings Under Revolving Credit Facility

The Company had outstanding borrowings of $130.0 million under the New Revolving Facility that were classified as “Long-term borrowings under revolving credit facility” on the Company’s condensed consolidated balance sheet at December 31, 2018, as compared to outstanding borrowings of $89.8 million under the Prior Revolving Facility that were classified as “Short-term borrowings under revolving credit facility” on the Company’s consolidated balance sheet at June 30, 2018. See Note 13.

Purchase Commitments

As of December 31, 2018, the Company had committed to purchase green coffee inventory totaling $68.0 million under fixed-price contracts, and other purchases totaling $19.8 million under non-cancelable purchase orders related primarily to the purchase of finished goods inventory.

As of December 31, 2018, the Company had commitments of $0.9 million for roasting equipment ordered for the New Facility which will be accrued by the Company upon delivery and acceptance of the equipment in the fourth quarter of fiscal 2019.

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, 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, also known as Proposition 65. The suit alleges that the defendants have failed to issue clear and reasonable warnings in accordance with Proposition 65 that the coffee they produce, distribute, and sell contains acrylamide. This lawsuit was filed in Los Angeles Superior Court (the “Court”). CERT has demanded that the alleged violators remove acrylamide from their coffee or provide Proposition 65 warnings on their products and pay $2,500 per day for each and every violation while they are in violation of Proposition 65.

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 joined a Joint Defense Group, or JDG, and, along with the other co-defendants, has answered the complaint, denying, generally, the allegations of the complaint, including the claimed violation of Proposition 65 and further denying CERT’s right to any relief or damages, including the right to require a warning on products. The Joint Defense Group contends that based on proper scientific analysis and proper application of the standards set forth in Proposition 65, exposures to acrylamide from the coffee products pose no significant risk of cancer and, thus, these exposures are exempt from Proposition 65’s warning requirement.

The JDG filed a pleading responding to claims and asserting affirmative defenses on January 22, 2013. The Court initially limited discovery to the four largest defendants, so the Company was not initially required to participate in discovery. The Court decided to handle the trial in two “phases,” and the “no significant risk level” defense, the First Amendment defense, and the federal preemption defense were tried in the first phase. Trial commenced on September 8, 2014, and testimony completed on November 4, 2014, for the three “Phase 1” defenses.

Following final trial briefing, the Court heard, on April 9, 2015, final arguments on the Phase 1 issues. On September 1, 2015, the Court ruled against the JDG on the Phase 1 affirmative defenses. The JDG received permission to file an interlocutory appeal, which was filed by writ petition on October 14, 2015. On January 14, 2016, the Court of Appeals denied the JDG’s writ petition thereby denying the interlocutory appeal so that the case stays with the trial court.

On February 16, 2016, the Plaintiff filed a motion for summary adjudication arguing that based upon facts that had been stipulated by the JDG, the Plaintiff had proven its prima facie case and all that remains is a determination of whether any affirmative defenses are available to Defendants. On March 16, 2016, the Court reinstated the stay on discovery for all parties except for the four largest defendants. Following a hearing on April 20, 2016, the Court granted Plaintiff’s motion for summary adjudication on its prima facie case. Plaintiff filed its motion for summary adjudication of affirmatives defenses on May 16, 2016. At the August 19, 2016 hearing on Plaintiff’s motion for summary adjudication (and the JDG’s opposition), the Court denied Plaintiff’s motion, thus maintaining the ability of the JDG to defend the issues at trial. On October 7, 2016, the Court continued the Plaintiff’s motion for preliminary injunction until the trial for Phase 2.

In November 2016, the parties pursued mediation, but were not able to resolve the dispute.

In December 2016, discovery resumed for all defendants. Depositions of “person most knowledgeable” witnesses for each defendant in the JDG commenced in late December and proceeded through early 2017, followed by new interrogatories served upon the defendants. The Court set a fact and discovery cutoff of May 31, 2017 and an expert discovery cutoff of August 4, 2017. Depositions of expert witnesses were completed by the end of July 2017. On July 6, 2017, the Court held hearings on a number of discovery motions and denied Plaintiff’s motion for sanctions as to all the defendants.

At a final case management conference on August 21, 2017 the Court set August 31, 2017 as the new trial date for Phase 2, though later changed the starting date for trial to September 5, 2017. The Court elected to break up trial for Phase 2 into two segments, the first focused on liability and the second on remedies. After 14 days at trial, both sides rested on the liability segment, and the Court set a date of November 21, 2017 for the hearing for all evidentiary issues related to this liability segment. The Court also set deadlines for evidentiary motions, issues for oral argument, and oppositions to motions. This hearing date was subsequently moved to January 19, 2018.

On March 28, 2018, the Court issued a proposed statement of decision in favor of Plaintiff. Following evaluation of the parties' objections to the proposed statement of decision, the Court issued its final statement of decision on May 7, 2018 which was substantively similar to the proposed statement from March 2018. The issuance of a final statement of decision does not itself cause or order any remedy, such as any requirement to use a warning notice. Any such remedy, including any monetary damages or fee awards, would be resolved in Phase 3 of the trial.

On June 15, 2018, California’s Office of Environmental Health Hazard Assessment (OEHHA) announced its proposal of a regulation that would establish, for the purposes of Proposition 65, that chemicals present in coffee as a result of roasting or brewing pose no significant risk of cancer. If adopted, the regulation would, among other things, mean that Proposition 65 warnings would generally not be required for coffee. Plaintiff had earlier filed a motion for permanent injunction, prior to OEHHA’s announcement, asking that the Court issue an order requiring defendants to provide cancer warnings for coffee or remove the coffee products from store shelves in California. The JDG petitioned the Court to (1) renew and reconsider the JDG’s First Amendment defense from Phase 1 based on a recent U.S. Supreme Court decision in a First Amendment case that was decided in the context of Proposition 65; (2) vacate the July 31, 2018 hearing date and briefing schedule for Plaintiff’s permanent injunction motion; and (3) stay all further proceedings pending the conclusion of the rulemaking process for OEHHA’s proposed regulation. On June 25, 2018, the Court denied the JDG’s motion to vacate the hearing on Plaintiff’s motion for permanent injunction and added the motion to stay to the July 31, 2018 docket to be heard. At the July 31st hearing, the Court granted the JDG’s application and agreed to continue the hearing on all motions to September 6, 2018.

At the September 6, 2018 hearing, the Court denied the JDG’s First Amendment motion, and denied the motion to stay pending conclusion of OEHHA’s rulemaking process. The Plaintiff agreed to have the permanent injunction motion continued until after the remedies phase of the trial. The Court set the “Phase 3” remedies trial phase to begin on October 15, 2018.

On September 20, 2018, the JDG filed a writ petition with the California Court of Appeals, Second Appellate District, to set aside the lower court’s order denying the JDG’s motion to renew or reopen its First Amendment defense to the imposition of a cancer warning for their coffee products, or, alternatively, to set aside its order dated September 6, 2018, denying the JDG’s motion to stay this action pending adoption by the OEHHA of the proposed regulation. On October 12, 2018, the Court of Appeals issued a Temporary Stay Order. The Temporary Stay Order ordered the Phase 3 remedies trial be stayed until further notice and did not address the JDG’s First Amendment defense petition. The Court of Appeals also required the JDG to provide a written status update by January 15, 2019. Following the issuance of the Court of Appeal’s Temporary Stay Order, on October 15, 2018, the trial court issued a Notice of Court’s Ruling staying any further proceedings, including both remedies and liability, pending a ruling by the Court of Appeals.

At a December 3, 2018 status conference, the Court continued its stay on the Phase 3 remedies trial. The Court set another status conference for February 4, 2019 and asked that the JDG submit a joint status report on appellate activities by January 28, 2019.

The JDG provided their written status update to the Court of Appeals timely on January 15, 2019, which update reported that OEHHA had submitted the final regulation (unchanged from its proposed rulemaking) to the California Office of Administrative Law (OAL) for review. The OAL has 30 working days (until February 19, 2019) to approve, reject, or submit questions to OEHHA concerning the regulation. If OAL approves the regulation, it would submit for publication in the April 1, 2019 update to the California Code of Regulations, at which point it is expected that it would become effective. On January 31, 2019, the Court of Appeals continued its Temporary Stay Order and required the JDG to provide a written update by April 15, 2019.

At this time, 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. Subsequent Events

Boyd Coffee Working Capital Settlement and Multiemployer Plan Holdback

On October 2, 2017, the Company acquired substantially all of the assets and certain specified liabilities of Boyd Coffee. The fair value of consideration transferred reflected the Company's best estimate of the post-closing net working capital adjustment of $(8.1) million at June 30, 2018 when the purchase price allocation was finalized.

On January 23, 2019, 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 finally determined by the Independent Expert, is $(6.3) million. Under the terms of the Asset Purchase Agreement, the Seller is required to pay the Company the absolute value of this amount by wire transfer of immediately available funds or, at the option of the Company, the Company may retain the Holdback Cash Amount or the Holdback Stock to satisfy all or any portion of such deficiency, or net such deficiency against certain amounts otherwise due to the Seller under the Asset Purchase Agreement. The parties are currently discussing funding methods of the working capital shortfall along with the Company's other indemnity claims. The parties have not yet agreed on whether this deficiency will be settled in cash or through retention of the Holdback Cash Amount and Holdback Stock. Due to unfavorable conversion pricing specified in the Asset Purchase Agreement for using the Holdback Stock to settle amounts owed, the agreed upon funding method may impact the amount of the working capital shortfall realized upon final resolution.

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 paid from the Multiemployer Plan Holdback. The Company expects to retain and apply the remaining amount of the Multiemployer Plan Holdback of $0.5 million toward satisfying the Seller's post-closing net working capital deficiency under the Asset Purchase Agreement.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Certain statements contained in this Quarterly Report on Form 10-Q are not based on historical fact and are forward-looking statements within the meaning of federal securities laws and regulations. These statements are based on management’s current expectations, assumptions, estimates and observations of future events and include any statements that do not directly relate to any historical or current fact; actual results may differ materially due in part to the risk factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2018 filed with the Securities and Exchange Commission (the “SEC”) on September 13, 2018 (the “2018 Form 10-K”) and Part II, Item 1A of this report. These forward-looking statements can be identified by the use of words like “anticipates,” “estimates,” “projects,” “expects,” “plans,” “believes,” “intends,” “will,” “could,” “assumes” and other words of similar meaning. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. We intend these forward-looking statements to speak only at the time of this report and do not undertake to update or revise these statements as more information becomes available except as required under federal securities laws and the rules and regulations of the SEC. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, the success of the Corporate Relocation Plan, the timing and success of implementation of the DSD Restructuring Plan, the Company’s success in consummating acquisitions and integrating acquired businesses, the impact of capital improvement projects, the adequacy and availability of capital resources to fund the Company’s existing and planned business operations and the Company’s capital expenditure requirements, the relative effectiveness of compensation-based employee incentives in causing improvements in Company performance, the capacity to meet the demands of our large national account customers, the extent of execution of plans for the growth of Company business and achievement of financial metrics related to those plans, the success of the Company to retain and/or attract qualified employees, the effect of the capital markets as well as other external factors on stockholder value, fluctuations in availability and cost of green coffee, competition, organizational changes, the effectiveness of our hedging strategies in reducing price risk, changes in consumer preferences, our ability to provide sustainability in ways that do not materially impair profitability, changes in the strength of the economy, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, as well as other risks described in this report and other factors described from time to time in our filings with the SEC. The results of operations for the three and six months ended December 31, 2018 are not necessarily indicative of the results that may be expected for any future period.

Business Overview

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. 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. 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 roasted 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, Texas (the “New Facility”); Houston, Texas; Portland, Oregon; and Hillsboro, Oregon. Distribution takes place out of the Northlake, Portland and Hillsboro facilities, as well as separate distribution centers in Northlake, Illinois; Moonachie, New Jersey; and Scottsdale, Arizona. Our products reach our customers primarily in the following ways: through our nationwide Direct Store Delivery (“DSD”) network of 386 delivery routes and 106 branch warehouses as of December 31, 2018, or direct-shipped via common carriers or third-party distributors. DSD sales are 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, and we rely on third-party logistics service providers for our long-haul distribution.

Results of Operations

Changes in Accounting Principles and Corrections to Previously Issued Financial Statements

As discussed in Note 3, *Change in Accounting Principles and Corrections to Previously Issued Financial Statements*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report, prior period amounts recorded in our condensed consolidated financial statements have been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements, and the adoption of new accounting standards in the three and six months ended December 31, 2018 that required retrospective application. The discussion of our results of operations for the three and six months ended December 31, 2017 set forth below reflects these retrospective adjustments.

Financial Highlights

- Volume of green coffee pounds processed and sold decreased (5.8)% and increased 1.0% in the three and six months ended December 31, 2018, respectively, as compared to the three and six months ended December 31, 2017.

- Gross profit decreased $(3.0) million to $53.2 million in the three months ended December 31, 2018 from $56.3 million in the three months ended December 31, 2017. Gross profit decreased $(0.9) million to $101.5 million in the six months ended December 31, 2018, from $102.4 million in the six months ended December 31, 2017.

- Gross margin decreased to 33.3% and 33.0%, respectively, in the three and six months ended December 31, 2018, from 33.6% and 34.2%, respectively, in the three and six months ended December 31, 2017.

- Income (loss) from operations was $0.5 million and $(1.6) million, respectively, in the three and six months ended December 31, 2018 as compared to income from operations of $10,000 and $1.9 million, respectively, in the three and six months ended December 31, 2017.

- Net loss available to common stockholders was $(10.2) million, or $(0.60) per common share available to common stockholders—diluted, in the three months ended December 31, 2018, compared to net loss available to common stockholders of $(17.2) million, or $(1.03) per common share available to common stockholders—diluted, in the three months ended December 31, 2017. Net loss available to common stockholders was $(13.4) million, or $(0.79) per common share available to common stockholders—diluted, in the six months ended December 31, 2018, compared to net loss available to common stockholders of $(16.3) million, or $(0.98) per common share available to common stockholders—diluted, in the six months ended December 31, 2017.

- EBITDA decreased (136.8)% to $(3.2) million and EBITDA Margin was (2.0)% in the three months ended December 31, 2018, as compared to EBITDA of $8.7 million and EBITDA Margin of 5.2% in the three months ended December 31, 2017. EBITDA decreased (91.8)% to $1.5 million and EBITDA Margin was 0.5% in the six months ended December 31, 2018, as compared to EBITDA of $17.9 million and EBITDA Margin of 6.0% in the six months ended December 31, 2017.*

- Adjusted EBITDA increased 18.4% to $12.4 million and Adjusted EBITDA Margin was 7.8% in the three months ended December 31, 2018, as compared to Adjusted EBITDA of $10.5 million and Adjusted EBITDA Margin of 6.3% in the three months ended December 31, 2017. Adjusted EBITDA increased 1.9% to $23.4 million and Adjusted EBITDA Margin was 7.6% in the six months ended December 31, 2018, as compared to Adjusted EBITDA of $23.0 million and Adjusted EBITDA Margin of 7.7% in the six months ended December 31, 2017.*

- (* 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.)

Net Sales

Net sales in the three months ended December 31, 2018 decreased $(7.6) million, or (4.5)%, to $159.8 million from $167.4 million in the three months ended December 31, 2017 due to a $(5.2) million decrease in net sales of roasted coffee products, a $(2.5) million decrease in net sales of other beverages, a $(0.6) million decrease in net sales of culinary products, and a $(0.3) million decrease in net sales of spice products, offset by a $0.9 million increase in net sales of tea products. The decline was driven primarily by lower volume in our direct ship business, the impact of lower coffee prices for our cost plus customers, a reduction in industrial soup base revenues associated with the Boyd Business acquisition which we stopped selling in the first quarter of the current fiscal year, and a decline in revenues sold through our DSD network. Net sales in the three months ended December 31, 2018 included $(1.0) 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 $(0.4) million in price decreases to customers utilizing such arrangements in the three months ended December 31, 2017.

Net sales in the six months ended December 31, 2018 increased $8.1 million, or 2.7%, to $307.2 million from $299.1 million in the six months ended December 31, 2017 due to a $7.3 million increase in net sales of roasted coffee products, a $2.1 million increase in net sales of tea products, a $1.7 million increase in net sales of culinary products, and a $0.7 million increase in net sales of frozen liquid coffee, offset by a $(3.3) million decrease in net sales of other beverages and a $(0.4) million decrease in net sales of spice products. The increase in net sales was primarily due to the addition of net sales from the Boyd Business for a full six month period, which were $44.6 million for the six months ended December 31, 2018 as compared to $26.3 million for the six months ended December 31, 2017. This increase was offset by a $(10.7) million decline in net sales primarily due to lower volume in our direct ship business, a decline in revenues sold through our DSD network, and the impact of pricing to our cost plus customers. Net sales in the six months ended December 31, 2018 included $(3.0) 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 $0.5 million in price increases to customers utilizing such arrangements in the six months ended December 31, 2017.

The changes in net sales in the three and six months ended December 31, 2018 compared to the same periods in the prior fiscal year were due to the following:

(In millions)	Three Months Ended December 31, 2018 vs. 2017	Six Months Ended December 31, 2018 vs. 2017
Effect of change in unit sales	$ (11.6)	$ 2.2
Effect of pricing and product mix changes	4.0	5.9
Total (decrease) increase in net sales	$ (7.6)	$ 8.1

Unit sales decreased (6.8)% while average unit price increased by 2.4% in the three months ended December 31, 2018 as compared to the same period in the prior fiscal year, resulting in a decrease in net sales of (4.5)%.

The decrease in unit sales was primarily due to a (31.9)% decrease in unit sales of spice products, a (14.1)% decrease in unit sales of other beverages, a (11.7)% decrease in unit sales of culinary products, a (9.1)% decrease in unit sales of frozen liquid coffee products, and a (5.8)% decrease in unit sales of roasted coffee products, offset by a 10.7% increase in unit sales of tea products. The decrease in unit sales was primarily due to lower volume in our direct ship business and a decline in revenues sold through our DSD network. Average unit price increased in the three months ended December 31, 2018 primarily due to price increases on the majority of our products. In the three months ended December 31, 2018, we processed and sold approximately 27.4 million pounds of green coffee as compared to approximately 29.1 million pounds of green coffee processed and sold in the three months ended December 31, 2017. There were no new product category introductions in the three months ended December 31, 2018 or 2017 which had a material impact on our net sales.

Unit sales increased 0.7% and average unit price increased by 2.0% in the six months ended December 31, 2018 as compared to the same period in the prior fiscal year, resulting in an increase in net sales of 2.7%. The increase in unit sales was primarily due to a 21.1% increase in unit sales of frozen liquid coffee products, an 8.9% increase in unit sales of tea products, a 1.0% increase in unit sales of roasted coffee products, and a 0.8% increase in unit sales of culinary products, offset by a (20.4)% decrease in unit sales of spice products and a (4.9)% decrease in unit sales of other beverages. The increase in unit sales was primarily due to the addition of the Boyd Business which is fully reflected in the six months ended December 31, 2018 compared to only three months of Boyd Business operations in the six months ended December 31, 2017, offset by lower volume in our direct ship business and a decline in revenues sold through our DSD network. Average unit price increased in the six months ended December 31, 2018 primarily due to price increases on the majority of our products. There were no new product category introductions in the six months ended December 31, 2018 or 2017 which had a material impact on our net sales.

The following tables present net sales aggregated by product category for the respective periods indicated:

	Three Months Ended December 31,			
	2018		2017	
(In thousands)	$	% of total	$	% of total
Net Sales by Product Category:				
Coffee (Roasted)	$ 99,286	62%	$ 104,457	62%
Coffee (Frozen Liquid)	9,318	6%	9,326	6%
Tea (Iced & Hot)	8,651	5%	7,751	5%
Culinary	16,795	10%	17,376	10%
Spice	6,002	4%	6,333	4%
Other beverages(1)	18,915	12%	21,429	13%
Net sales by product category	158,967	99%	166,672	100%
Fuel surcharge	806	1%	694	—%
Net sales	$ 159,773	100%	$ 167,366	100%

(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.

