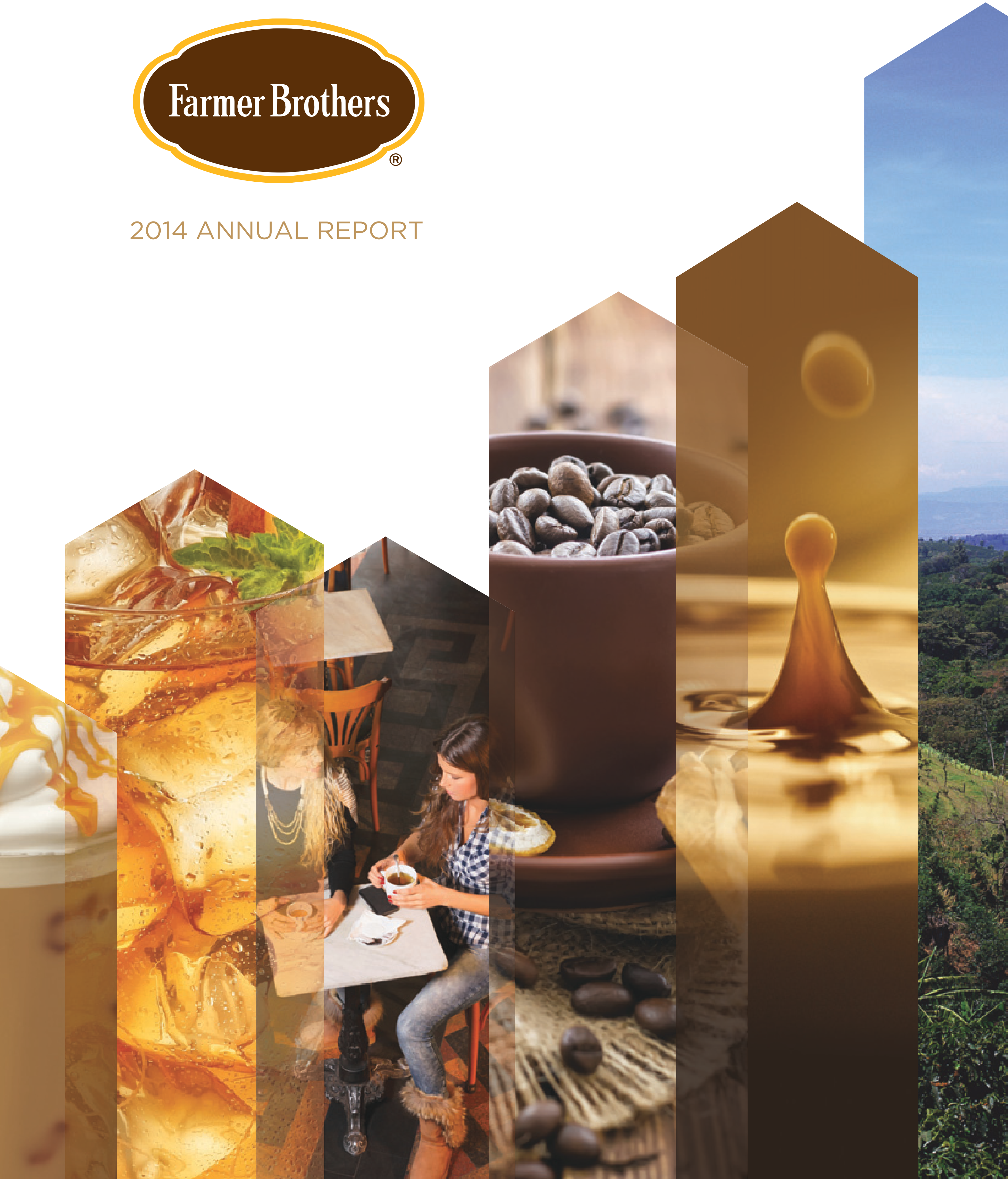
Farmer Brothers®

2014 ANNUAL REPORT



Fellow Stockholders,

On behalf of the Farmer Brothers employees and the Board of Directors, I am pleased to present the Annual Report for Farmer Bros. Co. for fiscal year 2014. The year was marked by continued progress, where we concentrated our efforts on implementing our strategy and goals, improving coordination of our action, and executing to the best of our abilities. Additionally, we strengthened our commitment to causes that we believe in and significantly improved our results in sustainability. Most importantly, we saw the Company emerge from an extremely challenging period, turn the corner to profitability, and present a stronger balance sheet. That said, our industry remains very competitive; and, as any business impacted by commodities, the volatility of the market presents unique challenges. Frankly, while we are proud of how far we've come, our attention across the organization remains on how far we will go.

In order to focus the entire organization on improving profitability, we brought increased attention to updated and demanding goals across the Company following fiscal year 2013. Team members throughout the organization have established individual goals that not only motivate their own performance but also contribute to our collective goals, and the results of these efforts drive stockholder value. The concentrated attention of employees at all levels of the organization to collective goals improved our execution. This has been an exciting time for Farmer Brothers, and we hope to achieve more.

Reduction of complexity across the Company is vital to our progress. We made great strides in creating a universal manufacturing system across all production facilities, connected by one ERP (Enterprise Resource Planning) system. We continued to reduce our offerings of brands and products (SKUs). We believe this increasingly integrated and streamlined approach enhances our ability to focus efforts on quality, consistency, production efficiency, and most of all, profitability. However, we have many more opportunities to improve our supply chain.

We made additional changes to drive improved execution across the Company. We streamlined in some areas to allow for recruiting and promoting internal talent — Finance, Human Resources, and Project Management, to name a few areas. We added new critical members to our senior leadership team, fostering collaboration among members of the team to work as a unit to solve existing problems, to root out potential issues, and to drive organizational performance.

During the year, we continued our work on improving the marketability of our product portfolio. In May, we revamped our new lines of Premium teas and significantly improved our iced coffee portfolio.

We strengthened our commitment to causes we believe in. We are committed to our "SEED" Program, which approaches sustainability through the promotion of Social Environmental Economic Development. We published our second Sustainability Report, in which we highlight our progress during the past year and our plans to improve further. We worked to focus our support of those industry groups that assist farmers and promote sustainable practices. And, personally, as a member of the World Coffee Research Board, I have continued to support that organization's commitment to protect the global coffee supply chain and assist in shaping the research conducted. In addition to being the "right" thing to do, all of these efforts will promote the long-term health of our industry. While not a focus, we were honored to be acknowledged by several of our largest customers for our efforts in sustainability.

With all the growth and change we have experienced, our commitment to quality and service remains steadfast. We hope to always honor our heritage and proud history as we move the Company forward. With the full commitment of our team members across the organization, we have achieved a great deal in the past year. The result is that fiscal 2014 was the Company's best year in more than a decade. Our stock price has continued to grow, and as of October 1, 2014, is roughly five times what it was just three years ago.

I hope you can attend the Annual Meeting of Stockholders on December 4, 2014, in Torrance, where I look forward to sharing more about our progress and strategic evolution. It will also give you a chance to once again meet key members of our management team and ask questions. I am very proud to be a part of this team and confident in our ability to improve stockholder value.

All the best,

Michael H. Keown

Michael H. Keown
President and Chief Executive Officer

FARMER BROS. CO.

20333 South Normandie Avenue
Torrance, California 90502

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 4, 2014

TO THE STOCKHOLDERS OF FARMER BROS. CO.:

NOTICE IS HEREBY GIVEN that the 2014 Annual Meeting of Stockholders (the "Annual Meeting") of Farmer Bros. Co., a Delaware corporation (the "Company" or "Farmer Bros."), will be held at the principal executive offices of the Company located at 20333 South Normandie Avenue, Torrance, California 90502, on Thursday, December 4, 2014, at 10:00 a.m., Pacific Standard Time, for the following purposes:

1. To elect two Class II directors to the Board of Directors of the Company for a three-year term of office expiring at the 2017 Annual Meeting of Stockholders and until their successors are elected and duly qualified;
2. To ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2015;
3. To hold an advisory (non-binding) vote to approve the Company's executive compensation;
4. To approve an amendment to the Farmer Bros. Co. 2005 Incentive Compensation Plan to set forth the performance-based requirements under Section 162(m) of the Internal Revenue Code and applicable Treasury Regulations; and
5. To transact such other business as may properly come before the Annual Meeting or any continuation, postponement or adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice of Annual Meeting of Stockholders.

The Board of Directors has fixed the close of business on October 16, 2014 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and at any continuation, postponement or adjournment thereof.

By Order of the Board of Directors
TERI L. WITTEMAN
Secretary

Torrance, California
October 28, 2014

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 4, 2014

This Notice of Annual Meeting of Stockholders, the accompanying Proxy Statement, the Company's 2014 Annual Report on Form 10-K and form proxy card are available at: *http://proxy.farmerbros.com.*

PLEASE SUBMIT A PROXY AS SOON AS POSSIBLE SO THAT YOUR SHARES CAN BE VOTED AT THE ANNUAL MEETING IN ACCORDANCE WITH YOUR INSTRUCTIONS. FOR SPECIFIC INSTRUCTIONS ON VOTING, PLEASE REFER TO THE INSTRUCTIONS ON THE PROXY CARD OR THE INFORMATION FORWARDED BY YOUR BROKER, BANK OR OTHER NOMINEE. EVEN IF YOU HAVE VOTED YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE ANNUAL MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE IN PERSON AT THE ANNUAL MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM SUCH BROKER, BANK OR OTHER NOMINEE. ESOP PARTICIPANTS SHOULD FOLLOW THE INSTRUCTIONS PROVIDED BY THE ESOP TRUSTEE, GREATBANC TRUST COMPANY.

YOUR VOTE IS VERY IMPORTANT. PLEASE SUBMIT YOUR PROXY EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING.

TABLE OF CONTENTS

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FARMER BROS. CO.

20333 South Normandie Avenue

Torrance, California 90502

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

General

The enclosed proxy is solicited on behalf of the Board of Directors (the “Board of Directors” or the “Board”) of Farmer Bros. Co., a Delaware corporation (the “Company,” “we,” “our” or “Farmer Bros.”), for use at the 2014 Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Thursday, December 4, 2014, at 10:00 a.m., Pacific Standard Time, or at any continuation, postponement or adjournment thereof, for the purposes discussed in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders, and any business properly brought before the Annual Meeting. Proxies are solicited to give all stockholders of record an opportunity to vote on matters properly presented at the Annual Meeting. The Company intends to mail this Proxy Statement, the accompanying proxy card and the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2014 ("2014 Form 10-K") on or about November 6, 2014 to all stockholders entitled to notice of and to vote at the Annual Meeting. The Annual Meeting will be held at the principal executive offices of the Company located at 20333 South Normandie Avenue, Torrance, California 90502. If you plan to attend the Annual Meeting in person, you can obtain directions to the Company’s principal executive offices at *http://proxy.farmerbros.com*.

Solicitation of Proxies

The Company will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this Proxy Statement, the accompanying proxy card and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of Farmer Bros. common stock (“Common Stock”) in their names that are beneficially owned by others to forward to those beneficial owners. The Company may reimburse persons representing beneficial owners for their costs of forwarding the solicitation materials to the beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, facsimile, electronic mail or personal solicitation by directors, officers or other regular employees of the Company. No additional compensation will be paid to directors, officers or other regular employees for such services. A list of stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder for any purpose germane to the Annual Meeting during ordinary business hours at the principal executive offices of the Company located at 20333 South Normandie Avenue, Torrance, California 90502 for the ten days prior to the Annual Meeting and also at the Annual Meeting.

What Am I Voting On?

You will be entitled to vote on the following proposals at the Annual Meeting:

- The election of two Class II directors to serve on our Board for a three-year term of office expiring at the 2017 Annual Meeting of Stockholders and until their successors are elected and duly qualified;
- The ratification of the selection of Deloitte & Touche LLP (“Deloitte”) as our independent registered public accounting firm for the fiscal year ending June 30, 2015;
- An advisory (non-binding) vote to approve our executive compensation;
- The approval of an amendment (the “Incentive Plan Amendment”) to the Farmer Bros. Co. 2005 Incentive Compensation Plan (the “Incentive Plan”) to set forth the performance-based requirements under Section 162(m) of the Internal Revenue Code and applicable Treasury Regulations (“Section 162(m)”); and
- Any other business as may properly come before the Annual Meeting or any continuation, postponement or adjournment thereof.

Who Can Vote?

The Board has set October 16, 2014 as the record date for the Annual Meeting. You are entitled to notice and to vote if you were a holder of record of Common Stock as of the close of business on October 16, 2014. Your shares may be voted at the Annual Meeting only if you are present in person or your shares are represented by a valid proxy.

Shares Outstanding and Quorum

At the close of business on October 16, 2014, 16,593,539 shares of Common Stock were outstanding and entitled to vote at the Annual Meeting. The Company has no other class of securities outstanding.

A majority of the outstanding shares of Common Stock, present in person or represented by proxy, will constitute a quorum at the Annual Meeting, which quorum is required to hold the Annual Meeting and conduct business thereat. Your shares are counted as present at the Annual Meeting if: (i) you are present in person at the Annual Meeting; or (ii) your shares are represented by a properly submitted proxy card. If you are a record holder and you submit your proxy, regardless of whether you abstain from voting on one or more matters, your shares will be counted as present at the Annual Meeting for the purpose of determining a quorum. If your shares are held in "street name," your shares are counted as present for purposes of determining a quorum if your broker, bank or other nominee submits a proxy covering your shares. Your broker, bank or other nominee is entitled to submit a proxy covering your shares as to certain "routine" matters, even if you have not instructed your broker, bank or other nominee on how to vote on such matters. In the absence of a quorum, the Annual Meeting may be adjourned, from time to time, by vote of the holders of a majority of the total number of shares of Common Stock represented and entitled to vote thereat.

Voting of Shares

Stockholders of record as of the close of business on October 16, 2014 are entitled to one vote for each share of Common Stock held on all matters to be voted upon at the Annual Meeting. There is no cumulative voting in the election of our directors. You may vote by attending the Annual Meeting and voting in person. If you hold your shares of Common Stock as a record holder, you may also vote by completing, dating and signing the enclosed proxy card and promptly returning it in the pre-addressed, postage-paid envelope provided to you. If you hold your shares of Common Stock in street name, you will receive a notice from your bank, broker or other nominee that includes instructions on how to vote your shares. Your broker, bank or other nominee may allow you to deliver your voting instructions over the Internet and may also permit you to submit your voting instructions by telephone. Participants in the Farmer Bros. Co. Employee Stock Ownership Plan (the "ESOP") should follow the instructions provided by the ESOP trustee, GreatBanc Trust Company (the "ESOP Trustee"). If you are a record holder and plan to attend the Annual Meeting and wish to vote in person, you may request a ballot at the Annual Meeting. If your shares are held of record by a bank, broker or other nominee, and you decide to attend and vote at the Annual Meeting, your vote in person at the Annual Meeting will not be effective unless you present a legal proxy, issued in your name from the record holder (your broker, bank or other nominee). All shares entitled to vote and represented by properly executed proxies received before the polls are closed at the Annual Meeting, and not revoked or superseded, will be voted at the Annual Meeting in accordance with the instructions indicated on those proxies.

YOUR VOTE IS VERY IMPORTANT. PLEASE SUBMIT YOUR PROXY EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING.

Voting Instructions by ESOP Participants

The ESOP owns approximately 15.1% of the outstanding Common Stock. Each ESOP participant has the right to direct the ESOP Trustee on how to vote the shares of Common Stock allocated to his or her account under the ESOP. The ESOP Trustee will vote all of the unallocated ESOP shares (i.e., shares of Common Stock held in the ESOP, but not allocated to any participant's account) and allocated shares for which no voting directions are timely received by the ESOP Trustee in the same proportion as the voted allocated shares with respect to each item.

Counting of Votes

Tabulation; Broker Non-Votes. All votes will be tabulated as required by Delaware law by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and "broker non-votes." A "broker non-vote" occurs when a nominee holding shares for a beneficial owner has not received voting instructions from the beneficial owner and does not have discretionary authority to vote the shares. If you hold your shares in street name and do not provide voting instructions to your bank, broker or other nominee, your shares will be considered to be broker non-votes and will not be voted on any proposal on which your bank, broker or other nominee does not have discretionary authority to vote. Shares that constitute broker non-votes will be counted as present at the Annual Meeting for the purpose of determining a quorum, but will not be considered entitled to vote on the proposal in question. Brokers generally have discretionary authority to vote on the ratification of the selection of Deloitte as our independent registered public accounting firm. Brokers, however, do not have discretionary authority to vote on the election of directors to serve on our Board, the advisory vote to approve our executive compensation, or the approval of the Incentive Plan Amendment.

Election of Directors. Directors are elected by a plurality of the votes cast. This means that the two individuals nominated for election to the Board at the Annual Meeting who receive the largest number of properly cast "FOR" votes (among votes properly cast in person or by proxy) will be elected as directors. In director elections, stockholders may either vote "FOR" or withhold voting authority with respect to director nominees. Shares voting "withhold" are counted for purposes of determining a quorum. However, if you withhold authority to vote with respect to the election of either or both of the nominees, your shares will not be voted with respect to those nominees indicated. Therefore, "withhold" votes will not affect the outcome of the election of directors. Brokers do not have discretionary authority to vote on the election of directors. Broker non-votes and abstentions will have no effect on the election of directors.

Ratification of Accountants. The ratification of the selection of Deloitte as our independent registered public accounting firm for the fiscal year ending June 30, 2015 requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same effect as votes "against" the ratification. Because brokers have discretionary authority to vote on the ratification, we do not expect any broker non-votes in connection with the ratification.

Advisory Vote on Executive Compensation. The approval of the advisory vote on our executive compensation requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same effect as votes "against" the proposal. Brokers do not have discretionary authority to vote on this proposal. Broker non-votes, however, will have no effect on the proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

Amendment to Farmer Bros. Co. 2005 Incentive Compensation Plan. The approval of the Incentive Plan Amendment requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same effect as votes "against" the proposal. Brokers do not have discretionary authority to vote on this proposal. Broker non-votes, however, will have no effect on the proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

If You Receive More Than One Proxy Card or Notice

If you receive more than one proxy card or notice from your bank, broker or other nominee, it means you hold shares that are registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy card.

Proxy Card and Revocation of Proxy

You may vote by completing and mailing the enclosed proxy card. As a stockholder of record, if you sign the proxy card but do not specify how you want your shares to be voted, your shares will be voted by the proxy holders named in the enclosed proxy as follows:

- FOR the election of the two nominees named herein to serve on our Board as Class II directors for a three-year term of office expiring at the 2017 Annual Meeting of Stockholders and until their successors are elected and duly qualified;
- FOR the ratification of the selection of Deloitte as our independent registered public accounting firm for the fiscal year ending June 30, 2015;
- FOR the advisory vote to approve our executive compensation; and
- FOR approval of the Incentive Plan Amendment.

In their discretion, the proxy holders named in the enclosed proxy are authorized to vote on any other matters that may properly come before the Annual Meeting and at any continuation, postponement or adjournment thereof. The Board of Directors knows of no other items of business that will be presented for consideration at the Annual Meeting other than those described in this Proxy Statement. In addition, no stockholder proposal or nomination was received on a timely basis, so no such matters may be brought to a vote at the Annual Meeting.

If you vote by proxy, you may revoke that proxy or change your vote at any time before it is voted at the Annual Meeting. Stockholders of record may revoke a proxy or change their vote prior to the Annual Meeting by sending to the Company's Secretary, at the Company's principal executive offices at 20333 South Normandie Avenue, Torrance, California 90502, a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting in person and voting in person. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

If your shares are held in the name of a bank, broker or other nominee, you may change your vote by submitting new voting instructions to your bank, broker or other nominee. Please note that if your shares are held of record by a bank, broker or other nominee, and you decide to attend and vote at the Annual Meeting, your vote in person at the Annual Meeting will not be effective unless you present a legal proxy, issued in your name from the record holder (your bank, broker or other nominee). ESOP participants must contact the ESOP Trustee directly to revoke any prior voting instructions.

Voting Results

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be reported in a Current Report on Form 8-K, which will be filed with the Securities and Exchange Commission ("SEC") within four business days after the meeting. If our final voting results are not available within four business days after the meeting, we will file a Current Report on Form 8-K reporting the preliminary voting results and subsequently file the final voting results in an amendment to the Current Report on Form 8-K within four business days after the final voting results are known to us.

Interest of Certain Persons in Matters to be Acted Upon

No director or executive officer of the Company who has served at any time since the beginning of fiscal 2014, and no nominee for election as a director of the Company, or any of their respective associates, has any substantial interest, direct or indirect, in any matter to be acted upon at the Annual Meeting other than (i) Proposal No. 1, Election of Directors, and (ii) Proposal No. 4, Approval of Amendment to Farmer Bros. Co. 2005 Incentive Compensation Plan. No director has informed the Company in writing that he or she intends to oppose any action intended to be taken by the Company at the Annual Meeting.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

General

Under the Company's Certificate of Incorporation and Amended and Restated By-Laws ("By-Laws"), the Board of Directors is divided into three classes, each class consisting, as nearly as possible, of one-third of the total number of directors, with members of each class serving for a three-year term. Each year only one class of directors is subject to a stockholder vote. Class II consists of two directors whose term of office expires at the Annual Meeting and whose successors will be elected at the Annual Meeting to serve until the 2017 Annual Meeting of Stockholders. Class III consists of two directors, continuing in office until the 2015 Annual Meeting of Stockholders. Class I consists of three directors, continuing in office until the 2016 Annual Meeting of Stockholders.

The authorized number of directors is set forth in the Company's Certificate of Incorporation and shall consist of not less than five or more than seven members, the exact number of which shall be fixed from time to time by resolution of the Board. The authorized number of directors is currently seven. If the number of directors is changed, any increase or decrease will be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible. 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 the 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 will hold office for a term that will 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 will have the same remaining term as that of his or her predecessor.

Based on the recommendation of the Nominating Committee, the Board has nominated Hamideh Assadi and Guenter W. Berger for re-election to the Board as Class II directors. If re-elected at the Annual Meeting, each would serve until the 2017 Annual Meeting of Stockholders and until his or her successor is elected and duly qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Ms. Assadi and Mr. Berger are each a current director.

All of the present directors were elected to their current terms by the stockholders. There are no family relationships among any directors, nominees for director or executive officers of the Company. Except as disclosed below, none of the continuing directors or nominees is a director of any other publicly-held company.

Vote Required

Each share of Common Stock is entitled to one vote for each of the two director nominees and will be given the option of voting "FOR" or withholding authority to vote for each nominee. Cumulative voting is not permitted. It is the intention of the proxy holders named in the enclosed proxy to vote the proxies received by them FOR the election of the two nominees named below unless the proxies direct otherwise. If any nominee should become unavailable for election prior to the Annual Meeting, an event that currently is not anticipated by the Board, the proxies will be voted for the election of a substitute nominee or nominees proposed by the Board of Directors. Each nominee has agreed to serve if elected, and the Board of Directors has no reason to believe that either nominee will be unable to serve.

Directors are elected by a plurality of the votes cast. This means that the two individuals nominated for election to the Board at the Annual Meeting who receive the largest number of properly cast "FOR" votes (among votes properly cast in person or by proxy) will be elected as directors. In director elections, stockholders may either vote "FOR" or withhold voting authority with respect to director nominees. Shares voting "withhold" are counted for purposes of determining a quorum. However, if you withhold authority to vote with respect to the election of either or both of the nominees, your shares will not be voted with respect to those nominees indicated. Therefore, "withhold" votes will not affect the outcome of the election of directors. Brokers do not have discretionary authority to vote on the election of directors. Broker non-votes and abstentions will have no effect on the election of directors.

Nominees for Election as Directors

Set forth below is biographical information for each nominee for election as a Class II director at the Annual Meeting, including a summary of the specific experience, qualifications, attributes and skills which led our Board to conclude that the individual should serve on the Board at this time, in light of the Company's business and structure.

Name	Age	Director Since	Audit Committee	Compensation Committee	Nominating Committee
Hamideh Assadi.	69	2011	X	X	X
Guenter W. Berger.	77	1980			X

Hamideh Assadi is an independent tax consultant. She was an Associate with Chiurazzi & Associates, Seal Beach, California, from March 2007 to March 2012, where she provided tax and business consulting services for multi-state and multi-national businesses in the retail, distribution, manufacturing, real estate and service sectors. Ms. Assadi retired from the Company in January 2007 after more than 23 years of service. Prior to retirement, Ms. Assadi served in a number of roles at the Company. She served as Tax Manager from 1995 to 2006, Cost Accounting Manager from 1990 to 1995, Assistant to Corporate Secretary from 1985 to 1990, and in Production and Inventory Control from 1983 to 1985. Ms. Assadi received her B.S. in Business Administration with an emphasis in Accounting from the College of Business in Tehran, Iran, and a Master's degree in International Law and International Organizations from the School of Law at the University of Tehran, Iran. She also received a Certificate for Professionals in Taxation from the University of California, Los Angeles, and a Certificate of Enrollment to practice before the Internal Revenue Service. We believe Ms. Assadi's qualifications to sit on our Board include her deep knowledge of, and extensive experience as a former employee of, the Company, and her credentials and extensive experience in the fields of taxation and accounting.

Guenter W. Berger currently serves as Chairman of the Board. He retired in December 2007 as Chief Executive Officer of the Company after more than 47 years of service in various capacities. Mr. Berger served as Chief Executive Officer of the Company from 2005 to 2007, President from August 2005 through July 2006, and Interim President and Chief Executive Officer from January 2005 to August 2005. For more than 25 years, from 1980 to 2005, Mr. Berger served as Vice President of Torrance inventory, production, coffee roasting and distribution operations. We believe Mr. Berger's qualifications to sit on our Board include his longstanding tenure with the Company resulting in a deep understanding of our operations and extensive knowledge of the foodservice industry and the production and distribution processes related to coffee, tea and culinary products.

**THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE "FOR"
EACH OF THE NOMINEES NAMED ABOVE.**

Directors Continuing in Office

Set forth below is biographical information for each director continuing in office and a summary of the specific experience, qualifications, attributes and skills which led our Board to conclude that the individual should serve on the Board at this time, in light of the Company's business and structure.

Name	Age	Director Since	Class	Term Expires	Audit Committee	Compensation Committee	Nominating Committee
Randy E. Clark	62	2012	III	2015	X	X	X
Jeanne Farmer Grossman . .	64	2009	III	2015		Chair	X
Michael H. Keown.	52	2012	I	2016			
Charles F. Marcy	64	2013	I	2016			Chair
Christopher P. Mottern.	70	2013	I	2016	Chair		X

Randy E. Clark is a retired foodservice executive and CPA. He has consulted for equity groups in the food industry since 2009 and has served on the board of trustees for Whitworth University since 2012. He served as President and Chief Executive Officer of Border Foods, Inc., the largest producer of green chile in the world and one of the largest producers of jalapenos in the United States, from 2008 to 2011. Mr. Clark's earlier experience includes serving as Chief Executive Officer of Fruit Patch, Inc., one of the largest distributors of stone fruits in the United States; President and Chief Executive Officer of Mike Yurosek & Son, LLC, a produce grower and processor; and Vice President, Sales, Marketing and Production with William Bolthouse Farms, a produce grower and processor. Mr. Clark was a Professor of Accounting and Marketing at the Masters College in Santa Clarita, California, from 1999 to 2003. Mr. Clark received his undergraduate degree from Cedarville College, an M.S. in Accounting from Kent State University, and a Doctorate in Organizational Leadership from

Pepperdine University. We believe Mr. Clark's qualifications to sit on our Board include his extensive background and experience in the foodservice business, and his accounting and financial expertise.

Jeanne Farmer Grossman is a retired teacher and a homemaker. She is the sister of Carol Farmer Waite, a former director, and the late Roy E. Farmer, who served as Chairman of the Board from 2004 to 2005, Chief Executive Officer from 2003 to 2005, and President from 1993 to 2005, and the daughter of the late Roy F. Farmer, who served as Chairman of the Board from 1951 to 2004 and Chief Executive Officer from 1951 to 2003. Ms. Grossman received her undergraduate degree and teaching credentials from the University of California at Los Angeles. We believe Ms. Grossman's qualifications to sit on our Board include her extensive knowledge of the Company's culture and sensitivity for Company core values, extensive training in program creation and development, curriculum development, the development and evaluation of measurable objective protocol and individual/group task evaluation, as well as committee work in various areas including fundraising, staffing and outreach.

Michael H. Keown joined the Company as President and Chief Executive Officer on March 23, 2012. Mr. Keown served in various executive capacities at Dean Foods Company, a food and beverage company, from 2003 to March 2012. He was at WhiteWave Foods Company, a subsidiary of Dean Foods, from 2004 to March 2012, including as President, Indulgent Brands from 2006 to March 2012. He was also responsible for WhiteWave's alternative channel business comprised largely of foodservice. Mr. Keown served as President of the Dean Branded Products Group of Dean Foods from 2003 to 2004. Mr. Keown joined Dean Foods from The Coca-Cola Company, where he served as Vice President and General Manager of the Shelf Stable Division of The Minute Maid Company. Mr. Keown has over 25 years of experience in the Consumer Goods business, having held various positions with E.&J. Gallo Winery and The Procter & Gamble Company. Mr. Keown received his undergraduate degree in Economics from Northwestern University. We believe Mr. Keown's qualifications to sit on our Board include his in-depth knowledge of food manufacturing, food processing and the foodservice business, and his ability to provide a critical link between management and the Board of Directors thereby enabling the Board to provide its oversight function with the benefit of management's perspective of the business.

Charles F. Marcy has served as Interim CEO of Turtle Mountain, LLC, a privately held natural foods company, and the maker of the So Delicious brand of dairy free products since May 2013. Prior to this, he was a principal with Marcy & Partners, Inc., providing strategic planning and acquisition consulting to companies with a consumer focus. Mr. Marcy served as President and Chief Executive Officer and a member of the Board of Directors of Healthy Food Holdings, a holding company for branded "better-for-you" foods and the maker of YoCrunch Yogurt and Van's Frozen Waffles from 2005 through April 2010. Previously, Mr. Marcy served as President, Chief Executive Officer and a Director of Horizon Organic Holdings, then a publicly traded company listed on Nasdaq with a leading market position in the organic food business in the United States and the United Kingdom, from 1999 to 2005. Mr. Marcy also previously served as President and Chief Executive Officer and a member of the Board of Directors of the Sealright Corporation, a manufacturer of dairy packaging and packaging systems, from 1995 to 1998. From 1993 to 1995, Mr. Marcy was President of the Golden Grain Company, a subsidiary of Quaker Oats Company and maker of the Near East brand of all-natural grain-based food products. From 1991 to 1993, Mr. Marcy was President of National Dairy Products Corp., the dairy division of Kraft General Foods. From 1974 to 1991, Mr. Marcy held various senior marketing and strategic planning roles with Sara Lee Corporation and General Foods. Mr. Marcy has served on the Board of Directors of B&G, Foods, Inc. ("B&G"), a manufacturer and distributor of shelf-stable food and household products across the United States, Canada and Puerto Rico and a publicly traded company listed on the New York Stock Exchange, since 2010. Mr. Marcy currently serves on the Compensation Committee and Nominating and Governance Committee of the Board of Directors of B&G. In addition, Mr. Marcy currently serves on the Board of Trustees of Washington and Jefferson College, where he serves as Chairman of the Finance Committee. Mr. Marcy received his undergraduate degree in Mathematics and Economics from Washington and Jefferson College, and his MBA from Harvard Business School. We believe Mr. Marcy's qualifications to sit on our Board include his senior management and leadership experience in the food industry, as well as his corporate governance and public company board and executive compensation experience.

Christopher P. Mottern served as President and Chief Executive Officer of Peet's Coffee & Tea, Inc., a specialty coffee and tea company, from 1997 to 2002 and a director of Peet's Coffee & Tea, Inc., from 1997 through 2004. From 1992 to 1996, Mr. Mottern served as President of The Heublein Wines Group, a manufacturer and marketer of wines, now part of Diageo plc, a multinational alcoholic beverage company. From 1986 through 1991, he served as President and Chief Executive Officer of Capri Sun, Inc., one of the largest single-service juice drink manufacturers in the United States. He has served as a director, including lead director, and member of the finance committee, of a number of private companies. Mr. Mottern received his undergraduate degree in Accounting from the University of Connecticut. Mr. Mottern is a Certified Public Accountant. We believe Mr. Mottern's qualifications to sit on our Board include his senior management and leadership experience in the coffee industry, as well as the requisite financial and accounting experience to serve on the Audit Committee, including as an audit committee financial expert under applicable SEC rules.

PROPOSAL NO. 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General

The Audit Committee of the Board of Directors has selected Deloitte & Touche LLP ("Deloitte") as the independent registered public accounting firm for the Company and its subsidiaries for the fiscal year ending June 30, 2015, and has further directed that management submit this selection for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP ("EY") served as the Company's independent registered public accounting firm and provided tax services in fiscal 2013 and for part of fiscal 2014, until December 23, 2013, when the Company engaged Deloitte as its independent registered public accounting firm. Prior to Deloitte's engagement as the Company's independent registered public accounting firm, certain affiliates of Deloitte provided tax services and consulting services to the Company in fiscal 2014 and 2013. A representative of Deloitte is expected to be present at the Annual Meeting, will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Stockholder ratification of the selection of Deloitte as the Company's independent registered public accounting firm is not required by the By-Laws or otherwise. However, the Board is submitting the selection of Deloitte to stockholders for ratification because the Company believes it is a matter of good corporate governance practice. If the Company's stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain Deloitte but still may retain them. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in our best interests and that of our stockholders.

Change in Independent Registered Public Accounting Firm

On December 23, 2013, the Audit Committee dismissed EY as the Company's independent registered public accounting firm. Also on that date, the Audit Committee approved the engagement of Deloitte as the Company's independent registered public accounting firm effective as of such date.

During the fiscal years ended June 30, 2012 and 2013, and in the subsequent interim period through December 23, 2013, there were no disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) with EY on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to EY's satisfaction, would have caused EY to make reference to the subject matter of the disagreement in connection with its report.

During the fiscal years ended June 30, 2012 and 2013, and in the subsequent interim period through December 23, 2013, there was one reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K) related to a material weakness in the Company's internal control over financial reporting, as disclosed in the Company's Annual Report on Form 10-K for the year ended June 30, 2013 (the "2013 Form 10-K"). The Company's management concluded that as of June 30, 2013 the Company's internal control over financial reporting was not effective because of the existence of a material weakness related to the Company's controls over its accounting for and reporting of other postretirement benefit obligations, as described in Item 9A of the 2013 Form 10-K, which description is incorporated herein by reference. EY's audit report dated October 9, 2013 with respect to the Company's internal control over financial reporting as of June 30, 2013 (the "EY Internal Control Report") opined that the Company did not maintain effective internal control over financial reporting as of June 30, 2013 because of this material weakness, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the "COSO Criteria"). The Audit Committee has discussed the subject matter of this material weakness with EY and has authorized EY to respond fully to the inquiries of any successor accountant concerning this material weakness.

The audit report of EY on the consolidated financial statements of the Company and its subsidiaries for the fiscal years ended June 30, 2013 and 2012 (the "EY Audit Report") did not contain an adverse opinion or a disclaimer of opinion, and the EY Audit Report was not qualified or modified as to uncertainty, audit scope or accounting principles. The EY Audit Report states that "the June 30, 2012 and 2011 consolidated financial statements have been restated to correct errors for the improper accounting for other postretirement benefit obligations." The EY Audit Report references the EY Internal Control Report's adverse opinion on the Company's internal control over financial reporting, based on the COSO Criteria.