	Six Months Ended December 31,			
	2018		2017	
(In thousands)	$	% of total	$	% of total
Net Sales by Product Category:				
Coffee (Roasted)	$ 194,640	63%	$ 187,340	63%
Coffee (Frozen Liquid)	17,874	6%	17,150	6%
Tea (Iced & Hot)	17,555	6%	15,423	5%
Culinary	32,789	11%	31,139	10%
Spice	12,160	4%	12,607	4%
Other beverages(1)	30,541	10%	34,035	11%
Net sales by product category	305,559	100%	297,694	99%
Fuel surcharge	1,654	—%	1,385	1%
Net sales	$ 307,213	100%	$ 299,079	100%

(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.

Cost of Goods Sold

Cost of goods sold in the three months ended December 31, 2018 decreased $(4.6) million, or (4.1)%, to $106.5 million, or 66.7% of net sales, from $111.1 million, or 66.4% of net sales, in the three months ended December 31, 2017. The decrease in cost of goods sold was primarily due to a decrease in net sales of $(7.6) million between the periods, partially offset by an increase in coffee brewing equipment expenses. Expenses related to coffee brewing equipment provided to customers included in cost of goods sold in the three months ended December 31, 2018 and 2017 were $8.4 million and $7.1 million, respectively. Notwithstanding the decrease in cost of goods sold, cost of goods sold as a percentage of net sales increased in the three months ended December 31, 2018 primarily due to higher manufacturing costs associated with the production operations in the New Facility and higher depreciation expense for the New Facility, offset by lower green coffee costs and increased product pricing within our DSD network . The average Arabica "C" market price of green coffee decreased 5.2% in the three months ended December 31, 2018.

Cost of goods sold in the six months ended December 31, 2018 increased $9.0 million, or 4.6%, to $205.7 million, or 67.0% of net sales, from $196.7 million, or 65.8% of net sales, in the six months ended December 31, 2017. The increase in cost of goods sold was primarily due to an increase in net sales of $8.1 million between the periods, including the addition of the Boyd Business for the full six month period which increased cost of goods sold by $33.2 million. In addition, we realized higher coffee brewing equipment expenses, freight, and manufacturing costs associated with the production operations in the New Facility, as well as higher depreciation expense for the New Facility, offset by lower green coffee costs. The average Arabica "C" market price of green coffee decreased 6.7% in the six months ended December 31, 2018.

Gross Profit

Gross profit in the three months ended December 31, 2018 decreased $(3.0) million, or (5.4)%, to $53.2 million from $56.3 million in the three months ended December 31, 2017 and gross margin decreased to 33.3% in the three months ended December 31, 2018 from 33.6% in the three months ended December 31, 2017. The decrease in gross profit for the three months ended December 31, 2018 was primarily due to higher coffee brewing equipment costs associated with increased installation activity during the period, higher freight costs and higher production costs, offset by higher product margins which were driven by lower coffee prices and increased product pricing within our DSD network.

Gross profit in the six months ended December 31, 2018 decreased $(0.9) million, or (0.9)%, to $101.5 million from $102.4 million in the six months ended December 31, 2017 and gross margin decreased to 33.0% in the six months ended December 31, 2018 from 34.2% in the six months ended December 31, 2017. The decrease in gross profit for the six months ended December 31, 2018 was primarily due to higher coffee brewing equipment costs associated with increased installation activity during the period, higher production cost, and higher freight costs.

Operating Expenses

In the three months ended December 31, 2018, operating expenses decreased $(3.5) million, or (6.3)%, to $52.7 million, or 33.0% of net sales, from $56.3 million, or 33.6% of net sales, in the three months ended December 31, 2017, primarily due to a $2.5 million decrease in selling expenses and a $2.2 million decrease in general and administrative expenses. The decrease in selling expenses was associated with headcount reductions and other efficiencies from DSD route optimization and the decrease in general and administrative expenses was associated with synergies achieved though the Boyd Business acquisition and the conclusion of the transition services and co-manufacturing agreements with Boyd Coffee at the beginning of October 2018, offset by higher acquisition and integration costs and bad debt expense. Net gains from sales of assets in the second quarter of fiscal 2019 included $0.1 million in earnout from the sale of spice assets and net losses of $0.9 million from sales of other assets, primarily associated with the Boyd Coffee plant decommissioning, as compared to $0.4 million in earnout from the sale of spice assets and net losses of $0.1 million from sales of other assets in the prior year period.

In the six months ended December 31, 2018, operating expenses increased $2.5 million, or 2.5%, to $103.1 million, or 33.5% of net sales, from $100.5 million, or 33.6% of net sales, in the six months ended December 31, 2017, primarily due to a $1.9 million increase in selling expenses and a $4.4 million increase in restructuring and other transition expenses, partially offset by a $4.9 million reduction in general and administrative expenses. The increase in selling expenses was primarily due to the addition of the Boyd Business which added $3.7 million to selling expenses exclusive of related depreciation and amortization expense, and an increase of $0.8 million in depreciation and amortization expense, offset by lower headcount and DSD route optimization.

The decrease in general and administrative expenses during the six months ended December 31, 2018 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 at the beginning of October 2018, offset by higher acquisition and integration costs and bad debt expense. In the six months ended December 31, 2018, we paid Boyd Coffee a total of $3.7 million for services under these agreements, as compared to $9.2 million paid for such services in the six months ended December 31, 2017.

Net gains from sales of assets in the six months ended December 31, 2018 included $0.4 million in earnout from the sale of spice assets and net losses of $1.1 million from sales of other assets, primarily associated with the Boyd Coffee plant decommissioning, as compared to $0.5 million in earnout from the sale of spice assets and net losses of $0.1 million from sales of other assets in the prior year period.

Restructuring and other transition expenses in the six months ended December 31, 2018 increased $4.4 million, as compared to the same period in the prior fiscal year. This increase included $3.4 million, including interest, assessed by the Western Conference of Teamsters Pension Trust (the “WC Pension Trust”) in the six months ended December 31, 2018, 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 six months ended December 31, 2018, we incurred $1.4 million in restructuring and other transition expenses, primarily employee-related costs, associated with the DSD Restructuring Plan, as compared to $0.2 million in restructuring and other transition expenses associated with the DSD Restructuring Plan in the three months ended December 31, 2017.

Income (Loss) from Operations

Income from operations in the three months ended December 31, 2018 was $0.5 million as compared to $10,000 in the three months ended December 31, 2017. The increase of $0.5 million was primarily driven by lower operating expenses, partially offset by lower gross profit.

Loss from operations in the six months ended December 31, 2018 was $(1.6) million as compared to income from operations of $1.9 million in the six months ended December 31, 2017. Loss from operations in the six months ended December 31, 2018 was primarily due to higher restructuring and other transition expenses related to the withdrawal liability from the WCTPP associated with the Corporate Relocation Plan and employee-related costs associated with the DSD Restructuring Plan, higher acquisition and integration costs associated with the Boyd Business acquisition, and lower gross profit, partially offset by lower general and administrative expenses primarily due to conclusion of the transition services and co-manufacturing agreements with Boyd Coffee.

Total Other Expense

Total other expense in the three and six months ended December 31, 2018 was $(13.3) million and $(15.5) million compared to $(0.3) million and $(0.7) million in the three and six months ended December 31, 2017. The change in total other expense in the three and six months ended December 31, 2018 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 pension settlement charge incurred in the three and six months ended December 31, 2018 of $10.9 million was due to the termination of the Farmer Bros. Co. Pension Plan for Salaried Employees effective December 1, 2018. By terminating the Farmer Bros. Plan, we reduced our overall pension projected benefit obligation by approximately $24.4 million. The $10.9 million pension settlement charge is non-cash. 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 three months ended December 31, 2018 increased $0.8 million to $3.3 million from $2.5 million in the prior year period. Interest expense in the six months ended December 31, 2018 increased $1.5 million to $6.2 million as compared to $4.7 million in the prior year period. The increase in interest expense in the three and six months ended December 31, 2018 was principally due to higher outstanding borrowings on our revolving credit facility primarily related to the Boyd Business acquisition and the write-off of deferred financing costs associated with the ending of our prior credit facility which was replaced with a new facility in November 2018.

Other, net in the three months ended December 31, 2018 decreased by $1.3 million from $1.0 million in the three months ended December 31, 2018 from $2.2 million in the prior year period. Other, net decreased by $2.4 million to $1.6

million in the three months ended December 2018 from $4.0 million in the prior year period. The decrease in Other, net in the three and six months ended December 31, 2018 was primarily due to increased mark-to-market losses on coffee-related derivative instruments not designated as accounting hedges.

Interest expense included $1.6 million in pension related interest expense in each of the three months ended December 31, 2018 and 2017, and $3.3 million in each of the six months ended December 31, 2018 and 2017, resulting from the adoption of ASU 2017-07. Other, net included pension investment returns of $1.8 million and $1.7 million in the three months ended December 31, 2018 and 2017, respectively, and $3.5 million and $3.3 million in the six months ended December 31, 2018 and 2017, respectively, resulting from the adoption of ASU 2017-07. See Note 2, *Summary of Significant Accounting Policies-Recently Adopted Accounting Standards*, and Note 3, *Changes in Accounting Principles and Corrections to Previously Issued Financial Statements,"* of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

Income Taxes

In the three and six months ended December 31, 2018, we recorded income tax benefit of $(2.7) million and $(4.0) million, respectively, compared to income tax expense of $16.8 million and $17.4 million in the three and six months ended December 31, 2017, respectively. The decrease in income taxes was primarily a result of the change in (loss) income before income taxes and the reduction in deferred tax assets recorded in the three months ended December 31, 2018 associated with the Tax Cut and Jobs Act of 2017 which lowered the federal corporate tax rate to 21.0%. See Note 18, *Income Taxes*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

Net Loss Available to Common Stockholders

As a result of the foregoing factors, net loss was $(10.1) million in the three months ended December 31, 2018 as compared to net loss of $(17.1) million in the three months ended December 31, 2017. Net loss available to common stockholders was $(10.2) million, or $(0.60) per common share available to common stockholders—diluted, in the three months ended December 31, 2018, compared to net loss available to common stockholders of $(17.2) million, or $(1.03) per common share available to common stockholders—diluted, in the three months ended December 31, 2017. Net loss was $(13.1) million in the six months ended December 31, 2018 as compared to net loss of $(16.2) million in the six months ended December 31, 2017. Net loss available to common stockholders was $(13.4) million, or $(0.79) per common share available to common stockholders—diluted, in the six months ended December 31, 2018, compared to net loss available to common stockholders of $(16.3) million, or $(0.98) per common share available to common stockholders—diluted, in the six months ended December 31, 2017.

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;
- net gains and losses from sales of assets;
- non-cash pension settlement charges; and
- acquisition and integration 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) the Corporate Relocation Plan, consisting primarily of 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) the DSD Restructuring Plan, consisting primarily of 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.

Beginning in the first quarter of fiscal 2019, 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 because such interest expense is not reflective of our ongoing operating results. See Note 2, *Summary of Significant Accounting Policies--Recently Adopted Accounting Standards*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

In the second quarter of fiscal 2019, we modified the calculation of Adjusted EBITDA and Adjusted EBITDA Margin to exclude a non-cash pretax pension settlement charge resulting from the amendment and termination of the Farmer Bros. Plan effective December 1, 2018. This modification to our non-GAAP financial measures was made because such expenses are not reflective of our ongoing operating results and adjusting for them will help investors with comparability of our 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.

Prior year periods set forth in the tables below have been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements, and the adoption of new accounting standards in the three and six months ended December 31, 2018 that required retrospective application. See Note 3, *Changes in Accounting Principles and Corrections to Previously Issued Financial Statements*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	**2018**	**2017**	**2018**	**2017**
Net loss, as reported	$ (10,100)	$ (17,060)	$ (13,086)	$ (16,220)
Income tax (benefit) expense	(2,725)	16,788	(4,012)	17,380
Interest expense (1)	1,735	861	2,938	1,384
Depreciation and amortization expense	7,902	8,077	15,630	15,330
EBITDA	$ (3,188)	$ 8,666	$ 1,470	$ 17,874
EBITDA Margin	(2.0)%	5.2%	0.5%	6.0%

(1) Excludes interest expense of $1.6 million in each of the three months ended December 31, 2018 and 2017, and $3.3 million in each of the six months ended December 31, 2018 and 2017, resulting from the adoption of ASU 2017-07. See Note 2, *Summary of Significant Accounting Policies--Recently Adopted Accounting Standards*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	**2018**	**2017**	**2018**	**2017**
Net loss, as reported	$ (10,100)	$ (17,060)	$ (13,086)	$ (16,220)
Income tax (benefit) expense	(2,725)	16,788	(4,012)	17,380
Interest expense(1)	1,735	861	2,938	1,384
Depreciation and amortization expense	7,902	8,077	15,630	15,330
ESOP and share-based compensation expense	945	1,038	1,857	1,844
Restructuring and other transition expenses(2)	207	139	4,674	259
Net gains from sale of spice assets	(138)	(395)	(390)	(545)
Net losses from sales of other assets	942	91	1,113	144
Acquisition and integration costs	2,727	971	3,738	3,382
Pension settlement charge	10,948	—	10,948	—
Adjusted EBITDA	$ 12,443	$ 10,510	$ 23,410	$ 22,958
Adjusted EBITDA Margin	7.8%	6.3%	7.6%	7.7%

(1) Excludes interest expense of $1.6 million in each of the three months ended December 31, 2018 and 2017, and $3.3 million in each of the six months ended December 31, 2018 and 2017, resulting from the adoption of ASU 2017-07. See

Note 2, *Summary of Significant Accounting Policies--Recently Adopted Accounting Standards*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

(2) In the six months ended December 31, 2018, 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 in the six months ended December 31, 2018.

Liquidity, Capital Resources and Financial Condition

Revolving Credit Facility

On November 6, 2018 (the "Closing Date"), we entered into a new $150.0 million senior secured revolving credit facility (the "New Revolving Facility") with Bank of America, N.A, Citibank, N.A., JPMorgan Chase Bank, N.A., PNC Bank, National Association, Regions Bank, and SunTrust Bank, with a sublimit on letters of credit and swingline loans of $15.0 million each. The New Revolving Facility includes an accordion feature whereby we may increase the revolving commitments or enter into one or more tranches of incremental term loans, up to an additional $75.0 million in aggregate of increased commitments and incremental term loans, subject to certain conditions. The commitment fee is based on a leverage grid and ranges from 0.20% to 0.40%. Borrowings under the New Revolving Facility bear interest based on a leverage grid with a range of PRIME + 0.25% to PRIME + 0.875% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 1.875%. Under the New Revolving Facility, we are subject to a variety of affirmative and negative covenants of types customary in a senior secured lending facility, including financial covenants relating to leverage and interest expense coverage. We are 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 New Revolving Facility matures on November 6, 2023, subject to the ability for the Company (subject to certain conditions) to agree with lenders who so consent to extend the maturity date of the commitments of such consenting lenders for a period of one year, such option being exercisable not more than two times during the term of the facility.

The New Revolving Facility replaced, by way of amendment and restatement, our senior secured revolving credit facility (the "Prior Revolving Facility") with JPMorgan Chase Bank, N.A. and SunTrust Bank, with revolving commitments of $125.0 million as of September 30, 2018 and $135.0 million as of October 18, 2018 (the "Third Amendment Effective Date"), subject to an accordion feature. Under the Prior Revolving Facility, as amended, advances were based on our eligible accounts receivable, eligible inventory, eligible equipment, the value of certain real property and trademarks, and an amount based on the lesser of $10.0 million (subject to monthly reduction) and the sum of certain eligible accounts and eligible inventory, less required reserves. The commitment fee was a flat fee of 0.25% per annum irrespective of average revolver usage. Outstanding obligations were collateralized by all of our assets, excluding, amongst other things, certain real property not included in the borrowing base. Borrowings under the Prior Revolving Facility bore interest based on average historical excess availability levels with a range of PRIME - 0.25% to PRIME + 0.50% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 2.00%; provided, that, after the Third Amendment Effective Date, (i) until March 31, 2019 the applicable rate was PRIME + 0.25% or Adjusted LIBO Rate + 1.75%; and (ii) loans up to certain formula amounts were subject to an additional margin ranging from 0.375% to 0.50%. The Prior Revolving Facility included a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including a financial covenant relating to the maintenance of a fixed charge coverage ratio, and provided for customary events of default.

At December 31, 2018, we were eligible to borrow up to a total of $150.0 million under the New Revolving Facility and had outstanding borrowings of $130.0 million and utilized $2.0 million of the letters of credit sublimit. At December 31, 2018, the weighted average interest rate on our outstanding borrowings under the New Revolving Facility was 3.94%. At December 31, 2018, we were in compliance with all of the covenants under the New Revolving Facility.

At February 8, 2019, we were eligible to borrow up to a total of $150.0 million under the New Revolving Facility and had outstanding borrowings of $140.0 million and utilized $2.0 million of the letters of credit sublimit.

We classify borrowings contractually due to be settled one year or less as short-term and more than one year as long-term. We classify outstanding borrowings as short-term or long-term based on our ability and intent to pay or refinance the outstanding borrowings on a short-term or long-term basis. Outstanding borrowings under our revolving credit facility were classified on our consolidated balance sheets as "Long-term borrowings under revolving credit facility" at December 31, 2018 and "Short-Term borrowings under revolving credit facility" at June 30, 2018.

Liquidity

We generally finance our operations through cash flows from operations and borrowings under our revolving credit facility described above. 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. We believe our New 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 December 31, 2018, we had $13.3 million in cash and cash equivalents. At December 31, 2018, none of the cash in our 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 our broker and counterparty agreements and may adversely affect our liquidity.

Changes in Cash Flows

Net cash used in operating activities was $5.6 million in the six months ended December 31, 2018 compared to net cash used in operating activities of $1.5 million in the six months ended December 31, 2017. Net cash used in operating activities in the six months ended December 31, 2018 was primarily due to increases in accounts and notes receivable balances and inventory purchases, offset by increases in accounts payable. The increase in accounts receivables was primarily due to increased past due receivables from several large direct ship customers and a lower recovery rate of collections. The increase in accounts payable was primarily due to higher inventory levels associated with the integration of the Boyd Business and higher acquisition and integration costs incurred during the six months ended December 31, 2018 associated with the one-time payroll and benefit expenses, and Boyd Coffee plant decommissioning and equipment relocation costs. Net cash used in operating activities in the six months ended December 31, 2017 was primarily due to a higher level of cash outflows from operating activities primarily due to an increase in inventory balances and payment of accounts payable balances, and lower cash inflows from operations due to an increase in accounts receivable balances. The increase in cash outflows was primarily related to the addition of the Boyd Business as well as softer than expected sales resulting in higher inventories.

Net cash used in investing activities during the six months ended December 31, 2018 was $23.0 million as compared to $55.8 million in the six months ended December 31, 2017, a decrease of $32.8 million. 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 six months ended December 31, 2018 we had purchases of property, plant and equipment of $23.1 million, which included $10.6 million for machinery and equipment relating to the Expansion Project, and $12.6 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.

Net cash provided by financing activities in the six months ended December 31, 2018 was $39.6 million as compared to $56.5 million in the six months ended December 31, 2017, a decrease of $16.9 million. Net cash provided by financing activities in the six months ended December 31, 2018 included $40.2 million in net borrowings under our New Revolving Facility and Prior Revolving Facility, compared to $56.8 million in net borrowings under the Prior Revolving Facility in the six months ended December 31, 2017.

Acquisitions

On October 2, 2017, we acquired substantially all of the assets and certain specified liabilities of Boyd Coffee Company ("Boyd Coffee"), a coffee roaster and distributor with a focus on restaurants, hotels, and convenience stores on the West Coast of the United States, in consideration of cash and preferred stock. The acquired business of Boyd Coffee (the "Boyd Business") is expected to add to our product portfolio, improve our growth potential, deepen our distribution footprint and increase our capacity utilization at our production facilities. At closing, for consideration of the purchase, we paid Boyd Coffee $38.9 million in cash from borrowings under our Prior Revolving Facility and issued to Boyd Coffee 14,700 shares of Series A 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, 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 working capital adjustments and to secure Boyd Coffee's (and the other seller parties') indemnification obligations under the purchase agreement. Any holdback amounts not used to satisfy indemnification claims (including pending claims) will be released to the seller on the 18-month anniversary of the closing date.

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 was recorded in "Other current liabilities" and "Other long-term liabilities" on our consolidated balance sheets at December 31, 2018 and June 30, 2018, respectively. 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 paid from the Multiemployer Plan Holdback. See Note 23, *Subsequent Events*, of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this report.

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 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. See Note 23, *Subsequent Events*, of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this report.

At closing, the parties entered into a transition services agreement where Boyd Coffee agreed to provide certain accounting, marketing, human resources, information technology, sales and distribution and other administrative support during a transition period of up to 12 months. We also entered into a co-manufacturing agreement with Boyd Coffee for a transition period of up to 12 months as we transitioned production into our plants. Amounts paid by the Company to Boyd Coffee for these services totaled $3.7 million in the three and six months ended December 31, 2018, and $9.2 million in the three and six months ended December 31, 2017. The transition services and co-manufacturing agreements expired on October 2, 2018.

We incurred acquisition and integration costs related to the Boyd Business acquisition, consisting primarily of legal and consulting expenses, Boyd Coffee plant decommissioning and equipment relocation costs, and one-time payroll and benefit expenses, of $2.7 million and $1.0 million, respectively, during the three months ended December 31, 2018 and 2017, and $3.7 million and $3.4 million, respectively, during the six months ended December 31, 2018 and 2017. These expenses are included in operating expenses in the Company's condensed consolidated statements of operations.

See Note 4, *Acquisitions*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

DSD Restructuring Plan

As a result of an ongoing operational review of various initiatives within our DSD selling organization, in the third quarter of fiscal 2017, we commenced a plan to reorganize our 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 "DSD Restructuring Plan"). We estimate that we will recognize approximately $4.9 million of pretax restructuring charges by the end of fiscal 2019 consisting of approximately $2.7 million in employee-related costs and contractual termination payments, including severance, prorated bonuses for bonus eligible employees and outplacement services, and $2.2 million in other related costs, including legal, recruiting, consulting, other professional services, and travel. We expect to complete the DSD Restructuring Plan by the end of fiscal 2019.

We incurred expenses related to the DSD Restructuring Plan in the amounts of $0.2 million and $0, in employee-related costs and $0 and $0.1 million, in other related costs for three months ended December 31, 2018 and 2017, respectively, and $1.2 million and $24,000, in employee-related costs and $0.2 million and $0.2 million, in other related costs for the six months ended December 31, 2018 and 2017, respectively. Since the adoption of the DSD Restructuring Plan through December 31, 2018, we have recognized a total of $4.5 million in aggregate cash costs including $2.5 million in employee-related costs, and $1.9 million in other related costs. As of December 31, 2018, we had paid a total of $4.2 million of these costs, and had a balance of $0.3 million in DSD Restructuring Plan-related liabilities on our condensed consolidated balance sheet. The remaining costs are expected to be incurred in the remainder of fiscal 2019. We may also incur other charges not currently contemplated due to events that may occur as a result of, or associated with, the DSD

Restructuring Plan. See Note 5, *Restructuring Plans-Direct Store Delivery ("DSD") Restructuring Plan*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

Corporate Relocation Plan

In the three and six months ended December 31, we incurred $3.4 million in restructuring and other transition expenses associated with the assessment by the WCTPP of our share of the WCTPP unfunded benefits due to our partial withdrawal from the WCTPP as a result of employment actions taken by the Company in 2016 in connection with the Corporate Relocation Plan. Since the adoption of the Corporate Relocation Plan through December 31, 2018, we have recognized a total of $35.2 million in aggregate cash costs including $17.4 million in employee retention and separation benefits, $3.4 million in pension withdrawal liability, $7.0 million in facility-related costs related to the temporary office space, costs associated with the move of the Company's headquarters, relocation of our Torrance operations and certain distribution operations and $7.4 million in other related costs. We also recognized from inception through December 31, 2018 non-cash depreciation expense of $2.3 million associated with the Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities and $1.4 million in non-cash rent expense recognized in the sale-leaseback of the Torrance Facility. See Note 5, *Restructuring Plans—Corporate Relocation Plan*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

New Facility Expansion Project

In the third quarter of fiscal 2018, we commenced a project to expand our production lines (the "Expansion Project") in the New Facility, including expanding capacity to support the transition of acquired business volumes under a guaranteed maximum price contract of up to $19.3 million. See Note 22, *Commitments and Contingencies*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

Capital Expenditures

For the six months ended December 31, 2018 and 2017, our capital expenditures paid were as follows:

	Six Months Ended December 31,	
(In thousands)	**2018**	**2017**
Maintenance:		
Coffee brewing equipment	$ 8,922	$ 4,816
Building and facilities	15	265
Vehicles, machinery and equipment	1,723	5,051
IT, software, office furniture and equipment	1,907	1,625
Capital expenditures, maintenance	$ 12,567	$ 11,757
Expansion Project:		
Machinery and equipment	$ 10,553	$ —
Capital expenditures, Expansion Project	$ 10,553	$ —
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	$ 23,120	$ 16,249

In fiscal 2019, we anticipate paying between $20 million to $22 million in maintenance capital expenditures to replace normal wear and tear of coffee brewing equipment and to support increased installation activity in the three and six months ended December 31, 2018, building and facilities, vehicles, machinery and equipment, and IT, software, office furniture and equipment. We expect to finance these expenditures through cash flows from operations and borrowings under our New Revolving Facility described above.

Depreciation and amortization expense was $15.6 million and $15.3 million in the six months ended December 31, 2018 and 2017, respectively. We anticipate our depreciation and amortization expense will be approximately $8.0 million to $8.5 million per quarter in the remainder of fiscal 2019 based on our existing fixed asset commitments and the useful lives of our intangible assets.

Working Capital

At December 31, 2018 and June 30, 2018, our working capital was composed of the following:

(In thousands)	December 31, 2018	June 30, 2018
Current assets	$ 215,982	$ 173,514
Current liabilities(1)	108,052	178,457
Working capital	$ 107,930	$ (4,943)

(1) Current liabilities includes short-term borrowings under the Prior Revolving Facility of $89.8 million as of June 30, 2018. Outstanding borrowings under our revolving credit facility were reclassified on our consolidated balance sheet from short-term to long-term at December 31, 2018.

Contractual Obligations

During the six months ended December 31, 2018, other than the following, there were no material changes in our contractual obligations.

In the three and six months ended December 31, 2018, we paid $8.2 and $10.6 million, respectively, for machinery and equipment expenditures associated with the Expansion Project. Since inception of the contract through December 31, 2018, we have paid a total of $18.9 million, with $36,000 to be paid in the remainder of fiscal 2019.

In connection with our partial withdrawal from the WCTPP, we agreed with the WCT Pension Trust's assessment of pension withdrawal liability in the amount of $3.4 million, including interest, which is payable in 17 monthly installments of $190,507 followed by a final monthly installment of $153,822, commencing September 10, 2018. At December 31, 2018, we had paid $0.8 million and recorded $2.6 million on our condensed consolidated balance sheet relating to this obligation, with the current portion included in "Accrued payroll expenses" and the long-term portion included in "Accrued pension liabilities."

Effective December 1, 2018 we amended and terminated the Farmer Bros. Plan. 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, we reduced our overall pension projected benefit obligation by approximately $24.4 million and recognized a non-cash pension settlement charge of $8.1 million after-tax ($10.9 million pretax) in the three and six months ended December 31, 2018. After the re-measurement and settlement, the new projected benefit obligation and fair value of plan assets for the Brewmatic Plan are $114.1 million and $67.4 million, respectively, resulting in a net underfunded status of $46.7 million as of December 31, 2018. This represents a $6.7 million increase from the net underfunded status of the Farmer Bros. Plan and Brewmatic Plan as of June 30, 2018 primarily due to actual losses recognized on plan assets during the six months ended December 31, 2018.

During the three months ended December 31, 2018, the Company and the Local 807 Pension Fund agreed to settle the Company's remaining withdrawal liability to the Local 807 Pension Fund relating to the Company's withdrawal from the Local 807 Labor Management Pension Plan in fiscal 2012 for a lump sum cash settlement payment of $3.0 million plus two remaining installment payments of $91,000 due on or before October 1, 2034 and on or before January 1, 2035. In the three and six months ended December 31, 2018, we paid the Local 807 Pension Fund $3.0 million in cash and recorded $0.2 million in "Accrued pension liabilities" on our condensed consolidated balance sheet at December 31, 2018.

As of December 31, 2018, our pension plan obligations include: (i) $70.5 million in estimated future benefit payments on single employer pension plan obligations; (ii) $2.6 million in pension withdrawal liability from the WCTPP; (iii) $0.2

million in aggregate future payments in fiscal 2035 to settle the withdrawal liability associated with our withdrawal from the Local 807 Labor Management Pension Plan; and (iv) $0.8 million in estimated contributions to multiemployer pension plans in the remainder of fiscal 2019.

In connection with the Boyd Business acquisition, 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 the Boyd Coffee's multiemployer pension plan. On January 8, 2019, Boyd Coffee notified us of the assessment of $0.5 million in withdrawal liability against Boyd Coffee, which we paid from the Multiemployer Plan Holdback. We expect to retain and apply the remaining amount of the Multiemployer Plan Holdback of $0.5 million toward satisfaction of Boyd Coffee's post-closing net working capital deficiency under the Asset Purchase Agreement. See Note 23, *Subsequent Events*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

We had outstanding borrowings of $130.0 million under the New Revolving Facility that were classified as "Long-term borrowings under revolving credit facility" on our condensed consolidated balance sheet at December 31, 2018, as compared to outstanding borrowings of $89.8 million under the Prior Revolving Facility that were classified as "Short-term borrowings under revolving credit facility" on our consolidated balance sheet at June 30, 2018.

As of December 31, 2018, the Company had committed to purchase green coffee inventory totaling $68.0 million under fixed-price contracts, and other purchases totaling $19.8 million under non-cancelable purchase orders related primarily to the purchase of finished goods inventory.

As of December 31, 2018, we had commitments of $0.9 million for roasting equipment ordered for the New Facility which will be accrued by the Company upon delivery and acceptance of the equipment in the fourth quarter of fiscal 2019.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Borrowings under our New Revolving Facility bear interest based on a leverage grid with a range of PRIME + 0.25% to PRIME + 0.875% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 1.875%. Borrowings under our Prior Revolving Facility bore interest based on average historical excess availability levels with a range of PRIME - 0.25% to PRIME + 0.50% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 2.00%, %; provided, that, after the Third Amendment Effective Date, (i) until March 31, 2019 the applicable rate was PRIME + 0.25% or Adjusted LIBO Rate + 1.75%; and (ii) loans up to certain formula amounts were subject to an additional margin ranging from 0.375% to 0.50%.

At December 31, 2018, we were eligible to borrow up to a total of $150.0 million under the New Revolving Facility and had outstanding borrowings of $130.0 million and utilized $2.0 million of the letters of credit sublimit. The weighted average interest rate on our outstanding borrowings under the New Revolving Facility at December 31, 2018 was 3.94%.

The following table demonstrates the impact of interest rate changes on our annual interest expense on outstanding borrowings under the New Revolving Facility based on the weighted average interest rate on the outstanding borrowings as of December 31, 2018:

($ in thousands)	Principal	Interest Rate	Annual Interest Expense
–150 basis points	$130,000	2.44%	$ 3,172
–100 basis points	$130,000	2.94%	$ 3,822
Unchanged	$130,000	3.94%	$ 5,122
+100 basis points	$130,000	4.94%	$ 6,422
+150 basis points	$130,000	5.44%	$ 7,072

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.

We purchase over-the-counter coffee-related derivative instruments to enable us to lock in the price of green coffee commodity purchases. These derivative instruments also 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. 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.

When we designate coffee-related derivative instruments as cash flow hedges, we formally document the hedging instruments and hedged items, and measure at each balance sheet date the effectiveness of our hedges. The change in fair value of the derivative is reported in AOCI and subsequently reclassified into cost of goods sold in the period or periods when the hedged transaction affects earnings. For the three months ended December 31, 2018 and 2017, respectively, we reclassified $(2.2) million in net losses and $(0.1) million in net losses on coffee-related derivative instruments designated as cash flow hedges, excluding tax, respectively, into cost of goods sold from AOCI. For the six months ended December 31, 2018 and 2017, respectively, we reclassified $(4.2) million in net losses and $1.2 million in net gains on coffee-related derivative instruments designated as cash flow hedges, excluding tax, respectively, into cost of goods sold from AOCI. 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, we recognize any gain or loss deferred in AOCI 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.” In the three months ended December 31, 2018 and 2017, we recorded in “Other, net” net losses of $(0.9) million and $(0.2) million, respectively, on coffee-related derivative instruments not designated as accounting hedges. In the six months ended December 31, 2018 and 2017, we recorded in “Other, net” net losses of $(2.0) million and $(0.1) million, respectively, on coffee-related derivative instruments not designated as accounting hedges.

The following table summarizes the potential impact as of December 31, 2018 to net income 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)	$ 747	$ (747)	$ 3,507	$ (3,507)

(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 December 31, 2018. These contracts are not included in the sensitivity analysis above as the underlying price has been fixed.

Item 4. 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 Securities Exchange Act of 1934, as amended (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 principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

As of December 31, 2018, our management, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting 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 on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

Management has determined that 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 December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth in Note 22, *Commitments and Contingencies*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

Our accounts receivable represent 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.

Item 6. **Exhibits**

Exhibit No.	Description
3.3*	Amended and Restated Bylaws, adopted as of October 14, 2018.
10.15+*	Farmer Bros. Co. 2005 Incentive Compensation Plan.
10.35+*	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).
10.43+*	Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Stock Option Grant Notice and Stock Option Agreement.
10.45+*	Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement.
10.46+*	Stock Ownership Guidelines for Directors and Executive Officers, as amended February 7, 2019.
10.52+*	Second Amendment to the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, dated as of December 31, 2018.
10.53+*	Amendment to the Farmer Bros. Co. Retirement Plan, dated as of December 1, 2018.
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.
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.
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.
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.
101	The following financial statements from the Company’s Quarterly Report on Form 10-Q for the fiscal period ended December 31, 2018, formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Loss, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Condensed Consolidated Financial Statements (furnished herewith).

\+ Management contract or compensatory plan or arrangement.

* Filed herewith

** Furnished, not filed, herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FARMER BROS. CO.

By: /s/ Michael H. Keown

Michael H. Keown
President and Chief Executive Officer
(chief executive officer)
February 11, 2019

By: /s/ David G. Robson

David G. Robson
Treasurer and Chief Financial Officer
(principal financial and accounting officer)
February 11, 2019

AMENDED AND RESTATED BY-LAWS

OF

FARMER BROS. CO.

a Delaware Corporation

(Adopted as of October 14, 2018)

TABLE OF CONTENTS

BY-LAWS

OF

FARMER BROS. CO.

a Delaware Corporation

(hereinafter called the “Corporation”)

OFFICES

Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Other Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine.

MEETINGS OF STOCKHOLDERS

Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors.

Annual Meetings. The Annual Meeting of Stockholders for the election of directors shall be held on such date and at such time as shall be designated from time to time by the Board of Directors. Any other proper business may be transacted at the Annual Meeting of Stockholders.

Nature of Business at Meetings of Stockholders. No business may be transacted at an Annual Meeting of Stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the Annual Meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (c) otherwise properly brought before the Annual Meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.3 and on the record date for the determination of stockholders entitled to notice of and to vote at such Annual Meeting and (ii) who complies with the notice procedures set forth in this Section 2.3.

In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provided, however, that in the event that the Annual Meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the Annual Meeting (i) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the Annual Meeting to bring such business before the meeting.

No business shall be conducted at the Annual Meeting of Stockholders except business brought before the Annual Meeting in accordance with the procedures set forth in this Section 2.3; provided, however, that, once business has been properly brought before the Annual Meeting in accordance with such procedures, nothing in this Section 2.3 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an Annual Meeting determines that business was not properly brought before the Annual Meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Certificate of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any Annual Meeting of Stockholders, or at any Special Meeting of Stockholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.4 and on the record date for the determination of stockholders entitled to notice of and to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 2.4.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an Annual Meeting, not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provided, however, that in the event that the Annual Meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs; and (b) in the case of a Special Meeting of Stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the Special Meeting was mailed or public disclosure of the date of the Special Meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.4. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Special Meetings. Unless otherwise required by law or by the certificate of incorporation of the Corporation, as amended and restated from time to time (the "Certificate of Incorporation"), Special Meetings of Stockholders, for any purpose or purposes, may be called by either (i) the Chairman of the Board of Directors, if there be one, (ii) the Chief Executive Officer, (iii) the President or (iv) the Board of Directors. At a Special Meeting of Stockholders, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

Notice. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a Special Meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, written notice of any meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to notice of and to vote at such meeting.

Adjournments. Any meeting of the stockholders may be adjourned from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting in accordance with the requirements of Section 2.6 hereof shall be given to each stockholder of record entitled to notice of and to vote at the meeting.

Quorum. Unless otherwise required by applicable law or the Certificate of Incorporation, the holders of a majority of the Corporation's capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, in the manner provided in Section 2.7 hereof, until a quorum shall be present or represented.

Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before any meeting of the stockholders, other than the election of directors, shall be decided by the vote of the holders of a majority of the total number of votes of the

Corporation's capital stock represented and entitled to vote thereat, voting as a single class. Unless otherwise provided in the Certificate of Incorporation, and subject to Section 2.12 of this Article II, each stockholder represented at a meeting of the stockholders shall be entitled to cast one (1) vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy as provided in Section 2.10 of this Article II. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of the stockholders, in such officer's discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Proxies. Each stockholder entitled to vote at a meeting of the stockholders may authorize another person or persons to act for such stockholder as proxy, but no such proxy shall be voted upon after three years from its date, unless such proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy, the following shall constitute a valid means by which a stockholder may grant such authority:

A stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy. Execution may be accomplished by the stockholder or such stockholder's authorized officer, director, employee or agent signing such writing or causing such person's signature to be affixed to such writing by any reasonable means, including, but not limited to, by facsimile signature.

A stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of a telegram or cablegram to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such telegram or cablegram, provided that any such telegram or cablegram must either set forth or be submitted with information from which it can be determined that the telegram or cablegram was authorized by the stockholder. If it is determined that such telegrams or cablegrams are valid, the inspectors or, if there are no inspectors, such other persons making that determination shall specify the information on which they relied.

Any copy, facsimile telecommunication or other reliable reproduction of the writing, telegram or cablegram authorizing another person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing, telegram or cablegram for any and all purposes for which the original writing, telegram or cablegram could be used; provided, however, that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing, telegram or cablegram.

List of Stockholders Entitled to Vote

. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting (i) either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held or (ii) during ordinary business hours, at the principal place of business of the Corporation. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of the stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 10 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of the stockholders.