The Company provided EY with a copy of the above disclosures and requested that EY furnish a letter addressed to the SEC stating whether it agrees with the foregoing statements. A copy of the letter dated December 30, 2013 furnished by EY in response to this request was filed as Exhibit 16.1 to the Company's Current Report on Form 8-K filed with the SEC on December 30, 2013.

During the fiscal years ended June 30, 2013 and 2012, and in the subsequent interim period through December 23, 2013, neither the Company nor anyone on its behalf consulted with Deloitte regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and no written report nor oral advice was provided to the Company that Deloitte concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

Vote Required

The affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote is required to ratify the selection of Deloitte.

THE BOARD RECOMMENDS A VOTE "FOR" RATIFICATION OF THE SELECTION OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of October 16, 2014, by all persons (including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) known by the Company to be the beneficial owner of more than five percent (5%) of the Common Stock as of such date, except as noted in the footnotes below:

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percent of Class(3)
Farmer Group	6,074,577 shares(4)	36.6%
Farmer Bros. Co. Employee Stock Ownership Plan	2,507,080 shares(5)	15.1%

(1) The address for the Farmer Group and the ESOP is c/o Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502.

(2) For purposes of this table, "beneficial ownership" is determined in accordance with Rule 13d-3 under the Exchange Act. A person is deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Information in this table regarding beneficial owners of more than five percent (5%) of the Common Stock is based on information provided by them or obtained from filings under the Exchange Act. Unless otherwise indicated in the footnotes, each of the beneficial owners of more than five percent (5%) of the Common Stock has sole voting and/or investment power with respect to such shares.

(3) The "Percent of Class" reported in this column has been calculated based upon the number of shares of Common Stock outstanding as of October 16, 2014 and may differ from the "Percent of Class" reported in statements of beneficial ownership filed with the SEC.

(4) Total beneficial ownership as reflected in a Form 4 filed with the SEC on December 28, 2012 by Carol Farmer Waite, Richard F. Farmer and Jeanne Farmer Grossman and a Form 4 filed with the SEC on December 9, 2013 by Jeanne Farmer Grossman. Pursuant to a Schedule 13D/A filed with the SEC on September 21, 2006, for purposes of Section 13 of the Exchange Act, Carol Farmer Waite, Richard F. Farmer and Jeanne Farmer Grossman comprise a group (the "Farmer Group"). The Farmer Group is deemed to be the beneficial owner of all shares beneficially owned by its members with shared power to vote and dispose of such shares. Each member of the Farmer Group is the beneficial owner of the following shares (in accordance with the beneficial ownership regulations, in certain cases the same shares of Common Stock are shown as beneficially owned by more than one individual or entity):

Name of Beneficial Owner	Total Shares Beneficially Owned	Percent of Class	Shares Disclaimed	Sole Voting and Investment Power	Shared Voting and Investment Power
Carol Farmer Waite	3,797,315	22.9%	106,996	1,355,252	2,549,059
Richard F. Farmer	3,652,837	22.0%	178,675	1,276,363	2,555,149
Jeanne Farmer Grossman	893,903	5.4%	6,030	881,783	18,150

(5) Pursuant to a Schedule 13G/A filed with the SEC on February 14, 2014. Includes 1,944,154 allocated shares and 562,926 shares as yet unallocated to plan participants as of December 31, 2013. The ESOP Trustee votes the shares held by the ESOP that are allocated to participant accounts as directed by the participants or beneficiaries of the ESOP. Under the terms of the ESOP, the ESOP Trustee will vote all of the unallocated ESOP shares (i.e., shares of Common Stock held in the ESOP, but not allocated to any participant's account) and allocated shares for which no voting directions are timely received by the ESOP Trustee in the same proportion as the voted allocated shares with respect to each item. The present members of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans (the "Management Administrative Committee"), which administers the ESOP, are Michael H. Keown, Mark J. Nelson, Thomas J. Mattei, Jr., Patrick Quiggle and Rene E. Peth. Each member of the Management Administrative Committee disclaims beneficial ownership of the securities held by the ESOP except for those, if any, that have been allocated to the member as a participant in the ESOP.

Security Ownership of Directors and Executive Officers

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of October 16, 2014, by: (i) each current director; (ii) all individuals serving as the Company's principal executive officer or acting in a similar capacity during fiscal 2014, all individuals serving as the Company's principal financial officer or acting in a similar capacity during fiscal 2014, the Company's two other executive officers (other than the principal executive officer and principal financial officer) who were serving as executive officers at the end of fiscal 2014, and one additional individual for whom disclosure would have been provided but for the fact that she was not serving as an executive officer of the Company at the end of fiscal 2014 (collectively, the "Named Executive Officers"); and (iii) all directors and executive officers of the Company as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)		Percent of Class
Non-Employee Directors:			
Hamideh Assadi	9,463	(3)	*
Guenter W. Berger	31,239	(4)	*
Randy E. Clark	10,448	(5)	*
Jeanne Farmer Grossman	893,903	(6)	5.4%
Charles F. Marcy	3,959	(7)	*
Christopher P. Mottern	5,459	(8)	*
Named Executive Officers:			
Michael H. Keown	164,572	(9)	1.0%
Mark J. Nelson	22,542	(10)	*
Thomas W. Mortensen	42,874	(11)	*
Mark A. Harding	—	(12)	*
Hortensia R. Gómez	—	(13)	*
All directors and executive officers as a group (12 individuals)(14)	6,365,133		38.4%

* Less than 1%

(1) For purposes of this table, "beneficial ownership" is determined in accordance with Rule 13d-3 under the Exchange Act. A person is deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Information in this table is based on the Company's records and information provided by directors, nominees, executive officers and in public filings. Unless otherwise indicated in the footnotes and subject to community property laws where applicable, each of the directors, nominees and executive officers has sole voting and/or investment power with respect to such shares, including shares held in trust.

(2) Includes (i) shares of restricted stock which have not yet vested as of October 16, 2014, awarded under the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan and its predecessor plan, the Farmer Bros. Co. 2007 Omnibus Plan (the "Omnibus Plan") (hereinafter collectively referred to as the "Amended Equity Plan" unless the context otherwise requires), over which the individuals shown have voting power but no investment power; and (ii) shares which the individuals shown have the right to acquire upon the exercise of vested options as of October 16, 2014 or within 60 days thereafter as set forth in the table below. Such shares are deemed to be outstanding in calculating the percentage ownership of such individual (and the group), but are not deemed to be outstanding as to any other person.

Name	Vested Options (#)	Right to Acquire Under Vested Options Within 60 Days (#)	Restricted Stock (#)
Non-Employee Directors:			
Hamideh Assadi	—	—	4,975
Guenter W. Berger	—	—	4,975
Randy E. Clark	—	—	3,153
Jeanne Farmer Grossman	—	—	4,975
Charles F. Marcy	—	—	1,459
Christopher P. Mottern	—	—	1,459
Named Executive Officers:			
Michael H. Keown	70,000	38,489 (a)	23,840
Mark J. Nelson	9,815	6,265 (b)	5,947
Thomas W. Mortensen	12,667	7,221 (c)	12,697
Mark A. Harding(d)	—	—	—
Hortensia R. Gómez(e)	—	—	—

(a) Includes 15,156 shares issuable upon the exercise of non-qualified stock options with performance-based and time-based vesting ("PNQs") which are expected to vest within 60 days after October 16, 2014.

(b) Issuable upon the exercise of PNQs which are expected to vest within 60 days of October 16, 2014.

(c) Includes 2,663 shares issuable upon the exercise of PNQs which are expected to vest within 60 days of October 16, 2014.

(d) Excludes 8,527 shares of restricted stock and 18,657 shares subject to unvested stock options which were forfeited upon Mr. Harding's separation from employment with the Company effective July 31, 2014.

(e) Excludes 2,935 shares of restricted stock and 3,924 shares subject to unvested stock options which were forfeited upon Ms. Gómez's separation from employment with the Company effective January 24, 2014, and 6,000 shares subject to vested stock options which were not exercised within the terms of the award and cancelled.

(3) Includes 4,488 shares owned outright.

(4) Includes 11,580 shares owned outright, 8,060 shares held in trust with voting and investment power shared by Mr. Berger and his wife, and 6,624 shares previously allocated to Mr. Berger under the ESOP which have been distributed to Mr. Berger and are now owned outright.

(5) Includes 7,295 shares owned outright.

(6) Includes shares held in various family trusts of which Ms. Grossman is the sole trustee, co-trustee, beneficiary and/or settlor. Ms. Grossman is the beneficial owner of: (i) 9,550 shares of Common Stock as a successor trustee of a trust for the benefit of her daughter over which she has sole voting and dispositive power; (ii) 858,378 shares of Common Stock as sole trustee of the Jeanne F. Grossman Trust, dated August 22, 1997; (iii) 12,120 shares of Common Stock as successor co-trustee of various trusts, for the benefit of herself and family members, and over which she has shared voting and dispositive power with Richard F. Farmer; (iv) 8,880 shares owned outright; and (v) 4,975 shares of restricted stock. Ms. Grossman disclaims beneficial ownership of 6,030 shares held in a trust for the benefit of her nephew. Total beneficial ownership of the Farmer Group, which includes Ms. Grossman, is 6,074,577 shares, as shown in the table above under the heading "Security Ownership of Certain Beneficial Owners."

(7) Includes 2,500 shares owned outright.

(8) Includes 4,000 shares indirectly owned by Mr. Mottern as co-trustee for a family trust.

(9) Includes 31,140 shares owned outright and 1,103 shares beneficially owned by Mr. Keown through the ESOP, rounded to the nearest whole share.

(10) Includes 515 shares beneficially owned by Mr. Nelson through the ESOP, rounded to the nearest whole share.

(11) Includes 2,238 shares owned outright and 8,051 shares beneficially owned by Mr. Mortensen through the ESOP, rounded to the nearest whole share.

(12) Excludes 8,351 shares previously owned outright and 3,519 shares previously allocated to Mr. Harding under the ESOP which were distributed to Mr. Harding, all of which shares have been sold. Mr. Harding separated from employment with the Company effective July 31, 2014.

(13) Excludes 129 shares previously held in a trust, 1,000 shares previously owned outright and 4,580 shares previously allocated to Ms. Gómez under the ESOP which were distributed to Ms. Gómez, all of which shares have been sold. Ms. Gómez separated from employment with the Company effective January 24, 2014.

(14) Includes 6,074,577 shares of Common Stock beneficially owned by the Farmer Group, including the 893,903 shares beneficially owned by Ms. Grossman.

CORPORATE GOVERNANCE

Director Independence

At least annually and in connection with any individuals being nominated to serve on the Board, the Board reviews the independence of each director or nominee and affirmatively determines whether each director or nominee qualifies as independent. The Board believes that stockholder interests are best served by having a number of objective, independent representatives on the Board. For this purpose, a director or nominee will be considered to be “independent” only if the Board affirmatively determines that the director or nominee has no relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In making its independence determinations, the Board reviewed transactions, relationships and arrangements between each director and nominee, or any member of his or her immediate family, and us or our subsidiaries based on information provided by the director or nominee, our records and publicly available information. The Board made the following independence determinations (the transactions, relationships and arrangements reviewed by the Board in making such determinations are set forth in the footnotes below):

Director	Status
Hamideh Assadi	Independent(1)
Guenter W. Berger	Independent(2)
Randy E. Clark	Independent
Jeanne Farmer Grossman	Independent(3)
Michael H. Keown	Not Independent(4)
Martin A. Lynch	Independent(5)
Charles F. Marcy	Independent(6)
James J. McGarry	Independent(7)
Christopher P. Mottern	Independent(8)

(1) Ms. Assadi was an employee of Farmer Bros. from 1983 to 2006, including serving as Tax Manager from 1995 to 2006, Cost Accounting Manager from 1990 to 1995, Assistant to Corporate Secretary from 1985 to 1990, and Production and Inventory Control from 1983 to 1985. Ms. Assadi is entitled to certain retiree benefits generally available to Company retirees and is entitled to a death benefit provided by the Company to certain of its retirees and employees.

(2) Mr. Berger is the Chairman of the Board and former Chief Executive Officer of the Company. Mr. Berger is entitled to certain retiree benefits generally available to Company retirees and is entitled to a death benefit provided by the Company to certain of its retirees and employees.

(3) Ms. Grossman is the sister of Carol Farmer Waite, a former director, and the sister of the late Roy E. Farmer and daughter of the late Roy F. Farmer, both of whom were executive officers of the Company more than three years ago. The Farmer Group beneficially owns approximately 36.6% of the outstanding Common Stock.

(4) Mr. Keown is the Company’s President and Chief Executive Officer.

(5) Mr. Lynch stepped down as a Class I director at the end of his term on December 5, 2013.

(6) Mr. Marcy served on the board of directors of Community Food Share, a nonprofit corporation, with Mr. Keown for a period ending in 2008. Mr. Marcy was elected as a Class I director at the 2013 Annual Meeting on December 5, 2013.

(7) Mr. McGarry is a partner in the law firm of McGarry & Laufenberg. During the last three fiscal years, McGarry & Laufenberg billed legal fees and costs to the Company and/or Liberty Mutual Insurance Company, one of the Company’s insurance carriers, in connection with various matters relating to the Company. The foregoing amounts did not exceed the greater of five percent (5%) of McGarry & Laufenberg’s gross revenues or $200,000 during the applicable fiscal year. Mr. McGarry stepped down as a Class I director at the end of his term on December 5, 2013.

(8) Mr. Mottern was elected as a Class I director at the 2013 Annual Meeting on December 5, 2013.

Board Meetings and Attendance

The Board held seven meetings during fiscal 2014, including four regularly scheduled and three special meetings. During fiscal 2014, each director attended at least 75% of the total number of meetings of the Board of Directors (held during the period for which he or she served as a director) and committees of the Board on which he or she served (during the periods that he or she served). The independent directors generally meet in executive session following each regularly scheduled Board meeting. Although it is customary for all Board members to attend, the Company has no formal policy in place with regard to Board members' attendance at the Company's annual meeting of stockholders. All directors who were then serving were present at the 2013 Annual Meeting of Stockholders held on December 5, 2013 with the exception of Martin A. Lynch and James J. McGarry, each of whom stepped down as a director at the 2013 Annual Meeting at the end of his term.

Charters; Code of Conduct and Ethics

The Board maintains charters for the Audit Committee, Compensation Committee and Nominating Committee. In addition, the Board has adopted a written Code of Conduct and Ethics for all employees, officers and directors. Current committee charters and the Code of Conduct and Ethics are available on the Company's website at *www.farmerbros.com*. Information contained on the website is not incorporated by reference in, or considered part of, this Proxy Statement.

Board Committees

The Board maintains the following committees to assist it in discharging its oversight responsibilities:

Audit Committee

The Audit Committee is a standing committee of the Board established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee's principal purposes are to oversee on behalf of the Board the accounting and financial reporting processes of the Company and the audit of the Company's financial statements. The Audit Committee's responsibilities include assisting the Board in overseeing: (i) the integrity of the Company's financial statements; (ii) the independent auditor's qualifications and independence; (iii) the performance of the Company's independent auditor and internal audit function; (iv) the Company's compliance with legal and regulatory requirements relating to accounting and financial reporting matters; (v) the Company's system of disclosure controls and procedures and internal control over financial reporting that management has established; and (vi) the Company's framework and guidelines with respect to risk assessment and risk management. The Audit Committee is directly and solely responsible for the appointment, dismissal, compensation, retention and oversight of the work of any independent auditor engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor reports directly to the Audit Committee.

During fiscal 2014, the Audit Committee met seven times. Christopher P. Mottern serves as Chair, and Hamideh Assadi and Randy E. Clark currently serve as members of the Audit Committee. Mr. Lynch served as a member and Chair of the Audit Committee through the end of his term as a director on December 5, 2013. Mr. Mottern was appointed to, and became Chair of, the Audit Committee on December 5, 2013 upon his election to the Board. All members of the Audit Committee meet the Nasdaq composition requirements, including the requirements regarding financial literacy and financial sophistication, and the Board has determined that each member is independent under the Nasdaq listing standards and the rules of the SEC regarding audit committee membership. The Board has determined that at least one member of the Audit Committee is an "audit committee financial expert" as defined in Item 407(d) of Regulation S-K under the Exchange Act. That person is Christopher P. Mottern, the Audit Committee Chair.

Compensation Committee

Overview

The Compensation Committee is a standing committee of the Board. The Compensation Committee's principal purposes are to discharge the Board's responsibilities related to compensation of the Company's executive officers and administer the Company's incentive and equity compensation plans. The Compensation Committee also is responsible for evaluating and making recommendations to the Board regarding director compensation. In addition, the Compensation Committee is responsible for conducting an annual risk evaluation of the Company's compensation practices, policies and programs.

During fiscal 2014, the Compensation Committee met twelve times. Jeanne Farmer Grossman serves as Chair, and Hamideh Assadi and Randy E. Clark currently serve as members of the Compensation Committee. The Board has determined that all Compensation Committee members are independent under the Nasdaq listing standards.

Executive Compensation

The processes and procedures of the Compensation Committee for considering and determining executive officer compensation are as follows:

- In making determinations regarding executive officer compensation, the Compensation Committee considers competitive market data among several other factors such as Company financial performance and financial condition, individual executive performance, tenure, the importance of the role at the Company and pay levels among the Company's executives, as well as input and recommendations of the Chief Executive Officer with respect to compensation for those executive officers reporting directly to him. The Compensation Committee has typically followed these recommendations. In the case of the Chief Executive Officer's compensation, the Chief Executive Officer may make a recommendation to the Compensation Committee with respect to his compensation, and the Compensation Committee may also solicit input from the other disinterested Board members; however the Compensation Committee has sole authority for the final compensation determination.
- Base salary for our executive officers is determined by the Compensation Committee annually, generally in the first quarter of the fiscal year, with any adjustments to base salary to be effective as of the date determined by the Compensation Committee. Additional adjustments to base salary may be made during the fiscal year to reflect, among other things, changes in title and/or job responsibilities, or changes in light of the Company's performance or financial condition.
- With respect to incentive compensation for our executive officers under the Incentive Plan, generally during the first quarter of each fiscal year, the Compensation Committee evaluates the executive officer's performance in light of the performance goals and objectives established for the prior fiscal year and determines the level of incentive compensation to be awarded to each executive officer. As part of the evaluation process, the Compensation Committee solicits comments from the Chief Executive Officer with respect to achievement of individual goals by those executive officers reporting to him. In the case of the Chief Executive Officer, the Compensation Committee may also solicit input from the other disinterested Board members. Additionally, the executive officers, including the Chief Executive Officer, have an opportunity to provide input regarding their contributions to the Company's performance and achievement of individual goals for the period being assessed. The Compensation Committee also reviews, evaluates, and ultimately certifies the achievement by the Company of financial performance goals of the prior fiscal year. Incentive compensation for executive officers is approved by the Compensation Committee or, upon recommendation of the Compensation Committee, submitted to the disinterested members of the Board for approval. Following determination of incentive compensation awards for the prior fiscal year, the Compensation Committee establishes individual and corporate performance goals and objectives for each executive officer for the current fiscal year. The Chief Executive Officer typically provides input and recommendations to the Compensation Committee with respect to setting individual and corporate performance goals and objectives for each executive officer, including the Chief Executive Officer. In light of these recommendations, the Compensation Committee determines the individual and corporate performance goals and objectives for the fiscal year and informs the executive officers.
- The Compensation Committee has the authority to make equity-based grants under the Amended Equity Plan to eligible individuals for purposes of compensation, retention or promotion, and in connection with commencement of employment. Equity compensation is generally determined on the date of the regularly scheduled meeting of the Board of Directors in December of each year. Additional equity awards may be made during the fiscal year to new hires and to reflect, among other things, changes in title and/or job responsibilities, or to offset changes to cash compensation in light of the Company's performance or financial condition. The Chief Executive Officer typically provides input and recommendations to the Compensation Committee with respect to the number of shares to be granted pursuant to any award. Proposed equity awards to all executive officers are discussed and presented to the entire Board prior to award by the Compensation Committee.
- The Compensation Committee has the authority to retain consultants to advise on executive officer compensation matters. In fiscal 2014, the Compensation Committee utilized the services of Strategic Apex Group LLC ("Strategic Apex Group") to advise on the Company's comprehensive executive compensation strategy, including base salary and all forms of incentive compensation. Strategic Apex Group was directed by the Compensation Committee to help develop and refine the applicable peer group to be used and make recommendations regarding

the amount and form of total compensation to be delivered to executive officers and other Company employees, the use and administration of long-term incentive compensation including alternative forms of long-term incentive compensation, and strengthening of integration of performance requirements. Strategic Apex Group attended one of the twelve Compensation Committee meetings held in fiscal 2014. Strategic Apex Group reported directly to the Compensation Committee in connection with the services provided. The Company coordinated payment to Strategic Apex Group out of the Board of Directors' budget.

- The Compensation Committee may form and delegate authority to subcommittees when appropriate, or to one or more members of the Compensation Committee. No such delegation of authority was made in fiscal 2014.
- The Compensation Committee generally holds executive sessions (with no members of management present) at each of its meetings.

Director Compensation

In addition to considering and determining compensation for our executive officers, the Compensation Committee evaluates and makes recommendations to the Board regarding compensation for non-employee Board members. Any Board member who is also an employee of the Company does not receive separate compensation for service on the Board.

The processes and procedures of the Compensation Committee for considering and determining director compensation are as follows:

- The Compensation Committee has authority to evaluate and make recommendations to the Board regarding director compensation. The Compensation Committee conducts this evaluation periodically by reviewing our director compensation practices against the practices of an appropriate peer group and market survey information. Based on this evaluation, the Compensation Committee may determine to make recommendations to the Board regarding possible changes.
- The Compensation Committee has the authority to retain consultants to advise on director compensation matters. In fiscal 2014, Strategic Apex Group provided competitive peer group information on total director pay (cash and equity). In addition, at the request of the Chief Executive Officer, Strategic Apex Group provided director compensation benchmarking information for the use of the Board of Directors in connection with the search for director candidates. Such request was conducted under the engagement of Strategic Apex Group by the Compensation Committee. No executive officer has any role in determining or recommending the form or amount of director compensation.
- The full Board serves as administrator under the Amended Equity Plan with respect to equity awards made to non-employee directors.
- The Compensation Committee may form and delegate authority to subcommittees when appropriate, or to one or more members of the Compensation Committee. No such delegation of authority was made in fiscal 2014.

Compensation Committee Interlocks and Insider Participation

During fiscal 2014, Hamideh Assadi, Randy E. Clark and Jeanne Farmer Grossman served as members of the Compensation Committee. No member of the Compensation Committee is an officer or former officer of the Company, was an employee of the Company during fiscal 2014, or has any relationship requiring disclosure by the Company as a related person transaction under SEC rules. None of the Company's executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, the executive officers of which served as a director of the Company or member of the Compensation Committee during fiscal 2014.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on the review and discussions, recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's 2014 Form 10-K.

Compensation Committee
of the Board of Directors
Jeanne Farmer Grossman, Chair
Hamideh Assadi
Randy E. Clark

Nominating Committee

The Nominating Committee is a standing committee of the Board. The Nominating Committee's principal purposes are to assist the Board in ensuring that it is appropriately constituted in order to meet its fiduciary obligations, including by identifying persons qualified to become Board members and recommending to the Board individuals to be selected as director nominees for the next annual meeting of stockholders or for appointment to vacancies on the Board.

During fiscal 2014, the Nominating Committee met five times regarding the nomination of directors for election at the 2013 Annual Meeting. Charles F. Marcy serves as Chair, and Hamideh Assadi, Guenter W. Berger, Randy E. Clark, Jeanne Farmer Grossman and Christopher P. Mottern currently serve as members of the Nominating Committee. Messrs. Lynch and McGarry served as members, and Mr. McGarry served as Chair, of the Nominating Committee through the end of their term as directors on December 5, 2013. Messrs. Marcy and Mottern were appointed to, and Mr. Marcy was appointed Chair of, the Nominating Committee on December 5, 2013 upon their election to the Board. The Board has determined that all Nominating Committee members are independent under the Nasdaq listing standards.

Director Qualifications and Board Diversity

The Nominating Committee is responsible for determining Board of Director membership qualifications and for selecting, evaluating and recommending to the Board nominees for the annual election to the Board and to fill vacancies as they arise. The Nominating Committee maintains, with the approval of the Board, guidelines for selecting nominees to serve on the Board and considering stockholder recommendations for nominees. The Nominating Committee believes that the ideal constitution of the Board of Directors should include, and thus its nominees to the Board of Directors should promote, the following composition of directors: the Chief Executive Officer of the Company; one or more nominees with upper management experience with the Company, in the coffee industry, in a complementary industry or who have desired professional expertise; three nominees who are independent and have the requisite accounting or financial qualifications to serve on the Audit Committee; and at least three nominees who are independent and have executive compensation experience to serve on the Compensation Committee. All nominees should contribute substantially to the Board's oversight responsibilities and reflect the needs of the Company's business. Additionally, the Nominating Committee believes that a member of the Farmer family, founding and substantial stockholders of the Company, or their representative should serve on the Board of Directors. The Nominating Committee believes that diversity has a place when choosing among candidates who otherwise meet the selection criteria, but the Company has not established a policy concerning diversity in Board composition. The Nominating Committee is responsible for evaluating and recommending to the Board the total size and composition of the Board. In connection with the annual nomination of directors, the Nominating Committee reviews with the Board the composition of the Board as a whole and recommends, if necessary, measures to be taken so that the Board reflects the appropriate balance of knowledge, experience, skills, background and diversity advisable for the Board as a whole. The background of each director and nominee is described above under "Proposal No. 1—Election of Directors."

For purposes of identifying nominees for the Board of Directors, the Nominating Committee often relies on professional and personal contacts of the Board and senior management. If necessary , the Nominating Committee may explore alternative sources for identifying nominees, including engaging, as appropriate, a third party search firm to assist in identifying qualified candidates. The Nominating Committee retained Leadership Capital Partners, LLC in 2013 to assist with identifying potential director nominees for the 2013 Annual Meeting. No such search firms were retained by the Nominating Committee in 2014.

The Nominating Committee will consider recommendations for director nominees from Company stockholders. Biographical information and contact information for proposed nominees should be sent to Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502, Attention: Secretary. The Nominating Committee will evaluate candidates proposed by stockholders using the following criteria: Board needs (see discussion of slate of nominees above); relevant business experience; time availability; absence of conflicts of interest; and perceived ability to contribute to the Company's success. The process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Nominating Committee.

Board Leadership Structure

Under our By-Laws, the Board of Directors, in its discretion, may choose a Chairman of the Board of Directors. If there is a Chairman of the Board of Directors, such person may exercise such powers as provided in the By-Laws or assigned by the Board of Directors. Since 2007, Guenter W. Berger has served as Chairman of the Board of Directors. As described above under "Proposal No. 1—Election of Directors," Mr. Berger has served on our Board of Directors since 1980. He retired from the Company in 2007 as Chief Executive Officer after more than 47 years of service in various capacities.

Notwithstanding the current separation of Chairman of the Board and Chief Executive Officer, our Chief Executive Officer is generally responsible for setting agenda items with input from the Board, including the Chairman, and leading discussions during Board meetings. This structure allows for effective and efficient Board meetings and information flow on important matters affecting the Company. Other than Mr. Keown, all members of the Board are independent and all Board committees are composed solely of independent directors. Due principally to the limited size of the Board, the Board has not formally designated a lead independent director and believes that as a result thereof, executive sessions of the Board, which are attended solely by independent directors, result in an open and free flow of discussion of any and all matters that any director may believe relevant to the Company and/or its management.

Although the roles of Chairman and Chief Executive Officer are currently filled by different individuals, no single leadership model is right for all companies at all times, and the Company has no bylaw or policy in place that mandates this leadership structure.

Board's Role in Risk Oversight

The Board of Directors recognizes that although management is responsible for identifying risk and risk controls related to business activities and developing programs and recommendations to determine the sufficiency of risk identification and the appropriate manner in which to control risk, the Board plays a critical role in the oversight of risk. The Board implements its risk oversight responsibilities by having management provide periodic briefing and informational sessions on the significant risks that the Company faces and how the Company is seeking to control risk if and when appropriate. In some cases, a Board committee is responsible for oversight of specific risk topics. For example, the Audit Committee has oversight responsibility of risks associated with financial accounting and audits, internal control over financial reporting and the Company's major financial risk exposures, including risks relating to pension plan investments, commodity risk and hedging programs. The Compensation Committee has oversight responsibility of risks relating to the Company's compensation policies and practices, as well as management development and leadership succession at the Company. At each regular meeting, or more frequently as needed, the Board of Directors considers reports from the Audit Committee and Compensation Committee which provide detail on risk management issues and management's response. The Board of Directors as a whole, examines specific business risks in its periodic reviews of the individual business units and also of the Company as a whole, as part of its regular reviews, including as part of the strategic planning process and annual budget review and approval. Beyond formal meetings, the Board and its committees have regular access to senior executives, including the Company's Chief Executive Officer and Chief Financial Officer. The Company believes that its leadership structure promotes effective Board oversight of risk management because the Board directly, and through its various committees, is regularly provided by management with the information necessary to appropriately monitor, evaluate and assess the Company's overall risk management, and all directors are actively involved in the risk oversight function.

Communication with the Board

The Company's annual meeting of stockholders provides an opportunity each year for stockholders to ask questions of, or otherwise communicate directly with, members of the Board on appropriate matters. In addition, stockholders may communicate in writing with any particular director, any committee of the Board, or the directors as a group, by sending such written communication to the Secretary of the Company at the Company's principal executive offices, 20333 South Normandie Avenue, Torrance, California 90502. Copies of written communications received at that address will be collected and organized by the Secretary and provided to the Board or the relevant director unless the communications are considered, in the reasonable judgment of the Secretary, to be inappropriate for submission to the intended recipient(s). Examples of stockholder communications that would be considered inappropriate for submission to the Board include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to the Company's business, or communications that relate to improper or irrelevant topics. The Secretary or his or her designee may analyze and prepare a response to the information contained in communications received and may deliver a copy of the communication to other Company employees or agents who are responsible for analyzing or responding to complaints or requests. Communications concerning possible director nominees submitted by any of our stockholders will be forwarded to the members of the Nominating Committee.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Fiscal 2014 Named Executive Officers

This Compensation Discussion and Analysis describes our executive compensation objectives, each element of our executive compensation program and the decisions made in fiscal 2014 with respect to our Named Executive Officers which include three current and two former executive officers as set forth in the table below:

Current Executive Officers Included Among Fiscal 2014 Named Executive Officers	Former Executive Officers Included Among Fiscal 2014 Named Executive Officers
Michael H. Keown President and Chief Executive Officer	Mark A. Harding(1) Former Senior Vice President of Operations
Mark J. Nelson Treasurer and Chief Financial Officer	Hortensia R. Gómez (2) Former Vice President, Controller and Assistant Treasurer
Thomas W. Mortensen Senior Vice President of Route Sales	

(1) Mr. Harding separated from employment with the Company effective July 31, 2014.
(2) Ms. Gómez separated from employment with the Company effective January 24, 2014.

Executive Compensation Philosophy and Objectives and Pay-for-Performance

Our executive compensation program is based upon achieving the following objectives:

- Balancing compensation elements and levels that attract, motivate and retain talented executives with forms of compensation that are performance-based and/or aligned with stock performance and stockholder interests;
- Setting target total direct compensation (base salary, annual incentives and long-term incentives) and the related performance requirements for executive officers by reference to compensation ranges for comparable market reference points, all within the context of an organization that is engaged in a turn-around effort; and
- Appropriately adjusting total direct compensation to reflect the performance of the executive officer over time (as reflected in his or her goals under the Incentive Plan), as well as the Company's annual performance (as reflected in the corporate financial performance goals established under the Incentive Plan), and the Company's long-term performance (as reflected by in the financial performance measures established for PNQs and stock appreciation for equity-based awards under the Amended Equity Plan).

Fiscal 2014 Impact of Performance on Pay

In fiscal 2014, the Compensation Committee established Company financial performance criteria and individual participant goals for bonus awards under the Incentive Plan. For fiscal 2014, Company financial performance was gauged by the level of achievement of modified net income and modified operating cash flow. "Modified net income" was defined as net income (GAAP) before taxes and excluding any gains or losses from sales of assets. "Modified operating cash flow" was defined as net income from operations (GAAP) after taking into account adjustments for the following items: (i) depreciation and amortization, (ii) provision for doubtful accounts, (iii) changes in: (a) accounts and notes receivable, (b) inventories, (c) income tax receivables, (d) prepaid expenses, (e) other assets, (f) accounts payable, and (g) accrued payroll, expenses and other current liabilities. The Compensation Committee established that modified net income of $5.58 million would be the threshold to any bonus payout under the Incentive Plan. In fiscal 2014, net income was $12.1 million compared to net loss of $(8.5) million in fiscal 2013. As a result, the Company surpassed the modified net income threshold under the Incentive Plan, resulting in aggregate bonuses in the amount of $1,323,341 to our Named Executive Officers who were serving as executive officers at the end of fiscal 2014 based on the extent of achievement of modified net income, modified operating cash flow and individual participant goals. Due to her separation from employment with the Company effective January 24, 2014, Ms. Gómez did not receive a fiscal 2014 bonus award under the Incentive Plan.

In addition to awards under the Incentive Plan, in fiscal 2014, the Compensation Committee approved grants of PNQs under the Amended Equity Plan to certain of the Company's employees, including Messrs. Keown, Nelson, Mortensen and Harding, which stock options are subject to performance-based and time-based vesting. These PNQs vest over a three-year period with one-third of the total number of shares subject to each such PNQ vesting on the first anniversary of the grant date based on the Company's achievement of a modified net income target for the first fiscal year of the performance period as approved by the Compensation Committee, and the remaining two-thirds of the total number of shares subject to each PNQ vesting on the third anniversary of the grant date based on the Company's achievement of a cumulative modified net income target for all three years during the performance period as approved by the Compensation Committee, in each case subject to the participant's employment by the Company or service on the Board of Directors of the Company on the applicable vesting date and the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement.

Alignment with Stockholder Interests

We believe that our compensation programs are strongly aligned with the long-term interests of our stockholders. Compensation includes equity-based awards under the Amended Equity Plan intended to align total compensation with stockholder interests by encouraging long-term performance. Equity represents a key component of the compensation of our Named Executive Officers as a percentage of total compensation.

For Mr. Keown, our current President and Chief Executive Officer, on an annualized basis for fiscal 2014, approximately 33% of target total direct compensation was in the form of equity; approximately 33% was base salary; and approximately 33% was short-term incentive cash compensation under the Incentive Plan.

For our Named Executive Officers (other than Mr. Keown), on average, in fiscal 2014 approximately 19% of target total direct compensation was in the form of equity; approximately 55% was base salary; and approximately 26% was short-term incentive cash compensation under the Incentive Plan.

Stock options for 270,062 shares have been exercised since inception of the Amended Equity Plan (including under its predecessor, the Omnibus Plan), and 466,623 shares issuable under outstanding stock options are "in the money" as of October 16, 2014.