Conduct of Meetings. The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of any meeting of the stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) the determination of when the polls shall open and close for any given matter to be voted on at the meeting; (iii) rules and procedures for maintaining order at the meeting and the safety of those present; (iv) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (v) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (vi) limitations on the time allotted to questions or comments by participants.

<u>Inspectors of Election</u>. In advance of any meeting of the stockholders, the Board of Directors, by resolution, the Chairman of the Board of Directors, if there be one, the Chief Executive Officer or the President shall appoint one or more inspectors to act at the meeting and make a written report thereof. One or more other persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of the stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by applicable law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector’s ability. The inspector shall have the duties prescribed by law and shall take charge of the polls and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by applicable law.

DIRECTORS

<u>Number and Election of Directors</u>. The number of directors shall be determined by the Certificate of Incorporation. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The initial division of the Board of Directors into classes shall be made by the decision of the affirmative vote of a majority of the entire Board of Directors. The term of the initial Class I directors shall terminate on the date of the 2004 Annual Meeting; the term of the initial Class II directors shall terminate on the date of the 2005 Annual Meeting; and the term of the initial Class III directors shall terminate on the date of the 2006 Annual Meeting or, in each case, upon such director's earlier death, resignation or removal. At each succeeding Annual Meeting of Stockholders beginning in 2004, successors to the class of directors whose term expires at that Annual Meeting shall be elected for a three-year term and until their successors are duly elected and qualified. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class or from the removal from office, death, disability, resignation or disqualification of a director or other cause shall hold office for a term that shall coincide with the remaining term of that class, but in no

case will a decrease in the number of directors have the effect of removing or shortening the term of any incumbent director.

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 of any class elected to fill a vacancy resulting from an increase in the number of directors of such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor.

Duties and Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

Meetings. The Board of Directors may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, if there be one, the Chief Executive Officer, the President, or by any two directors. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Organization. At each meeting of the Board of Directors, the Chairman of the Board of Directors, or, in his or her absence, a director chosen by a majority of the directors present, shall act as chairman. The Secretary of the Corporation shall act as secretary at each meeting of the Board of Directors. In case the Secretary shall be absent from any meeting of the Board of Directors, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Secretary and all the Assistant Secretaries, the chairman of the meeting may appoint any person to act as secretary of the meeting.

Resignations and Removals of Directors. Any director of the Corporation may resign at any time, by giving notice in writing to the Chairman of the Board of Directors, the Chief Executive Officer, the President or the Secretary of the Corporation. Such resignation shall take effect at the time therein specified or, if no time is specified, immediately; and, unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective. Except as otherwise required by applicable law and subject to the rights, if any, of the holders of shares of preferred stock then outstanding, any director or the entire Board of Directors may be removed from office at any time, but only for cause, and only by the affirmative vote of the holders of at least a majority in voting power of the issued and outstanding capital stock of the Corporation entitled to vote in the election of directors.

Quorum. Except as otherwise required by law or the Certificate of Incorporation, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

Actions of the Board by Written Consent. Unless otherwise provided in the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Meetings by Means of Conference Telephone. Unless otherwise provided in the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.9 shall constitute presence in person at such meeting.

Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent permitted by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each committee shall keep regular minutes and report to the Board of Directors when required.

Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary for service as director, payable in cash or securities. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for service as committee members.

Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because any such director’s or officer’s vote is counted for such purpose if: (i) the material facts as to the director’s or officer’s relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to the director’s or officer’s relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

OFFICERS

General. The officers of the Corporation shall be chosen by the Board of Directors and shall be one or more Chief Executive Officers, a President, a Secretary and a Treasurer. The Board of Directors, in its discretion, also may choose a Chairman of the Board of Directors (who must be a director) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers (including, without limitation, a Chief Financial Officer). The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

Election. The Board of Directors, at its first meeting held after each Annual Meeting of Stockholders, shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and each officer of the Corporation shall hold office until such officer's successor is elected and qualified, or until such officer's earlier death, resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors or by a committee of the Board of Directors.

Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chairman of the Board of Directors, the Chief Executive Officer, the President or any Vice President or any other officer authorized to do so by the Board of Directors and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Chairman of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors unless the Board of Directors shall designate another person to so preside. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as may from time to time be assigned by these By-Laws or by the Board of Directors.

Chief Executive Officer. Unless the Chairman of the Board has been designated as the Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation. The Chief Executive Officer shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and the officers of the Corporation. He shall have the general powers and duties of management usually vested in the chief executive officer of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these By-Laws. In the event of the absence or disability of the Chief Executive Officer, or if such position becomes vacant, the duties of the Chief Executive Officer shall be performed by the President if the President is the Chief Operating Officer or by such person as the Board of Directors may appoint as acting chief executive officer, subject to any restrictions thereon imposed by the Board of Directors. Where two or more persons hold the office of Chief Executive Officer, references in these By-Laws to the Chief Executive Officer shall refer to such executive officers as have been assigned such duties by the Board of Directors. If at any time the office of Chief Executive Officer is held by more than one person, they shall exercise such powers and perform such duties as shall be determined from time to time by resolution of the Board of Directors.

President. If the President is designated by the Board of Directors as the Chief Operating Officer of the Corporation, he shall be the chief administrative officer of the Corporation and shall, subject to the control of the Board of Directors and the direction of the Chief Executive Officer, conduct the day-to-day activities of the Corporation. The Chief Operating Officer also shall have such other powers and perform such other duties as may from time to time be assigned to him by the Chief Executive Officer. In the absence of the Chief Executive Officer, the Chief Operating Officer shall have the powers and perform the duties of the Chief Executive Officer. Unless otherwise provided by resolution of the Board of Directors, the Chief Operating Officer shall have the power to bind the Corporation to obligations.

Vice Presidents. At the request of the President or in the President’s absence or in the event of the President’s inability or refusal to act (and if there be no Chairman of the Board of Directors or Chief Executive Officer), the Vice President, or the Vice Presidents if there are more than one (in the order designated by the Board of Directors), shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors, no Chief Executive Officer and no Vice President, or if the Board of Directors otherwise deems it advisable, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for committees of the Board of Directors when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer or the President, under whose supervision the Secretary shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors, the Chief Executive Officer or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest to the affixing by such officer's signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer, the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of the Treasurer and for the restoration to the Corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under the Treasurer's control belonging to the Corporation. Unless the Board of Directors otherwise determines, the Treasurer shall be the Chief Financial Officer of the Corporation.

Assistant Secretaries. Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of the Secretary's inability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of the Treasurer's inability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of Assistant Treasurer and for the restoration to the Corporation, in case of the Assistant Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Assistant Treasurer's possession or under the Assistant Treasurer's control belonging to the Corporation.

Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the Corporation any corporate instrument or document, or to sign on behalf of the Corporation the corporate name without limitation, or to enter into contracts on behalf of the Corporation, except where otherwise provided by law or these By-Laws, and such execution or signature shall be binding upon the Corporation. Unless otherwise specifically determined by the Board of Directors or otherwise required by law, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the Corporation, and other Corporate instruments or documents requiring the corporate seal, and certificates of shares of stock owned by the Corporation, shall be executed, signed or endorsed by the Chairman of the Board, or the Chief Executive Officer, or the President or any Vice President, and by the Secretary or Treasurer or any Assistant Secretary or Assistant Treasurer. All other instruments and documents requiring the corporate signature, but not requiring the corporate seal, may be executed as aforesaid or in such other manner as may be directed by the Board of Directors.

STOCK

Form of Certificate. Shares of the Corporation's stock may be certificated or uncertificated, as provided under Delaware law, provided that every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation (i) by the Chairman of the Board of Directors, or the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such stockholder in the Corporation.

Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or such owner's legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate.

Transfers. Stock of the Corporation shall be transferable in the manner prescribed by applicable law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation only by the record holder of such stock or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefor, properly endorsed for transfer and payment of all necessary transfer taxes; provided, however, that such surrender and endorsement or payment of taxes shall not be required in any case in which the officers of the Corporation shall determine to waive such requirement. Every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the Secretary or Assistant Secretary of the Corporation or the transfer agent thereof. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Dividend Record Date. In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Record Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agencies and registry offices or agencies at such place or places as may be determined from time to time by the Board of Directors.

NOTICES

Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at such person's address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable or by any other means of electronic transmission.

Waivers of Notice. Whenever any notice is required by applicable law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting, present in person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any Annual or Special Meeting of Stockholders or any regular or special meeting of the directors or members of a committee of directors need be specified in any written waiver of notice unless so required by law, the Certificate of Incorporation or these By-Laws.

GENERAL PROVISIONS

Dividends. Dividends upon the capital stock of the Corporation, subject to the requirements of the General Corporation Law of the State of Delaware (the "DGCL") and the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting of the Board of Directors (or any action by written consent in lieu thereof in accordance with Section 8 of Article III hereof), and may be paid in cash, in property, or in shares of the Corporation's capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for purchasing any of the shares of capital stock, warrants, rights, options, bonds, debentures, notes, scrip or other securities or evidences of indebtedness of the

Corporation, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Fiscal Year. The fiscal year of the Corporation shall end on June 30 of each year unless changed by resolution of the Board of Directors.

Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Forum for Certain Actions. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery (the "Chancery Court") of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or stockholder of the Corporation to the Corporation or to the Corporation's stockholders, (iii) any action arising pursuant to any provision of the DGCL or the Certificate of Incorporation or these By-Laws (as either may be amended from time to time), (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine, or (v) any action asserting an "internal corporate claim" as the term is defined in Section 115 of the DGCL. If any action the subject matter of which is within the scope of the preceding sentence is filed in a court other than a court located within the State of Delaware (a "Foreign Action") in the name of any stockholder, such stockholder shall be deemed to have consented to (a) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the preceding sentence and (b) having service of process made upon such stockholder in any such action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder.

INDEMNIFICATION

Power to Indemnify in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation. Subject to Section 8.3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 8.3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 8.1 or Section 8.2 of this Article VIII, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (iv) by the stockholders. Such determination shall be made, with respect to former directors and officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Good Faith Defined. For purposes of any determination under Section 8.3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The provisions of this Section 8.4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 8.1 or Section 8.2 of this Article VIII, as the case may be.

Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 8.3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to the Court of Chancery of the State of Delaware or any other court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Section 8.1 or Section 8.2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 8.1 or Section 8.2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 8.3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 8.5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Expenses Payable in Advance. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VIII. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation, these By-Laws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Section 8.1 and Section 8.2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Section 8.1 or Section 8.2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the DGCL, or otherwise.

Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VIII.

Certain Definitions. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. The term “another enterprise” as used in this Article VIII shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. For purposes of this Article VIII, references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article VIII.

Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 8.5 of this Article VIII), the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) or advance expenses in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

AMENDMENTS

Amendments. These By-Laws may be altered, amended or repealed, in whole or in part, or new By-Laws may be adopted by the stockholders or by the Board of Directors; provided, however, that notice of such alteration, amendment, repeal or adoption of new By-Laws be contained in the notice of such meeting of the stockholders or Board of Directors, as the case may be. All such amendments must be approved by either the holders of at least a majority of the outstanding capital stock entitled to vote thereon or by a majority of the entire Board of Directors then in office.

Entire Board of Directors. As used in this Article IX and in these By-Laws generally, the term “entire Board of Directors” means the total number of directors which the Corporation would have if there were no vacancies.

Adopted as of: October 14, 2018

Exhibit 10.15

FARMER BROS. CO.

2005 INCENTIVE COMPENSATION PLAN

(Amended and Restated as of December 31, 2008)

1. Purpose. The purpose of this Plan is to further the Company's profitability by providing an incentive and reward to key management employees of the Company who through industry, ability, teamwork with other key management employees and exceptional service contribute materially to the success of the Company, and by enhancing the Company's ability to attract and retain in its employ key personnel upon whose efforts the success of the Company is dependent. The Company desires to adopt this Plan to: provide awards based on the achievement of corporate goals and specifically measured individual goals that are consistent with and support the Company's overall business strategies and objectives; provide Participants with an incentive for excellence in individual performance; and promote teamwork. This Plan entirely supersedes the Company's 1982 Incentive Compensation Plan ("1982 Plan").

2. Definitions. As used in this Plan, the following terms shall have the following meanings:

(a) "Plan" means this Farmer Bros. Co. 2005 Incentive Compensation Plan, as it may be amended from time to time.

(b) "Company" means Farmer Bros. Co., a Delaware corporation, and includes the Company's subsidiaries and divisions.

(c) "Board of Directors" or "Board" means the Board of Directors of Farmer Bros. Co.

(d) "Committee" means the Compensation Committee of the Board, or such other committee as may be appointed by the Board to administer the Plan pursuant to section 9.

(e) "Fiscal Year" means the year selected by the Company for income taxation and financial reporting purposes.

(f) "Employee" or "Eligible Employee" means any officer or other key management employee of the Company (including subsidiaries) who is in the employ of the Company. No member of the Committee shall be an Eligible Employee while serving on the Committee or for a period of one year thereafter.

(g) "Participant" means an Eligible Employee to whom an award is made under this Plan.

(h) "Award" means a Current Award or Deferred Award made by the Committee pursuant to section 6 of the Plan.

(i) "Current Award" means an Award payable pursuant to section 7(a) of the Plan.

(j) "Deferred Award" means an Award payable pursuant to section 7(b) of the Plan.

(k) "Base Salary" means a Participant's annual pay rate at the end of the Fiscal Year, without taking into account the following: (i) any deferrals of income; (ii) any incentive compensation; or (iii) any other benefits paid or provided under any of the Company's other employee benefit plans.

(l) "Performance Criteria" means the attainment of specified levels of (or percentage changes in) financial performance and other corporate and/or individual objectives as determined by the Committee in its discretion.

(i) Performance Criteria may measure, without limitation, such financial performance indicators as the following: adjusted net income, net sales; total shareholder return; profitability; stock price; economic value added; profit margin (gross or net); asset turnover; sales growth (whether measured in pounds of coffee, number of accounts or otherwise); asset growth; return on investment; earnings per share; return on equity; return on assets; return on capital; operating cash flow; cost of capital; net income; market share; working capital; cost reduction; and such other financial metrics measured solely in terms of the attainment of quantitative targets related to the Company's business.

(ii) Performance Criteria may also assess, without limitation, attainment of corporate and/or individual objectives such as customer satisfaction, maintenance of good employee relations, safety enhancement, improved product quality, systems improvement and implementation, acquisitions, expansion of product lines, creation of operating efficiencies, market share increase, geographic expansion, enhancement of management depth, succession planning, financial risk management, and such other objectives important to the achievement of the Company's overall business strategies and objectives.

(iii) Performance Criteria may but need not be susceptible to objective measurement.

Performance Criteria may be applied by the Committee as a measure of the performance of any, all, or any combination of the following: the Company; a subsidiary, division, department, region, function or business unit of the Company or any subsidiary; a particular product category or categories of the Company or any subsidiary; or an individual Participant.

(m) "Target Award" is defined in Section 5.

3. Amount Subject to Awards. The amount available for Awards under this Plan each Fiscal Year shall be within the discretion of the Committee.

4. Participants. Based on its evaluation of an Employee's performance, contribution to the Company, compensation, and other criteria it deems relevant, the Committee shall determine within ninety (90) days after the beginning of each Fiscal Year, in its sole discretion, the Employees, if any, who shall be Participants in the Plan for that year.

5. Performance Criteria and Target Award. With respect to each Participant, the Committee shall establish in writing the specific Performance Criteria for such Fiscal Year to be achieved by the Company and/or such Participant in order for such Participant to earn an Award under this Plan. The Committee shall also establish a target Award amount ("Target Award") for each

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Participant based upon the Participant's past annual compensation, current salary, job responsibilities and past and expected future job performance. The Committee may consult with senior management executives of the Company and the Plan Participants in establishing such Performance Criteria and Target Awards to the extent deemed appropriate by the Committee. Performance Criteria may vary from Participant to Participant and between groups of Participants. The Committee shall for each Fiscal Year establish a formula or matrix for each Participant pursuant to which his or her Award shall be determined based upon the degree of achievement of such Performance Criteria. This formula or matrix may take into account Performance Criteria achieved in prior Fiscal Years. In addition, the relative weight among specific Performance Criteria shall be determined by the Committee in its discretion. The Committee shall inform each Participant of the Performance Criteria, Target Award and formula or matrix for determining achievement of the Performance Criteria and calculation of the Award which are applicable to the Participant's Award. The Committee shall have the discretion at any time to add additional Performance Criteria and to modify any objectives or performance levels designated in relation to previously established Performance Criteria. The Performance Criteria for each Participant, once established, shall continue for subsequent Fiscal Years unless modified by the Committee. Depending on the level of achievement of applicable Performance Criteria, a Participant's actual Award can exceed his or her Target Award.

6. Determination of Awards.

After the end of each Fiscal Year and promptly upon availability of the Company's audited financial statements, the Committee shall review and evaluate the Performance Criteria applicable to the Fiscal Year for each Participant in light of the Company's and/or such Participant's performance measured in accordance with such criteria, and shall determine whether and to what extent the Performance Criteria have been satisfied and the amount of the Award, if any, to be made to the Plan Participant. The executive officers of the Company shall provide all information necessary to enable the Committee to make the determination promptly following fiscal year-end. The Committee may in its discretion consult with such Participant's immediate supervisor (i.e., responsible Vice President and/or the President and CEO) with respect to whether any Performance Criteria measured by such Participant's individual performance have been achieved. Achievement of financial Performance Criteria shall be determined by adding back any past or current Award made under the Plan or any award under the 1982 Plan which otherwise would affect the result unless the Committee determines otherwise. If a Performance Criterion is not susceptible to objective measurement, the Committee shall determine the level of attainment in good faith on a subjective basis. Payment of Awards, less withholding taxes, shall be made to Participants as provided in section 7, but only upon the Committee's certification that the applicable Performance Criteria have been satisfied and upon determination of the amount of each Award. No Award shall be deemed to be earned under the Plan prior to the Committee's certification and Award determination.

Notwithstanding anything contained in this Plan to the contrary and regardless of whether any or all of the Performance Criteria have been achieved, whether in whole or in part, the Committee may in its discretion eliminate entirely, reduce, or increase any Award to a Participant in order to reflect additional considerations relating to the Company and/or such Participant's individual performance. In determining whether an Award will be, eliminated, reduced or increased, the Committee shall consider any changes in circumstances which may have occurred during the Fiscal Year, including, without limitation, changes in accounting practices or applicable law, extraordinary items of gain or loss, discontinued operations, restructuring costs, sales or dispositions of assets and acquisitions, and such Participant's individual performance. Any action by the Committee under this paragraph shall be conclusive and binding on the Company and the Participant.

7. Payment of Awards.

(a) Current Awards. Current Awards for a Fiscal Year shall be paid in a lump sum as soon as practicable after the Committee's determination pursuant to Section 6 and in all events not later than the December 31 that follows the end of such Fiscal Year.

(b) Deferred Awards. Prior to the beginning of any Fiscal Year, the Committee may, in its sole discretion, allow Participants to elect to defer payment of any Award they may receive with respect to that Fiscal Year beyond the date such Award would be paid pursuant to Section 7(a) but for such deferral election. Any such deferral election shall be made in a form and manner prescribed by the Committee, shall be filed with the Committee no later than the last day of the Fiscal Year that proceeds the Fiscal Year to which the Award relates (or such earlier deadline as may be prescribed by the Committee). Any such deferral of payment must comply with any applicable requirements of Section 409A of the U.S. Internal Revenue Code.

8. Designation of Beneficiaries.

Each Participant shall file with the Committee a written designation of the person or persons who shall be entitled to receive any amounts payable under this Plan after the Participant's death. The Participant may designate natural persons, charitable institutions, trusts, or the Participant's estate as beneficiaries. A Participant may name one or more contingent beneficiaries. Unless otherwise designated by a Participant, payments shall be divided equally among co-beneficiaries. A Participant may from time to time revoke or change a beneficiary designation without the consent of any prior beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

If no such beneficiary designation is in effect at the time of a Participant's death, or if no designated beneficiary survives the Participant, or if such designation conflicts with law, the payment of the amount, if any, payable under the Plan after his death shall be made to the Participant's estate. If the Committee is in doubt as to the right of any person to receive such amount, the Committee may retain such amount, without liability for any interest thereon, until the rights thereon are determined, or the Committee may pay such amount into any court of appropriate jurisdiction and such payment shall be a complete discharge of the liability of the Plan, the Company and the Committee therefor.

9. Administration.

The Plan shall be administered by the Compensation Committee of the Board of Directors or such other committee as may be appointed by the Board of Directors. The

Committee shall have full power and authority to construe, interpret and administer the Plan. All decisions, actions or interpretations of the Committee shall be final, conclusive and binding upon all parties unless overruled by the Board of Directors.

The Committee shall consist of two or more members, each of whom shall be appointed by, shall remain in office at the will of, and may be removed, with or with cause by the Board of Directors. Any member of the Committee may resign at any time. No member of the Committee shall be entitled to act on or decide any matter relating solely to himself or any of his rights or benefits under the Plan. No member of the Committee shall be entitled to receive an Award under this Plan while serving on the Committee or within one year thereafter. The members of the Committee shall not receive any special compensation for serving in their capacities as members of the Committee. No bond or other security need be required of the Committee or any member thereof in any jurisdiction.

The procedures for the proceedings of the Committee shall be established by resolution of the Board of Directors, absent which resolution the procedures applicable under the Company's Bylaws to proceedings of the Board of Directors shall apply to the proceedings of the Committee.

No member of the Committee shall be personally liable by reason of any contract or other instrument executed by him or his behalf in his capacity as a member of the Committee nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each member of the Committee and each other officer, employee or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been delegated, to the fullest extent permissible under the California General Corporation Law.

10. Amendment or Termination. The Board of Directors reserves the right at any time to amend, suspend, or terminate the Plan in whole or in part and for any reason without the consent of any Participant or beneficiary; provided that no such action shall adversely affect the rights of Participants or beneficiaries with respect to Awards made prior to such action. Subject to the foregoing provision, any amendment, modification, suspension, or termination of any provisions of the Plan may be retroactively applied.

11. General Provisions.

Nothing contained in the Plan shall give any Employee the right to be retained in the employ of the Company or affect the right of the Company to dismiss any Employee. The adoption of the Plan or designation of an Eligible Employee as a Plan Participant shall not create a right in any Employee to receive an Award under the Plan. No Award under the Plan shall be considered as compensation under any employee benefit plan of the Company except as otherwise determined by the Committee.

If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his affairs because of illness or accident, or is a minor, or is under any other disability, then any payment due him (unless a prior claim therefore has been made by a duly appointed legal representative), may, if the Committee so directs the Company, be paid to

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his spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Plan, the Company, and the Committee therefor.

Except insofar as may otherwise be required by law, no amount payable at any time under the Plan shall be subject in any manner to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge, or encumbrance of any kind nor in any manner be subject to the debts or liabilities of any person and any attempt to so alienate or subject any such amount, whether presently or thereafter payable, shall be void. If any person shall attempt to, or shall, alienate, sell, transfer, assign, pledge, attach, charge, or otherwise encumber any amount payable under the Plan, or any part thereof, or if by reason of his bankruptcy or other event happening at any such time such amount would be made subject to his debts or liabilities or would otherwise not be enjoyed by him, then the Committee, if it so elects, may direct that such amount be withheld and that the same or any part thereof be paid or applied to or for the benefit of such person, his spouse, children or other dependents, or any of them, in such manner and proportion as the Committee may deem proper.

The Participant shall have no right, title or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, joint venture or partnership between the Company and the Employee or any other person. To the extent that any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid in cash from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payments of such amounts.

All Deferred Awards under the Plan constitute unfunded deferred compensation arrangements for a select group of key management personnel and all rights thereunder shall be governed by and construed in accordance with the laws of California.

The Committee shall make such adjustments as it deems equitable in the event the Company changes its fiscal year.

12. Effective Date of the Plan. This Plan shall be effective for Awards made for the Fiscal Year ending June 30, 2006. Awards made for any prior Fiscal Year shall be governed by the 1982 Plan.

Exhibit 10.2

**FARMER BROS. CO.
AMENDED AND RESTATED
2007 LONG-TERM INCENTIVE PLAN**

**ARTICLE 1
PURPOSE**

The purpose of this Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (the "***Plan***") is to promote the success and enhance the stockholder value of Farmer Bros. Co., a Delaware corporation (the "***Company***"), by linking the personal interests of the members of the Board and Employees to those of Company stockholders and by providing such individuals with an incentive for performance to generate returns to Company stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board and Employees upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

**ARTICLE 2
DEFINITIONS AND CONSTRUCTION**

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "***Administrator***" means the entity that conducts the general administration of the Plan as provided herein. With reference to the administration of the Plan with respect to Awards granted to Independent Directors, the term "***Administrator***" shall refer to the Board. With reference to the administration of the Plan with respect to any other Award, the term "***Administrator***" shall refer to the Committee unless the Board has assumed the authority for administration of the Plan generally as provided in Section 11.1.

2. "***Award***" means a performance-based Option, a Qualified Performance Based Award, a Restricted Stock award, another cash-based award or other incentive payable in cash granted to a Participant pursuant to the Plan.

2.3 "***Award Agreement***" means any written or electronic agreement, contract, or other instrument or document evidencing an Award.

2.4 "***Board***" means the Board of Directors of the Company.

2.5 "***Cause***," unless otherwise defined in an employment or services agreement between the Participant and the Company or any Parent or Subsidiary, means a Participant's dishonesty, fraud, gross or willful misconduct against the Company or any Parent or Subsidiary, unauthorized use or disclosure of confidential information or trade secrets of the Company or any Parent or Subsidiary, or conviction of, or plea of *nolo contendre* to, a crime punishable by law (except misdemeanor violations), in each case as determined by the Administrator, and its determination shall be conclusive and binding.

2.6 "***Change in Control***" means and includes each of the following:

(a) 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" (as determined pursuant to Rule 13d-3 promulgated under the Exchange Act) of the shares of Stock 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

(b) 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 2.6 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 ("***Successor Entity***") 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

(c) 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 2.6 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.

The Administrator shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

2.7 "***Code***" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations issued thereunder.

2.8 "***Committee***" means the committee of the Board described in Article 11.

2.9 "***Covered Employee***" means an Employee who is, or is likely to become, a "covered employee" within the meaning of Section 162(m)(3) of the Code.

2.10 "***Disability***" means a permanent and total disability within the meaning of Section 22(e)(3) of the Code, as it may be amended from time to time.

2.11 "***Effective Date***" shall mean December 5, 2013.

2.12 "***Eligible Individual***" means any person who is a member of the Board or an Employee, as determined by the Administrator.

2.13 "***Employee***" means any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or any Parent or Subsidiary.

2.14 "***Exchange Act***" means the Securities Exchange Act of 1934, as amended from time to time.

2.15 "***Expiration Date***" has the meaning set forth in Section 12.3.

2.16 "***Fair Market Value***" means, as of any date, the value of Stock determined as follows:

(a) If the Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock as quoted on such exchange or system on the date of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for the Stock on the date of determination as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(c) In the absence of an established market for the Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

2.17 "***Incentive Stock Option***" means an Option that is intended to be an incentive stock option and meets the requirements of Section 422 of the Code or any successor provision thereto.

2.18 "***Independent Director***" means a member of the Board who is not an Employee.

2.19 "***Non-Employee Director***" means a member of the Board who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor rule.

2.20 "***Non-Qualified Stock Option***" means an Option that is not intended to be or otherwise does not qualify as an Incentive Stock Option.

2.21 "***Option***" means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of shares of Stock at a specified price during specified time periods with specified Performance Goals. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.

2.22 "***Parent***" means any "parent corporation" as defined in Section 424(e) of the Code and any applicable regulations promulgated thereunder of the Company or any other entity which beneficially owns, directly or indirectly, a majority of the outstanding voting stock or voting power of the Company.

2.23 "***Participant***" means any Eligible Individual who, as a member of the Board or an Employee, has been granted an Award pursuant to the Plan.

2.24 "***Performance Criteria***" means the criteria, either individually, alternatively or in any combination, that the Administrator selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria that will be used to establish Performance Goals are limited to the following: (i) net sales or revenue; (ii) net income before tax and excluding gain or loss on sale of property, plant and equipment; and/or (iii) cash flow (including, but not limited to, operating cash flow and free cash flow), either individually, alternatively or in any combination, and may be measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous period results or to a designated comparison group, in each case as specified by the Administrator in the Award. The Administrator shall, within the time prescribed by Section 162(m) of the Code, define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period for such Participant.

2.25 "***Performance Goals***" means, for a Performance Period, the goals established in writing by the Administrator for the Performance Period based upon the Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division or other operational unit, or an individual. The Administrator, in its discretion, may, within the time prescribed by Section 162(m) of the Code, adjust or modify the calculation of Performance Goals for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants (i) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event, or development, or (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

2.26 "***Performance Period***" means the one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to, and the payment of, a Performance-Based Award.

2.27 "***Plan***" means this Farmer Bros. Co. 2007 Long-Term Incentive Plan, as it may be further amended from time to time.

2.28 "***Qualified Performance-Based Award***" means an Award granted to selected Covered Employees (including, potentially, pursuant to Article 6), but which is subject to the terms and conditions set forth in Article 7.

2.29 "***Qualified Performance-Based Compensation***" means any compensation that is intended to qualify as "qualified performance-based compensation" as described in Section 162(m)(4)(C) of the Code.

2.30 "***Restricted Stock***" means Stock awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture or repurchase.

2.31 "***Securities Act***" means the Securities Act of 1933, as amended from time to time.

2.32 "***Section 409A Award***" has the meaning set forth in Section 8.1.

2.33 "***Stock***" means the common stock of the Company and such other securities of the Company that may be substituted for Stock pursuant to Article 10.

2.34 "***Subsidiary***" means any "subsidiary corporation" as defined in Section 424(f) of the Code and any applicable regulations promulgated thereunder of the Company or any other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

2.35 "***Successor Entity***" has the meaning set forth in Section 2.6.

2.36 "***Termination of Directorship***" shall mean the time when a Participant who is an Independent Director ceases to be a member of the Board for any reason, including, but not by way of limitation, a termination by resignation, failure to be elected, death or retirement. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors.

2.37 "***Termination of Employment***" shall mean the time when the employee-employer relationship between a Participant and the Company or any Parent or Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding: (a) terminations where there is a simultaneous reemployment or continuing employment of a Participant by the Company or any Parent or Subsidiary, (b) at the discretion of the Administrator, terminations which result in a temporary severance of the employee-employer relationship, and (c) at the discretion of the Administrator, terminations which are followed by the simultaneous establishment of a consulting relationship by the Company or a Parent or Subsidiary with the former employee. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for Cause, and all questions of whether a particular leave of absence constitutes a Termination of Employment; *provided*, *however*, that, with respect to Incentive Stock Options, unless otherwise determined by the Administrator in its discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section.

ARTICLE 3
SHARES SUBJECT TO THE PLAN

3.1 Number of Shares

(a) Subject to Article 10 and Section 3.1(b), the aggregate number of shares of Stock which may be issued or transferred pursuant to Awards under the Plan shall be 1,375,000 shares.

(b) Shares of Stock covered by an Award shall be counted as used at the time the Award is granted to a Participant. If any Award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares of Stock are issued under the Plan to a Participant and are thereafter reacquired by the Company, the shares subject to such Awards and the reacquired shares shall again be available for issuance under the Plan. In addition to the shares of Stock that are actually issued to a Participant, the following items shall be counted against the total number of shares available for issuance under the Plan: (i) shares of Stock subject to an Award that are not delivered to a Participant because the Award is

exercised through a reduction of shares of Stock subject to the Award (i.e., "net exercised"); (ii) shares of Stock subject to an Award that are not delivered to a Participant because such shares are withheld in satisfaction of the withholding of taxes incurred in connection with the exercise of an Option, or the issuance of shares under a Restricted Stock Award or other Award; and (iii) shares that are tendered to the Company (either by actual delivery or attestation) to pay the exercise price of any Option. The following items shall not be counted against the total number of shares available for issuance under the Plan: (A) the payment in cash of dividends; and (B) any Award that is settled in cash rather than by issuance of Stock. All shares issued under the Plan may be either authorized and unissued shares, issued shares reacquired by the Company, shares purchased by the Company on the open market, or shares held in trust for issuance under the Plan.

(c) The Administrator shall have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

(d) Notwithstanding the provisions of this Section 3.1, (i) no shares of Stock may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an Incentive Stock Option under Section 422 of the Code; and (ii) the maximum number of shares that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate share number stated in Section 3.1(a), subject to adjustment as provided in Article 10; and provided, further, that for purposes of Section 3.3, any such shares shall be counted in accordance with the requirements of Section 162(m) of the Code.

3.2 Stock Distributed. Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury stock or Stock purchased on the open market.

3.3 Limitation on Number of Shares Subject to Awards. Notwithstanding any provision in the Plan to the contrary, and subject to Article 10, the maximum number of shares of Stock with respect to one or more Awards settled in Stock that may be granted to any one Participant during any calendar year shall be 75,000 (or, if settled in cash, shall be limited to the Fair Market Value of 75,000 shares of Stock).

ARTICLE 4

ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Persons eligible to participate in this Plan include Employees and members of the Board, as determined by the Administrator.

4.2 Participation. Subject to the provisions of the Plan, the Administrator may, from time to time, select from among all Eligible Individuals those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to this Plan.

ARTICLE 5

PERFORMANCE STOCK OPTIONS

5.1 General. The Administrator is authorized to grant Options to Eligible Individuals on the following terms and conditions:

(a) Exercise Price. The exercise price per share of Stock subject to an Option shall be determined by the Administrator and set forth in the Award Agreement; *provided* that the exercise price per share for any Option shall not be less than 100% of the Fair Market Value per share of the Stock on the date of grant.

(b) Time and Conditions of Exercise. The Administrator shall determine the time or times at which an Option may be exercised in whole or in part; *provided* that the term of any Option granted under the Plan shall not exceed ten years. The Administrator shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised; *provided* that in no event shall Options vest and be fully exercisable at any time earlier than one year from the grant date except as may be specifically provided as a result of an acceleration upon a Change in Control, Termination of Employment, Termination of Directorship, or other event providing for accelerated vesting. The Administrator may extend the term of any outstanding Option (but not beyond seven (7) years from the date of grant) in connection with any Termination of Employment or Termination of Directorship of the Participant holding such Option, or amend any other term or condition of such Option relating to such a Termination of Employment or Termination of Directorship.

(c) Payment. The Administrator shall determine the methods, terms and conditions by which the exercise price of an Option may be paid, and the form and manner of payment, including, without limitation, payment in the form of cash, by directing the Company to withhold such number of shares of Stock otherwise issuable in connection with the exercise of the Option having an aggregate Fair Market Value equal to the exercise price, shares of Stock, or other property acceptable to the Administrator and payment through the delivery of a notice that the Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale, and the methods by which shares of Stock shall be delivered or deemed to be delivered to Participants. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an “executive officer” of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option, or continue any extension of credit with respect to the exercise price of an Option with a loan from the Company or a loan arranged by the Company, in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Administrator.

(e) Performance. All Options issued to Participants who are Employees shall include Performance Criteria or Performance Goals and the vesting of such Options shall be subject to the satisfaction of one or more Performance Goals, in the manner determined by the Administrator; provided, however, that Options issued to Participants who are Employees in connection with the commencement of employment as an executive with the Company shall not be required to be subject to Performance Criteria or Performance Goals.

(f) Forfeiture. Except as otherwise determined by the Administrator at the time of the grant of the Award or thereafter, upon a Participant’s Termination of Employment or Termination of Directorship prior to vesting, Options that are at that time subject to restrictions shall be forfeited under such terms as the Administrator shall determine; provided, however, that the Administrator may (a) provide in any Award Agreement that restrictions or forfeiture conditions relating to Options will be waived in whole or in part in the event of a Participant’s Termination of Employment or Termination of Directorship under certain circumstances, and (b) in other cases waive in whole or in part restrictions or forfeiture conditions relating to Options.

5.2 Incentive Stock Options. Incentive Stock Options may be granted only to employees (as defined in accordance with Section 3401(c) of the Code) of the Company or a Subsidiary which constitutes a “subsidiary corporation” of the Company within Section 424(f) of the Code or a Parent which constitutes a “parent corporation” of the Company within the meaning of Section 424(e) of the Code, and the terms of any Incentive Stock Options granted pursuant to the Plan must comply with the following additional provisions of this Section 5.2 in addition to the requirements of Section 5.1:

(a) Ten Percent Owners. An Incentive Stock Option shall be granted to any individual who, at the date of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of Stock of the Company or any “subsidiary corporation” of the Company or “parent corporation” of the Company (each within the meaning of Section 424 of the Code) only if such Option is granted at an exercise price per share that is not less than 110% of the Fair Market Value per share of the Stock on the date of the grant and the Option is exercisable for no more than five years from the date of grant.

(b) Transfer Restriction. An Incentive Stock Option shall not be transferable by the Participant other than by will or by the laws of descent or distribution.

(c) Right to Exercise. During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant.

(d) Failure to Meet Requirements. Any Option (or portion thereof) purported to be an Incentive Stock Option which, for any reason, fails to meet the requirements of Section 422 of the Code shall be considered a Non-Qualified Stock Option.

ARTICLE 6
RESTRICTED STOCK AWARDS

6.1 Grant of Restricted Stock. The Administrator is authorized to make Awards of Restricted Stock to any Eligible Individual selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator; provided, however, that the Administrator shall not make Awards of Restricted Stock to any Participant who is an Employee except in connection with the commencement of employment as an executive with the Company. All Awards of Restricted Stock shall be evidenced by an Award Agreement. In no event shall an Award of Restricted Stock (or any portion of an Award of Restricted Stock) payable in shares vest sooner than one year after the date of grant or, in the case of Employee Participants, no sooner than three years after the date of grant. Notwithstanding the foregoing, the Administrator may accelerate vesting of any Award in the event of a Participant's Termination of Employment, Termination of Directorship, or a Change in Control.

6.2 Issuance and Restrictions. Restricted Stock shall be subject to such repurchase restrictions, forfeiture restrictions, restrictions on transferability and other restrictions as the Administrator may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances or installments or otherwise as the Administrator determines at the time of the grant of the Award or thereafter. Alternatively, these restrictions may lapse pursuant to the satisfaction of one or more Performance Goals or other specific performance goals as the Administrator determines to be appropriate at the time of the grant of the Award or thereafter, in each case on a specified date or dates or over any period or periods determined by the Administrator. In addition, the value of a Restricted Stock Award granted to any member of the Board (other than any member of the Board that is an Employee) shall be limited to an amount no more than $30,000 annually for such member of the Board.

6.3 Repurchase or Forfeiture. Except as otherwise determined by the Administrator at the time of the grant of the Award or thereafter, upon a Participant's Termination of Employment or Termination of Directorship during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited or subject to repurchase by the Company (or its assignee) under such terms as the Administrator shall determine; *provided, however*, that the Administrator may (a) provide in any Restricted Stock Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of a Participant's Termination of Employment or Termination of Directorship under certain circumstances, and (b) in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock.

6.4 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse or the Award Agreement may provide that the shares shall be held in escrow by an escrow agent designated by the Company.