Good Governance and Best Practices

Executive officer compensation is determined by the Compensation Committee which is composed solely of independent directors. The Compensation Committee has authority to retain independent compensation consultants to provide it with advice on matters related to executive compensation. In fiscal 2014, the Compensation Committee utilized the services of Strategic Apex Group to advise on certain executive officer compensation matters as described below under the heading "Oversight of the Executive Compensation Program—Compensation Committee Consultants."

The Company intends to provide pay opportunities that reflect best practices and that also acknowledge the Company's current circumstances and historical results. Accordingly, the Company:

- Does not provide supplemental retirement benefits to Named Executive Officers in excess of those generally provided to other employees of the Company;
- Maintains incentive compensation plans that do not encourage undue risk-taking and align executive rewards with annual and long-term performance;
- Has not engaged in the practice of re-pricing/exchanging stock options;
- Does not provide for any "single trigger" severance payments in connection with a change in control to any Named Executive Officer;
- Maintains an equity compensation program that generally has a long-term focus, including equity awards that generally vest over a period of three years and, in the case of PNQs, are also subject to performance-based vesting, or, in the case of restricted stock awards, cliff vest at the end of three years;
- Maintains compensation programs that have a strong pay-for-performance orientation;
- Limits perquisites except in connection with the facilitation of the Company's business or where necessary in recruiting and retaining key executives;
- Maintains stock ownership guidelines for executive officers that require significant investment by these individuals in the Company's Common Stock; and
- Has a clawback policy that requires the Board of Directors to review all bonuses and other incentive and equity compensation awarded to the Company's executive officers if it is subsequently determined that the amounts of such compensation were determined based on financial results that are later restated and the executive officer's fraud or misconduct caused or partially caused such restatement.

Consideration of Most Recent Stockholder Advisory Vote on Executive Compensation

In December 2013, we held a stockholder advisory vote to approve the compensation of our named executive officers (the "say-on-pay proposal"). Our stockholders approved the compensation of our named executive officers, with approximately 67% of the shares present or represented by proxy at the 2013 Annual Meeting and entitled to vote on the matter casting votes in favor of the say-on-pay proposal, which was an increase in stockholder support compared to the prior year's advisory vote results. In light of this stockholder advisory vote and to further align executive compensation with performance, during fiscal 2014, the Compensation Committee evaluated and revised the Company's executive compensation programs. Beginning in fiscal 2014, the intent of the Compensation Committee has been to limit equity awards to current employees to PNQs and to implement certain other limitations on the nature of equity awards. The Compensation Committee intends to maintain the ability to incorporate equity-based elements in the Company's executive compensation program; however, the Compensation Committee expects to incorporate cash-settled stock units beginning in fiscal 2015. The addition of the use of these cash-settled stock units for long-term incentive compensation awards is intended to address, among other things, concerns expressed by stockholders regarding the dilution associated with the issuance of awards settled in equity, at the same time, still aligning the interests of recipients of these awards with the interests of stockholders and the long-term performance of the Company. In addition, for fiscal 2015, the Compensation Committee has determined that incentive cash bonuses under the Incentive Plan will be determined in the same manner as fiscal 2014, with modified net income and modified operating cash flow targets representing challenging goals designed to incentivize the executive officers, and, if achieved, will reflect improvement in Company profitability.

The Compensation Committee will continue to consider the outcome of our say-on-pay votes when making future compensation decisions for the named executive officers. In addition, when determining how often to hold future say-on-pay votes to approve the compensation of our named executive officers, the Board took into account the strong preference for an annual vote expressed by our stockholders at our 2011 Annual Meeting. Accordingly, the Board determined that we will hold say-on-pay votes to approve the compensation of our named executive officers every year.

Primary Elements of Executive Compensation

The primary elements of the Company's executive compensation program and the purpose of each element are as follows:

Compensation Element	Description	Purpose
Base Salary	Fixed pay element determined annually, generally in the first quarter of the fiscal year, with any adjustments to base salary to be effective as of the date determined by the Compensation Committee. May be subject to adjustment during the fiscal year to reflect, among other things, changes in title and/or job responsibilities, or changes in light of the Company's performance or financial condition.	Attract and retain top talent and compensate for day-to-day job responsibilities performed at an acceptable level.
Incentive Cash Bonus	Variable cash compensation based on the achievement of Company and individual annual performance objectives. May be subject to adjustment in the event of a promotion or job change.	Reward achievement of annual financial objectives as well as near-term strategic objectives that will create the momentum to lead to the long-term success of the Company's business.
Long-Term Incentives	Variable equity-based and cash-based compensation, to date exclusively equity-based and consisting of a combination of non-qualified stock options (including PNQs) and restricted stock. Additional awards may be made during the fiscal year to new hires, and to reflect, among other things, changes in title and/or job responsibilities, or to offset changes to cash compensation in light of the Company's performance or financial condition.	Create a direct alignment with stockholder objectives, provide a focus on long-term value creation and potentially multi-year financial objectives, retain critical talent over extended timeframes, and enable key employees to share in value creation.
ESOP Allocation	Annual variable allocation of stock based on hours of service to the Company, subject to vesting after five years of service to the Company.	Enhance ownership interest and alignment with stockholders.
Welfare Benefits	General welfare benefits including medical, dental, life, disability and accident insurance, 401(k) plan and pension plan (in the case of certain executive officers), as well as customary paid days off, leave of absence and other similar policies.	Provide competitive welfare benefits generally consistent with those provided to all employees.
Perquisites	Fixed benefits consistent with practices among companies in our industry consisting of an automobile allowance, relocation assistance, and other similar personal benefits. May be subject to adjustment in the event of a promotion or job change.	Provide limited perquisites to facilitate the operation of the Company's business and assist the Company in recruiting and retaining key executives.

Beginning in fiscal 2014, the intent of the Compensation Committee has been to limit equity awards to current employees to PNQs and to implement certain other limitations on the nature of equity awards. The Compensation Committee intends to maintain the ability to incorporate equity-based elements in the Company's executive compensation program; however, the Compensation Committee expects to incorporate cash-settled stock units beginning in fiscal 2015.

Oversight of the Executive Compensation Program

Compensation Committee

Under its charter, pursuant to the powers delegated by the Board, the Compensation Committee has the sole authority to determine and approve compensation for our Chief Executive Officer and each of our other executive officers, subject to Board review prior to approval in the case of annual equity compensation awards. In exercising this authority, the Compensation Committee evaluates the performance of the Chief Executive Officer and each of the other executive officers within the context of the overall performance of the Company. The information considered includes a summary of the Company's performance compared to annual measures, summaries of accomplishments in addition to the areas covered by these measures, and summaries and analyses of challenges or issues encountered during the fiscal year. The Compensation Committee also reviews and discusses the Chief Executive Officer's assessment of the performance of our other executive officers. The Compensation Committee is composed solely of independent directors and reports to the Board of Directors.

Compensation Committee Consultants

The Compensation Committee has the authority to retain the services of outside consultants to assist it in performing its responsibilities. In fiscal 2014, the Compensation Committee utilized the services of Strategic Apex Group to advise on the Company's comprehensive executive compensation strategy, including base salary and all forms of incentive compensation. Strategic Apex Group was directed by the Compensation Committee to help develop and refine the applicable peer group to be used and make recommendations regarding the amount and form of total compensation to be delivered to executive officers and other Company employees, the use and development of long-term incentive compensation including alternative forms of long-term incentive compensation, and strengthening of integration of performance requirements. Strategic Apex Group attended one of the twelve Compensation Committee meetings held in fiscal 2014.

Neither Strategic Apex Group nor any of its affiliates provided any services to the Company or its affiliates during fiscal 2014 other than executive officer and director compensation consulting services. The Compensation Committee has determined that Strategic Apex Group is "independent" according to the criteria required by the SEC in Rule 10C-1 of the Exchange Act and that the provision of services by Strategic Apex Group has not raised any conflict of interest.

Management's Role in Establishing Compensation

There are no material differences in how the compensation policies or decisions are determined with respect to the Named Executive Officers, except that the compensation of the Named Executive Officers other than the Chief Executive Officer is determined by the Compensation Committee taking into account the input and recommendations of the Chief Executive Officer with respect to compensation for those executive officers reporting to him. In the case of the Chief Executive Officer, the Chief Executive Officer may make a recommendation to the Compensation Committee with respect to his compensation, and the Compensation Committee may also solicit input from other disinterested Board members; however the Compensation Committee has sole authority for the final compensation determination. No executive officer has any role in approving his or her own compensation, and neither the Chief Executive Officer nor any other executive officer is present during the portion of the meeting at which the Compensation Committee considers his or her own compensation. The Chief Executive Officer and Chief Financial Officer routinely attend the meetings of the Compensation Committee to provide input, as requested by the Compensation Committee. Members of the Board of Directors who are not members of the Compensation Committee may attend meetings for informational purposes. Other members of the Company's management may attend Compensation Committee meetings at the invitation of the Compensation Committee.

Peer Group Market Information

The Compensation Committee compares the pay levels and programs for the Company's executive officers to compensation information from a relevant peer group as well as information from published survey sources. The Compensation Committee uses this comparative data as a reference point in its review and determination of executive compensation. The Compensation Committee's approach also considers competitive compensation practices and other relevant factors in setting pay rather than establishing compensation at specific benchmark percentiles.

Based on the peer group information provided by Strategic Apex Group, the Compensation Committee identified the following fourteen-company peer group as the relevant peer group to be used as a reference point in its review and determination of executive compensation beginning in fiscal 2014:

- B&G Foods, Inc.
- Boston Beer Company, Inc.
- Boulder Brands, Inc.
- Calavo Growers, Inc.
- Cal-Maine Foods, Inc.
- Diamond Foods, Inc.
- Einstein Noah Restaurants Group, Inc.
- J & J Snack Foods Corp.
- Lancaster Colony Corporation
- National Beverage Corp.
- Overhill Farms, Inc.
- Post Holdings, Inc.
- John B. Sanfilippo & Son, Inc.
- Tootsie Roll Industries, LLC

The Compensation Committee believes this peer group is currently appropriate because it represents a meaningful sample of comparable companies in terms of industry, emphasis on performance in compensation program, annual revenue, market capitalization, stockholder composition and business characteristics.

Base Salary

Consistent with the compensation philosophy and objectives described above, and based in part on the benchmarking comparisons provided by Strategic Apex Group, the Compensation Committee set fiscal 2014 base salaries for the Named Executive Officers as follows:

Name	Fiscal 2014 Annual Base Salary(1)	Fiscal 2013 Annual Base Salary(1)	Fiscal 2014 Annual Base Salary Percentage Change
Michael H. Keown	$ 475,000	$ 475,000	0.0%
Mark J. Nelson(2)	$ 310,000	$ 280,000	10.7%
Thomas W. Mortensen(3)	$ 265,000	$ 256,250	3.4%
Mark A. Harding(3)	$ 261,375	$ 256,250	2.0%
Hortensia R. Gómez(4)	$ 200,000	$ 200,000	0.0%

(1) Annual base salary as of the end of the applicable fiscal year.

(2) Fiscal 2014 base salary increased to $300,000 per annum effective October 1, 2013 and an increase to $310,000 per annum was approved effective January 1, 2014.

(3) Fiscal 2014 base salary increase effective October 1, 2013.

(4) Actual fiscal 2014 base salary prorated through January 24, 2014, the effective date of Ms. Gómez's separation from employment with the Company.

Incentive Cash Bonus

Under the Incentive Plan, at the beginning of each fiscal year, the Compensation Committee, as administrator, determines who will participate in the Incentive Plan, establishes a target bonus for each participant, and establishes both Company financial performance criteria and individual participant goals for the ensuing year. The Compensation Committee also determines the weighting to be assigned to the Company's financial performance criteria and the individual goals as a whole, which weighting may differ among the executive officers, although over the past three fiscal years the weighting between Company financial performance criteria and individual goals has been uniform for all executive officers. A threshold level for the Company's financial performance may also be established which, if not met, may preclude the award of bonuses. The Chief Executive Officer typically provides input and recommendations to the Compensation Committee with respect to setting individual and corporate goals and objectives for each executive officer, including the Chief Executive Officer. In light of these recommendations, the Compensation Committee determines the individual and corporate goals and objectives for the fiscal year and informs the executive officers.

After the end of the fiscal year, and promptly upon availability of the Company's audited financial statements, the Compensation Committee will determine the Company's level of achievement of its financial performance criteria. At such time, the Compensation Committee will also determine for each executive officer the percentage of achievement of assigned individual goals. The level of achievement will be multiplied by the assigned weighting to determine the weighted achievement percentage for each of the executive officer's assigned individual goals. The weighted achievement percentages for the Company's financial performance criteria will govern the overall level of achievement of the individual goals, by multiplying the weighted achievement percentage for the Company's financial performance criteria by the aggregate weighted achievement percentage for the executive officer's individual goals. The resulting figure is added to the weighted achievement percentage for the Company's financial performance criteria and that sum is multiplied by the executive officer's target bonus percentage. The resulting percentage will be multiplied by the executive officer's base salary. The result will be the amount of the executive officer's preliminary bonus award. Subject to the terms of the Incentive Plan Amendment, if approved by stockholders under Proposal No. 4, the preliminary bonus award is subject to adjustment, upward or downward, by the Compensation Committee in its discretion. The Compensation Committee also has the discretion to alter the financial performance criteria and individual goals during the year and to decline to award any bonus should the Compensation Committee determine such actions to be warranted by a change in circumstances or by the instance of abuse or malfeasance. Accordingly, no bonus is earned unless and until an award is actually made by the Compensation Committee after fiscal year-end.

It is the Compensation Committee's intent to achieve median target cash compensation (comprised of base salary and target annual cash incentive award) positioning over time, however the Compensation Committee may take other factors into consideration in establishing pay levels, including the amount of the increase in target cash compensation over the prior year, the performance of the executive, the performance of the Company, and the pay levels among the senior executive team. The Compensation Committee believes that the target levels of corporate and individual performance in any given year should not be easily achievable and typically would not be achieved all of the time. We believe that the modified net income and modified operating cash flow targets approved by the Compensation Committee represent challenging goals designed to incentivize the executive officers, and, if achieved, will reflect improvement in Company profitability.

At the beginning of fiscal 2014, the Compensation Committee established target awards under the Incentive Plan based on a percentage of base salary for each Named Executive Officer, taking into account, where applicable, the terms of any employment agreement between the Company and the Named Executive Officer. Individual target awards as a percentage of base salary were determined by the Compensation Committee based in part on the peer group data provided by Strategic Apex Group, as well as expected total compensation, job responsibilities, expected job performance, and, in the case of certain executive officers, the terms of their employment agreements with the Company. Each executive officer's target bonus was also weighted between corporate and individual performance as set forth in the table below. Fiscal 2014 bonus information for the Named Executive Officers is as follows:

Name	Fiscal 2014 Target Award	Fiscal 2014 Target Award as Percentage of Fiscal 2014 Base Salary	Corporate Performance Goals (Weight)	Individual Performance Goals (Weight)	Fiscal 2014 Actual Bonus Award
Michael H. Keown	$475,000	100.0%	90.0%	10.0%	$ 688,748
Mark J. Nelson(1)(2)	$180,000	60.0%	90.0%	10.0%	$ 255,913
Thomas W. Mortensen(1).	$132,500	50.0%	90.0%	10.0%	$ 190,270
Mark A. Harding(1)(3).	$130,689	50.0%	90.0%	10.0%	$ 188,410
Hortensia R. Gómez(4)	$ 60,000	30.0%	90.0%	10.0%	$ —

(1) Fiscal 2014 target awards for Messrs. Nelson, Mortensen and Harding were based on each of their respective average monthly base salaries for fiscal 2014.

(2) Pursuant to Amendment No. 1 to Employment Agreement, dated as of January 1, 2014 ("Amendment No. 1 to Nelson Employment Agreement"), by and between the Company and Mark J. Nelson, the Applicable Percentage of Mr. Nelson's Target Award, as such terms are defined in the Incentive Plan, increased from fifty-five percent (55%) to sixty percent (60%) of Mr. Nelson's base annual salary effective as of July 1, 2013 (for the entirety of fiscal 2014).

(3) Pursuant to the Separation Agreement, dated as of July 16, 2014 (the "Harding Separation Agreement"), by and between the Company and Mark A. Harding, Mr. Harding was entitled to receive an amount equal to his final bonus under the Incentive Plan for the Company's fiscal year ended June 30, 2014, as determined by the Compensation Committee, which final bonus amount was required to be greater than or equal to Mr. Harding's fiscal 2014 target award of $130,689.

(4) Ms. Gómez did not receive a fiscal 2014 bonus award due to her separation from employment with the Company effective January 24, 2014.

In making final awards for fiscal 2014, the Compensation Committee first considered the Company's financial performance for fiscal 2014 based on the level of achievement of modified net income and modified operating cash flow, in each case as determined from the Company's audited financial statements. For this purpose, "modified net income" was defined as net income (GAAP) before taxes and excluding any gains or losses from sales of assets, and "modified operating cash flow" was defined as net income from operations (GAAP) after taking into account adjustments for the following items: (i) depreciation and amortization, (ii) provision for doubtful accounts, (iii) changes in: (a) accounts and notes receivable, (b) inventories, (c) income tax receivables, (d) prepaid expenses, (e) other assets, (f) accounts payable, and (g) accrued payroll, expenses and other current liabilities. After finding that modified net income in excess of the threshold of $5.58 million had been achieved in fiscal 2014, the Compensation Committee determined the percentage of achievement of modified net income to be 145.5% and the percentage of achievement of operating cash flow to be 145.0%. Modified net income achievement was given an 80% weighting and modified operating cash flow was given a 20% weighting, resulting in a "Company Overall Achievement Percentage" of achievement of 145.0%, which was given a 90% weighting.

Next, the Compensation Committee determined the achievement by each Named Executive Officer eligible to receive a bonus of his individually assigned goals within a range of 0% to 200%, multiplied such percentage by the weight originally proposed for each such goal, and added all individual goal achievement percentages together to get an overall achievement percentage for all individual goals. In the event that a Named Executive Officer's overall achievement of individual goals exceeded 100%, the Compensation Committee limited such achievement to 100%. The Compensation Committee evaluated the achievement of those listed goals as well as other reasonable factors it considered to be germane to each Named Executive Officer's performance for the year and assigned a value of up to 10% with respect to each Named Executive Officer's level of overall individual performance. The listed goals were not an exclusive list of goals and factors considered by the Compensation Committee in determining each Named Executive Officer's level of individual achievement for fiscal 2014. Following that evaluation, the overall individual performance achievement percentage was then further multiplied by the percentage of achievement of the Company Overall Achievement Percentage to determine the "Individual Overall Achievement Percentage." The Compensation Committee then added together the Company Overall Achievement Percentage (with a weighting of 90%) and the Named Executive Officer's Individual Overall Achievement Percentage and multiplied such amount by the Named Executive Officer's target award, and, approved the fiscal 2014 bonuses set forth in the table above.

Total incentive compensation bonuses paid to the Company's Named Executive Officers who were serving as executive officers at the end of fiscal 2014 were $1,323,341, as compared to $924,473 in fiscal 2013. The corporate and individual target levels for fiscal 2014 are considered confidential, the disclosure of which could cause competitive harm to the Company. In accordance with the statement above regarding the Compensation Committee belief that the target levels of corporate and individual performance in any given year should not be easily achievable, and typically would not be achieved all of the time, the relative achievement during fiscal 2014 is indicative of substantially improving performance by the Company in the context of its turn-around effort.

For fiscal 2015, the Compensation Committee has determined that incentive cash bonuses under the Incentive Plan will be determined in the same manner as fiscal 2014. Assuming stockholder approval of the Incentive Plan Amendment, including the performance criteria set forth therein, under Proposal No. 4, awards under the Incentive Plan may qualify as "performance-based compensation" assuming the requirements under Section 162(m) are otherwise met. If stockholders do not approve the Incentive Plan Amendment, including the performance criteria set forth therein, under Proposal No. 4, the Compensation Committee intends to continue to make annual awards under the Incentive Plan. However such awards will not meet the requirements to qualify as performance-based compensation under Section 162(m) and, therefore, may not be entirely tax deductible to the Company.

Long-Term Incentives

On December 5, 2013, the Company's stockholders approved the Amended Equity Plan, which is an amendment and restatement of, and successor to, the Omnibus Plan. The principal change reflected in the Amended Equity Plan was to limit awards under the plan to performance-based stock options and to restricted stock under limited circumstances. The Amended Equity Plan is designed to enable us to grant awards that may be intended to qualify as performance-based compensation under Section 162(m).

The Amended Equity Plan provides for the grant of performance-based stock options and restricted stock or any combination thereof. Each award is set forth in a separate agreement with the person receiving the award and indicates the type, terms and conditions of the award. The total number of shares available for issuance under the Amended Equity Plan is 1,375,000, and no individual may be granted awards representing more than 75,000 shares in any calendar year, in each case subject to adjustment as provided in the Amended Equity Plan.

The Amended Equity Plan requires that all stock options issued to employees under the plan include performance criteria or performance goals, unless issued in connection with the commencement of employment as an executive of the Company. The Amended Equity Plan provides that the performance criteria that will be used to establish performance goals with respect to any awards are limited to the following, either individually, alternatively or in any combination:

- net sales or revenue;
- net income before tax and excluding gain or loss on sale of property, plant and equipment; and/or
- cash flow (including, but not limited to, operating cash flow and free cash flow).

Such performance criteria 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 plan administrator in the award.

Stock options are designed to create incentives for the recipients by providing them with an opportunity to share, along with stockholders, in the long-term performance of the Common Stock. The Company's stock options have a seven-year term, which the Compensation Committee believes provides a reasonable time frame within which the executive's contributions to corporate performance can align with stock appreciation. Restricted stock is shares of Common Stock that are subject to certain forfeiture restrictions. Restricted stock is designed as a retention device and to directly align the interests of the recipient and the Company's stockholders. Restricted stock is generally expected to vest at the end of three years.

Prior to amendment and restatement of the Omnibus Plan, grants to executive officers consisted of non-qualified stock options with time-based vesting ("NQOs") and restricted stock, with the number of shares underlying the NQOs and shares of restricted stock determined based on the closing price of the Common Stock on the date of grant. The NQOs vest ratably over a three-year period. Since amendment and restatement of the Omnibus Plan, grants to executive officers under the Amended Equity Plan have consisted exclusively of PNQs subject to performance-based and time-based vesting. No PNQs were granted prior to fiscal 2014.

On December 12, 2013, the Compensation Committee made the following annual grants of PNQs to our Named Executive Officers under the Amended Equity Plan:

Name	Fiscal 2014 Annual PNQ Grant (# of Shares of Common Stock Issuable Upon Exercise)
Michael H. Keown	45,470
Mark J. Nelson	18,797
Thomas W. Mortensen	7,989
Mark A. Harding(1)	7,519
Hortensia R. Gómez(2)	—

(1) Subsequently forfeited and cancelled upon Mr. Harding's separation from employment with the Company effective July 31, 2014.

(2) Ms. Gómez did not receive a fiscal 2014 equity award due to her separation from employment with the Company effective January 24, 2014.

The stock options shown in the table above have an exercise price per share of $21.33, which was the closing price of the Common Stock as reported on Nasdaq on the date of grant. The stock options have a seven-year term expiring on December 12, 2020 and vest over a three-year period with one-third of the total number of shares subject to each such PNQ vesting on the first anniversary of the grant date based on the Company's achievement of a modified net income target for the first fiscal year of the performance period as approved by the Compensation Committee, and the remaining two-thirds of the total number of shares subject to each PNQ vesting on the third anniversary of the grant date based on the Company's achievement of a cumulative modified net income target for all three years during the performance period as approved by the Compensation Committee, in each case subject to the participant's employment by the Company or service on the Board of Directors of the Company on the applicable vesting date and the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement.

Stock options for 270,062 shares have been exercised since inception of the Amended Equity Plan (including under its predecessor, the Omnibus Plan), and 466,623 shares issuable under outstanding stock options are "in the money" as of October 16, 2014.

ESOP Allocation

The Company's ESOP was established in 2000. ESOP assets are allocated in accordance with a formula based on participant compensation. In order to participate in the ESOP, a participant must complete at least one thousand hours of service to the Company within twelve consecutive months. A participant's interest in the ESOP becomes one hundred percent vested after five years of service to the Company. Benefits are distributed from the ESOP at such time as a participant retires, dies or terminates service with the Company in accordance with the terms and conditions of the ESOP. Benefits may be distributed in cash or in shares of Common Stock. No participant contributions are allowed to be made to the ESOP.

Company contributions to the ESOP may be in the form of Common Stock or cash. Alternatively, the ESOP can borrow money from the Company or an outside lender and use the proceeds to purchase Common Stock. Shares acquired with loan proceeds are held in a suspense account and are released from the suspense account as the loan is repaid. The loan is repaid from the Company's annual contribution to the ESOP. The shares of Common Stock that are released are then allocated to participants' accounts in the same manner as if they had been contributed to the ESOP by the Company. The allocation of ESOP assets is determined by a formula based on participant compensation during the calendar year. The ESOP is intended to satisfy applicable requirements of the Internal Revenue Code and the Employee Retirement and Income Security Act of 1974. Pursuant to a Schedule 13G/A filed with the SEC on February 14, 2014, as of December 31, 2013, the ESOP owned of record 2,507,080 shares of Common Stock, including 1,944,154 allocated shares and 562,926 shares as yet unallocated to plan participants. An unaffiliated bank is trustee of the ESOP. The present members of the Management Administrative Committee, which administers the ESOP, are Michael H. Keown, Mark J. Nelson, Thomas J. Mattei, Jr., Patrick Quiggle and Rene E. Peth.

Our executive officers participate in the ESOP in the same manner as all other participants. In calendar 2014, the Company's Named Executive Officers received the following ESOP allocations based on compensation earned during calendar 2013:

Name	Calendar Year 2014 ESOP Allocation (# of Shares)
Michael H. Keown	565
Mark J. Nelson	515
Thomas W. Mortensen	566
Mark A. Harding	565
Hortensia R. Gómez	565

Welfare Benefits

The welfare benefits received by employee executive officers are the same as received by other employees, including medical, dental, life, disability and accident insurance. The Company also offers a supplemental disability plan to higher income staff members, including our executive officers, which allows them to buy an additional amount of disability coverage at their own expense. Employee executive officers are eligible on the same basis as other employees for participation in a pension plan (in the case of certain executive officers), a 401(k) plan and the ESOP. The value of the employee executive officer's 401(k) plan balances depends solely on the performance of investment alternatives selected by the employee executive officer from among the alternatives offered to all participants. All investment options in the 401(k) plan are market-based, meaning there are no "above-market" or guaranteed rates of return. In fiscal 2011, we significantly modified our retirement-benefit program. Specifically, we amended our defined benefit pension plan, the Farmer Bros. Salaried Employees Pension Plan (the "Farmer Bros. Plan"), freezing the benefit for all participants effective June 30, 2011. After the plan freeze, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan. However, account balances continue to be credited with interest until paid out. The freeze of the Farmer Bros. Plan coincided with an enhanced defined contribution 401(k) plan with a discretionary Company match of the employees' annual contributions. Upon retirement, employee executive officers receive benefits, such as a pension (if eligible) and retiree medical insurance benefits, under the same terms as other retirees.

Perquisites

Perquisites are limited at the Company; however we believe that offering our executive officers certain perquisites facilitates the operation of our business, allows our executive officers to better focus their time, attention and capabilities on our business, and assists the Company in recruiting and retaining key executives. We also believe that the perquisites offered to our executive officers are generally consistent with practices among companies in our relevant industry.

The perquisites and other benefits available to employee executive officers include an automobile allowance or use of a Company car, a Company-provided Blackberry (or similar device) including a voice and data plan for that device, gas card, laptop computer, credit card and expense reimbursement (under the Company's travel and expense policy). In addition, certain executive officers are entitled to benefits under the Company's postretirement death benefit plan.

It is the Company's intention to continually assess business needs and evolving practices to ensure that perquisite offerings are competitive and reasonable.

Change in Control and Termination Arrangements

Change in Control Severance Agreements; Employment Agreements; Severance Arrangements

The Company has entered into agreements with each of its current Named Executive Officers pursuant to which they will be entitled to receive severance benefits upon the occurrence of certain enumerated events in connection with a change in control or threatened change in control. The events that trigger payment are generally those related to (i) termination of employment other than for cause, disability or death, or (ii) resignation for good reason. The payments and benefit levels under these agreements do not influence and were not influenced by other elements of compensation. These agreements were adopted, and are continued, to help: (i) assure the executives' full attention and dedication to the Company, free from distractions caused by personal uncertainties and risks related to a pending or threatened change in control; (ii) assure the executives' objectivity for stockholders' interests; (iii) assure the executives of fair treatment in case of involuntary termination following a change in control or in connection with a threatened change in control; and (iv) attract and retain key talent during uncertain times. The agreements are structured so that payments and benefits are provided only if there is both a change in control or threatened change in control and a termination of employment, either by us (other than for "Cause," "Disability" or death), or by the participant for "Good Reason" (as each is defined in the agreement). This is sometimes referred to as a "double trigger," because the intent of the agreement is to provide appropriate severance benefits in the event of a termination following a change in control, rather than to provide a change in control bonus. A more detailed description of the severance benefits to which our current Named Executive Officers are entitled in connection with a change in control or threatened change in control is set forth below under the heading "Executive Compensation—Change in Control and Termination Arrangements."

The change in control agreements with Ms. Gómez and Mr. Harding automatically expired upon their separations from employment with the Company effective January 24, 2014 and July 31, 2014, respectively. A description of the severance benefits paid to Ms. Gómez and Mr. Harding in connection with their separations from employment is set forth below under the heading "Executive Compensation—Change in Control and Termination Arrangements."

Pursuant to the terms of their employment agreements, Messrs. Keown, Nelson and Mortensen are entitled to receive certain benefits upon their termination without cause or resignation for good reason. The Company believes such benefits were necessary to attract and retain these executive officers with demonstrated leadership abilities and to secure the services of these executive officers at agreed-upon terms. A more detailed description of the benefits to which these officers are entitled in connection with their termination is set forth below under the heading "Executive Compensation—Change in Control and Termination Arrangements."

Equity Awards

Under the terms of the outstanding stock option and restricted stock awards, in the event of death or disability a prorata portion (determined based on the actual number of service days during the vesting period divided by the total number of days during the vesting period) of any unvested stock options and restricted stock will be deemed to have vested immediately prior to the date of death or disability and, in the case of the restricted stock, will no longer be subject to forfeiture. The plan administrator also has discretionary authority regarding accelerated vesting upon termination other than by reason of death or disability, or in connection with an impending Change in Control (as defined in the Amended Equity Plan). Additionally, under the Amended Equity Plan, unless otherwise provided in any applicable award agreement, if a Change in Control occurs and a participant's awards are not continued, converted, assumed or replaced by the Company or a parent or subsidiary of the Company, or a Successor Entity (as defined in the Amended Equity Plan), such awards will become fully exercisable and/or payable, and all forfeiture, repurchase and other restrictions on such awards will lapse immediately prior to such Change in Control.

Compensation Policies and Practices

Stock Ownership Guidelines

The Board has adopted Stock Ownership Guidelines to further align the interests of the Company's executive officers and non-employee directors with the interests of the Company's stockholders. Under these guidelines, executive officers are expected to own and hold a number of shares of Common Stock based on the following guidelines:

Officer	Value of Shares Owned
Chief Executive Officer	$450,000
Other Executive Officers	$100,000 - $250,000, as determined by the Board in its discretion

Through fiscal 2014, non-employee directors have been 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 three (3) times the amount of the non-employee director annual stock-based award, as the same may be adjusted from time to time, under the Amended Equity Plan. Effective as of October 13, 2014, this has been increased to an amount of Common Stock with a value of at least $150,000.

Stock that counts toward satisfaction of these guidelines includes: (i) 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; (ii) restricted stock or restricted stock units (whether or not the restrictions have lapsed); (iii) ESOP shares; and (iv) shares of Common Stock held in trust for the benefit of the officer or non-employee director or his or her family. 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 the Amended Equity Plan, such as shares granted pursuant to the exercise of vested options and restricted stock that has vested. Officers and non-employee directors are expected to continuously own sufficient shares to meet these guidelines once attained.

Insider Trading Policy

Our insider trading policy prohibits all employees, officers, directors, consultants and other associates of the Company and certain of their family members from, among other things, purchasing or selling any type of security, whether the issuer of that security is the Company or any other company, while aware of material, non-public information relating to the issuer of the security or from providing such material, non-public information to any person who may trade while aware of such information. The insider trading policy also prohibits employees from engaging in short sales with respect to our securities, purchasing or pledging Company stock on margin and entering into derivative or similar transactions (i.e., puts, calls, options, forward contracts, collars, swaps or exchange agreements) with respect to our securities. We also have procedures that require trades by certain insiders, including our directors and executive officers, to be pre-cleared by appropriate Company personnel. Additionally, such insiders are generally prohibited from conducting transactions involving the purchase or sale of the Company's securities from 12:01 a.m. New York City time on the fifteenth calendar day before the end of each of the Company's four fiscal quarters (including fiscal year end) through 11:59 p.m. New York City time on the second business day following the date of the public release containing the Company's quarterly (including annual) results of operations.

Policy on Executive Compensation in Restatement Situations

In the event of a material restatement of the financial results of the Company, the Board of Directors, or the appropriate committee thereof, will review all bonuses and other incentive and equity compensation awarded to the Company's executive officers on the basis of having met or exceeded performance targets for performance periods that occurred during the restatement period. If such bonuses and other incentive and equity compensation would have been lower had they been calculated based on such restated results, the Board of Directors, or the appropriate committee thereof, will, to the extent permitted by governing law and as appropriate under the circumstances, seek to recover for the benefit of the Company all or a portion of such bonuses and incentive and equity compensation awarded to executive officers whose fraud or misconduct caused or partially caused such restatement, as determined by the Board of Directors, or the appropriate committee thereof.

Equity Award Grants

Our current and historical practice is to grant long-term incentive awards to our executive officers on the date of the regularly scheduled meeting of the Board of Directors in December of each year, with grants to executive officers hired or promoted since that grant date to receive an interim grant reviewed by the Board and approved by the Compensation Committee outside any blackout period under our insider trading policy described above.

Taxes and Accounting Standards

Tax Deductibility Under Section 162(m)

Section 162(m) places a $1 million limit on the amount of compensation the Company may deduct for tax purposes in any year with respect to each of the Named Executive Officers other than the Chief Financial Officer, except that performance-based compensation that meets applicable requirements is excluded from the $1 million limit. While base salary does not qualify as performance-based compensation under Section 162(m), the Compensation Committee has structured the grant of stock options to qualify as performance-based compensation under Section 162(m).

Assuming stockholder approval of the Incentive Plan Amendment, including the performance criteria set forth therein, under Proposal No. 4, awards under the Incentive Plan may qualify as performance-based compensation assuming the requirements under Section 162(m) are otherwise met. If stockholders do not approve the Incentive Plan Amendment, including the performance criteria set forth therein, under Proposal No. 4, the Compensation Committee intends to continue to make annual awards under the Incentive Plan. However such awards will not meet the requirements to qualify as performance-based compensation under Section 162(m) and, therefore, may not be entirely tax deductible to the Company. Although the Compensation Committee attempts to establish and maintain compensation programs that optimize the tax deductibility of compensation, the Compensation Committee retains discretion to authorize payment of compensation that may not be fully tax deductible when it believes this would be in the best interests of the Company. The Compensation Committee expects that all of the compensation paid in fiscal 2014 will be deductible by the Company for federal income tax purposes, except for approximately $164,000 paid to the Chief Executive Officer.