ARTICLE 7
QUALIFIED PERFORMANCE-BASED COMPENSATION

7.1 Purpose. The purpose of this Article 7 is to provide the Administrator the ability to qualify Awards (including those granted pursuant to Article 6) as Qualified Performance-Based Compensation. If the Administrator, in its discretion, decides to grant a Qualified Performance-Based Award to a Covered Employee, the provisions of this Article 7 shall control over any contrary provision contained in Articles 5 or 6; *provided, however*, that the Administrator may in its discretion grant Awards to Covered Employees that are based on Performance Criteria or Performance Goals but that do not satisfy the requirements of this Article 7.

7.2 Applicability. This Article 7 shall apply only to those Covered Employees selected by the Administrator to receive Qualified Performance-Based Awards. The designation of a Covered Employee as a Participant for a Performance Period shall not in any manner entitle the Participant to receive an Award for the period. Moreover, designation of a Covered Employee as a Participant for a particular Performance Period shall not require designation of such Covered Employee as a Participant in any subsequent Performance Period and designation of one Covered Employee as a Participant shall not require designation of any other Covered Employees as a Participant in such period or in any other period.

7.3 Procedures with Respect to Qualified Performance-Based Awards. To the extent necessary to comply with the Qualified Performance-Based Compensation requirements of Section 162(m)(4)(C) of the Code, with respect to any Award which may be granted to one or more Covered Employees, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Administrator shall, in writing, (a) designate one or more Covered Employees, (b) select the Performance Criteria applicable to the Performance Period, (c) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (d) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Covered Employee for such Performance Period. Following the completion of each Performance Period, the Administrator shall certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned by a Covered Employee, the Administrator shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Administrator may deem relevant to the assessment of individual or corporate performance for the Performance Period.

7.4 Payment of Qualified Performance-Based Awards. Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company or a Parent or Subsidiary on the day a Qualified Performance-Based Award for such Performance Period is paid to the Participant. Furthermore, a Participant shall be eligible to receive payment pursuant to a Qualified Performance-Based Award for a Performance Period only if the Performance Goals for such period are achieved.

7.5 Additional Limitations. Notwithstanding any other provision of the Plan, any Award which is granted to a Covered Employee and is intended to constitute Qualified Performance-Based Compensation shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Section 162(m)(4)(C) of the Code, and the Plan shall be deemed amended to the extent necessary to conform to such requirements.

ARTICLE 8
COMPLIANCE WITH SECTION 409A OF THE CODE

8.1 Awards subject to Code Section 409A. Any Award that constitutes, or provides for, a deferral of compensation subject to Section 409A of the Code (a "***Section 409A Award***") shall satisfy the requirements of Section 409A of the Code and this Article 8, to the extent applicable. The Award Agreement with respect to a Section 409A Award shall incorporate the terms and conditions required by Section 409A of the Code and this Article 8.

8.2 Distributions under a Section 409A Award.

(a) Subject to subsection (b), any shares of Stock or other property or amounts to be paid or distributed upon the grant, issuance, vesting, exercise or payment of a Section 409A Award shall be distributed in accordance with the requirements of Section 409A(a)(2) of the Code, and shall not be distributed earlier than:

(i) the Participant's separation from service, as determined by the Secretary of the Treasury;

(ii) the date the Participant becomes disabled;

(iii) the Participant's death;

(iv) a specified time (or pursuant to a fixed schedule) specified under the Award Agreement at the date of the deferral of such compensation;

(v) to the extent provided by the Secretary of the Treasury, a change in the ownership or effective control of the Company or a Parent or Subsidiary, or in the ownership of a substantial portion of the assets of the Company or a Parent or Subsidiary; or

(vi) the occurrence of an unforeseeable emergency with respect to the Participant.

(b) In the case of a Participant who is a "specified employee," the requirement of paragraph (a)(i) shall be met only if the distributions with respect to the Section 409A Award may not be made before the date which is six months after the Participant's separation from service (or, if earlier, the date of the Participant's death). For purposes of this subsection (b), a Participant shall be a "specified employee" if such Participant is a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) of a corporation any stock of which is publicly traded on an established securities market or otherwise, as determined under Section 409A(a)(2)(B)(i) of the Code and the Treasury Regulations thereunder.

(c) The requirement of paragraph (a)(vi) shall be met only if, as determined under Treasury Regulations under Section 409A(a)(2)(B)(ii) of the Code, the amounts distributed with respect to the unforeseeable emergency do not exceed the amounts necessary to satisfy such unforeseeable emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such unforeseeable emergency is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

(d) For purposes of this Section, the terms specified therein shall have the respective meanings ascribed thereto under Section 409A of the Code and the Treasury Regulations thereunder.

8.3 Prohibition on Acceleration of Benefits. The time or schedule of any distribution or payment of any shares of Stock or other property or amounts under a Section 409A Award shall not be accelerated, except as otherwise permitted under Section 409A(a)(3) of the Code and the Treasury Regulations thereunder.

8.4 Elections under Section 409A Awards

(a) Any deferral election provided under or with respect to an Award to any Eligible Individual, or to the Participant holding a Section 409A Award, shall satisfy the requirements of Section 409A(a)(4)(B) of the Code, to the extent applicable, and, except as otherwise permitted under paragraph (i) or (ii) below, any such deferral election with respect to compensation for services performed during a taxable year shall be made not later than the close of the preceding taxable year, or at such other time as provided in the Treasury Regulations.

(i) In the case of the first year in which an Eligible Individual or a Participant holding a Section 409A Award, becomes eligible to participate in the Plan, any such deferral election may be made with respect to services to be performed subsequent to the election with thirty days after the date the Eligible Individual, or the Participant holding a Section 409A Award, becomes eligible to participate in the Plan, as provided under Section 409A(a)(4)(B)(ii) of the Code.

(ii) In the case of any performance-based compensation based on services performed by an Eligible Individual, or the Participant holding a Section 409A Award, over a period of at least twelve months, any such deferral election may be made no later than six months before the end of the period, as provided under Section 409A(a)(4)(B)(iii) of the Code.

(b) In the event that a Section 409A Award permits, under a subsequent election by the Participant holding such Section 409A Award, a delay in a distribution or payment of any shares of Stock or other property or amounts under such Section 409A Award, or a change in the form of distribution or payment, such subsequent election shall satisfy the requirements of Section 409A(a)(4)(C) of the Code, and:

(i) such subsequent election may not take effect until at least twelve months after the date on which the election is made,

(ii) in the case such subsequent election relates to a distribution or payment not described in Section 8.2(a)(ii), (iii) or (vi), the first payment with respect to such election may be deferred for a period of not less than five years from the date such distribution or payment otherwise would have been made, and

(iii) in the case such subsequent election relates to a distribution or payment described in Section 8.2(a)(iv), such election may not be made less than twelve months prior to the date of the first scheduled distribution or payment under Section 8.2(a)(iv).

8.5 Compliance in Form and Operation. A Section 409A Award, and any election under or with respect to such Section 409A Award, shall comply in form and operation with the requirements of Section 409A of the Code and the Treasury Regulations thereunder.

ARTICLE 9

PROVISIONS APPLICABLE TO AWARDS

9.1 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

9.2 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event of the Participant's Termination of Employment or Termination of Directorship, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award. The provisions governing Awards need not be the same with respect to each recipient.

9.3 Limits on Transfer

(a) Except as otherwise provided by the Administrator pursuant to Section 9.3(b), no right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Parent or Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Parent or Subsidiary. Except as otherwise provided by the Administrator pursuant to Section 9.3(b), no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution, unless and until such Award has been exercised, or the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed.

(b) Notwithstanding Section 9.3(a), the Administrator, in its sole discretion, may permit an Award (other than an Incentive Stock Option) to be transferred to, exercised by and paid to any one or more Permitted Transferees (as defined below), subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than by will or the laws of descent and distribution; (ii) any Award which is transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Participant (other than the ability to further transfer the Award); and (iii) the Participant and the Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under applicable federal and state securities laws and (C) evidence the transfer. For purposes of this Section 9.3(b), "***Permitted Transferee***" shall mean, with respect to a Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests, or any other transferee specifically approved by the Administrator.

9.4 Beneficiaries. Notwithstanding Section 9.3, a Participant may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Administrator.

9.5 Stock Certificates; Book-Entry Procedures

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Stock pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed or traded. All Stock certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state, or foreign jurisdiction, securities or other laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Administrator may place legends on any Stock certificate to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Administrator may require that a Participant make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(b) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by applicable law, rule or regulation, the Company shall not deliver to any Participant certificates evidencing shares of Stock issued in connection with any Award and instead such shares of Stock shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

9.6 Paperless Exercise. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Awards, such as a system using an Internet website or interactive voice response, then the paperless exercise of Awards by a Participant may be permitted through the use of such an automated system.

ARTICLE 10
CHANGES IN CAPITAL STRUCTURE

10.1 Adjustments

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization, distribution of Company assets to stockholders (other than normal cash dividends), or any other corporate event affecting the Stock or the share price of the Stock, the Administrator shall make such proportionate adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such change with respect to (i) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Sections 3.1 and 3.3, provided that any adjustment of the limitations in Section 3.1 shall be subject to the fourth sentence of Section 3.1); (ii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (iii) the grant, exercise or purchase price per share for any outstanding Awards under the Plan. Any adjustment affecting an Award intended as Qualified Performance-Based Compensation shall be made consistent with the requirements of Section 162(m) of the Code.

(b) In the event of any transaction or event described in Section 10.1(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate (including without limitation any Change in Control), or of changes in applicable laws, regulations or accounting principles, and whenever the Administrator determines that such action is appropriate in order to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles, the Administrator, in its sole discretion and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been received upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 10.1(b) the Administrator determines in good faith that no amount would have been attained upon the exercise of

such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; and

(iii) To make adjustments in the number and type of shares of Stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

10.2 Acceleration Upon a Change in Control. Notwithstanding Section 10.1(b), and except as may otherwise be provided in any applicable Award Agreement or other written agreement entered into between the Company and a Participant, if a Change in Control occurs and a Participant's Awards are not continued, converted, assumed, or replaced by (i) the Company or a Parent or Subsidiary of the Company, or (ii) a Successor Entity, such Awards shall become fully exercisable and/or payable, as applicable, and all forfeiture, repurchase and other restrictions on such Awards shall lapse immediately prior to such Change in Control. Subject to the foregoing, the Administrator shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, dissolution or change in control of the Company, as defined by the Administrator, to take such further action as it determines to be necessary or advisable with respect to Awards. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the Administrator may take such actions with respect to all Participants, to certain categories of Participants or only to individual Participants. The Administrator may take such action before or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or change in control that is the reason for such action.

10.3 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Administrator under the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to an Award or the grant or exercise price of any Award.

ARTICLE 11
ADMINISTRATION

11.1 Administrator. The Administrator of the Plan shall be the Compensation Committee of the Board (the "***Committee***"), which Committee shall consist solely of three or more members of the Board each of whom is both an "outside director," within the meaning of Section 162(m) of the Code, a Non-Employee Director and an "independent director" under the rules of the Nasdaq Stock Market. Notwithstanding the foregoing: (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to all Awards granted to Independent Directors, and for purposes of such Awards the term "***Administrator***" as used in this Plan shall be deemed to refer to the Board, and (b) the Committee may delegate its authority hereunder to the extent permitted by Section 11.5. Appointment of Committee members shall be effective upon acceptance of appointment. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Administrator under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may only be filled by the Board.

11.2 Action by the Administrator. A majority of the Administrator shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and, subject to applicable law, acts approved in writing by a majority of the Administrator in lieu of a meeting, shall be deemed the acts of the Administrator. Each member of the Administrator is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Parent or Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

11.3 Authority of Administrator. Subject to any specific designation in the Plan, the Administrator has the exclusive power, authority and discretion to:

(a) Designate Participants to receive Awards;

(b) Determine the type or types of Awards to be granted to each Participant;

(c) Determine the number of Awards to be granted and the number of shares of Stock to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitations on the Award, Performance Criteria and Performance Goals associated with the Award, vesting, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines; *provided*, *however*, that the Administrator shall not have the authority to accelerate the vesting or waive the forfeiture of any Qualified Performance-Based Awards;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement;

(j) determine whether, to what extent and under what circumstances cash, shares of Stock, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the Participant; and

(k) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

11.4 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 12
EFFECTIVE AND EXPIRATION DATES

12.1 Effective Date. The Plan will be effective as of the Effective Date.

12.2 Approval of Plan by Stockholders. The Plan has been previously approved by the Company's stockholders when originally submitted. If the Board determines that Awards other than Options which may be granted to Section 162(m)

Participants should continue to be eligible to qualify as performance-based compensation under Section 162(m)(4)(C) of the Code, the Performance Criteria must be disclosed to and approved by the Company's stockholders no later than the first stockholder meeting that occurs in the fifth year following the year in which the Company's stockholders previously approved the Plan, as amended and restated to include the Performance Criteria.

12.3 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, August 23, 2017 (the "***Expiration Date***"). Any Awards that are outstanding on August 23, 2017 shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 13

AMENDMENT, MODIFICATION, AND TERMINATION

13.1 Amendment, Modification, And Termination. The Board may terminate, amend or modify the Plan at any time and from time to time; *provided*, *however*, that (a) to the extent necessary to comply with any applicable law, regulation, or stock exchange rule, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) stockholder approval is required for any amendment to the Plan that increases the number of shares available under the Plan (other than any adjustment as provided by Article 10). Notwithstanding any provision in this Plan to the contrary, absent approval of the stockholders of the Company, no Option may be amended to reduce the per share exercise price of the shares subject to such Option below the per share exercise price as of the date the Option is granted and, except as permitted by Article 10, no Option may be granted in exchange for, or in connection with, the cancellation or surrender of an Option having a higher per share exercise price.

13.2 Awards Previously Granted. No termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

ARTICLE 14

GENERAL PROVISIONS

14.1 No Rights to Awards. No Participant, Employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Participants, Employees, and other persons uniformly.

14.2 No Stockholders Rights. Except as otherwise provided herein, a Participant shall have none of the rights of a stockholder with respect to shares of Stock covered by any Award until the Participant becomes the record owner of such shares of Stock.

14.3 Withholding. The Company or any Parent or Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company an amount sufficient to satisfy federal, state, local and foreign taxes (including the Participant's employment tax obligations) required by law to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Administrator may, in its discretion and in satisfaction of the foregoing requirement: (i) allow a Participant to elect to have the Company or a Parent or Subsidiary, as applicable, withhold shares of Stock otherwise issuable under an Award (or allow the return of shares of Stock) having a Fair Market Value equal to the sums required to be withheld; or (ii) allow a Participant to use cash received from a broker-dealer to whom the Participant has submitted notice together with irrevocable instructions to deliver promptly to the Company the amount of sales proceeds from the sale of the shares of Stock (or certain of such shares of Stock) subject to the Award to pay the withholding taxes. Notwithstanding any other provision of the Plan, the number of shares of Stock which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award within six months (or such other period as may be determined by the Administrator) after such shares of Stock were acquired by the Participant from the Company) in order to satisfy the Participant's federal, state, local and foreign income and payroll tax liabilities with respect to the issuance, vesting, exercise or payment of the Award shall be limited to the number of shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income.

14.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company or any Parent or Subsidiary to terminate any Participant's employment or services

at any time, nor confer upon any Participant any right to continue in the employ or service of the Company or any Parent or Subsidiary.

14.5 Unfunded Status of Awards. The Plan is intended to be an unfunded plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Parent or Subsidiary.

14.6 Indemnification. To the extent allowable pursuant to applicable law, the Administrator (and each member thereof) shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

14.7 Relationship to Other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Parent or Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

14.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

14.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

14.10 Fractional Shares. No fractional shares of Stock shall be issued and the Administrator shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up or down as appropriate.

14.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 under the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

14.12 Government and Other Regulations. The obligation of the Company to make payment of awards in Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register pursuant to the Securities Act, any of the shares of Stock paid pursuant to the Plan. If the shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act, the Company may restrict the transfer of such shares in such manner as it deems advisable to ensure the availability of any such exemption.

14.13 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the conflicts of law principles thereof.

Exhibit 10.43

FARMER BROS. CO.

FORM OF
2007 OMNIBUS PLAN
STOCK OPTION GRANT NOTICE AND
STOCK OPTION AGREEMENT

Farmer Bros. Co., a Delaware corporation (the "***Company***"), pursuant to its 2007 Omnibus Plan (the "***Plan***"), hereby grants to the holder listed below ("***Participant***"), an option to purchase the number of shares of the Company's Stock set forth below (the "***Option***"). This Option is subject to all of the terms and conditions as set forth herein and in the Stock Option Agreement attached hereto as Exhibit A (the "***Stock Option Agreement***") and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Stock Option Agreement.

Participant:	
Grant Date:	
Exercise Price per Share:	$
Total Exercise Price:	$
Total Number of Shares Subject to the Option:	
Expiration Date:	

Type of Option:	☐ Incentive Stock Option ☐ Non-Qualified Stock Option
Vesting Schedule:	One-third (1/3) of the Total Number of Shares Subject to the Option, rounded down to the nearest whole number of shares, vest on each of the first two anniversaries of the Grant Date, and the remainder vest on the third anniversary of the Grant Date, subject to the acceleration provision of the Stock Option Agreement.

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Stock Option Agreement and this Grant Notice. Participant has reviewed the Stock Option Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Stock Option Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan, this Grant Notice or the Stock Option Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

FARMER BROS. CO.	**PARTICIPANT**

By:	By:
Print Name:	Print Name:
Title:	
Address: 20333 South Normandie Avenue Torrance, California 90502	Address:

EXHIBIT A
TO STOCK OPTION GRANT NOTICE

STOCK OPTION AGREEMENT

Pursuant to the Stock Option Grant Notice ("***Grant Notice***") to which this Stock Option Agreement (this "***Agreement***") is attached, Farmer Bros. Co., a Delaware corporation (the "***Company***"), has granted to Participant an option under the Company's 2007 Omnibus Plan (the "***Plan***") to purchase the number of shares of Stock indicated in the Grant Notice.

ARTICLE I
GENERAL

1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions of the Plan which are incorporated herein by reference.

ARTICLE II
GRANT OF OPTION

2.1 Grant of Option. In consideration of Participant's past and/or continued employment with or service to the Company or a Parent or Subsidiary and for other good and valuable consideration, effective as of the Grant Date set forth in the Grant Notice (the "***Grant Date***"), the Company irrevocably grants to Participant the Option to purchase any part or all of an aggregate of the number of shares of Stock set forth in the Grant Notice, upon the terms and conditions set forth in the Plan and this Agreement. Unless designated as a Non-Qualified Stock Option in the Grant Notice, the Option shall be an Incentive Stock Option to the maximum extent permitted by law.

2.2 Exercise Price. The exercise price of the shares of Stock subject to the Option shall be as set forth in the Grant Notice, without commission or other charge; *provided, however*, that if this Option is designated as an Incentive Stock Option, the price per share of the shares subject to the Option shall not be less than the greater of (i) 100% of the Fair Market Value of a share of Stock on the Grant Date, or (ii) 110% of the Fair Market Value of a share of Stock on the Grant Date in the case of a Participant then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any "subsidiary corporation" of the Company or any "parent corporation" of the Company (each within the meaning of Section 424 of the Code).

2.3 Consideration to the Company. In consideration of the grant of the Option by the Company, Participant agrees to render faithful and efficient services to the Company or any Parent or Subsidiary. Nothing in the Plan or this Agreement shall confer upon Participant any right to (a) continue in the employ of the Company or any Parent or Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Parents and Subsidiaries, which are hereby expressly reserved, to discharge Participant, if Participant is an Employee, or (b) continue to provide services to the Company or any Parent or Subsidiary or shall interfere with or restrict in any way the rights of the Company or its Parents and Subsidiaries, which are hereby expressly reserved, to terminate the services of Participant, if Participant is a Consultant, at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company, a Parent or a Subsidiary and Participant, or (c) continue to

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serve as a member of the Board or shall interfere with or restrict in any way the rights of the Company, which are hereby expressly reserved, to discharge Participant in accordance with the Company's Bylaws.