Section 409A

Section 409A of the Internal Revenue Code ("Section 409A") requires that "nonqualified deferred compensation" be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of deferral elections, timing of payments and certain other matters. Failure to satisfy these requirements can expose employees and other service providers to accelerated income tax liabilities and penalty taxes and interest on their vested compensation under such plans. Accordingly, as a general matter, we intend to design and administer our compensation and benefit plans and programs for all of our employees and other service providers, including the Named Executive Officers, either without any deferred compensation component, so that they are exempt from Section 409A, or in a manner that satisfies the requirements of Section 409A.

Accounting Standards

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of stock options and restricted stock, under the Amended Equity Plan are accounted for under FASB ASC Topic 718. The Compensation Committee considers the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity award program. As accounting standards change, the Company may revise certain programs to appropriately align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives.

EXECUTIVE COMPENSATION

Executive Officers

The following table sets forth the executive officers of the Company as of the date hereof. All executive officers are elected annually by the Board of Directors and serve at the pleasure of the Board. No executive officer has any family relationship with any director or nominee, or any other executive officer.

Name	Age	Title	Executive Officer Since
Michael H. Keown.	52	President and Chief Executive Officer	2012
Mark J. Nelson.	45	Treasurer and Chief Financial Officer	2013
Thomas W. Mortensen.	61	Senior Vice President of Route Sales	2012
Teri L. Witteman	46	Secretary	2012

Michael H. Keown joined the Company as President and Chief Executive Officer on March 23, 2012. Mr. Keown served in various executive capacities at Dean Foods Company, a food and beverage company, from 2003 to March 2012. He was at WhiteWave Foods Company, a subsidiary of Dean Foods, from 2004 to March 2012, including as President, Indulgent Brands from 2006 to March 2012. He was also responsible for WhiteWave's alternative channel business comprised largely of foodservice. Mr. Keown served as President of the Dean Branded Products Group of Dean Foods from 2003 to 2004. Mr. Keown joined Dean Foods from The Coca-Cola Company, where he served as Vice President and General Manager of the Shelf Stable Division of The Minute Maid Company. Mr. Keown has over 25 years of experience in the Consumer Goods business, having held various positions with E.&J. Gallo Winery and The Procter & Gamble Company. Mr. Keown received his undergraduate degree in Economics from Northwestern University.

Mark J. Nelson joined the Company as Treasurer and Chief Financial Officer on April 15, 2013. Prior to joining Farmer Bros., Mr. Nelson served in various senior financial management positions at Newport Corporation, a global supplier of advanced technology products and systems from 2004 to 2013, including as Vice President, Corporate Controller and Chief Accounting Officer from 2010 to 2013, and Vice President and General Manager of its Optical Components Division and Finance Director of its Photonics division from 2004 to 2010. Prior to Newport Corporation, Mr. Nelson held the positions of Finance Director in Thermo Electron Corporation, Cost and Budget Manager at C.R. Bard, Inc., co-owner and Chief Financial Officer of Western Energy Services, Inc. and Financial Management Program Trainee with the General Electric Company. Mr. Nelson earned his MBA in Entrepreneurship and Finance from Babson College, Wellesley, Massachusetts and his B.A. in Finance from the University of Massachusetts.

Thomas W. Mortensen was promoted to Senior Vice President of Route Sales on March 28, 2012. Prior to that, he served as the Company's Vice President, Sales (West) from 2009 to 2012. In that capacity, Mr. Mortensen oversaw the sales operations of 74 sales branches in 16 states in the western United States. Prior to that, Mr. Mortensen served as the Company's National Sales Manager for three years. Mr. Mortensen has over 35 years of service with the Company and experience in the route sales industry.

Teri L. Witteman has served as Secretary of Farmer Bros. since 2012. She has served as outside legal counsel to Farmer Bros. since 2004. In addition to her role at Farmer Bros., Ms. Witteman is an attorney with the Pasadena-based law firm of Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP ("AFRCT"), where her practice is concentrated in the corporate and real estate areas. Ms. Witteman has extensive experience in corporate finance, mergers and acquisitions, the formation, financing, and operation of business entities, and corporate governance. Ms. Witteman received her B.A. in Economics from UC Berkeley and her law degree from UCLA School of Law. AFRCT provided legal services to the Company in fiscal 2014 as discussed below under the heading "Certain Relationships and Related Person Transactions." We expect to continue to engage AFRCT to perform legal services in fiscal 2015.

Summary Compensation Table

The following table sets forth summary information concerning compensation awarded to, earned by, or paid to each of our Named Executive Officers for all services rendered in all capacities to the Company and its subsidiaries in the last three fiscal years. For a complete understanding of the table, please read the footnotes and narrative disclosures that follow the table.

SUMMARY COMPENSATION TABLE

A	B	C	D	E	F	G	H	I	J
Name and Principal Position	**Fiscal Year**	**Salary ($)**	**Bonus ($)**	**Stock Awards ($)**	**Option Awards ($)**	**Non-Equity Incentive Plan Compensation ($)**	**Change in Pension Value ($)**	**All Other Compensation ($)**	**Total ($)**
Michael H. Keown(1). . . .	2014	474,999	—	—	478,344	688,748	—	19,335	1,661,426
President and CEO	2013	474,999	—	104,400	387,800	536,274	—	56,268	1,559,741
	2012	158,891	—	231,865	240,800	132,247	—	29,179	792,982
Mark J. Nelson (2)	2014	294,154	—	—	197,744	255,913	—	15,898	763,709
Treasurer and CFO	2013	48,461	—	80,998	189,043	36,354	—	—	354,856
Thomas W. Mortensen(3) .	2014	262,442	—	—	84,044	190,270	69,852	23,282	629,890
Senior VP of Route Sales.	2013	254,644	—	19,215	58,935	142,908	44,464	18,451	538,617
	2012	210,814	—	77,432	79,847	73,424	164,175	8,616	614,308
Mark A. Harding(4) . . .	2014	259,877	—	—	79,100	—	7,308	474,645	820,930
Former Senior VP of Operations .	2013	254,447	—	19,215	58,935	142,908	3,563	15,064	494,132
	2012	260,567	—	50,508	151,582	126,621	23,699	8,116	621,093
Hortensia R. Gómez(5). . . .	2014	123,077	—	—	—	—	11,851	181,211	316,139
Former Vice President, Controller. . . .	2013	195,625	—	7,499	22,997	66,029	5,842	17,065	315,057
and Asst. Treasurer	2012	189,974	—	16,836	12,624	55,725	33,098	6,775	315,032

(1) Mr. Keown joined the Company as President and Chief Executive Officer on March 23, 2012. The amount reported in column I for fiscal 2014 includes an ESOP allocation and the Company's matching contribution under the 401(k) Plan. The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2014 and has been excluded from the table.

(2) Mr. Nelson joined the Company as Treasurer and Chief Financial Officer on April 15, 2013. The amount reported in column I for fiscal 2014 includes an ESOP allocation and the Company's matching contribution under the 401(k) Plan. The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2014 and has been excluded from the table.

(3) Mr. Mortensen was promoted to Senior Vice President of Route Sales on March 28, 2012. The amounts shown in the table for fiscal 2012 reflect Mr. Mortensen's compensation in all capacities for the full fiscal year. The amount reported in column I for fiscal 2014 includes life insurance premiums paid by the Company under the Company's postretirement

death benefit plan, an ESOP allocation and the Company's matching contribution under the 401(k) Plan. The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2014 and has been excluded from the table.

(4) Mr. Harding separated from employment with the Company effective July 31, 2014. The amount reported in column I includes: (a) amounts accrued in connection with Mr. Harding's separation from employment with the Company pursuant to the terms of the Harding Separation Agreement consisting of (i) salary continuation payments to be made in fiscal 2015 and 2016 ($261,375), (ii) an amount equal to Mr. Harding's fiscal 2014 final bonus award under the Incentive Plan ($188,410), and (iii) outplacement services ($5,000); (b) an ESOP allocation ($12,210); and (c) the Company's matching contribution under the 401(k) Plan. The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2014 and has been excluded from the table. The amount paid to Mr. Harding under the Incentive Plan in fiscal 2014 is included in column I since such amount was required to be paid to Mr. Harding pursuant to the terms of the Harding Separation Agreement.

(5) Ms. Gómez separated from employment with the Company effective January 24, 2014. The amount reported in column I for fiscal 2014 includes: (a) amounts paid or accrued in connection with Ms. Gómez's separation from employment with the Company pursuant to the terms of the Separation Agreement, dated December 12, 2013 (the "Gómez Separation Agreement"), between Ms. Gómez and the Company, consisting of (i) salary continuation payments to be made in fiscal 2014 and 2015 ($150,000), and (ii) premiums for COBRA continuation coverage in fiscal 2014 ($6,070); (b) accumulated paid days off ($3,058); (c) an ESOP allocation ($12,210); and (d) the Company's matching contribution under the 401(k) Plan. The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2014 and has been excluded from the table.

Salary (Column C)

The amounts reported in column C represent base salaries earned by each of the Named Executive Officers for the fiscal year indicated, prorated based on applicable start or separation dates during the fiscal year. The amounts shown include amounts contributed to the Company's 401(k) plan.

Bonus (Column D)

All non-equity incentive plan compensation for services performed during the fiscal year by the Named Executive Officers under the Incentive Plan is shown in column G.

Stock Awards (Column E)

The amounts reported in column E represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 12 to our audited consolidated financial statements for the fiscal year ended June 30, 2014 included in our 2014 Form 10-K, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any forfeitures relating to service-based (time-based) vesting conditions.

Option Awards (Column F)

The amounts reported in column F represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, including, in the case of PNQs granted in fiscal 2014, based on the probable outcome of the performance conditions to which such awards are subject. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 12 to our audited consolidated financial statements for the fiscal year ended June 30, 2014 included in our 2014 Form 10-K, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any forfeitures relating to service-based (time-based) vesting conditions.

Non-Equity Incentive Plan Compensation (Column G)

The amounts reported in column G represent the aggregate dollar value for each of the Named Executive Officers of the annual performance bonus under the Incentive Plan for the fiscal years indicated. The actual bonus amounts earned by the Named Executive Officers are reflected in the Summary Compensation Table in the fiscal year earned, even though these bonus amounts are paid in the subsequent fiscal year.

Change in Pension Value (Column H)

The amounts representing the aggregate change in the actuarial present value of the accumulated benefit under all defined benefit and actuarial pension plans reported in column H were generated by a change in conversion of that benefit to a present value from the pension plan measurement date used for financial statement reporting purposes with respect to the Company's audited consolidated financial statements for the fiscal year ended June 30, 2013 to the pension plan measurement date used for financial statement reporting purposes with respect to the Company's audited consolidated financial statements for the fiscal year ended June 30, 2014. Accrued pension benefits for each of the Named Executive Officers eligible to participate in the pension plan were calculated based on the final average pay times years of service as of June 30, 2011, the date on which plan participation and benefits were frozen. The conversion to a present value produced an increase over the prior fiscal year because normal retirement age, the assumed commencement of benefits, was one year closer. The present value conversion also caused an increase in value due to changes in actuarial assumptions. The discount rate used to calculate present values decreased from 4.50% as of the end of fiscal 2013 to 4.15% as of the end of fiscal 2014, producing an increase in the present value. We amended the Farmer Bros. Plan, freezing the benefit for all participants effective June 30, 2011. After the plan freeze, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan. Due to the pension freeze, Messrs. Keown and Nelson are not eligible to participate in the Farmer Bros. Plan.

All Other Compensation (Column I)

The amounts reported in column I represent the aggregate dollar amount for each Named Executive Officer for perquisites and other personal benefits (to the extent not excluded therefrom pursuant to applicable SEC rules); life insurance premiums paid by the Company under the Company's postretirement death benefit plan; allocations under the ESOP; payment for accumulated paid days off; the Company's matching contribution under the 401(k) Plan and certain other compensation described in the footnotes to the Summary Compensation Table above.

Total Compensation (Column J)

The amounts reported in column J are the sum of columns C through I for each of the Named Executive Officers. All compensation amounts reported in column J include amounts paid and amounts deferred.

Grants of Plan-Based Awards

The following table sets forth summary information regarding all grants of plan-based awards made to our Named Executive Officers in fiscal 2014.

GRANTS OF PLAN-BASED AWARDS

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)				
Name	**Plan**	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**Exercise or Base Price of Option Awards ($/Sh)(3)**	**Grant Date Fair Value of Stock and Option Awards ($)(4)**
Michael H. Keown										
Annual Cash Incentive Bonus	Incentive Plan.	—	—	475,000	—	—	—	—	—	—
PNQs.	Amended Equity Plan.	12/12/13	—	—	—	—	45,470	—	21.33	478,141
Mark J. Nelson										
Annual Cash Incentive Bonus	Incentive Plan.	—	—	180,000 (5) (6)	—	—	—	—	—	—
PNQs.	Amended Equity Plan.	12/12/13	—	—	—	—	18,797	—	21.33	197,660
Thomas W. Mortensen										
Annual Cash Incentive Bonus	Incentive Plan.	—	—	132,500 (5)	—	—	—	—	—	—
PNQs.	Amended Equity Plan.	12/12/13	—	—	—	—	7,989	—	21.33	84,008
Mark A. Harding										
Annual Cash Incentive Bonus	Incentive Plan.	—	130,689	130,689 (5)	—	—	—	—	—	—
PNQs (7)	Amended Equity Plan.	12/12/13	—	—	—	—	7,519	—	21.33	79,066
Hortensia R. Gómez (8)										
Annual Cash Incentive Bonus	Incentive Plan	—	—	60,000	—	—	—	—	—	—

(1) Represents annual cash incentive opportunities based on fiscal 2014 performance under the Incentive Plan. There were no thresholds or maximums under the Incentive Plan in fiscal 2014, except in the case of Mr. Harding whose final bonus amount was required to be greater than or equal to his target award of $130,689 pursuant to the Harding Separation Agreement. The targets are set each fiscal year by the Compensation Committee. The bonus amounts are based on the Company's financial performance and satisfaction of individual participant goals. Subject to the

limitations set forth in the Incentive Plan Amendment with respect to awards intended to satisfy the requirements for performance-based compensation under Section 162(m), the Compensation Committee has discretion to increase, decrease or entirely eliminate the bonus amount derived from the Incentive Plan's formula. The maximum amount that can be awarded under the Incentive Plan is within the discretion of the Compensation Committee.

(2) PNQs granted under the Amended Equity Plan in fiscal 2014 vest over a three-year period with one-third of the total number of shares subject to each such PNQ vesting on the first anniversary of the grant date based on the Company's achievement of a modified net income target for the first fiscal year of the performance period as approved by the Compensation Committee, and the remaining two-thirds of the total number of shares subject to each PNQ vesting on the third anniversary of the grant date based on the Company's achievement of a cumulative modified net income target for all three years during the performance period as approved by the Compensation Committee, in each case subject to the participant's employment by the Company or service on the Board of Directors of the Company on the applicable vesting date and the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement.The number in column titled "Target" reflects the aggregate number of shares that would vest if the modified net income targets are achieved at the end of the appropriate vesting periods.

(3) Exercise price of stock option awards is equal to the closing market price on the date of grant.

(4) Reflects the grant date fair value of stock option awards computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 12 to our audited consolidated financial statements for the fiscal year ended June 30, 2014 included in our 2014 Form 10-K, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any forfeitures relating to service-based (time-based) vesting conditions.

(5) Fiscal 2014 target award based on average monthly base salary for fiscal 2014.

(6) Pursuant to Amendment No. 1 to Nelson Employment Agreement, the Applicable Percentage of Mr. Nelson's Target Award increased from fifty-five percent (55%) to sixty percent (60%) of Mr. Nelson's base annual salary effective as of July 1, 2013 (for the entirety of fiscal 2014).

(7) Subsequently forfeited and cancelled upon Mr. Harding's separation from employment with the Company effective July 31, 2014.

(8) Ms. Gómez did not receive a fiscal 2014 bonus award or equity award due to her separation from employment with the Company effective January 24, 2014.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth summary information regarding the outstanding equity awards at June 30, 2014 granted to each of our Named Executive Officers.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested ($) (3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Michael H. Keown	46,667	23,333	—	6.96	05/11/19	8,170	176,554	—	—
	—	—	—	—	—	6,830	147,596		
	23,333	46,667	—	11.81	12/07/19	8,840	191,032	—	—
	—	—	45,470	21.33	12/12/20	—	—	—	—
Mark J. Nelson	9,815	19,631	—	13.62	05/09/20	5,947	128,515	—	—
	—	—	18,797	21.33	12/12/20	—	—	—	—
Thomas W. Mortensen . .	3,000	—	—	22.70	02/20/15	—	—	—	—
	3,000	—	—	21.76	12/11/15	—	—	—	—
	—	1,012	—	7.32	12/08/18	1,070	23,123	—	—
	6,667	6,667	—	6.96	05/11/19	10,000	216,100	—	—
	—	7,092	—	11.81	12/07/19	1,627	35,159	—	—
	—	—	7,989	21.33	12/12/20	—	—	—	—
Mark. A. Harding . . .	3,000	—	—	22.11	03/03/15	—	—	—	—
	3,000	—	—	21.76	12/11/15	—	—	—	—
	8,092	4,046	—	7.32	12/08/18	—	—	—	—
						6,900	149,109	—	—
	3,546	7,092	—	11.81	12/07/19	1,627	35,159	—	—
	—	—	7,519	21.33	12/12/20	—	—	—	—
Hortensia R. Gómez	—	—	—	—	—	—	—	—	—

(1) Prior to amendment and restatement of the Omnibus Plan, stock option grants to executive officers consisted of NQOs which generally vest in one-third (1/3) increments on each anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan and the applicable award agreement. Since amendment and restatement of the Omnibus Plan, stock option grants to executive officers under the Amended Equity Plan have consisted exclusively of PNQs subject to performance-based and time-based vesting. PNQs granted under the Amended Equity Plan in fiscal 2014 vest over a three-year period with one-third of the total number of shares subject to each such PNQ vesting on the first anniversary of the grant date based on the Company's achievement of a modified net income target for the first fiscal year of the performance period as approved by the Compensation Committee, and the remaining two-thirds of the total number of shares subject to each PNQ vesting on the third anniversary of the grant date based on the Company's achievement of a cumulative modified net income target for all three years during the performance period as approved by the Compensation Committee, in each case subject to the participant's employment by the Company or service on the Board of Directors of the Company on the

applicable vesting date and the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement.

(2) Restricted stock granted under the Amended Equity Plan (including under the Omnibus Plan prior to its amendment and restatement) to the Named Executive Officers generally cliff vests on the third anniversary of the date of grant, subject to the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement.

(3) The market value was calculated by multiplying the closing price of our Common Stock on June 30, 2014 ($21.61) by the number of shares of unvested restricted stock.

Option Exercises and Stock Vested

The following table summarizes the option exercises and vesting of stock awards for each of our Named Executive Officers for the fiscal year ended June 30, 2014.

OPTION EXERCISES AND STOCK VESTED

	Option Awards		Stock Awards	
Name	Number of Securities Acquired on Exercise (#)	Value Realized on Exercise($) (1)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting($)(2)
Michael H. Keown	—	—	10,561 (3)	226,639
Mark J. Nelson	—	—	—	—
Thomas W. Mortensen	18,305	151,176	465	10,351
Mark A. Harding	61,675	491,751	3,000	66,780
Hortensia R. Gómez	10,631	60,291	1,000 (4)	22,260

(1) The value realized on exercise of option awards was calculated by determining the difference between the market price of the underlying securities at exercise and the exercise price of the options.

(2) The value realized on vesting of restricted stock was calculated by multiplying the closing price of a share of our Common Stock on the vesting date, multiplied by the number of shares vested.

(3) 4,046 shares were sold in the open market to pay for taxes on restricted stock that vested on May 12, 2014.

(4) 390 shares were sold in the open market to pay for taxes on restricted stock that vested on December 9, 2013.

Compensation Risk Assessment

The Company generally uses a combination of base salary, performance-based compensation, and retirement plans throughout the Company. In most cases, the compensation policies and practices are centrally designed and administered, and are substantially identical at each business unit. Route sales personnel are paid primarily on a sales commission basis, but all of our executive officers are paid under the programs and plans for non-sales employees. The incentive compensation for executives is tied very strongly to, and predominantly dependent upon, the achievement of targets based on overall Company financial performance that are stated in or modified from the Company's audited financial statements. Only a small portion of executive officer incentive compensation is dependent upon individual goals. Moreover, the Company financial performance targets that drive executive officer compensation also apply throughout the organization for any employees that are entitled to incentive compensation (other than sales-based commissions). Certain departments have different or supplemental compensation programs tailored to their specific operations and goals. The Company believes that these compensation policies and practices appropriately balance near-term performance improvement with sustainable long-term value creation, and that they do not encourage unnecessary or excessive risk taking.

Employment Agreements and Arrangements

Keown Employment Agreement

On March 9, 2012, the Company and Michael H. Keown entered into an Employment Agreement (the "Keown Employment Agreement"), pursuant to which Mr. Keown serves as President and Chief Executive Officer. Mr. Keown's employment commenced on March 23, 2012. Pursuant to the Keown Employment Agreement, Mr. Keown's initial annual base salary was $475,000, which was increased to $507,000 effective September 1, 2014. Mr. Keown's annual base salary can be adjusted upward or downward by the Company from time to time but shall not be reduced below $475,000 per annum. Mr. Keown is entitled to participate in the Incentive Plan, with a target award equal to one hundred percent (100%) of his base annual salary. Mr. Keown is entitled to all benefits and perquisites provided by the Company to its senior executives, including paid days off, group health insurance, life insurance, 401(k) plan, ESOP, cell phone, Company credit card, Company gas card, expense reimbursement and an automobile allowance.

Mr. Keown's employment may be terminated by the Company at any time with or without Cause or upon Mr. Keown's resignation with or without Good Reason, death or Permanent Incapacity, as such terms are defined in the Keown Employment Agreement. Upon certain events of termination, Mr. Keown is entitled to the benefits described below under the heading "Change in Control and Termination Arrangements."

Nelson Employment Agreement

On April 1, 2013, the Company and Mark J. Nelson entered into an Employment Agreement, as amended by Amendment No. 1 to Nelson Employment Agreement (the "Nelson Employment Agreement"), pursuant to which Mr. Nelson serves as Treasurer and Chief Financial Officer. Pursuant to the Nelson Employment Agreement, Mr. Nelson's annual base salary was increased to $310,000 effective January 1, 2014 and thereafter increased to $320,000 effective September 1, 2014. Mr. Nelson's annual base salary can be adjusted upward or downward by the Company from time to time but shall not be reduced below $280,000 per annum. Mr. Nelson is entitled to participate in the Incentive Plan, with a target award equal to sixty percent (60%) of his base annual salary. This percentage may be adjusted upward or downward by the Company from time to time but shall not be reduced below fifty-five percent (55%). Mr. Nelson is entitled to all benefits and perquisites provided by the Company to its senior executives, including paid days off, group health insurance, life insurance, 401(k) plan, ESOP, cell phone, Company credit card, Company gas card, expense reimbursement and an automobile allowance.

Mr. Nelson's employment may be terminated by the Company at any time with or without Cause or upon Mr. Nelson's resignation with or without Good Reason, death or Permanent Incapacity, as such terms are defined in the Nelson Employment Agreement. Upon certain events of termination, Mr. Nelson is entitled to the benefits described below under the heading "Change in Control and Termination Arrangements."

Mortensen Employment Agreement

On April 4, 2012, the Company and Thomas W. Mortensen entered into an Employment Agreement, as amended by Amendment No. 1 to Mortensen Employment Agreement, dated as of September 1, 2014 (the "Mortensen Employment Agreement" and, together with the Keown Employment Agreement and Nelson Employment Agreement, the "Employment Agreements"), pursuant to which Mr. Mortensen serves as Senior Vice President of Route Sales. Pursuant to the Mortensen Employment Agreement, Mr. Mortensen's initial annual base salary was $250,000, increased to $265,000 effective October 1, 2013 and thereafter increased to $270,300 effective September 1, 2014. Mr. Mortensen's annual base salary can be adjusted upward or downward by the Company from time to time but shall not be reduced below $250,000 per annum. Mr. Mortensen is entitled to participate in the Incentive Plan, with a target award equal to fifty-five percent (55%) of his base annual salary. This percentage may be adjusted upward or downward by the Company from time to time but shall not be reduced below fifty percent (50%). Mr. Mortensen is entitled to all benefits and perquisites provided by the Company to its senior executives, including paid days off, group health insurance, life insurance, 401(k) plan, ESOP, cell phone, Company credit card, Company gas card, expense reimbursement and an automobile allowance.

Mr. Mortensen's employment may be terminated by the Company at any time with or without Cause or upon Mr. Mortensen's resignation with or without Good Reason, death or Permanent Incapacity, as such terms are defined in the Mortensen Employment Agreement. Upon certain events of termination, Mr. Mortensen is entitled to the benefits described below under the heading "Change in Control and Termination Arrangements."

Harding Separation Agreement

Pursuant to the Harding Separation Agreement, Mr. Harding's employment with the Company and its subsidiaries terminated as of July 31, 2014. Mr. Harding has agreed to provide consulting services to the Company through December 31, 2014. During the consulting period, Mr. Harding will receive a monthly retainer of $32,000 and certain COBRA benefits. As a result of his separation from employment with the Company, Mr. Harding is entitled to certain severance payments and benefits described below under the heading "Change in Control and Termination Arrangements."

Gómez Separation Agreement

Pursuant to the Gómez Separation Agreement, Ms. Gómez's employment with the Company and its subsidiaries terminated as of January 24, 2014. Ms. Gómez provided transition support to the Company through that date. As a result of her separation from employment with the Company, Ms. Gómez is entitled to certain severance payments and benefits described below under the heading "Change in Control and Termination Arrangements."

Pension Benefits

The following table provides information as of the end of fiscal 2014 with respect to the Farmer Bros. Plan, a defined benefit plan for the majority of the Company's employees who are not covered under a collective bargaining agreement, for each of the Named Executive Officers. For a complete understanding of the table, please read the narrative disclosures that follow the table.

PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Michael H. Keown.	Farmer Bros. Salaried Employees Pension Plan	—	—	—
	Farmer Bros. Death Benefit Plan	—	—	—
Mark J. Nelson.	Farmer Bros. Salaried Employees Pension Plan	—	—	—
	Farmer Bros. Death Benefit Plan	—	—	—
Thomas W. Mortensen.	Farmer Bros. Salaried Employees Pension Plan	22.50	936,633	—
	Farmer Bros. Death Benefit Plan	—	51,797	—
Mark A. Harding	Farmer Bros. Salaried Employees Pension Plan	2.33	70,652	—
	Farmer Bros. Death Benefit Plan	—	—	—
Hortensia R. Gómez	Farmer Bros. Salaried Employees Pension Plan	4.50	121,294	—

Named Executive Officers participate in the same contributory defined benefit pension plan offered to other non-union company employees; however, Messrs. Keown and Nelson were hired after participation in the plan was frozen, so no benefit is available to them. No benefits are available to a participant until he or she has five years of vesting service. Annuity benefits payable monthly under the Farmer Bros. Plan at normal retirement (age 65) are calculated as 1.50% of average compensation multiplied by the number of years of credited service, but not less than $60 per month for the first 20 years of credited service plus $80 per month for each year of credited service in excess of 20 years. For this formula, average compensation is defined as the monthly average of total pay received for the 60 consecutive months out of the 120 latest months before the retirement date which gives the highest average. However, no additional benefit accrual will be earned after June 30, 2011, which means that average compensation and number of years of credited service will be determined as of June 30, 2011, although service past that date will be counted for vesting. The formula above produces the amount payable as a monthly annuity for the life of the Named Executive Officer beginning as early as age 62. Benefits can begin as early as age 55 upon retirement (which would apply in the case of each of Mr. Mortensen and Ms. Gómez, who are over 55 and participate in the plan), but are subject to a 4% per year reduction for the number of years before age 62 when benefits began. Benefits under a predecessor plan are included in the figures shown in the table above. Maximum annual combined benefits under both plans generally cannot exceed the lesser of $205,000 or the average of the employee's highest three years of compensation.

While a present value is shown in the table, benefits are not available as a lump sum and must be paid in the form of an annuity. Present values were calculated using the same actuarial assumptions applied in the calculation of pension liabilities reported in Note 9 to our audited consolidated financial statements for the fiscal year ended June 30, 2014 included in our 2014 Form 10-K.

With respect to the Farmer Bros. Co. Death Benefit Plan, the Company provides a "death benefit" to certain of its employees and retirees, including the Named Executive Officer specified above, 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 has purchased life insurance policies to fund the death benefit wherein the Company owns the policy but the death benefit is paid to the employee's or retiree's beneficiary upon the employee's death, and any excess over that death benefit amount that may be paid out under the related insurance policy goes to the Company.

The amount of the death benefit that the Company has agreed to provide for each participating employee was determined by the Company with respect to that employee but was not specifically related to the amount of compensation that the employee was receiving as of the time that the Company elected to grant the death benefit to the employee. Further, the amount of the death benefit is fixed at the time of grant and does not change in value based on term of service but can be reduced based on demotion of service during employment. Assuming that the participating employee remains qualified, payments of the death benefit are made to the employee's beneficiary in a lump sum in the amount originally stated. Present value for the death benefit shown in the table above for Mr. Mortensen was calculated based on the discounted value of the face amount of Mr. Mortensen's death benefit factored for his life expectancy, using life expectancy tables provided by the Internal Revenue Service. Ms. Gómez's participation in the death benefit plan ceased upon her separation from employment with the Company effective January 24, 2014.

Change in Control and Termination Arrangements

Change in Control Agreements

The Company has entered into a Change in Control Severance Agreement ("Severance Agreement") with each of its current Named Executive Officers which provides certain severance benefits to such persons in the event of a Change in Control (as generally defined below). Each Severance Agreement expires at the close of business on December 31, 2014, subject to automatic one year extensions unless the Company or such executive officer notified the other no later than September 30, 2014 that the term would not be extended. Neither the Company nor any executive officer notified the other that the term would not be extended, so the term of each Severance Agreement has been extended to December 31, 2015, subject to possible further extensions. Notwithstanding the foregoing, if prior to a Change in Control, an executive officer ceases to be an employee of the Company, his or her Severance Agreement will be deemed to have expired. The Severance Agreements with Mr. Harding and Ms. Gómez automatically expired upon their separations from employment with the Company.

Under each of the Severance Agreements, a Change in Control generally will be deemed to have occurred at any of the following times: (i) upon the acquisition by any person, entity or group of beneficial ownership of 50% or more of either the then outstanding Common Stock or the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; (ii) at the time individuals making up the Incumbent Board (as defined in the Severance Agreements) cease for any reason to constitute at least a majority of the Board; or (iii) 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 (other than any transaction with respect to which persons who were the stockholders of the Company immediately prior to such transaction continue to represent at least 50% of the outstanding Common Stock of the Company or such surviving entity or parent or affiliate thereof immediately after such transaction). In the event of certain termination events in connection with a Change in Control or Threatened Change in Control (as defined in the Severance Agreements), the current Named Executive Officers will be entitled to certain payments and benefits shown in the tables below.

Each Severance Agreement provides that while the relevant Named Executive Officer is receiving compensation and benefits thereunder, that Named Executive Officer will not in any manner attempt to induce or assist others to attempt to induce any officer, employee, customer or client of the Company to terminate its association with the Company, nor do anything directly or indirectly to interfere with the relationship between the Company and any such persons or concerns. In the event such executive officer breaches this provision, all compensation and benefits under the Severance Agreement will immediately cease.

Employment Agreements

Under the Employment Agreements with Messrs. Keown, Nelson and Mortensen, upon termination without Cause (as defined in the applicable Employment Agreement) or by such executive officer's resignation with Good Reason (as defined in the applicable Employment Agreement), such executive officer will be entitled to certain payments and benefits shown in the tables below. Receipt of any severance amounts under any Employment Agreement is conditioned upon execution of a general release of claims against the Company. Notwithstanding the foregoing, if the executive officer becomes eligible for severance benefits under the Severance Agreement described above, the benefits provided under that agreement will be in lieu of, and not in addition to, the severance benefits under his Employment Agreement.

Separation Agreements

Pursuant to the Harding Separation Agreement and the Gómez Separation Agreement, respectively, Mr. Harding and Ms. Gómez are entitled to certain severance payments and benefits described below.

Potential Payments Upon Termination or Change in Control

The following tables describe potential payments and benefits upon termination (including resignation, severance, retirement or a constructive termination) or a change in control, including under the agreements described above, to which our current Named Executive Officers would be entitled. The estimated amount of compensation payable to each Named Executive Officer in each situation is listed in the tables below and assumes that the termination and/or change in control of the Company occurred at June 30, 2014.

The actual amount of payments and benefits can only be determined at the time of such a termination or change in control and therefore the actual amounts will vary from the estimated amounts in the tables below. Descriptions of how such payments and benefits are determined under the circumstances, material conditions and obligations applicable to the receipt of payments or benefits and other material factors regarding such agreements, as well as other material assumptions that we have made in calculating the estimated compensation, follow these tables.

The tables and discussion below do not reflect (i) payments that would be provided to each Named Executive Officer under the Farmer Bros. Plan following termination of employment on the last business day of the fiscal year; and (ii) the value of retiree medical, vision and dental insurance benefits and group life insurance, if any, that would be provided to each Named Executive Officer following such termination of employment, because, in each case these benefits are generally available to all regular Company employees similarly situated in age, years of service and date of hire and do not discriminate in favor of executive officers. The tables exclude Mr. Harding and Ms. Gómez who separated their employment with the Company effective July 31, 2014 and January 24, 2014, respectively.

Pursuant to the Harding Separation Agreement, Mr. Harding will receive consulting retainer fees through December 31, 2014 of $160,000, and severance consisting of: (i) salary continuation payments in the amount of $261,375 in the aggregate, such amount to be paid out over twelve (12) months in bi-weekly installments in accordance with the Company's normal payroll schedule and practices, commencing in the month following the end of the consulting period; (ii) partially Company-paid COBRA coverage under the Company's health care plan for himself and his spouse during the consulting period and for each of the twelve (12) months of coverage thereafter; (iii) an amount equal to his fiscal 2014 final bonus award under the Incentive Plan determined to be $188,410; and (iv) outplacement services not to exceed $5,000. As a fully vested participant in the Farmer Bros. Plan, the present value of Mr. Harding's accumulated pension benefit was $70,652 at June 30, 2014. Mr. Harding's vested benefit under the ESOP as of June 30, 2014 was estimated to be $81,855.

Pursuant to the Gómez Separation Agreement, Ms. Gómez will receive severance consisting of: (i) salary continuation payments in the amount of $150,000 in the aggregate, such amount to be paid out over nine (9) months in bi-weekly installments in accordance with the Company's normal payroll schedule and practices, commencing in the month following her separation from service; and (ii) partially Company-paid COBRA coverage under the Company's health care plan for herself for each of the nine (9) months of coverage following her separation from service. As a fully vested participant in the Farmer Bros. Plan, the present value of Ms. Gómez's accumulated pension benefit was $121,294 at June 30, 2014. Ms. Gómez's vested benefit under the ESOP as of June 30, 2014, was estimated to be $106,532.

Vesting and exercise of all stock options and restricted stock awards granted to Mr. Harding and Ms. Gómez are governed by the terms and conditions of the applicable award agreements. In exchange for the foregoing payments, Mr. Harding and Ms. Gómez each provided the Company a general release of claims as required under the Harding Separation Agreement and the Gómez Separation Agreement, respectively.

MICHAEL H. KEOWN	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
Base Salary Continuation	$ —	$ —	$ —	$ 950,000	$ 950,000	$ 475,000
Bonus Payments	$ 475,000	$ 475,000	$ —	$ 475,000	$ 475,000	$ 475,000
Value of Accelerated Stock Options	$ 660,428	$ 660,428	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 573,563	$ 573,563	$ —	$ —	$ —	$ —
Qualified and Non-Qualified Plans	$ —	$ —	$ —	$ —	$ —	$ —
ESOP	$ 12,210	$ 12,210	$ —	$ —	$ —	$ —
Health and Dental Insurance	$ —	$ 9,616	$ —	$ 19,232	$ 19,232	$ 9,616
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Death Benefit Plan	$ —	$ —	$ —	$ —	$ —	$ —
Total Pre-Tax Benefit	$1,721,201	$1,730,817	$ —	$ 1,469,232	$ 1,469,232	$ 959,616

MARK J. NELSON	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
Base Salary Continuation	$ —	$ —	$ —	$ 620,000	$ 620,000	$ 310,000
Bonus Payments	$ 180,000	$ 180,000	$ —	$ 180,000	$ 180,000	$ 180,000
Value of Accelerated Stock Options	$ 103,965	$ 103,965	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 48,897	$ 48,897	$ —	$ —	$ —	$ —
Qualified and Non-Qualified Plans	$ —	$ —	$ —	$ —	$ —	$ —
ESOP	$ 11,129	$ 11,129	$ —	$ —	$ —	$ —
Health and Dental Insurance	$ —	$ 9,596	$ —	$ 19,191	$ 19,191	$ 9,596
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Death Benefit Plan	$ —	$ —	$ —	$ —	$ —	$ —
Total Pre-Tax Benefit	$ 343,991	$ 353,587	$ —	$ 844,191	$ 844,191	$ 499,596

THOMAS W. MORTENSEN	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
Base Salary Continuation	$ —	$ —	$ —	$ 530,000	$ 530,000	$ 265,000
Bonus Payments	$ 132,500	$ 132,500	$ —	$ 132,500	$ 132,500	$ 132,500
Value of Accelerated Stock Options	$ 149,498	$ 149,498	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 191,805	$ 191,805	$ —	$ —	$ —	$ —
Qualified and Non-Qualified Plans	$ 866,781	$ 866,781	$ 866,781	$ 866,781	$ 866,781	$ 866,781
ESOP	$ 173,982	$ 173,982	$ 173,982	$ 186,213	$ 186,213	$ 173,982
Health and Dental Insurance	$ —	$ 9,725	$ —	$ 19,449	$ 19,449	$ 9,725
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Death Benefit Plan	$ 150,000	$ —	$ —	$ —	$ —	$ —
Total Pre-Tax Benefit	$1,664,566	$1,524,291	$ 1,040,763	$ 1,759,943	$ 1,759,943	$ 1,447,988

Base Salary Continuation

Severance Agreements

Under each Severance Agreement, if (i) a Change in Control occurs and the executive officer's employment is terminated within the two years following the occurrence of the Change in Control by the Company other than for Cause, Disability (each as defined in the Severance Agreement) or death, or by Resignation for Good Reason (as defined in the Severance Agreement), or (ii) a Threatened Change in Control (as defined in the Severance Agreement) occurs and the executive officer's employment is terminated during the Threatened Change in Control Period (as defined in the Severance Agreement) by the Company other than for Cause, disability or death, or there is a Resignation for Good Reason by the executive officer (a "Change in Control Event"), such executive officer will be entitled to receive his base salary, excluding bonuses, at the rate in effect on the date of termination for a period of twenty-four (24) months, such payment to be made in installments in accordance with the Company's standard payroll practices, commencing in the month following the month in which the executive officer's Separation from Service (as defined in the Severance Agreement) occurs, subject to the payment limitations with respect to "specified employees" under Section 409A.

Employment Agreements

Under the Employment Agreements, if termination occurs at the election of the Company without Cause (as defined in the applicable Employment Agreement) or by the executive officer's resignation with Good Reason (as defined in the applicable Employment Agreement), the executive officer will continue to receive his base salary for a period of one (1) year from the effective termination date, such payment to be made in installments in accordance with the Company's standard payroll practices, commencing in the month following the month in which the executive officer's Separation from Service (as defined in the applicable Employment Agreement) occurs, subject to the payment limitations with respect to "specified employees" under Section 409A.

Bonus Payments

Severance Agreements

Under each Severance Agreement, if a Change in Control Event occurs, the executive officer will receive a payment equal to one hundred percent (100%) of the executive officer's target bonus for the fiscal year in which the date of termination occurs (or, if no target bonus has been assigned as of the date of termination, the average bonus paid to such executive officer for the last three (3) completed fiscal years or for the number of completed fiscal years such person has been in the employ of the Company if fewer than three (3)), such payment to be made in a lump sum, subject to the payment limitations with respect to "specified employees" under Section 409A.

Employment Agreements

Under the Employment Agreements, if termination occurs at the election of the Company without Cause (as defined in the applicable Employment Agreement) or by the executive officer's resignation with Good Reason (as defined in the applicable Employment Agreement), such executive officer will receive an amount equal to his target award under the Incentive Plan for the fiscal year in which such termination is effective, prorated for the partial fiscal year in which the termination is effective. Payment of such amount will be made in a lump sum within thirty (30) days after the end of the Company's fiscal year in which the executive officer's Separation from Service (as defined in the applicable Employment Agreement) occurs, subject to the payment limitations with respect to "specified employees" under Section 409A. The Company will also pay a prorated portion of the target award under the Incentive Plan in the event of the executive officer's death or disability.

Value of Accelerated Stock Options and Restricted Stock

Under the terms of the outstanding stock option and restricted stock awards, in the event of death or disability a prorata portion (determined based on the actual number of service days during the vesting period divided by the total number of days during the vesting period) of any unvested stock options and restricted stock will be deemed to have vested immediately prior to the date of death or disability and, in the case of the restricted stock, will no longer be subject to forfeiture.

The value of accelerated equity awards shown in the tables above was calculated using the closing price of our Common Stock on June 30, 2014 ($21.61). The value of the options is the aggregate spread between $21.61 and the exercise price of the accelerated options, if less than $21.61, while $21.61 is the intrinsic value of the restricted stock grants.

Under the Amended Equity Plan, the plan administrator also has discretionary authority regarding accelerated vesting upon termination other than by reason of death or disability, or in connection with an impending Change in Control (as defined in the Amended Equity Plan). The amounts in the tables above assume such discretionary authority was not exercised. Additionally, under the Amended Equity Plan, unless otherwise provided in any applicable award agreement, if a Change in Control occurs and a participant's awards are not continued, converted, assumed or replaced by the Company or a parent or subsidiary of the Company, or a Successor Entity (as defined in the Amended Equity Plan), such awards will become fully exercisable and/or payable, and all forfeiture, repurchase and other restrictions on such awards will lapse immediately prior to such Change in Control. The amounts in the tables above assume such awards were continued, converted, assumed or replaced in connection with a Change in Control.

Qualified and Non-Qualified Plans; ESOP

Under each Severance Agreement, if a Change in Control Event occurs, subject to eligibility provisions of the plans, the executive officer will continue to participate in the tax-qualified and non-qualified retirement, savings and employee stock ownership plans of the Company during the twenty-four (24) month period following the executive officer's date of termination unless he commences other employment prior to the end of the twenty-four (24) month period, in which case, such participation will end on the date of his new employment. In addition, upon termination of employment for any reason, including death, disability, retirement or other termination, the executive officer will be entitled to his vested benefits under the Farmer Bros. Plan and the ESOP.

Estimated qualified and non-qualified plan benefits shown in the tables above reflect the present value of the vested accumulated benefits under the Farmer Bros. Plan. Amounts shown in the tables above exclude vested employee contributions under the Farmer Bros. Plan.

Estimated ESOP benefits shown in the tables above reflect the value of vested allocated shares in the ESOP plus, in the case of a Change in Control Event, an annual allocation of ESOP shares to qualified employees (estimated to be $12,210, $11,129 and $12,231, respectively, for Mr. Keown, Mr. Nelson and Mr. Mortensen). The estimated value of the ESOP shares is based on $21.61 per share, the closing price of our Common Stock on June 30, 2014.

Participants become 100% vested under the ESOP upon death, disability and, subject to certain eligibility requirements, retirement.

Health and Dental Insurance

Severance Agreements

Under each Severance Agreement, if a Change in Control Event occurs, the health, dental and life insurance benefits coverage provided to the executive officer at his date of termination will be continued by the Company during the twenty-four (24) month period following the executive officer 's date of termination unless he commences employment prior to the end of the twenty-four (24) month period and qualifies for substantially equivalent insurance benefits with his new employer, in which case such insurance coverage will end on the date of qualification. The Company will provide for such insurance coverage at its expense at the same level and in the same manner as if the executive officer's employment had not terminated (subject to the customary changes in such coverage if the executive officer retires under a Company retirement plan, reaches age 65, or similar events and subject to the executive officer's right to make any changes in such coverage that an active employee is permitted to make). Any additional coverage the executive officer had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any costs the executive officer was paying for such coverage at the time of termination will be paid by the executive officer. If the terms of any benefit plan do not permit continued participation, the Company will arrange for other coverage at its expense providing substantially similar benefits. Estimated payments shown in the tables above represent the current net annual cost to the Company of the executive officer's participation in the Company's medical insurance program offered to all non-union employees.

Employment Agreements

Under the Employment Agreements, if termination occurs at the election of the Company without Cause (as defined in the applicable Employment Agreement) or by the executive officer's resignation with Good Reason (as defined in the applicable Employment Agreement), such executive officer will continue to receive partially Company-paid COBRA coverage under the Company's health care plan for a period of one (1) year after the effective termination date.

Company Benefit Plans

Under the Company's group health plan, an employee who becomes totally disabled and his or her covered dependents will be eligible for coverage one year from the date disability began or a period equal to the time the employee was enrolled under the plan, whichever is less.

Outplacement Services

Under each Severance Agreement, if a Change in Control Event occurs, the Company will provide the executive officer with outplacement services at the expense of the Company, in an amount up to $25,000.

Death Benefit Plan

As described above under the heading "Pension Benefits," the Company provides a "death benefit" to certain of its employees and retirees, including Mr. Mortensen. The amounts shown in the table above represents the death benefit to which Mr. Mortensen is entitled under the death benefit plan. The Company has purchased life insurance policies to fund the death benefit wherein the Company owns the policy but the death benefit is paid to the employee's or retiree's beneficiary upon the employee's death, and any excess over that death benefit amount that may be paid out under the related insurance policy goes to the Company. The amounts shown in the table above represent the value of the death benefit payable by a third-party insurance company under this arrangement.

In addition, under each Severance Agreement, if the executive officer is covered by a split-dollar or similar life insurance program at the date of termination, he will have the option to have such policy transferred to him or her upon termination provided the Company is paid for its interest in the policy upon such transfer. The amount shown in the table for Mr. Mortensen above assumes no such option is exercised.

Indemnification

The Company has entered into the same form of Indemnification Agreement with each Named Executive Officer as is described below under the heading "Director Compensation—Director Indemnification." The Indemnification Agreements do not exclude any other rights to indemnification or advancement of expenses to which the indemnitee may be entitled, including any rights arising under the Certificate of Incorporation or By-Laws of the Company, or the Delaware General Corporation Law.

PROPOSAL NO. 3

ADVISORY VOTE TO APPROVE OUR EXECUTIVE COMPENSATION

Background

As part of the Board's commitment to excellence in corporate governance, and as required by Section 14A(a)(1) of the Exchange Act, which was added under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Board is providing our stockholders with an opportunity to approve, on an advisory (non-binding) basis, the compensation of our Named Executive Officers as disclosed in this Proxy Statement in accordance with the SEC's rules.

Summary

We are asking our stockholders to provide advisory approval of the compensation of our Named Executive Officers as described in the Compensation Discussion and Analysis section of this Proxy Statement and the related executive compensation tables.

Under its charter, pursuant to the powers delegated by the Board, the Compensation Committee has the sole authority to determine and approve compensation for our Named Executive Officers, subject to Board review prior to approval in the case of equity compensation awards. Consistent with our compensation philosophy and objectives, our executive compensation program for our Named Executive Officers has been designed to balance compensation elements and levels that attract, motivate and retain talented executives with forms of compensation that are performance-based and/or aligned with stock performance and stockholder interests. The program rewards superior performance and provides consequences for underperformance. We urge our stockholders to review the Compensation Discussion and Analysis section of this Proxy Statement and the related executive compensation tables for more information.

We emphasize pay-for-performance. Annual performance-based incentives play an important role in providing incentives to our executives to achieve and exceed short-term performance goals. In fiscal 2014, the Compensation Committee established Company financial performance criteria and individual participant goals for bonus awards under the Incentive Plan. For fiscal 2014, Company financial performance was gauged by the level of achievement of modified net income and modified operating cash flow. The Compensation Committee established that modified net income of $5.58 million would be the threshold to any bonus payout under the Incentive Plan. In fiscal 2014, net income was $12.1 million compared to net loss of $(8.5) million in fiscal 2013. As a result, the Company surpassed the modified net income threshold under the Incentive Plan, resulting in aggregate bonuses in the amount of $1,323,341 to our Named Executive Officers who were serving as executive officers at the end of fiscal 2014 based on the extent of achievement of modified net income, modified operating cash flow and individual participant goals.

In addition to awards under the Incentive Plan, in fiscal 2014, the Compensation Committee approved grants of PNQs under the Amended Equity Plan to certain of the Company's employees, including Messrs. Keown, Nelson, Mortensen and Harding, which stock options are subject to performance-based and time-based vesting. These PNQs vest over a three-year period with one-third of the total number of shares subject to each such PNQ vesting on the first anniversary of the grant date based on the Company's achievement of a modified net income target for the first fiscal year of the performance period as approved by the Compensation Committee, and the remaining two-thirds of the total number of shares subject to each PNQ vesting on the third anniversary of the grant date based on the Company's achievement of a cumulative modified net income target for all three years during the performance period as approved by the Compensation Committee, in each case subject to the participant's employment by the Company or service on the Board of Directors of the Company on the applicable vesting date and the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement.

We believe our compensation programs are strongly aligned with the long-term interests of our stockholders. Compensation includes equity-based awards under the Amended Equity Plan intended to align total compensation with stockholder interests by encouraging long-term performance. Equity represents a key component of the compensation of our Named Executive Officers as a percentage of total compensation.

For Mr. Keown, our current President and Chief Executive Officer, on an annualized basis for fiscal 2014, approximately 33% of target total direct compensation was in the form of equity; approximately 33% was base salary; and approximately 33% was short-term incentive cash compensation under the Incentive Plan.

For our Named Executive Officers (other than Mr. Keown), on average, in fiscal 2014 approximately 19% of target total direct compensation was in the form of equity; approximately 55% was base salary; and approximately 26% was short-term incentive cash compensation under the Incentive Plan.

Stock options for 270,062 shares have been exercised since inception of the Amended Equity Plan (including under its predecessor, the Omnibus Plan), and 466,623 shares issuable under outstanding stock options are "in the money" as of October 16, 2014.

We are committed to good governance and providing pay opportunities that reflect best practices. Executive officer compensation is determined by the Compensation Committee which is composed solely of independent directors. The Compensation Committee has authority to retain independent compensation consultants to provide it with advice on matters related to executive compensation. In fiscal 2014, the Compensation Committee utilized the services of Strategic Apex Group to advise on certain executive officer compensation matters as described in the Compensation Discussion and Analysis section above under the heading "Oversight of the Executive Compensation Program—Compensation Committee Consultants."

The Company intends to provide pay opportunities that reflect best practices and that also acknowledge the Company's current circumstances and historical results. Accordingly, the Company:

- Does not provide supplemental retirement benefits to Named Executive Officers in excess of those generally provided to other employees of the Company;
- Maintains incentive compensation plans that do not encourage undue risk-taking and align executive rewards with annual and long-term performance;
- Has not engaged in the practice of re-pricing/exchanging stock options;
- Does not provide for any "single trigger" severance payments in connection with a Change in Control to any Named Executive Officer;
- Maintains an equity compensation program that generally has a long-term focus, including equity awards that generally vest over a period of three years, and, in the case of PNQs, are also subject to performance-based vesting, or, in the case of restricted stock awards, cliff vest at the end of three years;
- Maintains compensation programs that have a strong pay-for-performance orientation;
- Limits perquisites except in connection with the facilitation of the Company's business or where necessary in recruiting and retaining key executives;
- Maintains stock ownership guidelines for executive officers that require significant investment by these individuals in the Company's Common Stock; and
- Has a clawback policy that requires the Board of Directors to review all bonuses and other incentive and equity compensation awarded to the Company's executive officers if it is subsequently determined that the amounts of such compensation were determined based on financial results that are later restated and the executive officer's fraud or misconduct caused or partially caused such restatement.

In light of the results of the most recent stockholder advisory vote to approve the compensation of our named executive officers for fiscal 2013, we have evaluated and revised our executive compensation programs. Beginning in fiscal 2014, the intent of the Compensation Committee has been to limit equity awards to current employees to PNQs and to implement certain other limitations on the nature of equity awards. The Compensation Committee intends to maintain the ability to incorporate equity-based elements in the Company's executive compensation program; however, the Compensation Committee expects to incorporate cash-settled stock units beginning in fiscal 2015. The addition of the use of these cash-settled stock units for long-term incentive compensation awards is intended to address, among other things, concerns expressed by stockholders regarding the dilution associated with the issuance of awards settled in equity, at the same time, still aligning the interests of recipients of these awards with the interests of stockholders and the long-term performance of the Company. In addition, for fiscal 2015, the Compensation Committee has determined that incentive cash bonuses under the Incentive Plan will be determined in the same manner as fiscal 2014, with modified net income and modified operating cash flow targets representing challenging goals designed to incentivize the executive officers, and, if achieved, will reflect improvement in Company profitability.

In addition, assuming stockholder approval of the Incentive Plan Amendment, including the performance criteria set forth therein, under Proposal No. 4, awards under the Incentive Plan may qualify as performance-based compensation assuming the requirements under Section 162(m) are otherwise met.

Vote Required

The approval of the advisory vote to approve our executive compensation requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same effect as votes "against" the proposal. Brokers do not have discretionary authority to vote on this proposal. Broker non-votes, therefore, will have no effect on the proposal as brokers are not entitled to vote on such proposals in the absence of voting instructions from the beneficial owner. The say-on-pay vote is advisory, and therefore, not binding on the Board or the Compensation Committee. While the vote is non-binding, the Board and the Compensation Committee value the opinions that stockholders express in their votes and in any additional dialogue and will consider the outcome of the vote and those opinions when making future compensation decisions.

We currently conduct annual advisory votes on executive compensation, and we expect to conduct the next advisory vote on executive compensation at our 2015 Annual Meeting of Stockholders.

Recommendation

The Board believes that the information provided above and within the Compensation Discussion and Analysis section of this Proxy Statement demonstrates that our executive compensation program was designed appropriately, has taken into account the opinions expressed by our stockholders, and is working to ensure that our executives' interests are aligned with our stockholders' interests to support long-term value creation.

The following resolution will be submitted for a stockholder vote at the Annual Meeting:

"Resolved, that the Company's stockholders approve, on an advisory basis, the compensation paid to the Company's Named Executive Officers, as disclosed pursuant to Securities and Exchange Commission rules in the Compensation Discussion and Analysis, the compensation tables and the accompanying narrative disclosure, in this Proxy Statement."

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE ADVISORY (NON-BINDING) RESOLUTION INDICATING THE APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS.

PROPOSAL NO. 4

APPROVAL OF AMENDMENT TO FARMER BROS. CO. 2005 INCENTIVE COMPENSATION PLAN

On October 13, 2014, upon recommendation of the Compensation Committee, the Board of Directors adopted an amendment to the Farmer Brothers Co. 2005 Incentive Compensation Plan (the "Incentive Plan"). The amendment is effective as of July 1, 2014, subject to approval by the Company's stockholders at the Annual Meeting (the "Incentive Plan Amendment").

We are asking stockholders to approve the Incentive Plan Amendment to ensure that annual bonuses paid under the Incentive Plan will be capable of qualifying as performance-based compensation under Section 162(m) of the Internal Revenue Code and thus be fully deductible by the Company for federal income tax purposes.

Incentive Plan Amendment

Section 162(m) limits the tax deductibility of compensation in excess of $1 million paid to the Company's Chief Executive Officer and the three other highest compensated officers (other than the Chief Financial Officer), who are identified as Named Executive Officers (the "Covered Employees"). An exception from this limitation applies to performance-based compensation as defined under Section 162(m) (the "Performance Exception"). One of the requirements under the Performance Exception is stockholder approval of the material terms of the performance goals pursuant to which the compensation is paid.

The Incentive Plan currently does not include the performance-based requirements under Section 162(m). As a result, compensation awarded thereunder is not eligible to qualify as performance-based compensation and, therefore, counts toward the $1 million limit and may not be entirely tax-deductible to the Company. The Incentive Plan Amendment will give the Compensation Committee the ability to grant awards under the Incentive Plan based upon the achievement of performance goals during specified periods that are designed to qualify for the Performance Exception.

Stockholder Approval

Section 162(m) provides that the material terms of the performance goals include:

- The employees eligible to receive compensation;
- A description of the performance criteria on which the performance goals are based; and
- The maximum award that can be paid to an individual under the performance goals.

Each of these material terms is described below. Stockholder approval of the Incentive Plan Amendment constitutes approval of each material term for purposes of the approval requirements of Section 162(m).

Eligible Employees

The Incentive Plan may be used to grant performance-based awards to any officer or other key management employee of the Company and its subsidiaries as selected by the Compensation Committee. Awards under the Incentive Plan have historically been granted to a limited number of individuals, generally limited to executive officers. In fiscal 2013 and 2014, the Compensation Committee granted awards under the Incentive Plan to six and four individuals, respectively. The Compensation Committee currently anticipates that awards under the Incentive Plan will continue to be limited to the Company's executive officer group. There are currently three such executive officers.

Performance Criteria

Under the Incentive Plan Amendment, to the extent the Compensation Committee intends that awards satisfy the requirements for performance-based compensation under Section 162(m), the Compensation Committee will select the Performance Criteria applicable to the performance period and establish the Performance Goals, and amounts of such awards, as applicable, which may be earned for such performance period.

The term "Performance Criteria" means the criteria, either individually, alternatively or in any combination, that the Compensation Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Covered

Employee for a performance period. Under the Incentive Plan Amendment, the Performance Criteria that will be used to establish Performance Goals are limited to the following (and modifications of the following): net sales or revenue; net income before tax and excluding gain or loss on sale of property, plant and equipment; cash flow (including, but not limited to, operating cash flow and free cash flow); 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 or earnings per share; return on equity; return on assets; return on capital; cost of capital; gross income or operating income; market share; working capital; and/or cost reduction. The Performance Criteria 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 Compensation Committee in the award.

The term "Performance Goals" means, for a performance period, the goals established in writing by the Compensation Committee 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 Compensation Committee, in its discretion, may, within the time prescribed by Section 162(m), adjust or modify the calculation of Performance Goals for such performance period in order to prevent the dilution or enlargement of the rights of Covered Employees (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.

Following the completion of each performance period, the Compensation Committee will certify in writing the extent to which Performance Goals for that performance period have been achieved and will authorize the award of cash to the Covered Employee for whom the Performance Goals were established, in accordance with the terms of the applicable award agreement. For any award that the Compensation Committee intends to satisfy the requirements of Section 162(m), the Compensation Committee may not increase the amount payable with respect to such award, but it may decrease or eliminate any such award to any Covered Employee.

Maximum Awards

In order to meet the requirements of the Performance Exception, the Incentive Plan Amendment provides that no Covered Employee may receive award payments during any fiscal year having an aggregate dollar amount in excess of $5.0 million.

Other Provisions of the Incentive Plan

Administration

The Compensation Committee will continue to act as administrator, with full power and authority to construe, interpret and administer the Incentive Plan, including determining the participants and the terms and conditions of any award and interpreting the plan provisions. As required pursuant to the Incentive Plan Amendment, the Board will ensure that each member of the Compensation Committee satisfies the "outside director" definition under Section 162(m).

Payment of Awards

Under the Incentive Plan, at the beginning of each fiscal year, the Compensation Committee, as administrator, determines who will participate in the Incentive Plan, establishes a target bonus for each participant, and establishes both Company financial performance criteria and individual participant goals for the ensuing year. The Compensation Committee also determines the weighting to be assigned to the Company's financial performance criteria and the individual goals as a whole, which weighting may differ among the executive officers, although over the past three fiscal years the weighting between Company financial performance and individual goals has been uniform for all executive officers. A threshold level for the Company's financial performance may also be established which, if not met, may preclude the award of bonuses. At fiscal year-end, bonuses are awarded based on the Company's level of achievement of its financial performance criteria and the participant's percentage of achievement of assigned individual goals. Subject to the terms of the Incentive Plan Amendment, the preliminary bonus award is subject to adjustment, upward or downward, by the Compensation Committee in its discretion. The Compensation Committee also has the discretion to alter the financial performance criteria and individual goals during the year and to decline to award any bonus should the Compensation Committee determine such actions to be warranted by a change in circumstances or by the instance of abuse or malfeasance. Accordingly, no bonus is earned unless and until an award is actually made by the Compensation Committee after fiscal year-end.

Amendment and Termination

Under the Incentive Plan, the Board of Directors reserves the right at any time to amend, suspend or terminate the Incentive 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 Incentive Plan may be retroactively applied. By its terms, the Incentive Plan Amendment requires that in order for awards to continue to qualify as performance-based compensation under Section 162(m), the Performance Criteria must be re-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 approve the Incentive Plan Amendment.

Estimate of Bonus Awards

Bonuses payable under the Incentive Plan cannot currently be determined because they will depend on the attainment of specified performance goals and any exercise of discretion by the Compensation Committee. If the Incentive Plan Amendment had been in effect for fiscal 2014, then assuming the same Performance Criteria and the use of appropriate discretion by the Compensation Committee, the bonuses that would have been paid pursuant to the Incentive Plan had the Incentive Plan Amendment been in effect for fiscal 2014 are the same amounts that were actually paid under the Incentive Plan for fiscal 2014. These amounts are set forth in the Summary Compensation Table in this Proxy Statement, in the "Non-Equity Incentive Plan Compensation" column.

Nothing in the Incentive Plan, the Incentive Plan Amendment or this Proxy Statement is intended to guarantee that the Company will always seek to ensure that its compensation qualifies as performance-based compensation.

The foregoing summary is qualified in its entirety by reference to the full text of the Incentive Plan Amendment and the Incentive Plan, copies of which are attached to this Proxy Statement as Appendix A and Appendix B, respectively. Other than the amendment to set forth the performance-based requirements under Section 162(m) for which we are seeking stockholder approval, the terms of the Incentive Plan remain unchanged by the Incentive Plan Amendment.

Vote Required

The approval of the Incentive Plan Amendment requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same effect as votes "against" the proposal. Brokers do not have discretionary authority to vote on this proposal. Broker non-votes, however, will have no effect on the proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

Recommendation

The Board believes that the approval of the Incentive Plan Amendment, including the Performance Criteria set forth therein, will permit the Compensation Committee to grant performance-based incentive cash compensation designed to qualify for the Performance Exception under Section 162(m) to those employees upon whose judgment and efforts the Company is largely dependent for the successful conduct of its operations. The Board believes that this is in the best interest of the Company.

If stockholders do not approve the Incentive Plan Amendment, including the Performance Criteria set forth therein, under Proposal No. 4, the Compensation Committee intends to continue to make annual awards under the Incentive Plan. However such awards will not meet the requirements to qualify as performance-based compensation under Section 162(m) and, therefore, may not be entirely tax deductible to the Company.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" APPROVAL OF THE INCENTIVE PLAN AMENDMENT, INCLUDING APPROVAL OF THE PERFORMANCE CRITERIA SET FORTH THEREIN.

DIRECTOR COMPENSATION

The compensation program for our non-employee directors is intended to fairly compensate them for the time and effort required of a director given the size and complexity of the Company's operations. Portions of the compensation program utilize our stock in order to further align the interests of the directors with all other stockholders of the Company and to motivate the directors to focus on the long-term financial interest of the Company.

Non-employee members of the Board receive a combination of cash and stock-based compensation. Directors who are Company employees are not paid any additional fees for serving on the Board or for attending Board meetings.

Cash Compensation

Fiscal 2014

In fiscal 2014, each non-employee director received an annual retainer of $30,000, payable quarterly in advance, and meeting fees of $1,500 for each Board meeting, $2,500 for each Compensation Committee or Audit Committee meeting, and $1,500 for each Nominating Committee meeting attended; provided if more than one meeting (Board or committee) was held and attended on the same date, maximum meeting fees were $4,000.

In addition, the following committee chairs received additional annual retainers, as follows: (i) Audit Committee, $15,000; and (ii) Compensation Committee, $7,500. Board members also received payment or reimbursement of reasonable travel expenses from outside the greater Los Angeles area, in accordance with Company policy, incurred in connection with attendance at Board and committee meetings, as well as payment or reimbursement of amounts incurred in connection with director continuing education.

Fiscal 2015

Fiscal 2015 non-employee director cash compensation is expected to remain unchanged from fiscal 2014, with the following exceptions: (i) the annual retainer will increase to $37,000; (ii) Board meeting fees will increase to $2,000 per meeting; (iii) Nominating Committee meeting fees will increase to $2,000 per meeting; (iv) daily maximum meeting fees will increase to $4,500; and (v) the Chairman of the Board will receive an additional annual retainer of $20,000.

Equity Compensation

In fiscal 2014, each non-employee director received a grant of restricted stock under the Amended Equity Plan having a value equal to $30,000, such grant to vest over three years in equal annual installments, subject to the non-employee director's continued service to the Company through each vesting date. The annual grant of restricted stock is generally made on the date on which the Company holds its annual meeting of stockholders or such other date as the Board may determine. The number of shares of Common Stock to be received in the grant of restricted stock is based on the closing price per share of our Common Stock on the date such grant is made. In fiscal 2014, the annual grant of restricted stock was made on December 5, 2013. Each non-employee director received a grant of 1,459 shares of restricted stock based on the closing price per share of our Common Stock on December 5, 2013 ($20.57). Fiscal 2015 non-employee director equity compensation is expected to remain unchanged from fiscal 2014.

Stock Ownership Guidelines

Under the Stock Ownership Guidelines adopted by the Board, through fiscal 2014 non-employee directors have been 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 three (3) times the amount of the non-employee director annual stock-based award, as the same may be adjusted from time to time, under the Amended Equity Plan. Effective as of October 13, 2014, this has been increased to an amount of Common Stock with a value of at least $150,000. Stock that counts toward satisfaction of these guidelines includes: (i) shares of Common Stock owned outright by the non-employee director and his or her immediate family members who share the same household, whether held individually or jointly; (ii) restricted stock or restricted stock units (whether or not the restrictions have lapsed); (iii) ESOP shares; and (iv) shares of Common Stock held in trust for the benefit of the non-employee director or his or her family.

Until the applicable guideline is achieved, each non-employee director is required to retain all "profit shares," which are those shares remaining after payment of taxes on earned equity awards under the Amended Equity Plan, such as shares granted pursuant to the exercise of vested options and restricted stock that has vested. Non-employee directors are expected to continuously own sufficient shares to meet these guidelines once attained.

Director Compensation Table

The following table shows fiscal 2014 non-employee director compensation:

Director(1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)	Change in Pension Value ($) (3)	All Other Compensation ($)(4)	Total ($)
Hamideh Assadi(5)(6)(7).	77,500	30,012	206	2,339	110,057
Guenter W. Berger(6)	42,000	30,012	—	6,549	78,561
Randy E. Clark(5)(6)(7)	77,500	30,012	—	—	107,512
Jeanne Farmer Grossman(5)(6)	72,000	30,012	—	—	102,012
Martin A. Lynch(6)(7)(8).	23,000	—	—	—	23,000
Charles F. Marcy(6)(8)	27,000	30,012	—	—	57,012
James J. McGarry(6)(8).	15,000	—	—	—	15,000
Christopher P. Mottern(6)(7)(8). . . .	42,000	30,012	—	—	72,012

(1) Mr. Keown, the Company's President and Chief Executive Officer, is not included in this table since he received no additional compensation for his service as a director in fiscal 2014.

(2) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. Each non-employee director received a grant on December 5, 2013 of 1,459 shares of restricted stock, which generally vest over three years in equal annual installments, with a grant date fair value under FASB ASC Topic 718 of $20.57 per share, based on the closing price of our Common Stock on that date of $20.57. The aggregate number of restricted stock awards outstanding at June 30, 2014 for each non-employee director is: Ms. Assadi, 4,975 shares; Mr. Berger, 4,975 shares; Mr. Clark, 3,153 shares; Ms. Grossman, 4,975 shares; Mr. Marcy 1,459 shares; and Mr. Mottern, 1,459 shares. Messrs. Lynch and McGarry each forfeited 3,516 shares of restricted stock upon their ceasing to serve on the Board of Directors beyond the 2013 Annual Meeting and, as a result, held no shares of restricted stock as of June 30, 2014.

(3) Represents the aggregate change in the actuarial present value of the accumulated benefit under all defined benefit and actuarial pension plans from the pension plan measurement date used for financial statement reporting purposes with respect to the Company's audited consolidated financial statements for the fiscal year ended June 30, 2013 to the pension plan measurement date used for financial statement reporting purposes with respect to the Company's audited consolidated financial statements for the fiscal year ended June 30, 2014. The aggregate change in the actuarial pension value of Mr. Berger's accumulated benefits under the Farmer Bros. Plan was ($14,031) due to the payment of benefits to Mr. Berger under the plan in fiscal 2014.

(4) All Other Compensation for Ms. Assadi includes life insurance premiums paid by the Company under the Company's postretirement death benefit plan ($2,035) and the economic benefit of the associated life insurance policy ($304). All Other Compensation for Mr. Berger includes life insurance premiums paid by the Company under the Company's postretirement death benefit plan ($3,956) and the economic benefit of the associated life insurance policy ($2,593).

(5) During fiscal 2014, Hamideh Assadi, Randy E. Clark and Jeanne Farmer Grossman served as members, and Ms. Grossman served as Chair, of the Compensation Committee.

(6) During fiscal 2014, Hamideh Assadi, Guenter W. Berger, Randy E. Clark, Jeanne Farmer Grossman, Martin A. Lynch, Charles F. Marcy, James J. McGarry and Christopher P. Mottern served as members of the Nominating Committee. Messrs. Marcy and Mottern were appointed to the Nominating Committee, and Mr. Marcy was appointed as Chair, on December 5, 2013. Messrs. Lynch and McGarry served as members, and Mr. McGarry served as Chair, of the Nominating Committee through the end of their term as directors on December 5, 2013.

(7) During fiscal 2014, Hamideh Assadi, Randy E. Clark, Martin A. Lynch and Christopher P. Mottern served as members of the Audit Committee. Mr. Mottern was appointed to the Audit Committee, including as Chair, on December 5, 2013. Mr. Lynch served as a member and Chair of the Audit Committee through the end of his term as a director on December 5, 2013.