ARTICLE III
PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability

(a) Subject to Sections 3.3 and 5.8, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) No portion of the Option which has not become vested and exercisable at the date of Participant's Termination of Employment, Termination of Directorship or Termination of Consultancy shall thereafter become vested and exercisable, except as may be otherwise provided in the Grant Notice, this Agreement, by the Administrator or as set forth in a written agreement between the Company and Participant.

3.2 Duration of Exercisability. The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment which becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable under Section 3.3.

3.3 Expiration of Option. The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The expiration of seven years from the Grant Date;

(b) If this Option is designated as an Incentive Stock Option and Participant owned (within the meaning of Section 424(d) of the Code), at the time the Option was granted, more than 10% of the total combined voting power of all classes of stock of the Company or any "subsidiary corporation" of the Company or "parent corporation" of the Company (each within the meaning of Section 424 of the Code), the expiration of five years from the Grant Date; or

(c) Except as set forth in a written agreement with the Company, the expiration of three months following the date of Participant's Termination of Employment, Termination of Directorship or Termination of Consultancy, unless such termination occurs by reason of Participant's retirement, death or Disability; or

(d) The expiration of one year following the date of Participant's Termination of Employment, Termination of Directorship or Termination of Consultancy by reason of Participant's retirement, death or Disability.

Participant acknowledges that an Incentive Stock Option exercised more than three months after Participant's Termination of Employment, other than by reason of death or Disability, will be taxed as a Non-Qualified Stock Option.

3.4 Special Tax Consequences. Participant acknowledges that, to the extent that the aggregate Fair Market Value (determined as of the time the Option is granted) of all shares of Stock with respect to which Incentive Stock Options, including the Option, are exercisable for the first time by Participant in any

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calendar year exceeds $100,000 (or such other limitation as imposed by Section 422(d) of the Code), the Option and such other options shall be treated as not qualifying under Section 422 of the Code but rather shall be considered Non-Qualified Stock Options. Participant further acknowledges that the rule set forth in the preceding sentence shall be applied by taking Options and other "incentive stock options" into account in the order in which they were granted, as determined under Section 422(d) of the Code and the Treasury Regulations thereunder.

3.5 Acceleration of Vesting

(a) Acceleration of Vesting Upon Death or Disability. In the event of Participant's Termination of Employment, Termination of Directorship or Termination of Consultancy by reason of Participant's death or Disability, Participant or Participant's estate will have the right to exercise the Option during the applicable time period set forth in Section 3.3 with respect to the then vested shares plus a pro rata portion of the unvested shares as of the date of such termination determined as follows:

(Actual Number of Service Days During Remaining Vesting Period)
(Total Number of Days During Remaining Vesting Period) X (No. of Unvested Shares) = (Accelerated Shares)

(b) Other Events. The Administrator retains the discretion to determine whether an acceleration of vesting will occur upon the occurrence of certain other events, including Termination of Consultancy, Termination of Directorship, and Termination of Employment other than by reason of death or Disability, and an impending Change in Control.

ARTICLE IV
EXERCISE OF OPTION

4.1 Person Eligible to Exercise. Except as provided in Sections 5.2(b) and 5.2(c), during the lifetime of Participant, only Participant may exercise the Option or any portion thereof. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3, be exercised by Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

4.2 Partial Exercise. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3.

4.3 Manner of Exercise. The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company or the Secretary's office of all of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 3.3:

(a) An Exercise Notice in writing signed by Participant or any other person then entitled to exercise the Option or portion thereof, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator. Such notice shall be substantially in the form attached as Exhibit B to the Grant Notice (or such other form as is prescribed by the Administrator); and

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(b) Subject to Section 5.1(c) of the Plan:

(i) Full payment (in cash or by check) for the shares with respect to which the Option or portion thereof is exercised; or

(ii) Such payment may be made, in whole or in part, through the delivery of shares of Stock which have been owned by Participant for at least six months, duly endorsed for transfer to the Company with a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof; or

(iii) Through the delivery of a notice that Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided*, that payment of such proceeds is made to the Company upon settlement of such sale; or

(iv) Subject to any applicable laws, any combination of the consideration provided in the foregoing paragraphs (i), (ii) and (iii); and

(c) A bona fide written representation and agreement, in such form as is prescribed by the Administrator, signed by Participant or the other person then entitled to exercise such Option or portion thereof, stating that the shares of Stock are being acquired for Participant's own account, for investment and without any present intention of distributing or reselling said shares or any of them except as may be permitted under the Securities Act and then applicable rules and regulations thereunder and any other applicable law, and that Participant or other person then entitled to exercise such Option or portion thereof will indemnify the Company against and hold it free and harmless from any loss, damage, expense or liability resulting to the Company if any sale or distribution of the shares by such person is contrary to the representation and agreement referred to above. The Administrator may, in its absolute discretion, take whatever additional actions it deems appropriate to ensure the observance and performance of such representation and agreement and to effect compliance with the Securities Act and any other federal or state securities laws or regulations and any other applicable law. Without limiting the generality of the foregoing, the Administrator may require an opinion of counsel acceptable to it to the effect that any subsequent transfer of shares acquired on an Option exercise does not violate the Securities Act, and may issue stop-transfer orders covering such shares. Share certificates evidencing Stock issued on exercise of the Option shall bear an appropriate legend referring to the provisions of this subsection (c) and the agreements herein. The written representation and agreement referred to in the first sentence of this subsection (c) shall, however, not be required if the shares to be issued pursuant to such exercise have been registered under the Securities Act, and such registration is then effective in respect of such shares; and

(d) The receipt by the Company of full payment for such shares, including payment of any applicable withholding tax, which may be in the form of consideration used by Participant to pay for such shares under Section 4.3(b), subject to Section 16.3 of the Plan; and

(e) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 by any person or persons other than Participant, appropriate proof of the right of such person or persons to exercise the Option.

4.4 Conditions to Issuance of Stock Certificates. The shares of Stock deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued shares or issued shares which have then been reacquired by the Company. Such shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any shares of Stock purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such Stock is then listed; and

(b) The completion of any registration or other qualification of such shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable; and

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable; and

(d) The receipt by the Company of full payment for such shares, including payment of any applicable withholding tax, which may be in the form of consideration used by Participant to pay for such shares under Section 4.3(b); and

(e) The lapse of such reasonable period of time following the exercise of the Option as the Administrator may from time to time establish for reasons of administrative convenience.

4.5 Rights as Stockholder. The holder of the Option shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any shares purchasable upon the exercise of any part of the Option unless and until such shares shall have been issued by the Company to such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment will be made for a dividend or other right for which the record date is prior to the date the shares are issued, except as provided in Article 12 of the Plan.

ARTICLE V

OTHER PROVISIONS

5.1 Administration. The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the Option. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Administrator under the Plan and this Agreement.

5.2 Option Not Transferable.

(a) Subject to Section 5.2(b), the Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares underlying the Option have been issued, and all restrictions applicable to such shares have lapsed.

Neither the Option nor any interest or right therein shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

(b) Notwithstanding any other provision in this Agreement, with the consent of the Administrator and to the extent the Option is not intended to qualify as an Incentive Stock Option, the Option may be transferred to one or more Permitted Transferees, subject to the terms and conditions set forth in Section 11.3(b) of the Plan.

(b) Unless transferred to a Permitted Transferee in accordance with Section 5.2(b), during the lifetime of Participant, only Participant may exercise the Option or any portion thereof. Subject to such conditions and procedures as the Administrator may require, a Permitted Transferee may exercise the Option or any portion thereof during Participant's lifetime. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3, be exercised by Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

5.3 Restrictive Legends and Stop-Transfer Orders.

(a) The share certificate or certificates evidencing the shares of Stock purchased hereunder shall be endorsed with any legends that may be required by state or federal securities laws.

(b) Participant agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) The Company shall not be required: (i) to transfer on its books any shares of Stock that have been sold or otherwise transferred in violation of any of the provisions of this Agreement, or (ii) to treat as owner of such shares of Stock or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such shares shall have been so transferred.

5.4 Shares to Be Reserved. The Company shall at all times during the term of the Option reserve and keep available such number of shares of Stock as will be sufficient to satisfy the requirements of this Agreement.

5.5 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the address given beneath the signature of the Company's authorized officer on the Grant Notice, and any notice to be given to Participant shall be addressed to Participant at the address given beneath Participant's signature on the Grant Notice. By a notice given pursuant to this Section 5.5, either party may hereafter designate a different address for notices to be given to that party. Any notice which is required to be given to Participant shall, if Participant is then deceased, be given to the person entitled to exercise his or her

Option pursuant to Section 4.1 by written notice under this Section 5.5. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.6 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.7 Governing Law; Severability. This Agreement shall be administered, interpreted and enforced under the laws of the State of Delaware, without regard to the conflicts of law principles thereof. Should any provision of this Agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

5.8 Conformity to Securities Laws. Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.9 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator, provided, that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely effect the Award in any material way without the prior written consent of Participant.

5.10 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

5.11 Notification of Disposition. If this Option is designated as an Incentive Stock Option, Participant shall give prompt notice to the Company of any disposition or other transfer of any shares of Stock acquired under this Agreement if such disposition or transfer is made (a) within two years from the Grant Date with respect to such shares or (b) within one year after the transfer of such shares to him. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

5.12 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Option and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

5.13 Entire Agreement. The Plan and this Agreement (including all Exhibits hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

EXHIBIT B

TO STOCK OPTION GRANT NOTICE

FORM OF EXERCISE NOTICE

Effective as of today, _______________, ____________the undersigned (“***Participant***”) hereby elects to exercise Participant’s option to purchase _______________shares of the Stock (the “***Shares***”) of Farmer Bros. Co., a Delaware corporation (the “***Company***”), under and pursuant to the Farmer Bros. Co. 2007 Omnibus Plan (the “***Plan***”) and the Stock Option Grant Notice and Stock Option Agreement dated _______________(the “***Option Agreement***”). Capitalized terms used herein without definition shall have the meanings given in the Option Agreement.

Grant Date:	__________________
Number of Shares as to which Option is Exercised:	__________________
Exercise Price per Share:	$_________________
Total Exercise Price:	$_________________
Certificate to be issued in name of:	__________________
Payment delivered herewith:	$_________________ (Representing the full Exercise Price for the Shares, as well as any applicable withholding tax) Form of Payment: _______________ *(Please specify)*

Type of Option: ☐ Incentive Stock Option ☐ Non-Qualified Stock Option

Participant acknowledges that Participant has received, read and understood the Plan and the Option Agreement. Participant agrees to abide by and be bound by their terms and conditions. Participant understands that Participant may suffer adverse tax consequences as a result of Participant’s purchase or disposition of the Shares. Participant represents that Participant has consulted with any tax consultants Participant deems advisable in connection with the purchase or disposition of the Shares and that Participant is not relying on the Company for any tax advice. The Plan and Option Agreement are incorporated herein by reference. This Agreement, the Plan and the Option Agreement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

ACCEPTED BY: **FARMER BROS. CO.**	**SUBMITTED BY:**
By:	By:
Print Name:	Print Name:
Title:	Address:

Exhibit 10.45

FARMER BROS. CO.

FORM OF
2007 OMNIBUS PLAN
RESTRICTED STOCK AWARD GRANT NOTICE AND
RESTRICTED STOCK AWARD AGREEMENT

Farmer Bros. Co., a Delaware corporation (the "***Company***"), pursuant to its 2007 Omnibus Plan (the "***Plan***"), hereby grants to the individual listed below ("***Participant***"), the number of shares of Restricted Stock set forth below (the "***Shares***"). This Award is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Award Agreement attached hereto as <u>Exhibit A</u> (the "***Restricted Stock Agreement***") (including without limitation the Restrictions on the Shares set forth in the Restricted Stock Agreement) and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Restricted Stock Agreement.

Participant:

Grant Date:

Vesting Commencement Date:

Total Number of Shares of Restricted Stock:

Vesting Schedule:	[To be specified in individual agreements], subject to the acceleration provisions set forth in the Restricted Stock Agreement.

By his or her signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Restricted Stock Agreement and this Grant Notice. Participant has reviewed the Restricted Stock Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Restricted Stock Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan, this Grant Notice or the Restricted Stock Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

FARMER BROS. CO.		**PARTICIPANT**	
By:	______________________	By:	______________________
Print Name:	______________________	Print Name:	______________________
Title:	______________________		______________________
Address:	20333 South Normandie Avenue Torrance, California 90502	Address:	

EXHIBIT A
TO RESTRICTED STOCK AWARD GRANT NOTICE

FARMER BROS. CO. RESTRICTED STOCK AWARD AGREEMENT

Pursuant to the Restricted Stock Award Grant Notice (the "***Grant Notice***") to which this Restricted Stock Award Agreement (this "***Agreement***") is attached, Farmer Bros. Co., a Delaware corporation (the "***Company***") has granted to Participant the number of shares of Restricted Stock under the 2007 Omnibus Plan, as amended from time to time (the "***Plan***"), as set forth in the Grant Notice.

ARTICLE I
GENERAL

1.1 Definitions. All capitalized terms used in this Agreement without definition shall have the meanings ascribed in the Plan and the Grant Notice.

1.2 Incorporation of Terms of Plan. The Award (as defined below) is subject to the terms and conditions of the Plan which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II
AWARD OF RESTRICTED STOCK

2.1 Award of Restricted Stock

(a) Award. In consideration of Participant's agreement to remain in the service or employ of the Company or one of its Parents or Subsidiaries, and for other good and valuable consideration which the Administrator has determined exceeds the aggregate par value of the Shares subject to the Award (as defined below), as of the Grant Date, the Company issues to Participant the Award described in this Agreement (the "***Award***"). The number of shares of Restricted Stock (the "***Shares***") subject to the Award is set forth in the Grant Notice. The Participant is an Employee, member of the Board, or Consultant.

(b) Book Entry Form. The Shares will be issued in uncertificated form. Notwithstanding anything to the contrary in the foregoing, at the sole discretion of the Administrator, the Shares will be issued in either (i) uncertificated form, with the Shares recorded in the name of Participant in the books and records of the Company's transfer agent with appropriate notations regarding the restrictions on transfer imposed pursuant to this Agreement, and upon vesting and the satisfaction of all conditions set forth in Section 2.2(c), the Company shall cause certificates representing the Shares to be issued to Participant; or (ii) certificate form pursuant to the terms of Sections 2.1(c) and (d).

(c) Legend. Certificates representing Shares issued pursuant to this Agreement shall, until all Restrictions imposed pursuant to this Agreement lapse or shall have been removed and new certificates are issued, bear the following legend (or such other legend as shall be determined by the Administrator):

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN VESTING REQUIREMENTS AND MAY BE SUBJECT TO FORFEITURE UNDER THE TERMS OF THAT CERTAIN RESTRICTED STOCK AWARD AGREEMENT, DATED [____________ __, 20___], BY AND BETWEEN FARMER BROS. CO. AND THE REGISTERED OWNER OF SUCH SHARES, AND SUCH

> SHARES MAY NOT BE, DIRECTLY OR INDIRECTLY, OFFERED, TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNDER ANY CIRCUMSTANCES, EXCEPT PURSUANT TO THE PROVISIONS OF SUCH AGREEMENT."

(d) Escrow. The Secretary of the Company, or such other escrow holder as the Administrator may appoint, may retain physical custody of the certificates representing the Shares until all of the restrictions on transfer imposed pursuant to this Agreement lapse or shall have been removed; in such event Participant shall not retain physical custody of any certificates representing unvested Shares issued to him or her.

2.2 Restrictions

(a) Forfeiture. Any Award which is not vested as of the date Participant ceases to be an Employee or other Eligible Individual shall thereupon be forfeited immediately and without any further action by the Company. For purposes of this Agreement, "***Restrictions***" shall mean the restrictions on sale or other transfer set forth in Section 3.2 and the exposure to forfeiture set forth in this Section 2.2(a).

(b) Vesting and Lapse of Restrictions. Subject to Sections 2.2(a) and 2.3 hereof, the Award shall vest and the Restrictions shall lapse in accordance with the vesting schedule set forth on the Grant Notice.

(c) Tax Withholding; Conditions to Issuance of Certificates. Notwithstanding any other provision of this Agreement (including without limitation Section 2.1(b)):

(i) No new certificate shall be delivered to Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid to the Company the full amount of all federal and state withholding or other taxes applicable to the taxable income of Participant resulting from the grant of Shares or the lapse or removal of the Restrictions, which payment shall be in the form of (1) cash, (2) check, or (3) upon the request of Participant and with the consent of the Administrator, withholding by the Company, on the date that the Restrictions on all or a portion of the Award shall lapse pursuant to Section 2.2(b), of a number of whole Shares for which the Restrictions would have otherwise lapsed on such date, having a Fair Market Value, determined as of such date, not in excess of the minimum tax required to be withheld by law (the "***Share Withholding Procedure***"). Any adverse consequences to Participant arising in connection with the Share Withholding Procedure shall be the sole responsibility of Participant.

(ii) The Company shall not be required to issue or deliver any certificate or certificates for any Shares prior to the fulfillment of all of the following conditions: (A) the admission of the Shares to listing on all stock exchanges on which such Stock is then listed, (B) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its sole and absolute discretion, deem necessary and advisable, (C) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable and (D) the lapse of any such reasonable period of time following the date the Restrictions lapse as the Administrator may from time to time establish for reasons of administrative convenience.

2.3 Acceleration of Vesting

(a) Acceleration of Vesting Upon Death or Disability or Termination. In the event of Participant's Termination of Employment, Termination of Directorship or Termination of Consultancy by reason of Participant's death or Disability, the following pro rata portion of the Shares will be deemed to have vested immediately prior to the termination event and shall no longer be subject to forfeiture (up to a maximum of 100% of the Shares):

(Actual Number of Service Days During Vesting Period)
(Total Number of Days During Vesting Period) X (No. of Shares) = (Vested Shares)

(b) Other Events. The Administrator retains the discretion to determine whether an acceleration of vesting will occur upon the occurrence of certain other events, including Termination of Consultancy, Termination of Directorship, and Termination of Employment other than by reason of death or Disability, and an impending Change in Control.

ARTICLE III
OTHER PROVISIONS

3.1 Administration. The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the Option. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Administrator under the Plan and this Agreement.

3.2 Restricted Stock Not Transferable. Prior to the lapsing of the Restrictions pursuant to Section 2.2(b), no Shares or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this Section 3.2 notwithstanding, with the consent of the Administrator, the Shares may be transferred to certain persons or entities related to Participant, including but not limited to members of Participant's family, charitable institutions or trusts or other entities whose beneficiaries or beneficial owners are members of Participant's family or to such other persons or entities as may be expressly approved by the Administrator, pursuant to any such conditions and procedures the Administrator may require. Upon the lapsing of the Restrictions pursuant to Section 2.2(b), the Shares shall no longer be Restricted Stock but shall be Stock held by Participant, and Participant shall have all the rights of a stockholder with respect to such Stock.

3.3 Rights as Stockholder. Except as otherwise provided herein, upon the Grant Date Participant shall have all the rights of a stockholder with respect to the Shares, subject to the Restrictions herein, including the right to vote the Shares and the right to receive any cash or stock dividends paid to or made with respect to the Shares.

3.4 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an Employee, member of the Board, Consultant, or other service provider of the Company or any of its Subsidiaries.