(8) Messrs. Lynch and McGarry served as directors through the end of their term on December 5, 2013. Messrs. Marcy and Mottern were elected to the Board of Directors on December 5, 2013 at the 2013 Annual Meeting of Stockholders.

Director Indemnification

Under Farmer Bros.' Certificate of Incorporation and By-Laws, the directors are entitled to indemnification from the Company to the fullest extent permitted by Delaware corporate law. The Board of Directors has approved a form of Indemnification Agreement ("Indemnification Agreement") to be entered into between the Company and its directors and officers. The Company's Board of Directors may from time to time authorize the Company to enter into additional indemnification agreements with future directors and officers of the Company.

The Indemnification Agreements provide, among other things, that the Company will, to the extent permitted by applicable law, indemnify and hold harmless each indemnitee if, by reason of his or her corporate status as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other enterprise which such person is or was serving at the request of the Company, such indemnitee was, is or is threatened to be made, a party to or a participant (as a witness or otherwise) in any threatened, pending or completed proceeding, whether formal or informal, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, against all expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him or her or on his or her behalf in connection with such proceeding. In addition, the Indemnification Agreements provide for the payment, advancement or reimbursement of expenses incurred by the indemnitee in connection with any such proceeding to the fullest extent permitted by applicable law. The Indemnification Agreements also provide that, in the event of a Potential Change in Control (as defined in the Indemnification Agreements), the Company will, upon request by the indemnitee, create a trust for the benefit of the indemnitee and fund such trust in an amount sufficient to satisfy expenses reasonably anticipated to be incurred in connection with investigating, preparing for, participating in or defending any proceedings, and any judgments, fines, penalties and amounts paid in settlement in connection with any proceedings. The Indemnification Agreements do not exclude any other rights to indemnification or advancement of expenses to which the indemnitee may be entitled, including any rights arising under the Certificate of Incorporation or By-Laws of the Company, or the Delaware General Corporation Law. The Company is also obligated to maintain directors' and officers' liability insurance coverage, including tail coverage under certain circumstances.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Review and Approval of Related Person Transactions

Under the Company's written Policies and Procedures for the Review, Approval or Ratification of Related Person Transactions, a related person transaction may be consummated or may continue only if the Audit Committee approves or ratifies the transaction in accordance with the guidelines set forth in the policy. The policy applies to: (i) any person who is, or at any time since the beginning of the Company's last fiscal year was, a director, nominee for director or executive officer of the Company; (ii) any person who is known to be the beneficial owner of more than five percent (5%) of any class of the Company's voting securities; and (iii) any immediate family member, as defined in the policy, of, or sharing a household with, any of the foregoing persons. For purposes of the policy, a related person transaction includes, but is not limited to, any financial transaction, arrangement or relationship or any series of similar transactions, arrangements or relationships, specifically including indebtedness and guarantees of indebtedness, between the Company and any of the foregoing persons since the beginning of the Company's last fiscal year, or any currently proposed transaction in which the Company was or is to be a participant or a party, in which the amount involved exceeds $120,000, and in which any of the foregoing persons had or will have a direct or indirect material interest.

Under the policy, upon referral by the Chief Compliance Officer or Secretary of the Company, any proposed related person transaction will be reviewed by the Audit Committee for approval or disapproval based on the following:

- The materiality of the related person's interest, including the relationship of the related person to the Company, the nature and importance of the interest to the related person, the amount involved in the transaction, whether the transaction has the potential to present a conflict of interest, whether there are business reasons for the Company to enter the transaction, and whether the transaction would impair the independence of any independent director;
- Whether the terms of the transaction, in the aggregate, are comparable to those that would have been reached by unrelated parties in an arm's length transaction;
- The availability of alternative transactions, including whether there is another person or entity that could accomplish the same purposes as the transaction and, if alternative transactions are available, there must be a clear and articulable reason for the transaction with the related person;
- Whether the transaction is proposed to be undertaken in the ordinary course of the Company's business, on the same terms that the Company offers generally in transactions with persons who are not related persons; and
- Such additional factors as the Audit Committee determines relevant.

The Audit committee may impose conditions or guidelines on any related person transaction, including, but not limited to: (i) conditions relating to on-going reporting to the Audit Committee and other internal reporting; (ii) limitations on the amount involved in the transaction; (iii) limitations on the duration of the transaction or the Audit Committee's approval of the transaction; and (iv) other conditions for the protection of the Company and to avoid conferring an improper benefit, or creating the appearance of a conflict of interest.

The Audit Committee will direct the Company's executive officers to disclose all related person transactions approved by the Audit Committee to the extent required under applicable accounting rules, Federal securities laws, SEC rules and regulations, and Nasdaq rules.

Related Person Transactions

Since the beginning of fiscal 2014, related person transactions reviewed and approved and/or ratified by the Audit Committee include the following:

The son of Carol Farmer Waite, the beneficial owner of more than five percent (5%) of the Company's voting securities, is a non-executive employee of the Company in the position of Vice President of Coffee. Mr. Waite's fiscal 2014 compensation (including salary, non-equity incentive compensation, stock based compensation, auto allowance, life insurance premium, ESOP allocation, 401(k) matching contribution and change in pension value) was $353,500. Additionally, Mr. Waite's fiscal 2015 compensation is expected to exceed $120,000.

Teri L. Witteman, the Company's current Secretary, is an attorney with the law firm of AFRCT, which provides legal services to the Company. In fiscal 2014, we paid AFRCT approximately $383,000 in fees and costs for such services. We expect to continue to engage AFRCT to perform legal services in fiscal 2015.

AUDIT MATTERS

Audit Committee Report

The Audit Committee has reviewed and discussed with management the Company's audited consolidated financial statements as of and for the fiscal year ended June 30, 2014.

The Audit Committee has discussed with Deloitte the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards,* Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from Deloitte required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte's communications with the Audit Committee concerning independence, and has discussed with Deloitte that firm's independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements referred to above be included in the Company's 2014 Form 10-K for filing with the SEC.

Audit Committee of the Board of Directors
Christopher P. Mottern, Chair
Hamideh Assadi
Randy E. Clark

Independent Registered Public Accounting Firm Fees

The following table sets forth the aggregate fees billed by Deloitte and EY for fiscal 2014 and 2013 for audit and non-audit services (as well as all "out-of-pocket" costs incurred in connection with these services) and are categorized as Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees. The nature of the services provided in each such category is described following the table. EY served as the Company's independent registered public accounting firm and provided tax services in fiscal 2013 and for part of fiscal 2014, until December 23, 2013, when the Company engaged Deloitte as its independent registered public accounting firm. Prior to Deloitte's engagement as the Company's independent registered public accounting firm, certain affiliates of Deloitte provided tax services and consulting services to the Company in fiscal 2014and 2013, the aggregate fees for which are included in the table below. The Audit Committee approved all audit and permissible non-audit services provided by Deloitte and EY in accordance with the pre-approval policies and procedures described below.

Type of Fees	Fiscal 2014	Fiscal 2013
Audit Fees	$ 944,187	$ 926,483
Audit-Related Fees	—	—
Tax Fees	48,354	24,240
All Other Fees	6,400	—
Total Fees	$ 998,941	$ 950,723

Audit Fees

"Audit Fees" are fees paid for the audit of the Company's annual consolidated financial statements included in its Form 10-K and review of financial statements included in the Form 10-Q's, for the audit of the Company's internal control over financial reporting, and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements. Audit fees for fiscal 2014 consisted of $788,662 of fees rendered by Deloitte associated with the audit of the Company's fiscal 2014 annual financial statements, the audit of internal control over financial reporting in fiscal 2014, and the review of the Company's quarterly reports on Form 10-Q for the second and third quarters of fiscal 2014. Audit fees for fiscal 2014 also include $155,525 of fees rendered by EY for the review of the Company's interim financial statements included in the Company's quarterly report on Form 10-Q for the first quarter of fiscal 2014 and providing their consent in the Company's 2014 Form 10-K. Audit fees for fiscal 2013 consisted of fees rendered by EY associated with the audit of the Company's fiscal 2013 annual financial statements, including the restatement of certain prior period financial statements, the audit of internal control over financial reporting in fiscal 2013, and the review of the Company's interim financial statements included in the Company's quarterly reports on Form 10-Q for fiscal 2013.

Audit-Related Fees

"Audit-Related Fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees." These services include consultations regarding implementation of accounting transactions or standards. In fiscal 2014 and 2013, the Company paid no fees to Deloitte or EY in this category.

Tax Fees

"Tax Fees" are fees for tax compliance, tax advice and tax planning, including state tax representation and miscellaneous consulting on federal and state taxation matters. Tax fees for fiscal 2014 consisted of $11,154 of fees rendered by Deloitte Tax LLP for a fuel tax study and $37,200 of fees for services rendered by EY for tax compliance and advisory services. Tax fees for fiscal 2013 consisted of $24,240 fees for services rendered by EY for tax compliance and advisory services.

All Other Fees

"All Other Fees" are fees for any services not included in the first three categories. All other fees in fiscal 2014 consisted of (i) subscription fees paid to Deloitte for an online accounting research tool and (ii) actuarial services rendered by Deloitte Consulting LLP. In fiscal 2014 and 2013, the Company paid no fees to EY in this category.

Pre-Approval of Audit and Non-Audit Services

Under the Farmer Bros. Co. Audit and Non-Audit Services Pre-Approval Policy, the Audit Committee must pre-approve all audit and non-audit services provided by the independent auditor. The policy, as described below, sets forth the procedures and conditions for such pre-approval of services to be performed by the independent auditor. The policy utilizes both a framework of general pre-approval for certain specified services and specific pre-approval for all other services. Unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the independent auditor. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

In the first quarter of each year, the Audit Committee is asked to pre-approve the engagement of the independent auditor and the projected fees for audit services for the current fiscal year. The Audit Committee is also asked to provide general pre-approval for certain audit-related services (assurance and related services that are reasonably related to the performance of the auditor's review of the financial statements or that are traditionally performed by the independent auditor) and tax services (such as tax compliance, tax planning and tax advice) for the current fiscal year consistent with the SEC's rules on auditor independence. If the Company wishes to engage the independent auditor for additional services that have not been generally pre-approved as described above, then such engagement will be presented to the Audit Committee for pre-approval at its next regularly scheduled meeting. Pre-approval of any engagement by the Audit Committee is required before the independent auditor may commence any engagement.

In fiscal 2014, there were no fees paid to Deloitte or EY under a *de minimis* exception to the rules that waive pre-approval for certain non-audit services.

OTHER MATTERS

Annual Report and Form 10-K

The 2014 Annual Report to Stockholders (which includes the Company's 2014 Form 10-K) accompanies this Proxy Statement. The 2014 Annual Report is neither incorporated by reference in this Proxy Statement nor part of the proxy soliciting material. **Stockholders may obtain, without charge, a copy of the Company's 2014 Form 10-K, filed with the SEC, including the financial statements included therein, without the accompanying exhibits, by writing to: Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502, Attention: Chief Financial Officer. The Company's 2014 Form 10-K is also available online at the Company's website, *www.farmerbros.com*. A list of exhibits is included in the Company's 2014 Form 10-K and exhibits are available from the Company upon the payment of the Company's reasonable expenses in furnishing them.**

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities (collectively, "Reporting Persons"), to file reports of ownership and changes in ownership with the SEC. Reporting Persons are required by SEC regulations to furnish the Company with copies of all forms they file pursuant to Section 16(a). As a practical matter, the Company assists its directors and executive officers by monitoring transactions and completing and filing Section 16 reports on their behalf. Based solely on the Company's review of the reports filed by Reporting Persons, and written representations from certain Reporting Persons that no other reports were required for those persons, the Company believes that, with respect to the fiscal year ended June 30, 2014, the Reporting Persons met all applicable Section 16(a) filing requirements.

Stockholder Proposals and Nominations

Proposals Pursuant to Rule 14a-8

Pursuant to Rule 14a-8 under the Exchange Act, stockholders may present proper proposals for inclusion in the Company's proxy statement and form of proxy for consideration at the Company's 2015 Annual Meeting of Stockholders. To be eligible for inclusion in the Company's 2015 proxy statement, stockholder proposals must be received by the Company at its principal executive offices no later than July 9, 2015 and must otherwise comply with Rule 14a-8. While the Board will consider stockholder proposals, the Company reserves the right to omit from the Company's proxy statement stockholder proposals that it is not required to include under the Exchange Act, including Rule 14a-8.

Proposals and Nominations Pursuant to the Company's By-Laws

The Company's By-Laws contain an advance notice provision with respect to matters to be brought at an annual meeting of stockholders, including nominations, and not included in the Company's proxy statement. A stockholder who desires to nominate a director or bring any other business before the stockholders at the 2015 Annual Meeting must notify the Company in writing, must cause such notice to be delivered to or received by the Secretary of the Company no earlier than August 6, 2015, and no later than September 5, 2015, and must comply with the other provisions of the Company's By-Laws summarized below; provided, however, that in the event that the 2015 Annual Meeting is called for a date that is not within thirty (30) days of the anniversary date of the 2014 Annual Meeting of Stockholders, 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 2015 Annual Meeting was mailed or such public disclosure of the date of the 2015 Annual Meeting was made, whichever first occurs.

The By-Laws provide that nominations may be made by the Board, by a committee appointed by the Board or any stockholder entitled to vote in the election of directors generally. Stockholders must provide actual written notice of their intent to make nomination(s) to the Secretary of the Company within the timeframes described above. Each such notice 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 Company 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

Exchange Act; and (b) as to the stockholder giving notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Company 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 the solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act. 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.

The notice given by a stockholder regarding other business to be brought before an annual meeting of stockholders must be provided within the time frames described above and set forth (a) a brief description of the business desired to be brought before the annual meeting and the reason for conducting such business at the annual meeting, (b) the name and record address of such stockholder, (c) the class and number of shares of stock of the Company which are owned beneficially or of record by such stockholder, (d) a description of all arrangements or understandings between such stockholder and any other persons (including their names) in connection with the proposal and any material interest of such stockholder in such business, and (e) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

You may write to the Secretary of the Company at the Company's principal executive offices, 20333 South Normandie Avenue, Torrance, California 90502, to deliver the notices discussed above and for a copy of the relevant provisions of the Company's By-Laws regarding the requirements for making stockholder proposals and nominating director candidates.

Householding of Proxy Materials

The SEC has adopted rules that permit companies and intermediaries (such as banks and brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of banks and brokers with account holders who are Company stockholders will be "householding" the Company's proxy materials and annual report. A single proxy statement and annual report will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your bank or broker that it will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement and annual report, please notify your bank or broker, or direct your written request to Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502, Attention: Chief Financial Officer, or contact the Company's Chief Financial Officer by telephone at (310) 787-5200, and the Company will deliver a separate copy of the annual report or proxy statement upon request. Stockholders who currently receive multiple copies of the proxy statement and annual report at their address and would like to request "householding" of their communications should contact their bank or broker.

Forward-Looking Statements

Certain statements contained in this Proxy Statement 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 the 2014 Form 10-K. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "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 Proxy Statement 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 relative effectiveness of compensation-based employee incentives in causing improvements in Company performance, the capacity to meet the demands of the Company's 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 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, changes in the strength of the economy, our ability to refinance or replace our existing credit facility upon its expiration, 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, changes in the quality or dividend stream of third parties' securities and other investment vehicles in which we have invested our assets, as well as other risks described in Part I, Item 1A of our 2014 Form 10-K, and other factors described from time to time in our filings with the SEC.

By Order of the Board of Directors

October 28, 2014

TERI L. WITTEMAN
Secretary

AMENDMENT TO THE

FARMER BROS. CO.

2005 INCENTIVE COMPENSATION PLAN

(As Amended and Restated as of December 31, 2008)

(Effective as of July 1, 2014)

Purpose of the Amendment

The purpose of this Amendment (this "Amendment") to the Farmer Bros. Co. 2005 Incentive Compensation Plan (the "Plan") is to add a provision setting forth the performance-based compensation requirements under Section 162(m) of the Internal Revenue Code and applicable Treasury Regulations ("Section 162(m)"). The Amendment is effective as of July 1, 2014, subject to approval by the Company's stockholders at the Company's 2014 annual meeting of stockholders.

Amendment

The Plan is amended to add a new Section 6 as set forth below and to renumber the current Sections 6 through 12, and references thereto, accordingly. All capitalized terms not defined in this Amendment shall have the meanings set forth in the Plan.

"Section 6. Performance-Based Awards Under Section 162(m).

(a) Performance-Based Awards. Notwithstanding anything to the contrary in Section 5 or Section 7, to the extent the Committee intends that Awards satisfy the requirements for performance-based compensation under Section 162 (m), the Committee shall, in writing, (i) designate one or more Covered Employees (as defined in Section 162(m)) to receive Awards satisfying the performance-based compensation requirements under Section 162(m), (ii) select the Performance Criteria applicable to the performance period, (iii) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such performance period, and (iv) 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. Section 162(m) requires that the Committee establish each Covered Employee's Performance Criteria, Performance Goals and target Award amount within the first 90 days of each performance period.

Following the completion of each performance period, the Committee shall certify in writing the extent to which Performance Goals for that performance period have been achieved and shall authorize the award of cash to the Covered Employee for whom the Performance Goals were established, in accordance with the terms of the applicable Award agreement. For any Award that the Committee intends to satisfy the requirements of Section 162(m), the Committee may not increase the amount payable with respect to any Award, but it may decrease or eliminate any such Award to any Covered Employee.

(b) Performance Criteria. The term "Performance Criteria" means the criteria, either individually, alternatively or in any combination, that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Covered Employee for a performance period. For purposes of this Section 6, the Performance Criteria that will be used to establish Performance Goals are limited to the following (and modifications of the following): net sales or revenue; net income before tax and excluding gain or loss on sale of property, plant and equipment; cash flow (including, but not limited to, operating cash flow and free cash flow); 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 or earnings per share; return on equity; return on assets; return on capital; cost of capital; gross income or operating income; market share; working capital; and/or cost reduction. The Performance Criteria 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 Committee in the Award. The Committee shall, within the time prescribed by Section 162(m), define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such performance period for such Covered Employee. In order for

Awards to continue to qualify as performance-based compensation under Section 162(m), the Performance Criteria must be re-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 approved this Amendment.

(c) Performance Goals. The term "Performance Goals" means, for a performance period, the goals established in writing by the Committee 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 Committee, in its discretion, may, within the time prescribed by Section 162(m), adjust or modify the calculation of Performance Goals for such performance period in order to prevent the dilution or enlargement of the rights of Covered Employees (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.

(d) Compensation Committee. The Board shall ensure that each member of the Committee satisfies the "outside director" definition under Section 162(m).

(e) Limitation. No Covered Employee may receive Award payments during any Fiscal Year having an aggregate dollar amount in excess of $5,000,000."

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 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 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.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2014

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.)

20333 South Normandie Avenue, Torrance, California 90502
(Address of Principal Executive Offices; Zip Code)

310-787-5200
Registrant's telephone number, including area code

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1.00 par value	**The NASDAQ Stock Market LLC**

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price at which the Farmer Bros. Co. common stock was sold on December 31, 2013 was $187.1 million.

As of September 12, 2014 the registrant had 16,596,748 shares outstanding of its common stock, par value $1.00 per share, which is the registrant's only class of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the U.S. Securities and Exchange Commission ("SEC") pursuant to Regulation 14A in connection with the registrant's 2014 Annual Meeting of Stockholders (the "Proxy Statement") or portions of the registrant's 10-K/A, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this report. Such Proxy Statement or 10-K/A will be filed with the SEC not later than 120 days after the conclusion of the registrant's fiscal year ended June 30, 2014.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K 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 below in Part I, Item 1A of this Annual Report on Form 10-K. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "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 relative effectiveness of compensation-based employee incentives in causing improvements in Company performance, the capacity to meet the demands of the Company's 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 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, changes in the strength of the economy, our ability to refinance or replace our existing credit facility upon its expiration, 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, changes in the quality or dividend stream of third parties' securities and other investment vehicles in which we have invested our assets, as well as other risks described in this report and other factors described from time to time in our filings with the SEC.

PART I

Item 1. Business

Overview

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the "Company," "we," "our" or "Farmer Bros."), is a manufacturer, wholesaler and distributor of coffee, tea and culinary products. We are a direct distributor of coffee to restaurants, hotels, casinos, offices, quick service restaurants ("QSR's"), convenience stores, healthcare facilities and other foodservice providers, as well as private brand retailers in the QSR, grocery, drugstore, restaurant, convenience store, and independent coffee house channels. We were founded in 1912, were incorporated in California in 1923, and reincorporated in Delaware in 2004. We operate in one business segment.

Business Strategy

Our mission is to "sell great coffee, tea and culinary products and provide superior service—one customer at a time." We reach our customers in two ways: through our nationwide Direct-Store-Delivery ("DSD") network of approximately 500 delivery routes, 111 branch warehouses and six distribution centers, and through the distribution channels of our national account and institutional customers. We differentiate ourselves in the marketplace through our customer service model. We offer value-added services to our foodservice customers, including beverage equipment service, menu solutions wherein we recommend products, how these products are prepared in the kitchen and presented on the menu, and hassle-free inventory and product procurement management. These services are conducted primarily in person through Regional Sales Representatives, or RSR's, who develop personal relationships with chefs, restaurant owners and food buyers at their drop off locations. We also provide comprehensive coffee programs, including private brand development, green coffee procurement, category management, and supply chain management to our national account customers.

Since 2007, Farmer Bros. has achieved growth primarily through the acquisition in 2007 of Coffee Bean Holding Co., Inc., a Delaware corporation ("CBH"), the parent company of Coffee Bean International, Inc., an Oregon corporation ("CBI"), a specialty coffee manufacturer and wholesaler, and the acquisition in 2009 from Sara Lee Corporation ("Sara Lee") of certain assets used in connection with its DSD coffee business in the United States (the "DSD Coffee Business").

We manufacture and distribute products under our owned brands, as well as under private labels on behalf of certain customers. Our owned brand products are sold primarily into the foodservice channel. Our primary brands include Farmer Brothers™, Artisan Collection by Farmer Brothers™, Superior®, Metropolitan™, Cain's™ and McGarvey™. Our product line is specifically focused on meeting the needs of the markets we serve. Our product line of approximately 2,900 SKU's (excluding private label), includes roasted coffee, liquid coffee, coffee-related products such as coffee filters, sugar and creamers, assorted iced and hot teas, cappuccino, cocoa, spices, gelatins and puddings, soup bases, dressings, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves. Sales of roasted coffee products represented approximately 60%, 59% and 58% of our total net sales in the fiscal years ended June 30, 2014, 2013 and 2012, respectively, and no single product other than roasted coffee accounted for more than 10% of our total net sales.

Coffee purchasing, roasting, grinding, packaging and product development takes place at our Torrance, California, Portland, Oregon and Houston, Texas plants. Spice blending, grinding, packaging and product development takes place at our Torrance, California plant. Our distribution centers include our Torrance, Portland and Houston plants, as well as separate distribution centers in Northlake, Illinois, Oklahoma City, Oklahoma, and Moonachie, New Jersey. Farmer Bros. was among the first coffee roasters in the nation to receive SCAA-certification of a state-of-the-art coffee lab and operates Public Domain®, a specialty coffeehouse in Portland, Oregon. The Portland roasting and distribution facility was one of the first in the Northwest to achieve LEED® Silver Certification.

We are focused on distributing our owned brands through our DSD network, while continuing to support and grow our private label national account business. To provide customer value, we have made the following investments:

- *Optimized portfolio*: In fiscal 2014, we continued our efforts to improve efficiencies by consolidating our coffee blends while maintaining original roasting profiles, resulting in a reduction in the number of coffee blends by 22. In fiscal 2014 and 2013, we also continued to optimize and simplify our product portfolio by discontinuing over 1,200 SKU's.
- *Service improvements:* We continue to invest in sales and marketing training for all of our RSR's, allowing us to expand the value and services we are able to offer to our customers.
- *Artisan Collection by Farmer Brothers™*: We created this specialty coffee line in fiscal 2013, to establish an owned brand presence in the growing specialty coffee market, leveraging the blending, roasting and packaging capabilities of

our Portland facility. Many of the coffees within this line are either Rainforest Alliance Certified™ or Fair Trade Certified™ and Certified Organic.

- *Metropolitan*™ : One of our core brands and a premium coffee line, Metropolitan was updated and re-launched in fiscal 2013. Metropolitan includes a complete line of coffees from exotic single-origins, classic blends, flavored coffees and premium espressos. Metropolitan products are made from 100% Arabica beans that are roasted to offer peak flavor and freshness, and are offered in a new contemporary packaging.
- *Farmer Brothers iced and hot teas*: We launched our new line of Premium and Select teas in May 2013 in response to key industry trends and growing consumer demand. Iced tea blends include flavored teas such as Georgia Peach and Pacific Raspberry™, a variety of traditional black teas, sweet teas and decaffeinated teas. Hot teas include black leaf and green teas and herbal teas, which are naturally caffeine-free.
- *Unified brand*: In fiscal 2013, we further developed and strengthened a unified corporate identity for our branded business nationwide that is reflected in our updated website, many of our fleet vehicles, product packaging and merchandising and sales materials.

We have also made the following investments to support our private label national account business:

- *Coffee industry leadership:* Through our dedication to the craft of sourcing, blending and roasting coffee, and our leadership positions with World Coffee Research, Pacific Coast Coffee Association, Alliance for Coffee Excellence, Roasters Guild, International Women's Coffee Alliance and the Coffee Quality Institute, we work to help shape the future of the coffee industry. We believe that due to our commitment to the industry and our leadership role in shaping the industry's future, large retail and foodservice operators are drawn to working with us.
- *Market insight and consumer research:* We have developed a market insight capability internally that reinforces our business-to-business positioning as a thought leader in the coffee industry. We provide trend insights that help our customers create winning products and integrated marketing strategies for their own coffee brands.
- *Sustainability leadership:* We believe that our collective efforts in measuring our emissions and waste, creating programs for waste and energy reduction, promoting partnerships in our supply chain that aim at stability and food security, and focusing on employee engagement place us in a unique position to help retailers and foodservice operators create differentiated coffee programs that can include sustainable supply chains, direct trade purchasing, training and technical assistance, recycling and composting networks, and packaging material reductions.

Raw Materials and Supplies

Our primary raw material is green coffee, an agricultural commodity. The bulk of the world's green coffee supply is grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived supply shortages, speculation in the commodity markets, political unrest, tariffs, labor actions, currency fluctuations, armed conflict in coffee producing nations and government actions, including treaties and trade controls between the U.S. and coffee producing nations, can affect the price of green coffee. Additionally, green specialty coffees sell at a premium to other green coffees because they taste cleaner, are fresher, have fewer overall defects, offer improved cup quality and cost more to produce. The cost spread between specialty and non-specialty coffees is widening as the demand for specialty coffees continues to grow with only a limited supply to satisfy the demand, and thus cost volatility can be expected to be even more pronounced.

Green coffee prices can also be affected by the actions of producer organizations. The most prominent of these are the Colombian Coffee Federation, Inc. (CCF) and the International Coffee Organization (ICO). Large coffee organizations such as the CCF and the ICO may release information from time to time that can affect coffee prices.

Other raw materials used in the manufacture of our tea and culinary products include a wide variety of spices, such as pepper, chilies, oregano and thyme, as well as cocoa, dehydrated milk products, salt and sugar. These raw materials are agricultural products and can be subject to wide cost fluctuations. In fiscal 2011, the first half of fiscal 2012 and the second half of fiscal 2014, fluctuations in commodity prices, specifically green coffee commodity prices, had a material effect on our operating results.

Trademarks and Licenses

We own 166 registered trademarks which are integral to customer identification of our products. It is not possible to assess the impact of the loss of such identification. Additionally, in connection with the DSD Coffee Business acquisition, the Company and Sara Lee entered into certain operational agreements that include trademark and formula license agreements. In February 2012, the trademark agreements and formula license agreements with Sara Lee were assigned to the J.M. Smucker Company ("J.M. Smucker") as part of an acquisition transaction between J.M. Smucker and Sara Lee.

Seasonality

We experience some seasonal influences. The winter months are generally the strongest sales months. However, our product line and geographic diversity provide some sales stability during the warmer months when coffee consumption ordinarily decreases. Additionally, we usually experience an increase in sales during the summer and early fall months from seasonal businesses located in vacation areas and from grocery retailers ramping up inventory for the winter selling season.

Distribution

Most sales are made “off-truck” to our customers at their places of business by our RSR's who are responsible for soliciting, selling and collecting from and otherwise maintaining our customer accounts. We serve our customers from six distribution centers strategically located for national coverage. Our distribution trucks are replenished from 111 branch warehouses located throughout the contiguous United States. We operate our own trucking fleet to support our long-haul distribution requirements. A portion of our products is distributed by third parties or is direct shipped via common carrier. We maintain inventory levels at each branch warehouse to promote minimal interruption in supply.

Customers

We serve a wide variety of customers, from small restaurants and donut shops to large institutional buyers like restaurant chains, hotels, casinos, hospitals, foodservice providers, convenience stores, gourmet coffee houses, bakery/café chains, national drugstore chains, large regional and national grocery and specialty food retailers and QSR's. Within our DSD channel, we believe on-premise customer contact, our large distribution network, and our relationship-based high quality service model are integral to our past and future success. We believe our coffee industry leadership, market insight and sustainability leadership play a key role in the success of our national account business. Although no single customer represents a significant concentration of sales, we have several large national account customers, the loss of one or more of which is likely to have a material adverse effect on our results of operations.

Competition

We face competition from many sources, including the institutional foodservice divisions of multi-national manufacturers of retail products such as J.M. Smucker (Folgers Coffee), Dunkin' Brands Group, Inc. and Kraft Foods Inc. (Maxwell House Coffee), wholesale foodservice distributors such as Sysco Corporation and U.S. Foods, regional institutional coffee roasters such as S & D Coffee, Inc. and Boyd Coffee Company, and specialty coffee suppliers such as Green Mountain Coffee Roasters, Inc., Rogers Family Company, Distant Lands Coffee, Mother Parkers Tea & Coffee, Inc., Starbucks Coffee Company and Peet’s Coffee & Tea, Inc. As many of our customers are small foodservice operators, we also compete with club stores such as Costco and Restaurant Depot. We believe our longevity, product quality, national distribution network, coffee industry leadership, market insight, sustainability leadership and our comprehensive and superior customer service are the major factors that differentiate us from our competitors.

Competition is robust and is primarily based on products and price, with distribution and service often a major factor. Most of our customers rely on us for distribution; however, some of our customers use third-party distribution or conduct their own distribution. Some of our customers are “price” buyers, seeking the low-cost provider with little concern about service, while others find great value in the service programs we provide. We compete well when quality, comprehensive service, coffee industry leadership, market insight, sustainability leadership and distribution are valued by our customers, and are less effective when only price matters. Our customer base is price sensitive, and we are often faced with price competition.

Working Capital

We finance our operations internally and through borrowings under our $75.0 million senior secured revolving credit facility which is administered by Wells Fargo Bank, National Association ("Wells Fargo"). We believe this credit facility, to the extent available, in addition to our cash flows from operations and other liquid assets, are sufficient to fund our working capital and capital expenditure requirements for the next 12 months on the basis of our current operations; provided, we are able to extend or replace this credit facility which will expire in March 2015. We may be unable to extend or replace this credit facility on terms acceptable to us, or at all.

Foreign Operations

We have no material revenues from foreign operations.

Other

On June 30, 2014 we employed 1,846 employees, 659 of whom are subject to collective bargaining agreements. Compliance with government regulations relating to the discharge of materials into the environment, or otherwise relating to protection of the environment, has not had a material effect on our financial condition or results of operations. The nature of our business does not provide for maintenance of or reliance upon a sales backlog. None of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the government.

Available Information

Our Internet website address is http://www.farmerbros.com (the website address is not intended to function as a hyperlink, and the information contained in our website is not intended to be part of this filing), where we make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including amendments thereto, as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC.

Item 1A. Risk Factors

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

INCREASES IN THE COST OF GREEN COFFEE COULD REDUCE OUR GROSS MARGIN AND PROFIT.

Our primary raw material is green coffee, an agricultural commodity. The bulk of the world's green coffee supply is grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived supply shortages, speculation in the commodity markets, political unrest, tariffs, labor actions, currency fluctuations, armed conflict in coffee producing nations, and government actions, including treaties and trade controls between the U.S. and coffee producing nations, can affect the price of green coffee. In fiscal 2012, the market price for green Arabica coffee increased approximately 80% per pound compared to the prior fiscal year. Although green coffee prices decreased significantly in fiscal 2013 and the first half of fiscal 2014, there can be no assurance that green coffee prices will remain at these levels in the future. Additionally, green specialty coffees sell at a premium to other green coffees because they taste cleaner, are fresher, have fewer overall defects, offer improved cup quality and cost more to produce. The cost spread between specialty and non-specialty coffees is widening as the demand for specialty coffees continues to grow with only a limited supply to satisfy the demand, and thus cost volatility can be expected to be even more pronounced.

Green coffee prices can also be affected by the actions of producer organizations. The most prominent of these are the Colombian Coffee Federation, Inc. (CCF) and the International Coffee Organization (ICO). Large coffee organizations such as the CCF and the ICO may release information from time to time that can affect coffee prices.

There can be no assurance that we will be successful in passing commodity price increases on to our customers without losses in sales volume or gross margin in the future. Additionally, if green coffee beans from a region become unavailable or prohibitively expensive, we could be forced to use alternative coffee beans or discontinue certain blends, which could adversely impact our sales.

OUR EFFORTS TO SECURE AN ADEQUATE SUPPLY OF QUALITY COFFEES MAY BE UNSUCCESSFUL AND IMPACT OUR ABILITY TO SUPPLY OUR CUSTOMERS OR EXPOSE US TO COMMODITY PRICE RISK.

Some of the Arabica coffee beans of the quality we purchase do not trade directly on the commodity markets. Rather, we purchase these coffee beans on a negotiated basis from coffee brokers, exporters and growers. If any of these supply relationships with coffee brokers, exporters or growers deteriorate, we may be unable to procure a sufficient quantity of high quality coffee beans at prices acceptable to us or at all. In such cases, we may not be able to fulfill the demand of our existing customers, supply new customers or expand other channels of distribution.

Maintaining a steady supply of green coffee is essential to be able to keep inventory levels low and, at the same time, secure sufficient stock to meet customer needs. To help ensure future supplies, we may purchase coffee for delivery in the future. Non-performance by suppliers could expose us to credit and supply risk. Additionally, entering into such future commitments exposes us to purchase price risk. Because we are not always able to pass price changes through to our customers due to competitive pressures, unpredictable price changes can have an immediate effect on operating results that cannot be corrected in the short run.

CHANGES IN GREEN COFFEE COMMODITY PRICES MAY NOT BE IMMEDIATELY REFLECTED IN OUR COST OF GOODS SOLD AND MAY INCREASE VOLATILITY IN OUR RESULTS.

We purchase exchange-traded coffee-related derivative instruments to enable us to lock in the price of green coffee commodity purchases, typically three months in advance of the delivery date. 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 to 24 months or longer in the future. Accounting rules require that at the end of each reporting period we value those open hedging contracts that are not 100% effective as cash flow hedges and those that are not designated as accounting hedges by marking them to period-end market price and including in our financial results the unrealized gains or losses based on whether the period-end market price was higher or lower than the price we locked in. If the period-end green coffee commodity prices decline below our locked in price for these contracts, we will be required to recognize the resulting losses in our results of operations. Such transactions could cause volatility in our results because the recognition of losses and the offsetting gains may occur in different fiscal periods. Rapid, sharp decreases in the cost of green coffee could also force us to lower sales prices before realizing cost reductions in our green coffee inventory. Open contracts associated with these hedging activities are described in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of this report.

WE FACE EXPOSURE TO OTHER COMMODITY COST FLUCTUATIONS, WHICH COULD IMPACT OUR MARGINS AND PROFITABILITY.

In addition to green coffee, we are also exposed to cost fluctuations in other commodities, including milk, spices, natural gas and gasoline. Our key packaging materials include plastic resins derived from petroleum, including polyethylene terephthalate (PET) and polypropylene resin used for plastic bottles and film packaging used for our roasted coffees, closures, cardboard and paperboard cartons. Some of these raw materials and supplies are available from a limited number of suppliers or are in shortest supply when seasonal demand is at its peak. In addition, an increase in the cost of fuel could indirectly lead to higher electricity costs, transportation costs and other commodity costs. Much like green coffee costs, the costs of these commodities depend on various factors beyond our control, including economic and political conditions, foreign currency fluctuations, and global weather patterns. Unlike green coffee, we do not purchase any derivative instruments to hedge costs fluctuations in these other commodities. As a result, to the extent we are unable to pass along such costs to our customers through price increases, our margins and profitability will decrease.

INCREASE IN THE COST, DISRUPTION OF SUPPLY OR SHORTAGE OF ENERGY OR FUEL COULD AFFECT OUR PROFITABILITY.

We operate a large fleet of trucks and other motor vehicles to distribute and deliver our products to customers. In addition, we use a significant amount of electricity, natural gas and other energy sources to operate our plants and distribution facilities. An increase in the price, disruption of supply or shortage of fuel and other energy sources in North America that may be caused by increasing demand or by events such as natural disasters, power outages, or the like, would increase our operating costs and negatively impact our profitability.

LOSS OF BUSINESS FROM ONE OR MORE OF OUR LARGE NATIONAL ACCOUNT CUSTOMERS COULD HAVE A MATERIAL ADVERSE EFFEECT ON OUR OPERATIONS.

In fiscal 2013, we increased the number of our national customers. Although no singe customer represents a significant concentration of sales, we have several large national account customers, the loss of one or more of which is likely to have a material adverse effect on our results of operations.

IMPAIRMENT CHARGES RELATED TO OUR INDEFINITE-LIVED INTANGIBLE ASSETS COULD ADVERSELY AFFECT OUR FUTURE OPERATING RESULTS.

Indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually, as well as on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired. An indefinite-lived intangible asset is deemed impaired if its estimated fair value is less than its carrying value. Failure to achieve our forecasted operating results, due to weakness in the economic environment or other factors, and declines in our market capitalization, among other things, could result in further impairment of our indefinite-lived intangible assets and adversely affect our operating results.

OUR EXISTING CREDIT FACILITY WILL EXPIRE IN MARCH 2015. WE MAY BE UNABLE TO EXTEND OR REPLACE THIS CREDIT FACILITY ON ACCEPTABLE TERMS.

Our existing credit facility will expire in March 2015. We may be unable to extend or replace this credit facility on terms acceptable to us, or at all, and there can be no assurance that additional lines-of-credit or financing instruments will be available in amounts or on terms acceptable to us, if at all. A lack or high cost of credit could limit our ability to obtain additional financing for working capital, capital expenditures, or other purposes in the future, as needed. If future cash flows from operations and other sources of funds are insufficient to fund our liquidity needs, we may be forced to reduce or delay our business activities and capital expenditures, sell assets, or obtain additional equity capital. A return to recent tight credit markets may make replacement financing more expensive and difficult to obtain. There can be no assurance that we will be able to refinance our credit facility on a timely basis or on satisfactory terms, if at all. The inability to obtain additional or replacement financing could have a material adverse effect on our liquidity.

RESTRICTIVE COVENANTS IN OUR CREDIT FACILITY MAY RESTRICT OUR ABILITY TO PURSUE OUR BUSINESS STRATEGIES.

Our credit facility contains various covenants that limit our ability and/or our subsidiaries' ability to, among other things:

- incur additional indebtedness;
- pay dividends on or make distributions in respect of capital stock or make certain other restricted payments or investments;
- sell assets;
- create liens on certain assets to secure debt; and
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

Our credit facility also contains restrictive covenants that require us to satisfy financial condition and liquidity tests. Our ability to meet those tests may be affected by events beyond our control, and there can be no assurance that we will meet those tests. The breach of any of these covenants or our failure to meet the financial condition or liquidity tests could result in a default under the credit facility.

WE RELY ON INFORMATION TECHNOLOGY AND ARE DEPENDENT ON ENTERPRISE RESOURCE PLANNING SOFTWARE IN OUR OPERATIONS. ANY MATERIAL FAILURE, INADEQUACY, INTERRUPTION OR SECURITY FAILURE OF THAT TECHNOLOGY COULD AFFECT OUR ABILITY TO EFFECTIVELY OPERATE OUR BUSINESS.

We rely on information technology systems across our operations, including management of our supply chain, point-of-sale processing, and various other processes and transactions. Our ability to effectively manage our business and coordinate the production, distribution and sale of our products depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively and continuously, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems could result in delays in processing replenishment orders from our branch warehouses, an inability to record product sales and reduced operational efficiency. Significant capital investments could be required to remediate any potential problems.

In addition, if we are unable to prevent security breaches, we may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to us or to our customers or suppliers. In addition, the disclosure of non-public sensitive information through external media channels could lead to the loss of intellectual property or damage our reputation and brand image.

VOLATILITY IN THE EQUITY MARKETS COULD REDUCE THE VALUE OF OUR INVESTMENT PORTFOLIO.

We maintain a portfolio of fixed-income based investments disclosed as cash equivalents and short-term investments on our consolidated balance sheets. The value of our investments may be adversely affected by interest rate fluctuations, downgrades in credit ratings, illiquidity in the capital markets and other factors which may result in other than temporary declines in the value of our investments. Any of these events could cause us to record impairment charges with respect to our investment portfolio or to realize losses on the sale of investments. We have incurred operating losses in the past and if we incur operating losses in the future on a continual basis, a portion or this entire investment portfolio may be required to be liquidated to fund those losses.

WE ARE LARGELY RELIANT ON MAJOR FACILITIES IN CALIFORNIA, TEXAS AND OREGON FOR PRODUCTION OF OUR PRODUCT LINE.

A significant interruption in operations at any of our manufacturing facilities in Torrance, California (our largest facility), Houston, Texas, or Portland, Oregon, whether as a result of a natural disaster, terrorism or other causes, could significantly impair our ability to operate our business. The majority of our green coffee comes through the Ports of Los Angeles, Long Beach, Houston, San Francisco and Portland. Any interruption to port operations, highway arteries, gas mains or electrical service in these areas could restrict our ability to manufacture and distribute our products for sale and would adversely impact our business.

INCREASED SEVERE WEATHER PATTERNS MAY INCREASE COMMODITY COSTS, DAMAGE OUR FACILITIES AND IMPACT OR DISRUPT OUR PRODUCTION CAPABILITIES AND SUPPLY CHAIN.

There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere have caused and will continue to cause significant changes in weather patterns around the globe and an increase in the frequency and severity of extreme weather events. Major weather phenomena like El Niño and La Niña are dramatically affecting coffee growing countries. The wet and dry seasons are becoming unpredictable in timing and duration, causing improper development of the coffee cherries. A large portion of global coffee supply comes from Brazil and so the climate and growing conditions in that country carry heightened importance. Decreased agricultural productivity in certain regions as a result of changing weather patterns may affect the quality, limit the availability or increase the cost of key agricultural commodities, such as green coffee, sugar and tea, which are important ingredients for our products. We have experienced storm-related damages and disruptions to our operations, most recently in fiscal 2013, in the northeastern United States. Increased frequency or duration of extreme weather conditions could also damage our facilities, impair production capabilities, disrupt our supply chain or impact demand for our products. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations.

OUR INDUSTRY IS HIGHLY COMPETITIVE AND WE MAY NOT HAVE THE RESOURCES TO COMPETE EFFECTIVELY.

We primarily compete with other coffee companies, including multi-national firms with substantially greater financial, marketing and operating resources than the Company. We face competition from many sources, including the institutional foodservice divisions of multi-national manufacturers of retail products such as J.M. Smucker (Folgers Coffee), Dunkin' Brands Group, Inc. and Kraft Foods Inc. (Maxwell House Coffee), wholesale foodservice distributors such as Sysco Corporation and U.S. Foods, regional institutional coffee roasters such as S & D Coffee, Inc. and Boyd Coffee Company, and specialty coffee suppliers such as Green Mountain Coffee Roasters, Inc., Rogers Family Company, Distant Lands Coffee, Mother Parkers Tea & Coffee, Inc., Starbucks Coffee Company and Peet’s Coffee & Tea, Inc. As many of our customers are small foodservice operators, we also compete with club stores such as Costco and Restaurant Depot. If we do not succeed in differentiating ourselves from our competitors or if our competitors adopt our strategies, then our competitive position may be weakened. In addition, from time to time, we may need to reduce our prices in response to competitive and customer pressures and to maintain our market share. Competition and customer pressures, however, also may restrict our ability to increase prices in response to commodity and other cost increases. Our results of operations will be adversely affected if our profit margins decrease, as a result of a reduction in prices or an increase in costs, and if we are unable to increase sales volumes to offset those profit margin decreases.

VOLATILITY IN THE EQUITY MARKETS OR INTEREST RATE FLUCTUATIONS COULD SUBSTANTIALLY INCREASE OUR PENSION FUNDING REQUIREMENTS AND NEGATIVELY IMPACT OUR FINANCIAL POSITION.

At June 30, 2014, the projected benefit obligation under our single employer defined benefit pension plans was $139.7 million and the fair value of plan assets was $103.5 million. The difference between the projected benefit obligation and the fair value of plan assets, or the funded status of the plans, significantly affects the net periodic benefit cost and ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic benefit cost, increase our future funding requirements and require payments to the Pension Benefit Guaranty Corporation.

OUR SALES AND DISTRIBUTION NETWORK IS COSTLY TO MAINTAIN.

Our sales and distribution network requires a large investment to maintain and operate. Costs include the fluctuating cost of gasoline, diesel and oil, costs associated with managing, purchasing, leasing, maintaining and insuring a fleet of delivery vehicles, the cost of maintaining distribution centers and branch warehouses throughout the country, and the cost of hiring, training and managing our RSR's. Many of these costs are beyond our control, and many are fixed rather than variable. Some competitors use alternate methods of distribution that fix, control, reduce or eliminate many of the costs associated with our method of distribution.

EMPLOYEE STRIKES AND OTHER LABOR-RELATED DISRUPTIONS MAY ADVERSELY AFFECT OUR OPERATIONS.

We have union contracts relating to a significant portion of our workforce. Although we believe union relations have been amicable in the past, there is no assurance that this will continue in the future. There are potential adverse effects of labor disputes with our own employees or by others who provide transportation (shipping lines, truck drivers) or cargo handling (longshoremen), both domestic and foreign, of our raw materials or other products. These actions could restrict our ability to obtain, process and/or distribute our products.

GOVERNMENT MANDATORY HEALTHCARE REQUIREMENTS COULD ADVERSELY AFFECT OUR PROFITS.

We offer healthcare benefits to all employees who work at least 30 hours a week and meet service eligibility requirements. Comprehensive health care legislation (the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010) was passed and signed into law in March 2010. The law's requirements have been phased-in over the past few years and will continue to take further effect through 2018. Due to the breadth and complexity of this legislation, it is difficult to predict the financial and operational impacts this legislation will have on us. Our expenses may significantly increase over the long-term as a result of this legislation.

POSSIBLE LEGISLATION OR REGULATION INTENDED TO ADDRESS CONCERNS ABOUT CLIMATE CHANGE COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS, CASH FLOWS AND FINANCIAL CONDITION.

Governmental agencies are evaluating changes in laws to address concerns about the possible effects of greenhouse gas emissions on climate. Increased public awareness and concern over climate change may increase the likelihood of more proposals to reduce or mitigate the emission of greenhouse gases. Laws enacted that directly or indirectly affect our suppliers (through an increase in the cost of production or their ability to produce satisfactory products) or our business (through an impact on our inventory availability, cost of goods sold, operations or demand for the products we sell) could adversely affect our business, financial condition, results of operations and cash flows. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, including increased government regulations to limit carbon dioxide and other greenhouse gas emissions as a result of concern over climate change, could require us to reduce emissions and to incur compliance costs which could affect our profitability or impede the production or distribution of our products, which could affect our results of operations, cash flows and financial condition. In addition, public expectations for reductions in greenhouse gas emissions could result in increased energy, transportation and raw material costs and may require us to make additional investments in facilities and equipment.

CHANGES IN CONSUMER PREFERENCES COULD ADVERSELY AFFECT OUR BUSINESS.

Our continued success depends, in part, upon the demand for coffee. We believe that competition from other beverages continues to dilute the demand for coffee. Consumers who choose soft drinks (including highly caffeinated energy drinks), juices, bottled water, teas and other beverages reduce spending on coffee. Consumer trends away from coffee could negatively impact our business.

WE ARE SELF-INSURED AND OUR RESERVES MAY NOT BE SUFFICIENT TO COVER FUTURE CLAIMS.

We are self-insured for many risks up to significant deductible amounts. The premiums associated with our insurance continue to increase. General liability, fire, workers' compensation, directors and officers liability, life, employee medical, dental and vision and automobile risks present a large potential liability. While we accrue for this liability based on historical claims experience, future claims may exceed claims we have incurred in the past. Should a different number of claims occur compared to what was estimated or the cost of the claims increase beyond what was anticipated, reserves recorded may not be sufficient and the accruals may need to be adjusted accordingly in future periods. In May 2011, we did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers for workers' compensation liability. As a result, we were required to post a $5.9 million letter of credit as a security deposit with the State of California Department of Industrial Relations Self-Insurance Plans. At June 30, 2014, this letter of credit continues to serve as a security deposit and has been increased to $6.5 million.

COMPETITORS MAY BE ABLE TO DUPLICATE OUR ROASTING AND BLENDING METHODS, WHICH COULD HARM OUR COMPETITIVE POSITION.

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

OUR OPERATING RESULTS MAY HAVE SIGNIFICANT FLUCTUATIONS FROM PERIOD TO PERIOD WHICH COULD HAVE A NEGATIVE EFFECT ON OUR STOCK PRICE.

Our operating results may fluctuate from period to period or within certain periods as a result of a number of factors, including fluctuations in the price and supply of green coffee, fluctuations in the selling prices of our products, the success of our hedging strategy, competition from existing or new competitors in our industry, changes in consumer preferences, and our ability to manage inventory and fulfillment operations and maintain gross margin. At the end of each quarter, we record the expected effect of the liquidation of last in, first out ("LIFO") inventory quantities, if any, and record the actual impact at fiscal year-end. Fluctuations in our operating results as a result of these factors or for any other reason could cause our stock price to decline. Accordingly, we believe that period-to-period comparisons of our operating results are not necessarily meaningful, and such comparisons should not be relied upon as indicators of future performance.

OPERATING LOSSES MAY RECUR AND, AS A RESULT, COULD LEAD TO INCREASED LEVERAGE WHICH MAY HARM OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We incurred operating losses in one and net losses in two of the prior three fiscal years. If our current strategies are unsuccessful we may not achieve the levels of sales and earnings we expect. As a result, we could suffer additional losses in future years and our stock price could decline leading to deterioration in our credit rating, which could limit the availability of additional financing and increase the cost of obtaining financing. In addition, an increase in leverage could raise the likelihood of a financial covenant breach which in turn could limit our access to existing funding under our credit facility.

Our ability to satisfy our operating lease obligations and make payments of principal and interest on our indebtedness depends on our future performance. Should we experience deterioration in operating performance, we will have less cash inflows from operations available to meet these obligations. In addition, if such deterioration were to lead to the closure of branch warehouses or distribution centers, we would need to fund the costs of terminating those leases. If we are unable to generate sufficient cash flows from operations in the future to satisfy these financial obligations, we may be required to, among other things:

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

Such measures might not be sufficient to enable us to satisfy our financial obligations. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms.

WE COULD FACE SIGNIFICANT WITHDRAWAL LIABILITY IF WE WITHDRAW FROM PARTICIPATION IN THE MULTIEMPLOYER PENSION PLANS IN WHICH WE PARTICIPATE.

We participate in two multiemployer defined benefit pension plans and a multiemployer defined contribution pension plan for certain union employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. In the event we withdraw from participation in one or more of these plans, we could be required to make an additional lump-sum contribution to the plan, which would be reflected as an expense in our consolidated statement of operations and a liability on our consolidated balance sheet. Our withdrawal liability for any multiemployer pension plan would depend on the extent of the plan’s funding of vested benefits. Future collective bargaining negotiations may result in our withdrawal from the remaining multiemployer pension plans in which we participate and, if successful, may result in a withdrawal liability, the amount of which could be material to our results of operations and cash flows.

WE DEPEND ON THE EXPERTISE OF KEY PERSONNEL. THE UNEXPECTED LOSS OF ONE OR MORE OF THESE KEY EMPLOYEES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR OPERATIONS AND COMPETITIVE POSITION.

Our continued success largely depends on the efforts and abilities of our executive officers and other key personnel. There is limited management depth in certain key positions throughout the Company. We must continue to recruit, retain and motivate management and other employees to maintain our current business and support our projected growth. The loss of key employees could adversely affect our operations and competitive position. We do not maintain key person life insurance policies on any of our executive officers.

QUALITY CONTROL PROBLEMS MAY ADVERSELY AFFECT OUR BRANDS THEREBY NEGATIVELY IMPACTING OUR SALES.

Our success depends on our ability to provide customers with high quality products and service. Although we take measures to ensure that we sell only fresh coffee, tea and culinary products, we have no control over our products once they are purchased by our customers. Accordingly, customers may store our products for longer periods of time, potentially affecting product quality. If consumers do not perceive our products and service to be of high quality, then the value of our brands may be diminished and, consequently, our operating results and sales may be adversely affected.

ADVERSE PUBLIC OR MEDICAL OPINIONS ABOUT CAFFEINE AND REPORTS OF INCIDENTS INVOLVING FOOD BORNE ILLNESS AND TAMPERING MAY HARM OUR BUSINESS.

Coffee contains significant amounts of caffeine and other active compounds, the health effects of some of which are not fully understood. A number of research studies conclude or suggest that excessive consumption of caffeine may lead to increased adverse health effects. An unfavorable report on the health effects of caffeine or other compounds present in coffee could significantly reduce the demand for coffee which could harm our business and reduce our sales.

Similarly, instances or reports, whether true or not, of unclean water supply, food-borne illnesses and food tampering have in the past severely injured the reputations of companies in the food processing sector and could in the future affect us as well. Any report linking us to the use of unclean water, food-borne illnesses or food tampering could damage the value of our brands, negatively impact sales of our products, and potentially lead to product liability claims. Clean water is critical to the preparation of coffee beverages. We have no ability to ensure that our customers use a clean water supply to prepare coffee beverages.

PRODUCT RECALLS AND INJURIES CAUSED BY PRODUCTS COULD REDUCE OUR SALES AND HARM OUR BUSINESS.

Selling products for human consumption involves inherent legal risks. We could be required to recall products due to product contamination, spoilage or other adulteration, product misbranding or product tampering. We may also suffer losses if our products or operations violate applicable laws or regulations, or if our products cause injury, illness or death. A significant product liability claim against us, whether or not successful, or a widespread product recall may reduce our sales and harm our business.

GOVERNMENT REGULATIONS AFFECTING THE CONDUCT OF OUR BUSINESS COULD INCREASE OUR OPERATING COSTS, REDUCE DEMAND FOR OUR PRODUCTS OR RESULT IN LITIGATION.

The conduct of our business, including the production, distribution, sale, advertising, marketing, labeling, safety, transportation and use of many of our products, are subject to various federal, state and local laws and regulations. These laws and regulations and interpretations thereof are subject to change as a result of political, economic or social events. Such changes may include changes in: food and drug laws; laws relating to product labeling, advertising and marketing practices; laws regarding ingredients used in our products; and increased regulatory scrutiny of, and increased litigation involving, product claims and concerns regarding the effects on health of ingredients in, or attributes of, our products. For example, we are subject to the California Safe Drinking Water and Toxic Enforcement Act of 1986 (commonly known as “Proposition 65”), a law which requires that a specific warning appear on any product sold in California that contains a substance listed by that State as having been found to cause cancer or birth defects. Proposition 65 exposes all food and beverage producers to the possibility of having to provide warnings on their products in California because it does not provide for any generally applicable quantitative threshold below which the presence of a listed substance is exempt from the warning requirement. Consequently, the detection of even a trace amount of a listed substance can subject an affected product to the requirement of a warning label. The Council for Education and Research on Toxics ("CERT") has filed suit against a number of companies as defendants, including CBI, which sell coffee in California for allegedly failing to issue clear and reasonable warnings in accordance with Proposition 65 that the coffee they produce, distribute and sell contains acrylamide.

Any action under Proposition 65 would likely seek statutory penalties and costs of enforcement, as well as a requirement to provide warnings and other notices to customers or remove acrylamide from finished products (which may be impossible). If we were required to add warning labels to any of our products or place warnings in certain locations where our products are sold, sales of those products could suffer not only in those locations but elsewhere. Any change in labeling requirements for our products also may lead to an increase in packaging costs or interruptions or delays in packaging deliveries. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our results of operations.

COMPLIANCE WITH REGULATIONS AFFECTING PUBLICLY TRADED COMPANIES HAS RESULTED IN INCREASED COSTS AND MAY CONTINUE TO RESULT IN INCREASED COSTS IN THE FUTURE.

We are subject to laws, rules and regulations of federal and state regulatory authorities, including NASDAQ and financial market entities, charged with the protection of investors and the oversight of publicly traded companies. During the past few years, these entities, including the Public Company Accounting Oversight Board, the SEC and NASDAQ, have issued new regulations and continue to develop additional regulations, most notably the Sarbanes-Oxley Act of 2002 (“SOX”) and, more recently, the Dodd-Frank Wall Street Reform and Consumer Protection Act. Our efforts to comply with these requirements and regulations have resulted in, and are likely to continue to result in, increased expenses and a diversion of substantial management time and attention from revenue-generating activities to compliance activities. In particular, our efforts to comply with Section 404 of SOX and the related regulations regarding our required assessment of our internal control over financial reporting and our independent registered public accounting firm's audit of the effectiveness of our internal control over financial reporting, have required, and continue to require, the commitment of significant financial and management resources. To the extent that we identify areas of our disclosure controls and procedures and/or internal control over financial reporting requiring improvement (such as the material weakness in internal control over financial reporting as of June 30, 2013 identified in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2013), we may have to incur additional costs and divert management's time and attention. Because these regulations are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. Failure to comply with such regulations could have a material adverse effect on our business and stock price.

CONCENTRATION OF OWNERSHIP AMONG OUR PRINCIPAL STOCKHOLDERS MAY DISSUADE POTENTIAL INVESTORS FROM PURCHASING OUR STOCK, MAY PREVENT NEW INVESTORS FROM INFLUENCING SIGNIFICANT CORPORATE DECISIONS AND MAY RESULT IN A LOWER TRADING PRICE FOR OUR STOCK THAN IF OWNERSHIP OF OUR STOCK WAS LESS CONCENTRATED.

As of September 12, 2014, members of the Farmer family or entities controlled by the Farmer family (including trusts) comprising a group for purposes of Section 13 of the Securities Exchange Act of 1934, as amended (the “Exchange Act"), beneficially owned approximately 36.6% of our outstanding common stock. As a result, these stockholders, acting together, may be able to influence the outcome of stockholder votes, including votes concerning the election and removal of directors and approval of significant corporate transactions. This level of concentrated ownership may have the effect of delaying or preventing a change in the management or voting control of the Company. In addition, this significant concentration of share ownership may adversely affect the trading price of our common stock if investors perceive disadvantages in owning stock in a company with such concentrated ownership.

FUTURE SALES OF SHARES BY EXISTING STOCKHOLDERS COULD CAUSE OUR STOCK PRICE TO DECLINE.

All of our outstanding shares are eligible for sale in the public market, subject in certain cases to limitations under Rule 144 of the Securities Act of 1933, as amended (the “Securities Act”). Also, shares subject to outstanding options and restricted stock under the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan and its predecessor plan, the Farmer Bros. Co. 2007 Omnibus Plan, are eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, our stock ownership guidelines, and Rule 144 under the Securities Act. If these shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our common stock could decline.

ANTI-TAKEOVER PROVISIONS COULD MAKE IT MORE DIFFICULT FOR A THIRD PARTY TO ACQUIRE US.

We have adopted a stockholder rights plan (the “Rights Plan”) pursuant to which each share of our outstanding common stock is accompanied by one preferred share purchase right (a “Right”). Each Right, when exercisable, will entitle the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, $1.00 par value per share, at a purchase price of $112.50, subject to adjustment. The Rights expire on March 28, 2015, unless they are earlier redeemed, exchanged or terminated as provided in the Rights Plan. Because the Rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our Board of Directors, our Rights Plan could make it more difficult for a third party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our Board of Directors regarding such acquisition.

In addition, our Board of Directors has the authority to issue up to 500,000 shares of preferred stock (of which 200,000 shares have been designated as Series A Junior Participating Preferred Stock) and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by stockholders. The rights of the holders of our common stock may be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deterring or preventing a change in control of the Company without further action by stockholders and may adversely affect the voting and other rights of the holders of our common stock.

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

Item 1.B. Unresolved Staff Comments

None.

Item 2. Properties

Our largest and most significant facility is our corporate headquarters in Torrance, California. Our Torrance facility is a manufacturing facility and the distribution hub for our long-haul trucking fleet and houses our primary administrative offices. Coffee purchasing, roasting, grinding, packaging and product development takes place at our Torrance, California, Portland, Oregon, and Houston, Texas plants. Spice blending, grinding, packaging and product development takes place at our Torrance, California plant. Our distribution centers include our Torrance, Portland and Houston plants as well as distribution centers in Northlake, Illinois, Oklahoma City, Oklahoma, and Moonachie, New Jersey.

We stage our products in 111 branch warehouses throughout the contiguous United States. These branch warehouses and our six distribution centers, taken together, represent a vital part of our business, but no individual branch warehouse is material to the business as a whole. Our branch warehouses vary in size from approximately 2,500 to 50,000 square feet.

Approximately 54% of our facilities are leased with a variety of expiration dates through 2020, although our two largest facilities, in Torrance and Houston, are owned. The lease on the Portland facility expires in 2018 and has options to renew for up to an additional 10 years.

We believe our plants, distribution centers and branch warehouses will continue to provide adequate capacity for the foreseeable future. A complete list of properties operated by Farmer Bros. is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 3. Legal Proceedings

On August 31, 2012, CERT filed an amendment to a private enforcement action adding a number of companies as defendants, including CBI, which sell coffee in California. 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 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.

To date, the pleadings stage of case has been completed. The Court has phased trial so that the “no significant risk level” defense, the First Amendment defense, and the preemption defense will be tried first. Fact discovery and expert discovery on these issues have been completed, and the parties filed trial briefs. Trial commenced on September 8, 2014, for these first phase defenses. 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.

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

We have one class of common stock which is traded on the NASDAQ Global Market under the symbol "FARM." The following table sets forth, for the periods indicated, the cash dividends declared and the high and low sales prices of the shares of common stock of the Company as quoted on the NASDAQ Global Market.

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	$ 16.44	$ 13.07	$ —	$ 10.15	$ 7.00	$ —
2nd Quarter	$ 24.33	$ 14.73	$ —	$ 15.37	$ 8.96	$ —
3rd Quarter	$ 24.28	$ 19.45	$ —	$ 15.00	$ 12.23	$ —
4th Quarter	$ 21.92	$ 18.05	$ —	$ 16.90	$ 13.39	$ —

Holders

As of September 12, 2014, there were approximately 2,300 holders of record and the closing price of our common stock on NASDAQ was $23.87. Determination of holders of record is based upon the number of record holders and individual participants in security position listings.

Dividends

The Company's Board of Directors has omitted the payment of a quarterly dividend since the third quarter of fiscal 2011. The amount, if any, of dividends to be paid in the future will depend upon the Company's then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors. For a description of the loan agreement restrictions on the payment of dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" included in Part II, Item 7 of this report, and Note 10, "Bank Loan," of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this report.

Equity Compensation Plan Information

This information appears in Part III, Item 12 of this report.

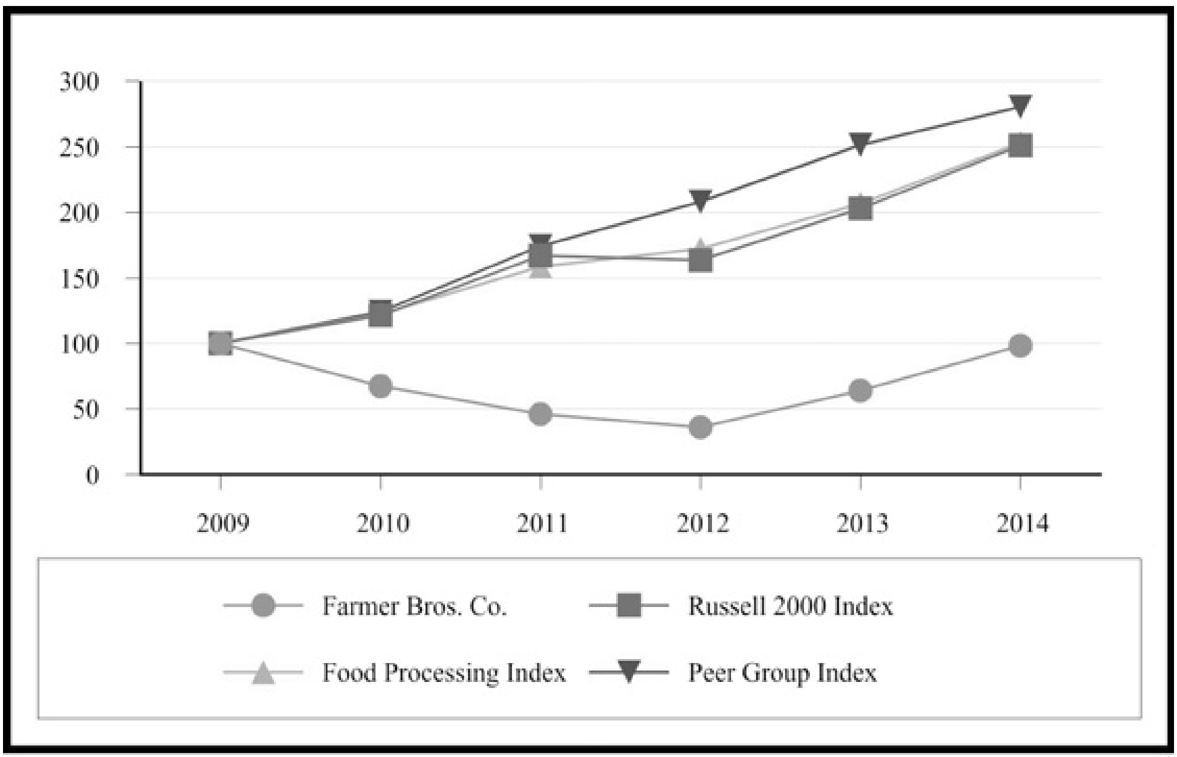
Performance Graph

The chart set forth below shows the value of an investment of $100.00 at the close of trading on June 30, 2009 in each of Farmer Bros. Co. common stock, the Russell 2000 Index, the Value Line Food Processing Index and a peer group index. All values assume reinvestment of the pre-tax value of dividends paid by companies included in these indices and are calculated as of June 30 of each year.

Because no published peer group is similar to the Company's portfolio of business, the Company created a peer group index that includes the following companies: B&G Foods, Inc., Boulder Brands, Inc., Coffee Holding Co. Inc., Dunkin' Brands Group, Inc., National Beverage Corp., SpartanNash Co., Inventure Foods, Inc., Treehouse Foods, Inc. and Farmer Bros. Co. The companies in the peer group index are in the same industry as Farmer Bros. Co. with product offerings that overlap with the Company's product offerings.

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

Comparison of Five-Year Cumulative Total Return
Farmer Bros. Co., Russell 2000 Index, Value Line Food Processing Index and Peer Group Index
(Performance Results Through June 30, 2014)



	2009	2010	2011	2012	2013	2014
Farmer Bros. Co.	$ 100.00	$ 67.46	$ 46.21	$ 36.28	$ 64.08	$ 98.49
Russell 2000 Index	$ 100.00	$ 121.49	$ 166.94	$ 163.47	$ 203.05	$ 251.05
Value Line Food Processing Index .	$ 100.00	$ 122.46	$ 158.61	$ 172.33	$ 206.73	$ 252.99
Peer Group Index.	$ 100.00	$ 124.35	$ 174.36	$ 208.03	$ 251.44	$ 280.48

Source: Value Line Publishing, LLC

Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto included elsewhere in this report.

(In thousands, except per share data)	Year Ended June 30, 2014	2013	2012	2011	2010
Consolidated Statement of Operations Data:					
Net sales(1)	$ 528,380	$ 513,869	$ 498,701	$ 464,346	$ 450,555
Cost of goods sold(2)	$ 332,466	$ 328,693	$ 332,309	$ 316,109	$ 263,999
Income (loss) from operations(3)	$ 8,916	$ 372	$ (21,846)	$ (70,725)	$ (41,030)
Income (loss) from operations per common share(4)	$ 0.56	$ 0.02	$ (1.41)	$ (4.69)	$ (2.76)
Net income (loss)(5)	$ 12,132	$ (8,462)	$ (26,576)	$ (52,033)	$ (25,359)
Net income (loss) per common share—basic	$ 0.76	$ (0.54)	$ (1.72)	$ (3.45)	$ (1.71)
Net income (loss) per common share—diluted	$ 0.76	$ (0.54)	$ (1.72)	$ (3.45)	$ (1.71)
Cash dividends declared per common share	$ —	$ —	$ —	$ 0.18	$ 0.46

(In thousands)	June 30, 2014	2013	2012	2011	2010
Consolidated Balance Sheet Data:					
Total assets	$ 266,177	$ 244,136	$ 257,916	$ 292,050	$ 342,084
Capital lease obligations(6)	$ 9,703	$ 12,168	$ 15,867	$ 8,636	$ 3,861
Long-term borrowings under revolving credit facility	$ —	$ 10,000	$ —	$ —	$ —
Long-term derivative liabilities	$ —	$ 1,129	$ —	$ —	$ —
Total liabilities	$ 151,313	$ 162,298	$ 174,364	$ 158,635	$ 180,341

(1) Net sales, as stated, compared to net sales, as originally reported, reflects a $3.9 million, $3.3 million, $0.4 million and $0.2 million increase in fiscal 2013, 2012, 2011 and 2010, respectively, to reflect reclassification of fuel surcharges. See Note 1 of the Notes to Consolidated Financial Statements.

(2) Cost of goods sold, as stated, compared to cost of goods sold, as originally reported, reflects a $9.9 million, $9.8 million, $9.7 million and $9.3 million increase in fiscal 2013, 2012, 2011 and 2010, respectively, to reflect reclassification of certain labor and overhead expenses. See Note 1 of the Notes to Consolidated Financial Statements.