3.5 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the address given beneath the signature of the Company's authorized officer on the Grant Notice, and any notice to be given to Participant shall be addressed to Participant at the address given beneath Participant's signature on the Grant Notice. By a notice given pursuant to this Section 3.5, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

3.6 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

3.7 Governing Law; Severability. This Agreement shall be administered, interpreted and enforced under the laws of the State of Delaware, without regard to the conflicts of law principles thereof. Should any provision of this Agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

3.8 Conformity to Securities Laws. Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Awards are granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

3.9 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator, provided, that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely effect the Award in any material way without the prior written consent of Participant.

3.10 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

3.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Award and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.12 Entire Agreement. The Plan and this Agreement (including all Exhibits hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

EXHIBIT 10.46

FARMER BROS. CO.

STOCK OWNERSHIP GUIDELINES
FOR DIRECTORS AND EXECUTIVE OFFICERS

Adopted by the Board of Directors on February 20, 2008,
as amended February 7, 2019

The Board of Directors of Farmer Bros. Co. (the “Company”) has adopted these Stock Ownership Guidelines (“Guidelines”) to further align the interests of the Company’s executive officers and non-employee directors with the interests of the Company’s stockholders and to further promote the Company’s commitment to sound corporate governance.

I. Executive Officer Stock Ownership Guidelines

Executive officers of the Company (“Officers”), are expected to own and hold a number of shares of the Company’s common stock (“Common Stock”) based on the following guidelines:

Officer	**Value of Shares Owned**
Chief Executive Officer	at least three (3) times base salary
Other Executive Officers	at least one (1) times base salary

II. Non-Employee Director Stock Ownership Guidelines

Non-employee directors are expected to own and hold during their service as a Board member a number of shares of Common Stock with a value equal to at least four (4) times the annual cash retainer for service on the Board.

III. Compliance with the Guidelines

Equity that counts as Common Stock toward satisfaction of these Guidelines include: (a) shares of Common Stock owned outright by the Officer or non-employee director and his or her immediate family members who share the same household, whether held individually or jointly; (b) restricted stock and restricted stock units (whether or not the restrictions have lapsed); (c) performance shares and performance share units (whether or not the restrictions have lapsed); (d) ESOP shares; (e) shares of Common Stock held in trust for the benefit of the Officer or non-employee director or his or her family; (f) vested options for shares of Common Stock; and (g) vested performance options for shares of Common Stock.

Until the applicable guideline is achieved, each Officer and non-employee director is required to retain all “profit shares,” which are those shares remaining after payment of taxes on earned equity awards under (i) the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan or under its predecessor plan, the Farmer Bros. Co. 2007 Omnibus Plan, and (ii) the Farmer Bros. Co. 2017 Long-Term Incentive Plan, or under any successor plan to either of those plans, such as shares granted pursuant to the exercise of vested options, restricted stock that has vested, and stock from settled restricted stock units or performance share units. Officers and non-employee directors are expected to continuously own sufficient shares to meet these Guidelines once attained. Nothing contained herein shall otherwise prohibit any Officer or non-employee director from transferring shares acquired by such person other than pursuant to the foregoing equity plans, including shares directly purchased in the market, shares acquired through participation in the

Company’s 401(k) plan, and ESOP shares, if any, subject to applicable securities laws and the Company’s other policies and procedures, including, without limitation, the Company’s Insider Trading Policy.

These Guidelines may be waived at the discretion of the Board if compliance would create severe hardship or prevent an Officer or non-employee director from complying with a court order. It is expected that these instances will be rare.

Second Amendment to the

Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan

WHEREAS, the Board of Directors of Farmer Bros. Co. and the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans have approved and authorized an amendment to the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan (the “ESOP”) to provide for the freezing of the ESOP such that (i) no employees of the Company may commerce participation in the ESOP on or after December 31, 2018; (ii) no Company contributions shall 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 shall be fully vested as of such date.

NOW, THEREFORE, the undersigned officer of Farmer Bros. Co. hereby executes this amendment effective as of December 31, 2018, which modifies the ESOP in the following respects:

1. Section 2.01 of the ESOP is revised to add a new fourth sentence, to read as follows:

   “Notwithstanding the foregoing, no Eligible Employee shall become a Member on or after December 31, 2018.”

2. Section 2.02 of the ESOP is revised to add a new third sentence, to read as follows:

   “Notwithstanding the foregoing, no person reemployed by the Employer as an Eligible Employee shall become a Member on or after December 31, 2018.”

3. Section 2.03 of the ESOP is revised to add a new second sentence, to read as follows:

   “Notwithstanding the foregoing, the Employer shall not make any Employer Contributions to the Plan with respect to Compensation paid after December 31, 2018.”

4. Section 3.01(a) of the ESOP is revised to add a new sixth sentence, to read as follows:

   “Notwithstanding the foregoing, the Employer shall not make any Employer Contributions to the Plan with respect to any Hours of Service completed or Compensation paid after December 31, 2018.”

5. The first sentence of Section 3.01(c) of the ESOP is revised to read as follows:

   “Notwithstanding paragraphs (a) and (b) above, each Employer may make an additional Employer Contribution to the Plan, in Company Stock or cash, at a time and in an amount determined by the Board of Directors; *provided* that the Employer shall not make any Employer Contributions to the Plan after December 31, 2018;”

6. A new Section 6.01(e) is added to the ESOP to read as follows:

“(e) A Member who was actively employed by the Employer on December 31, 2018 shall be fully vested in, and have a nonforfeitable right to, his/her Account as of December 31, 2018.”

THEREFORE, this Amendment is hereby executed effective as of December 31, 2018.

FARMER BROS. CO.

By:	/s/ David G. Robson
Title:	Treasurer and Chief Financial Officer

Dated as of December 31, 2018

Amendment to the Farmer Bros. Co. Retirement Plan

WHEREAS, the Board of Directors of Farmer Bros. Co. and the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans have approved and authorized an amendment to the Farmer Bros. Co. Retirement Plan (the “Plan”) to provide for the spin-off of certain benefits to the Brewmatic Company, A Division of Farmer Bros. Co. Pension Plan (Brewmatic Pension Plan), and the termination of the Plan following such spin-off.

NOW, THEREFORE, the undersigned officer of Farmer Bros. Co. hereby executes this amendment effective as of December 1, 2018, which modifies the Plan in the following respects:

1. A new Article XIII is added to the Plan to read as follows:

“**ARTICLE XIII**

PLAN SPIN-OFF AND TERMINATION

SECTION 13.01 – SPIN-OFF OF CERTAIN PARTICIPANTS

Effective as of December 1, 2018 (the “Termination Date”), the Accrued Benefits of all Participants, Beneficiaries or alternate payees other than the individuals set forth on Exhibit A (such Participants, the “Spin-Off Participants”) and all liabilities associated with the Accrued Benefits of such Spin-Off Participants will be transferred to the Brewmatic Company, A Division of Farmer Bros. Co. Pension Plan (Brewmatic Pension Plan).

SECTION 13.02 – TERMINATION OF THE PLAN

Effective as of December 1, 2018, immediately following the spin-off described in Section 13.01 above, the Plan will terminate.

SECTION 13.03 – DISTRIBUTIONS TO REMAINING PARTICIPANTS

Effective as of the Termination Date, the individuals listed on Exhibit A (such Participants, the “Remaining Participants”) will become fully vested in their Accrued Benefits under the Plan and will be subject to the following terms; provided, if prior to the Termination Date any individual listed on Exhibit A dies or becomes subject to a domestic relations order that impacts the individual’s benefit under the Plan, such individual will cease to be a Remaining Participant and will become a Spin-Off Participant effective as of the Termination Date:

(a) If the value of a Remaining Participant’s Accrued Benefit does not exceed $5,000 as of the Termination Date, a lump sum payment equal to the value of such Remaining Participant’s Accrued Benefit shall be paid to the Remaining Participant as of December 1, 2018, subject to such Remaining Participant’s completion of all necessary paperwork in connection with such payment; provided that, if any such Remaining Participant (1) does not complete the necessary paperwork in connection with the payment of such

Remaining Participant's Accrued Benefit timely in accordance with procedures established by the Plan Administrator pursuant to the authority established in (b) below, or (2) elects a lump sum but does not cash the lump sum check within 90 days of the day the check is issued, then such Remaining Participant's Accrued Benefit shall be sent to the Pension Benefit Guaranty Corporation's Missing Participants Program.

(b) If the value of a Remaining Participant's Accrued Benefit exceeds $5,000, such Remaining Participant may elect to commence payment of such Remaining Participant's entire Accrued Benefit under the Plan in the form of (1) a lump sum, (2) any of the optional forms of retirement benefit set forth in Section 6.03 of the Plan, or (3) if such Remaining Participant has a spouse, a Qualified Joint and Survivor Annuity; provided that, if any such Remaining Participant elects a lump sum but does not cash the lump sum check within 90 days of the date the check is issued, then such Remaining Participant's Accrued Benefit shall be sent to the Pension Benefit Guaranty Corporation's Missing Participants Program. The Plan Administrator will establish procedures governing the election of benefits under Section 13.03(a) and this Section 13.03(b), including procedures for revoking any such elections. Such procedures will comply with applicable Treasury Regulations.

(c) Any lump sum payable pursuant to Sections 13.03(a) or (b) shall be equal to the Present Value of a Remaining Participant's Accrued Benefit calculated using the Applicable Interest Rate and the Applicable Mortality Table; provided that in no event will a Remaining Participant's lump sum be less than the balance of such Remaining Participant's Required Contribution Account and:

(i) For any Remaining Participant who is eligible to receive an early retirement benefit, such Remaining Participant's lump sum will be equal to the greater of (1) the amount described above in Section 13.03(c) and (2) the Present Value of a single life annuity with a 5-year certain period; and

(ii) For any Remaining Participant who is over age 65, such Remaining Participant's lump sum will be equal to such Remaining Participant's late retirement benefit, as determined in accordance with Section 4.06 of the Plan.

(d) Any optional form of retirement benefit paid pursuant to Section 13.03(b)(2) and any Qualified Joint and Survivor Annuity paid pursuant to Section 13.03(b)(3) will be determined using the same rules that are generally applicable to such forms of payment under the Plan; provided that:

(i) For any Remaining Participant who is at least age 55 but who has not reached age 65 as of the Termination Date, the value of a single life annuity with a 5-year certain period will be equal to such Remaining Participant's Accrued Benefit on the Termination Date, reduced by 1/3 of 1% for each full calendar month by which the Termination Date precedes such Remaining Participant's Normal Retirement Date; and

(ii) For any Remaining Participant who has not reached age 55 as of the Termination Date, the value of a single life annuity with a 5-year certain period will be equal to such Remaining Participant's Accrued Benefit on the Termination Date, reduced (1) by 40%, plus (2) further reduced for the period of time between the Termination Date and such Remaining Participant's 55^{th} birthday, using the Applicable Interest Rate and Applicable Mortality Table."

2. Section 5.01(b) of the Plan is deleted in its entirety, and all references thereto in the Plan are removed. Section 5.01(c) of the Plan, and all references thereto in the Plan, are redesignated, accordingly.

3. Section 6.04(b) of the Plan is deleted in its entirety.

4. The second paragraph of Section 6.04(c)(2) of the Plan is deleted in its entirety.

5. The first sentence of Section 6.04(c)(3) of the Plan is revised to read as follows:

   "If the Present Value of the Participant's Vested Accrued Benefit exceeds $5,000, any benefit that is (i) immediately distributable and (ii) payable in a form other than a Qualified Joint and Survivor Annuity or a Qualified Preretirement Survivor Annuity, requires the consent of the Participant and the Participant's spouse (or where either the Participant or the spouse has died, the survivor)."

6. Section 6.05(c) of the Plan is deleted in its entirety.

7. A new Section 6.06(f) is added to the Plan to read as follows:

   "(f) Notwithstanding the foregoing, Sections 6.06(a) – (e) will not apply to any benefits distributed with an Annuity Starting Date that occurs on or after May 30, 2019."

8. The following sentence is added at the end of Section 10.02:

   "Notwithstanding the foregoing, the second and third paragraphs of Section 10.02 will not apply to any benefits distributed as of a date after December 1, 2018."

9. The following sentence is added at the end of Section 10.11:

"Notwithstanding the foregoing, this Section 10.11 will not apply to any benefits distributed as of a date after December 1, 2018."

10. Exhibit A, which follows this signature page, is hereby attached to the Plan.

THEREFORE, this Amendment is hereby executed effective as of December 1, 2018.

FARMER BROS. CO.

By: /s/ David G. Robson

Title: Treasurer and Chief Financial Officer

Dated as of December 1, 2018

EXHIBIT A

ACEVEDO, GUADALUPE
ADAMS, JEFFERY
AGUIRRE, ADRIAN
AGUM, CHRISTOPHER
ALBERTSON, ROBBIE
ALLANSON, RICHARD
ARNETT, MICHAEL
ATWOOD, STEPHEN
BARKHURST, JOHN
BARNES, CELESA
BARRANCO, KEVIN
BARRANCO, BRIAN
BATEMAN, PARKER
BELL, JEFFREY
BERGERON, DAVID
BICKFORD, SEAN
BJONSKAAS, NICOLAS
BLAIR, TYLER
BOEHME, BENJAMIN J
BOGS, DAVID
BOYCE, JOSEPH
BOYCE, GAIL
BRADLEY, JOSEPH
BREDESON, MICHAEL
BRITTAIN, TONY
BRUNE, ROSS
BUCHANAN, BRANDON
BURRIS, BRUCE
BURTON, DOUGLAS
BUTTERFIELD, RYAN
CALLAWAY, LARRY
CALVO, MICHAEL
CARLSON, RODNEY
CARNRIGHT, DONALD
CHRISTIANSON, TRAVIS
CLAPP, COREY
CLAYTON, ROBERT
COLANGELO, STEVEN
CONTRERAS BARBOSA, SARA
COOK, JAMES
CORONADO, JESUS
CORREIA, DEOCLECIO
CORTESE, ROBERT
COVERT, DAVID R
COX, JASON
CRAVENS, KJELL
CRAWFORD, JOHN
CROW, CHRISTOPHER
CRUMP, TIMOTHY
CUBBERLEY, CARRIE
DARDIS, MITCHELL
DAVIS, ROBERT
DE LA PENA, STEVEN
DEGRANDE, BRANDY
DEUTSCH, MICHAEL
DOUGHERTY, LORI
DOWNS, DAVID
EDWARDS, GARY
ERHARD, DWIGHT
ESSINGER, RAYMOND
ESSLEY III, THOMAS
FITZSIMMONS, DENNIS
FLORES III, EVARISTO
FORD, JAY
FOWLER, GEORGE
FRANCIA, MANUEL
FRASER, JAMES
FRIEND, DUANE
FRISBY, JAMES
FULLER, DARNELL
GALICIA, MIRIAM
GARCIA, THERESA T
GILLARD, TODD
GILMORE, JAMES
GLASCO, GENE
GOLDEN, CHRISTOPHER
GOMEZ, JORGE
GORDON, JEFFREY
GORRELL, SCOTT
GORSEK, WILLIAM
GOSLIN, RICHARD
GRAHAM, MICHELLE
GREEN, DARRELL
GRIFFITH, DUSTY
GRIGGS II, ALBERT
HALL, CHAD
HANSEN, ERIC
HANSON, CHAD
HANSSEN, RICK
HARVEY, DAVID
HEATH, BRENT
HELSING, TERRY
HERNANDEZ, HECTOR
HEYDENREICH, ALAN
HIXON MALCZYK, NIKITA
HO, HOA
HOOS, DAVID
HOOVER, CORY
HORNE, BRADLEY
HOWARD, BRIAN
HOWARD, ERNEST
HUBER, CRAIG
IVANCIK, PAUL
JEFFERS, MICHAEL
JOHNSON, KAREN
JOLLY, JASON
JONES, JEFFREY
JOSTMEYER, DESTRY
KAELIN, MARK
KELLY, DENNIS
KINDELL, MORRIS
KING, RONALD
KITE, ELVIN
KLASSEN, DAVID
KNUTH, WAYNE
KOUBA, DANIEL M
KOVATCH, SCOTT
KRUEGER, THOMAS
KRUSE, ROBERT
KUHN, DAVID
LABRADOR, IVAN
LANGDON, KEVIN
LARA, GILBERTO
LAREAU, JOHN
LAWSON, RYAN
LEE, KAO
LESLIE, ADAM
LUNSFORD, STEVEN
LUTHER, MICHAEL
MACIAS, MARIA
MAECHTLEN, JACOB
MANN, RANDAL
MARBACH, RUSSELL
MARKS, PAUL
MAZZI, REIKO
MCKINNIS, BRANDY
MCKINNON, ROBERT
MEIDINGER, JASON
MENA, JUAN
MENDOZA, CHRISTINE
MERTES, COREY
MIKESKA, PAUL
MILNES, JOHN
MIX, JUSTICE
MONTOYA, JOSHUA
MORENO, VICTOR
MORGANELLI, NICHOLAS
MORKRID, BERNARD
MORRISON, ALVIN
MORTON, DAVID
MUNRO, JEANINE
NEILSON, CHARLES
NIRCHI, PATRICK
OLMSCHEID, NEIL
OPOKA, SCOTT
ORMSBEE, KEVIN
ORTH, MICHAEL
ORTIZ, JUAN
OSCARSON, EDWARD
OTERO, JOHNNY
OUBRE, SHAWONNA
PALVIS, KENNETH
PEREA, ARNOLD
PETTY, DAVID
PIKE, WILLIAM
PLANTE, GREGORY
PORTER, KENNETH
PRAZAK, JASON
QUINN, COLLEEN
RAJAN, SOWMYA
RAMBO, ERIC
RAMIREZ JR, JOSE
RIDER, WILLIAM
ROBINSON, DAMON
RODRIGUEZ, NORBERTO
RODRIGUEZ, EFRAIN
ROE, ACE
ROGERS, JEFFREY
ROSALES, JOSE
ROSS, DANA
RUIZ, JOSE
SACKETT, JOHN
SANCHEZ, ANDRES
SAPP, MICHAEL
SAWANT, YATIN
SCHEWE, KATHLEEN
SCOTT, DONALD
SEKULOSKI, LOUIE
SHAW, LOUIS
SHAW, JUDD
SIANO, JERRY
SIMONTON, MICHAEL
SNYDER, RICKY
SOURLOS, NICHOLAS
SPRAGUE, ALAN
STEELE, CRAIG
STEPHENS, GARY
STEPHENS, KARMELLIA
STEVENS, CHRISTOPHER
STOBER, DEREK
SUAREZ JR, ANTONIO L
SWAYNE, CHARLES
THOMPSON, JOHN
TOLIVER, ANTHONY
TORRES, KENNETH
TUFF, JASON
VARNUM, MARTIN
VEGA, JOSE
VENCILL, TIMOTHY
VERDON, STEVE
WARD, THOMAS
WHITEHEAD, SUSAN
WICKS, JOHN
WILLIAMS, BEAU
WIMMER, JAMIE
WORSHAM, BRIAN
YOUNG, KENNETH
ZABILSKI, SARAH
ZIEGLER, STANLEY

EXHIBIT 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael H. Keown certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: February 11, 2019

/S/ MICHAEL H. KEOWN

Michael H. Keown
President and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David G. Robson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: February 11, 2019

/S/ DAVID G. ROBSON

David G. Robson
Treasurer and Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT 32.1

Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Farmer Bros. Co. (the “Company”) on Form 10-Q for the quarterly period ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael H. Keown, 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: February 11, 2019

/s/ MICHAEL H. KEOWN

Michael H. Keown
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 Quarterly Report of Farmer Bros. Co. (the “Company”) on Form 10-Q for the quarterly period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David G. Robson, Treasurer and 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: February 11, 2019

/S/ DAVID G. ROBSON

David G. Robson
Treasurer and Chief Financial Officer
(principal financial and accounting 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.