(3) Income (loss) from operations, as stated, compared to income (loss) from operations, as originally reported, reflects a $4.5 million and $0.3 million increase and a $(0.4) million and $(0.4) million decrease in fiscal 2013, 2012, 2011 and 2010, respectively, to reflect reclassification of fuel surcharges to net sales, reclassification of certain labor and overhead expenses to cost of goods sold, and reclassification of net gains from sales of assets to a separate line item within income (loss) from operations. See Note 1 of the Notes to Consolidated Financial Statements.

(4) Income (loss) from operations per common share, as stated, compared to income (loss) from operations per common share, as originally reported, reflects a $0.28 and $0.02 increase and a $(0.02) and $(0.03) decrease in fiscal 2013, 2012, 2011 and 2010, respectively, to reflect the reclassifications described in footnote (3). See Note 1 of the Notes to Consolidated Financial Statements.

(5) Includes: (a) $3.8 million in net gains from sales of assets, primarily real estate, in fiscal 2014; (b) $4.5 million in net gains from sales of assets, primarily real estate, and $1.1 million in beneficial effect of liquidation of LIFO inventory quantities in fiscal 2013; (c) $14.2 million in beneficial effect of liquidation of LIFO inventory quantities, $5.6 million in impairment losses on goodwill and intangible assets and $4.6 million in pension withdrawal expense in fiscal 2012; (d) $13.4 million in income tax benefit, $7.8 million in impairment losses on intangible assets, $1.5 million in pension curtailment expense and $1.1 million in beneficial effect of liquidation of LIFO inventory quantities in fiscal 2011; and (e) $2.5 million in income tax benefit in fiscal 2010.

(6) Excludes imputed interest.

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

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. The results of operations for the fiscal years ended June 30, 2014, 2013 and 2012 are not necessarily indicative of the results that may be expected for any future period. The following discussion should be read in combination with the consolidated financial statements and the notes thereto included in Part II, Item 8 of this report and with the “Risk Factors” described in Part I, Item 1A of this report.

Overview

We are a manufacturer, wholesaler and distributor of coffee, tea and culinary products. We are a direct distributor of coffee to restaurants, hotels, casinos, offices, QSR's, convenience stores, healthcare facilities and other foodservice providers, as well as private brand retailers in the QSR, grocery, drugstore, restaurant, convenience store and independent coffeehouse channels. We were founded in 1912, were incorporated in California in 1923, and reincorporated in Delaware in 2004. We operate in one business segment.

Since 2007, Farmer Bros. has achieved growth primarily through the acquisition in 2007 of CBH, the parent company of CBI, a specialty coffee manufacturer and wholesaler, and the acquisition in 2009 from Sara Lee of certain assets used in connection with the DSD Coffee Business.

Corrections to Previously Issued Financial Statements

As discussed in Note 1, "Summary of Significant Accounting Policies—Corrections to Previously Issued Financial Statements," and Note 17, “Selected Quarterly Financial Data (Unaudited),” of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of this report, subsequent to the issuance of our consolidated financial statements for the year ended June 30, 2013, we identified certain errors in the consolidated statements of operations and consolidated statements of cash flows. Accordingly, we have corrected the accompanying consolidated statements of operations and consolidated statements of cash flows for the fiscal years ended June 30, 2013 and 2012 and our unaudited quarterly financial data for each of the quarters in the fiscal year ended June 30, 2013 and for the first three quarters in the fiscal year ended June 30, 2014, in order to comply with GAAP.

The corrections to the consolidated statements of operations include:

1. reclassification of fuel surcharges billed to customers previously netted against our fuel expenses in "Selling expenses" to "Net sales";
2. reclassification of certain labor and overhead expenses previously included in "Selling expenses" and "General and administrative expenses" to "Cost of goods sold"; and
3. reclassification of "Net gains from sales of assets" previously presented within "Other, net" to a separate line item within "Income (loss) from operations."

The corrections to the consolidated statements of cash flows include:

1. presentation of purchases of and proceeds from sales of trading securities held for investment on a gross basis instead of on a net basis as previously presented within the presentation of cash flows from operating activities; and
2. reclassification of an increase in our derivative liabilities previously presented as a reduction in the net activity in “Short-term investments” to a change in “Accrued payroll expenses and other current liabilities” within the presentation of cash flows from operating activities.

These errors had no impact on the amounts previously reported in our consolidated balance sheets. The impact of these corrections to the applicable line items in our consolidated financial statements is set forth in Notes 1 and 17 of the Notes to Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Management’s discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Our significant accounting policies are discussed in Note 1 to our consolidated financial statements, included herein at Part II, Item 8. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to inventory valuation, including LIFO reserves, the allowance for doubtful accounts, deferred tax assets, liabilities relating to retirement benefits, liabilities resulting from self-insurance, tax liabilities and litigation. We base our estimates, judgments and assumptions on historical experience and other relevant factors that are believed to be reasonable based on information available to us at the time these estimates are made.

While we believe that the historical experience and other factors considered provide a meaningful basis for the accounting policies applied in the preparation of the consolidated financial statements, actual results may differ from these estimates, which could require us to make adjustments to these estimates in future periods.

We believe that the estimates, judgments and assumptions involved in the accounting policies described below require the most subjective judgment and have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Our senior management has reviewed the development and selection of these critical accounting policies and estimates, and their related disclosure in this report, with the Audit Committee of our Board of Directors.

Coffee Brewing Equipment and Service

We classify certain expenses related to coffee brewing equipment provided to customers as cost of goods sold. These costs include the cost of the equipment 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 our customers. We capitalize coffee brewing equipment and depreciate it over a three or five year period, depending on the assessment of its useful life and report the depreciation expense in cost of goods sold.

Investments

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

Exposure to Commodity Price Fluctuations and Derivative Instruments

Our primary raw material is green coffee, an agricultural commodity. Green coffee prices are determined by worldwide forces of supply and demand, and, as a result, green coffee prices are volatile. Average coffee “C” market prices per pound for the fiscal years ended June 30, 2014, 2013 and 2012 were $1.75, $1.51 and $2.16, respectively. While the “C” market experienced a significant drop during the first two quarters of the fiscal year ended June 30, 2014, "C" market prices increased sharply in the third quarter of the fiscal year. In the fiscal year ended June 30, 2013 "C" market prices declined approximately 30.1% from the prior fiscal year. In general, increases in the price of green coffee could cause our cost of goods sold to increase and, if not offset by product price increases, could negatively affect our financial condition and results of operations. As a result, our business model strives to reduce the impact of green coffee price fluctuations on our financial results and to protect and stabilize our margins, principally through customer arrangements and derivative instruments.

Customers generally pay for our products based either on a price schedule that we announce or on a commodity-based pricing mechanism whereby the changes in green coffee commodity costs are passed through to the customer. The pricing schedule is generally subject to adjustment, either on contractual terms or in accordance with periodic product price adjustments, typically monthly, resulting in, at the least, a 30-day lag in our ability to correlate the changes in our prices with fluctuations in the cost of raw materials and other inputs. Approximately 40% of our roast and ground coffee volume for the fiscal year ended June 30, 2014 was based on a price schedule. Approximately 60% of our roast and ground coffee volume for the fiscal year ended June 30, 2014 was sold to customers under commodity-based pricing arrangements. Consequently, while our revenues can fluctuate significantly as green coffee prices change, we would expect the impact of these price changes on our profitability to be less significant.

In addition to our customer arrangements, we utilize derivative instruments to reduce further the impact of changing green coffee commodity prices. We purchase exchange-traded coffee-related derivative instruments to enable us to lock in the price of green coffee commodity purchases, typically three months in advance of the delivery date. These derivative instruments may be entered into at the direction of the customer under commodity-based pricing arrangements to effectively lock in the purchase price of green coffee under such customer arrangements, in certain cases up to 18 to 24 months or longer in the future. Notwithstanding this customer direction, pursuant to Accounting Standards Codification 815, “Derivatives and Hedging” (“ASC 815”), we are considered the owner of these derivative instruments and, therefore, we are required to account for them as such. In the event the customer fails to purchase the products associated with the underlying derivative instruments for which the price has been locked-in on behalf of the customer, we expect that such derivative instruments will be assigned to, and assumed by, the customer in accordance with contractual terms or, in the absence of such terms, in accordance with standard industry custom and practice. In the event the customer fails to assume such derivative instruments, we will remain obligated on the derivative instruments at settlement. We generally settle derivative instruments to coincide with the receipt of the purchased green coffee or apply the derivative instruments to purchase orders effectively fixing the cost of in-bound green coffee purchases. As of June 30, 2014 and 2013, we had 19.8 million pounds and 49.6 million pounds of green coffee covered under coffee-related derivative instruments, respectively. We do not purchase any derivative instruments to hedge cost fluctuations of any commodities other than green coffee.

The fair value of derivative instruments is based upon broker quotes. Beginning April 1, 2013, we implemented procedures following the guidelines of ASC 815 to enable us to account for certain coffee-related derivative instruments as accounting hedges in order to reduce the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods. As a result, beginning in the fourth quarter of fiscal 2013, a portion of the gains and losses from re-valuing the coffee-related derivative contracts to their market prices is being recorded in accumulated other comprehensive income (loss) ("AOCI") on our consolidated balance sheet and subsequently reclassified to cost of goods sold in the period or periods when the hedged transaction affects earnings. At June 30, 2014, approximately 98% of our outstanding coffee-related derivative instruments, representing 19.4 million pounds of forecasted green coffee purchases, were designated as cash flow hedges. At June 30, 2013, approximately 89% of our outstanding coffee-related derivative instruments, representing 44.0 million pounds of forecasted green coffee purchases, were designated as cash flow hedges. The portion of open hedging contracts that are not 100% effective as cash flow hedges and those that are not designated as accounting hedges are marked to period-end market price and unrealized gains or losses based on whether the period-end market price was higher or lower than the price we locked-in are recognized in our results of operations.

Our risk management practices reduce but do not eliminate our exposure to changing green coffee prices. While we have limited our exposure to unfavorable green coffee price changes, we have also limited our ability to benefit from favorable price changes. Further, our counterparties may require that we post cash collateral if the fair value of our derivative liabilities exceed the amount of credit granted by each counterparty, thereby reducing our liquidity. At June 30, 2014, as we had a net gain position in our coffee-related derivative margin accounts, none of the cash in these accounts was restricted. At June 30, 2013, we had $8.1 million in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments due to a net loss position in our coffee-related derivative margin accounts. Changes in commodity prices could have a significant impact on cash deposit requirements under our broker and counterparty agreements.

Allowance for Doubtful Accounts

We maintain an allowance for estimated losses resulting from the inability of our customers to meet their obligations. In fiscal 2014, we reclassified $0.5 million of the allowance for doubtful long-term notes receivable to net with the corresponding notes receivable. Due to improved collection of our outstanding receivables, in fiscal 2013, we decreased the allowance for doubtful accounts by $0.8 million, however, in fiscal 2014 we increased the allowance for doubtful accounts by $0.1 million.

Inventories

Inventories are valued at the lower of cost or market. We account for coffee, tea and culinary products on the last in, first out (“LIFO”) basis, and coffee brewing equipment parts on the first in, first out ("FIFO") basis. We regularly evaluate our inventories to determine whether market conditions are appropriately reflected in the recorded carrying value. At the end of each quarter, we record the expected effect of the liquidation of LIFO inventory quantities, if any, and record the actual impact at fiscal year-end. An actual valuation of inventory under the LIFO method is made only at the end of each fiscal year based on the inventory levels and costs at that time. If inventory quantities decline at the end of the fiscal year compared to the beginning of the fiscal year, the reduction results in the liquidation of LIFO inventory quantities carried at the cost prevailing in prior years. This LIFO inventory liquidation may result in a decrease or increase in cost of goods sold depending on whether the cost prevailing in prior years was lower or higher, respectively, than the current year cost. Inventories increased at the end of fiscal 2014 compared to fiscal 2013 and, therefore, no beneficial effect of liquidation of LIFO inventory quantities was recorded in cost of goods sold in fiscal 2014. We recorded $1.1 million and $14.2 million in beneficial effect of LIFO inventory liquidation in cost of goods sold in the fiscal years ended June 30, 2013 and 2012, respectively, which reduced net loss for the fiscal years ended June 30, 2013 and 2012 by $1.1 million and $14.2 million, respectively.

Capacity Utilization

We calculate our utilization for all of our manufacturing facilities on an aggregate basis based on the number of product pounds manufactured during the actual number of production shifts worked during an average week, compared to the number of product pounds that could be manufactured based on the maximum number of production shifts that could be operated during the week (assuming three shifts per day, seven days per week), in each case, based on our current product mix. Utilization rates for our manufacturing facilities were approximately 65%, 58% and 43% during the fiscal years ended June 30, 2014, 2013 and 2012, respectively. Since most of our customers do not commit to long-term firm production schedules, we are unable to forecast the level of customer orders with certainty to maximize utilization of manufacturing capacity. As a result, our manufacturing facility capacity utilization generally remains less than 100%. In order to meet increased customer demand, we may be required to move production between facilities or increase staffing, including through temporary labor and overtime. We believe that we currently have sufficient capacity to accommodate our current manufacturing needs.

Impairment of Goodwill and Indefinite-lived Intangible Assets

We perform our annual impairment test of goodwill and/or other indefinite-lived intangible assets as of June 30. Goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually, as well as on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired. Testing for impairment of goodwill is a two-step process. The first step requires us to compare the fair value of our reporting units to the carrying value of the net assets of the respective reporting units, including goodwill. If the fair value of a reporting unit is less than its carrying value, goodwill of the reporting unit is potentially impaired and we then complete step two to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill, which is the residual fair value remaining after deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized equal to the difference. In the fourth quarter of fiscal 2012, we recorded total impairment charges of $5.6 million related to our CBI acquisition including $5.1 million in impairment losses on goodwill, which was written down to zero.

Indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values. In our annual test of impairment in the fourth quarter of fiscal 2014, we determined that the book value of trademarks acquired in connection with the CBI acquisition and DSD Coffee Business acquisition was lower than the present value of the estimated future cash flows and concluded that the trademarks were not impaired. In our annual test of impairment in the fourth quarter of fiscal 2013, we determined that the book value of a certain trademark acquired in connection with the DSD Coffee Business acquisition was higher than the present value of the estimated future cash flows and concluded that the trademark was impaired. As a result, we recorded an impairment charge of $0.1 million to earnings in the fourth quarter of fiscal 2013.

Long-Lived Assets, Excluding Goodwill and Indefinite-lived Intangible Assets

We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. There were no such events or circumstances during the fiscal years ended June 30, 2014 and 2013.

Self-Insurance

We are self-insured for workers' compensation insurance subject to specific retention levels and use historical analysis to determine and record the estimates of expected future expenses resulting from workers' compensation claims. The estimated outstanding losses are the accrued cost of unpaid claims. The estimated outstanding losses, including allocated loss adjustment expenses ("ALAE"), include case reserves, the development of known claims and incurred but not reported claims. ALAE are the direct expenses for settling specific claims. The amounts reflect per occurrence and annual aggregate limits maintained by the Company. The analysis does not include estimating a provision for unallocated loss adjustment expenses.

We account for our accrued liability relating to workers' compensation claims on an undiscounted basis. The estimated gross undiscounted workers' compensation liability relating to such claims was $9.6 million and $9.9 million, respectively, and the estimated recovery from reinsurance was $1.2 million and $1.6 million, respectively, as of June 30, 2014 and 2013. The short-term and long-term accrued liabilities for workers’ compensation claims are presented on our consolidated balance sheets in "Other current liabilities" and in "Accrued workers' compensation liabilities," respectively. The estimated insurance receivable is included in "Other assets" on our consolidated balance sheets.

In May 2011, we did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers for workers' compensation liability. As a result, we were required to post a $5.9 million letter of credit as a security deposit with the State of California Department of Industrial Relations Self-Insurance Plans. At June 30, 2014, this letter of credit continues to serve as a security deposit and has been increased to $6.5 million.

Management believes that the amount recorded at June 30, 2014 is adequate to cover all known workers' compensation claims at June 30, 2014. If the actual costs of such claims and related expenses exceed the amount estimated, additional reserves may be required which could have a material negative effect on operating results. If our estimate were off by as much as 15%, the reserve could be under or overstated by approximately $1.3 million as of June 30, 2014.

The estimated liability related to our self-insured group medical insurance at June 30, 2014 and 2013 was $0.8 million and $1.1 million, respectively, recorded on an incurred but not reported basis, within deductible limits, based on actual claims and the average lag time between the date insurance claims are filed and the date those claims are paid.

General liability, product liability and commercial auto liability are insured through a captive insurance program. We retain the risk within certain aggregate amounts. Cost of the insurance through the captive program is accrued based on estimates of the aggregate liability claims incurred using certain actuarial assumptions and historical claims experience. Our liability reserve for such claims was $0.4 million and $0.5 million at June 30, 2014 and 2013.

The estimated liability related to our self-insured group medical insurance, general liability, product liability and commercial auto liability is included on our consolidated balance sheets in "Other current liabilities."

Retirement Plans

We provide pension plans for most full-time employees. Generally the plans provide benefits based on years of service and/or a combination of years of service and earnings.

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

We have a defined benefit pension plan, the Farmer Bros. Co. Pension Plan for Salaried Employees (the “Farmer Bros. Plan”), for the majority of our employees who are not covered under a collective bargaining agreement, and two defined benefit pension plans for certain hourly employees covered under collective bargaining agreements (the "Brewmatic Plan" and the "Hourly Employees’ Plan"). In addition, we contribute to two multiemployer defined benefit pension plans, one multi-employer defined contribution pension plan, and eight 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 the fourth quarter of fiscal 2013, we determined that we would shut down our equipment refurbishment operations in Los Angeles, California and move them to our Oklahoma City distribution center effective August 30, 2013. Due to this shut down, all hourly employees responsible for these operations in Los Angeles were terminated and their pension benefits in the Brewmatic Plan were frozen effective August 30, 2013. As a result, we recorded a pension curtailment expense of $34,000 in the fourth quarter of fiscal 2013.

We amended the Farmer Bros. Plan, freezing the benefit for all participants effective June 30, 2011. After the plan freeze, participants do not accrue any benefits under the the Farmer Bros. Plan, and new hires are not eligible to participate in the Farmer Bros. Plan. As all plan participants became inactive following this curtailment, net (gain) loss is now amortized based on the remaining life expectancy of these participants instead of the remaining service period of these participants.

We obtain actuarial valuations for our single employer defined benefit pension plans. In fiscal 2014 we discounted the pension obligations using a 4.15% discount rate and estimated an 8.0% long-term return on plan assets. The performance of the stock market and other investments as well as the overall health of the economy can have a material effect on pension investment returns and these assumptions. A change in these assumptions could affect our operating results.

At June 30, 2014, the projected benefit obligation under our single employer defined benefit pension plans was $139.7 million and the fair value of plan assets was $103.5 million. The difference between the projected benefit obligation and the fair value of plan assets is recognized as a decrease in OCI and an increase in pension liability and deferred tax assets. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit cost and ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic benefit cost, increase our future funding requirements and require premium payments to the Pension Benefit Guaranty Corporation. For the fiscal year ended June 30, 2014, we made $1.3 million in contributions to our single employer defined benefit pension plans and recorded $2.3 million in reduction in pension expense. We expect to make approximately $2.6 million in contributions to our single employer defined benefit pension plans in fiscal 2015 and accrue a credit to pension expense of approximately $34,000 per year beginning in fiscal 2015. These pension contributions are expected to continue at this level for several years; however a deterioration in the current economic environment would increase the risk that we may be required to make larger contributions in the future.

The following chart quantifies the effect on the projected benefit obligation and the net periodic benefit cost of a change in the discount rate assumption and the impact on the net periodic benefit cost of a change in the assumed rate of return on plan assets under our single employer defined benefit pension plans for fiscal 2015:

($ in thousands)			
Farmer Bros. Plan Discount Rate	**3.7%**	**Actual 4.15%**	**4.7%**
Net periodic benefit credit	$ (382)	$ (392)	$ (418)
Projected benefit obligation	$ 142,235	$ 133,135	$ 124,943
Farmer Bros. Plan Rate of Return	**7.0%**	**Actual 7.50%**	**8.0%**
Net periodic benefit cost (credit)	$ 90	$ (392)	$ (873)
Brewmatic Plan Discount Rate	**3.7%**	**Actual 4.15%**	**4.7%**
Net periodic benefit credit	$ (19)	$ (17)	$ (16)
Projected benefit obligation	$ 4,220	$ 3,991	$ 3,786
Brewmatic Plan Rate of Return	**7.0%**	**Actual 7.50%**	**8.0%**
Net periodic benefit credit	$ (1)	$ (17)	$ (34)
Hourly Employees' Plan Discount Rate	**3.7%**	**Actual 4.15%**	**4.7%**
Net periodic benefit cost	$ 407	$ 375	$ 348
Projected benefit obligation	$ 2,844	$ 2,619	$ 220
Hourly Employees' Plan Rate of Return	**7.0%**	**Actual 7.50%**	**8.0%**
Net periodic benefit cost	$ 384	$ 375	$ 366

Postretirement Benefits

We sponsor a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees. 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, our 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. Our retiree medical, dental and vision plan is unfunded, and its liability was calculated using an assumed discount rate of 4.3% at June 30, 2014. We project an initial medical trend rate of 8.0% in fiscal 2014, ultimately reducing to 4.5% in 10 years.

We also provide a postretirement death benefit to certain of our 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. We record the actuarially determined liability for the present value of the postretirement death benefit. We have purchased life insurance policies to fund the postretirement death benefit wherein we own the policy but the postretirement death benefit is paid to the employee's or retiree's beneficiary. We record an asset for the fair value of the life insurance policies which equates to the cash surrender value of the policies.

Share-based Compensation

We measure all share-based compensation cost at the grant date, based on the fair value of the award, and recognize that cost as an expense in our consolidated statements of operations over the requisite service period. The process of estimating the fair value of share-based compensation awards and recognizing share-based compensation cost over the requisite service period involves significant assumptions and judgments. We estimate the fair value of stock option awards on the date of grant using the Black-Scholes valuation model which requires that we make certain assumptions regarding: (i) the expected volatility in the market price of our common stock; (ii) dividend yield; (iii) risk-free interest rates; and (iv) the period of time employees are expected to hold the award prior to exercise (referred to as the expected holding period). In addition, we estimate the expected impact of forfeited awards and recognize share-based compensation cost only for those awards ultimately expected to vest. If actual forfeiture rates differ materially from our estimates, share-based compensation expense could differ significantly from the amounts we have recorded in the current period. We will periodically review actual forfeiture experience and revise our estimates, as necessary. We will recognize as compensation cost the cumulative effect of the change in estimated forfeiture rates on current and prior periods in earnings of the period of revision. As a result, if we revise our assumptions and estimates, our share-based compensation expense could change materially in the future. In fiscal 2014 and 2013, we used an estimated 6.5% annual forfeiture rate to calculate share-based compensation expense based on actual forfeiture experience.

We have outstanding share-based awards that have performance-based vesting conditions in addition to time-based vesting. Awards with performance-based vesting conditions require the achievement of certain financial and other performance criteria as a condition to the vesting. We recognize the estimated fair value of performance-based awards, net of estimated forfeitures, as share-based compensation expense over the performance period based upon our determination of whether it is probable that the performance targets will be achieved. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets. Determining whether the performance criteria will be achieved involves judgment, and the estimate of share-based compensation expense may be revised periodically based on changes in the probability of achieving the performance criteria. Revisions are reflected in the period in which the estimate is changed. If performance goals are not met, no share-based compensation expense is recognized, and, to the extent share-based compensation expense was previously recognized, such share-based compensation expense is reversed.

Income Taxes

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

Deferred Tax Asset Valuation Allowance

We assess whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets will or will not ultimately be realized in future periods. In making such assessment, significant weight is to be given to evidence that can be objectively verified, such as recent operating results, and less consideration is to be given to less objective indicators, such as future earnings projections.

After consideration of positive and negative evidence, including the recent history of losses, we cannot conclude that it is more likely than not that we will generate future earnings sufficient to realize our deferred tax assets as of June 30, 2014. Accordingly, a valuation allowance of $72.6 million has been recorded to offset this deferred tax asset. The valuation allowance decreased by $9.9 million in the fiscal year ended June 30, 2014 and increased by $3.1 million and $20.7 million in the fiscal years ended June 30, 2013 and 2012, respectively. Deferred tax assets were $74.6 million as of June 30, 2014 compared to $84.7 million as of June 30, 2013. In fiscal 2014, deferred tax assets decreased primarily due to the utilization of net operating losses to offset taxable income. Additionally, a cumulative loss in OCI related to coffee hedging, which previously represented a deferred tax asset, became a cumulative gain as of the end of the year which lowered the total net deferred tax assets. In fiscal

2013, deferred tax assets increased primarily due to net loss carryovers and a decrease in expected pension asset values related to a change in actuarial assumptions.

Liquidity and Capital Resources

Credit Facility

On September 12, 2011, we entered into an Amended and Restated Loan and Security Agreement (the “Loan Agreement”) among the Company and CBI, as Borrowers, certain of the Company’s other subsidiaries, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association ("Wells Fargo"), as Agent.

On January 9, 2012, the Loan Agreement was amended in connection with JPMorgan Chase Bank, N.A. (“JPMorgan Chase”), becoming an additional Lender thereunder. On March 18, 2013, the Loan Agreement was amended further (“Amendment No. 2") to amend the definition of "Maximum Credit" available thereunder to $75.0 million from $85.0 million. Pursuant to Amendment No. 2, Wells Fargo agreed to provide a commitment of $53.0 million and JPMorgan Chase agreed to provide a commitment of $22.0 million.

On February 28, 2014, we entered into Amendment No. 3 to the Loan Agreement which, among other things, amended the definition of "Applicable Margin" set forth in the Loan Agreement to provide for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0% to PRIME + 0.50% or Adjusted Eurodollar Rate + 1.75% to Adjusted Eurodollar Rate + 2.25%.

The Loan Agreement provides for a senior secured revolving credit facility of up to $75.0 million, with a letter of credit sublimit of $20.0 million. The revolving credit facility provides for advances of 85% of eligible accounts receivable and 75% of eligible inventory (subject to a $60.0 million inventory loan limit), as defined. The Loan Agreement has an amendment fee of 0.375% and an unused line fee of 0.25%. Outstanding obligations under the Loan Agreement are collateralized by all of the Borrowers’ assets, including the Company’s preferred stock portfolio. The term of the Loan Agreement expires on March 2, 2015. We cannot provide assurances that we will be able to refinance any of our indebtedness under the credit facility on commercially reasonable terms or at all.

The Loan Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including those relating to reporting requirements, maintenance of records, properties and corporate existence, compliance with laws, incurrence of other indebtedness and liens, limitations on certain payments, including the payment of dividends and capital expenditures, and transactions and extraordinary corporate events. The Loan Agreement allows us to pay dividends, provided, among other things, certain liquidity requirements are met, the aggregate amount of all such payments in any fiscal year is not in excess of $7.0 million ($1.75 million in any fiscal quarter), and no event of default exists or has occurred and is continuing as of the date of any such payment and after giving effect thereto. The Loan Agreement also contains financial covenants requiring the Borrowers to maintain minimum Excess Availability and Total Liquidity levels. The Loan Agreement allows the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to us, to reflect events, conditions, or risks that would have a reasonable likelihood of adversely affecting the Lender’s collateral or our assets, including our green coffee inventory.

The Loan Agreement provides that an event of default includes, among other things, subject to certain grace periods: (i) payment defaults; (ii) failure by any guarantor to perform any guarantee in favor of Lender; (iii) failure to abide by loan covenants; (iv) default with respect to other material indebtedness; (v) final judgment in a material amount not discharged or stayed; (vi) any change of control; (vii) bankruptcy or insolvency; and (viii) the failure of the Farmer Bros. Co. Employee Stock Ownership Benefit Trust, created by the Company to implement the Farmer Bros. Co. Employee Stock Ownership Plan ("ESOP"), to be duly qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, or exempt from federal income taxation, or if the ESOP engages in a material non-exempt prohibited transaction.

Effective December 1, 2012, we entered into an interest rate swap transaction utilizing a notional amount of $10.0 million and a maturity date of March 1, 2015. We entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of our borrowings under the revolving credit facility. The swap transaction was intended to manage our interest rate risk related to our borrowings under the revolving credit facility and required us to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA. We terminated the swap transaction on March 5, 2014. As of June 30, 2014, we had no interest rate swap transactions in place. As of June 30, 2013, the fair value of the interest rate swap included in "Other current liabilities" was $25,000.

We did not designate our interest rate swap as an accounting hedge. In fiscal 2014 and 2013, we recorded in "Other, net" in our consolidated statement of operations a loss of $5,000 and $25,000, respectively, for the change in fair value of our interest rate swap. No such gains or losses were recorded in fiscal 2012.

On June 30, 2014, we were eligible to borrow up to a total of $69.9 million under the credit facility. As of June 30, 2014, we had outstanding borrowings of $0.1 million, utilized $10.1 million of the letters of credit sublimit, and had excess availability under the credit facility of $59.7 million. The weighted average interest rate on our outstanding borrowings under the credit facility was 1.76% at June 30, 2014. As of June 30, 2014, we were in compliance with all of the restrictive covenants under the Loan Agreement.

As of August 31, 2014, we had estimated outstanding borrowings of $2.8 million, utilized $11.2 million of the letters of credit sublimit, and had excess availability under the credit facility of $58.6 million. As of August 31, 2014, the weighted average interest rate on our outstanding borrowings under the credit facility was 2.1%.

Liquidity

We generally finance our operations through cash flows from operations and borrowings under our revolving credit facility described above. As of June 30, 2014, we had $12.0 million in cash and cash equivalents and $22.6 million in short-term investments. At June 30, 2014, as we had a net gain position in our coffee-related derivative margin accounts, none of the cash in these accounts was restricted. We believe our revolving credit facility, to the extent available, in addition to our cash flows from operations and other liquid assets, are sufficient to fund our working capital and capital expenditure requirements for the next 12 months on the basis of current operations; provided, we are able to extend or replace this credit facility which expires in March 2015. We may be unable to extend or replace this credit facility on terms acceptable to us, or at all.

We generate cash from operating activities primarily from cash collections related to the sale of our products. Net cash provided by operating activities was $52.9 million in fiscal 2014 compared to $21.9 million in fiscal 2013 and $18.1 million in fiscal 2012. The increase in net cash provided by operating activities in fiscal 2014 compared to the prior fiscal year was due to a higher level of cash inflows from operating activities. In fiscal 2014, we had $12.1 million in net income as compared to $(8.5) million in net loss in fiscal 2013. At June 30, 2014, as we had a net gain position in our coffee-related derivative margin accounts, the restriction on $8.1 million was released, contributing to the improvement in cash inflows in fiscal 2014 compared to fiscal 2013, which included a $6.5 million increase in restricted cash due to a net loss position in our coffee-related derivative margin accounts at June 30, 2013.

Net cash used in investing activities increased to $20.7 million in fiscal 2014, compared to $10.2 million in fiscal 2013 and $14.5 million in fiscal 2012, primarily due to increased capital expenditures. In fiscal 2014, cash inflows from sales of fixed assets, primarily real estate, were $4.5 million and cash outflows for capital expenditures were $25.3 million. In fiscal 2013, cash inflows from sales of fixed assets, primarily real estate, were $5.7 million and cash outflows for capital expenditures were $15.9 million. In fiscal 2012, cash inflows from sales of fixed assets, primarily real estate, were $3.0 million and cash outflows for capital expenditures were $17.5 million.

Net cash used in financing activities was $22.8 million in fiscal 2014 compared to $12.9 million in fiscal 2013 and $5.8 million in fiscal 2012. Net cash used in financing activities in fiscal 2014 included net repayments on our credit facility of $20.6 million partially offset by $1.5 million in proceeds from stock option exercises, compared to net repayments of $10.8 million, partially offset by $1.2 million in proceeds from stock option exercises in fiscal 2013. Net repayments on our credit facility in fiscal 2012 were $4.0 million.

In fiscal 2014, we capitalized $25.3 million in property, plant and equipment purchases which included $13.6 million in expenditures to replace normal wear and tear of coffee brewing equipment, $0.7 million in building and facility improvements, $9.3 million in expenditures for vehicles, and machinery and equipment, and $1.7 million in information technology related expenditures. The increase in cash outflows for property, plant and equipment compared to the prior fiscal year was primarily due to increases in the purchase of coffee brewing equipment and replacement vehicles.

Our expected capital expenditures for fiscal 2015 include expenditures to replace normal wear and tear of coffee brewing equipment, vehicles, and machinery and equipment, and are expected to be below fiscal 2014 levels on the basis of our current operations.

Our working capital is composed of the following:

(In thousands)	June 30, 2014	June 30, 2013
Current assets(1)	$ 157,460	$ 139,749
Current liabilities(2)	76,870	76,550
Working capital	$ 80,590	$ 63,199

(1) Includes $5.2 million in coffee-related short-term derivative assets at June 30, 2014 and $8.1 million in restricted cash at June 30, 2013.
(2) Includes $9.9 million in coffee-related short-term derivative liabilities at June 30, 2013.

Liquidity Information:

(In thousands)	June 30, 2014	June 30, 2013	June 30, 2012
Capital expenditures	$ 25,267	$ 15,894	$ 17,498

Results of Operations

Fiscal Years Ended June 30, 2014 and 2013

Overview

In fiscal 2014, green coffee commodity prices continued to fall during the first two quarters and rose sharply in the third quarter and fuel costs remained high. Our average cost of green coffee purchased fell from $1.70 per pound in fiscal 2013 to $1.46 per pound in fiscal 2014. In fiscal 2014, we continued our hedging strategy intended to reduce the impact of changing green coffee commodity prices through the purchase of exchange-traded coffee-related derivative instruments for our own account and at the direction of customers under commodity-based pricing arrangements. To address the ongoing high fuel costs, in fiscal 2014, we continued to bill our customers fuel surcharges.

We continued our efforts to improve efficiencies by consolidating our coffee blends while maintaining original roasting profiles, resulting in a reduction in the number of coffee blends by 22. We also continued to optimize and simplify our product portfolio by discontinuing over 400 SKU's. We completed the integration of the enterprise resource planning system in all of our facilities under one common software platform. We continued to improve our real-estate asset management by divesting underutilized properties. We also made measurable progress in our facilities and in our outreach programs under our sustainability initiatives in fiscal 2014.

Operations

Net sales in fiscal 2014 increased $14.5 million, or 2.8%, to $528.4 million from $513.9 million in fiscal 2013. The change in net sales in fiscal 2014 compared to fiscal 2013 was due to the following:

(In millions)	Year Ended June 30, 2014 vs. 2013
Effect of change in unit sales	$ 34.6
Effect of pricing and product mix changes	(20.1)
Total increase in net sales	$ 14.5

Unit sales increased 8% in fiscal 2014 as compared to fiscal 2013, partially offset by a 5% decrease in average unit price resulting in an increase in net sales of 3%. The increase in unit sales was primarily due to a 12% increase in unit sales of roast and ground coffee products, which accounted for approximately 60% of our total net sales, while the decrease in average unit price was primarily due to the lower average unit price of roast and ground coffee products primarily driven by the pass-through of lower green coffee commodity purchase costs to our customers. In fiscal 2014, we processed and sold approximately 87 million pounds of green coffee as compared to approximately 76 million pounds of green coffee processed and sold in fiscal 2013. There were no new product category introductions in fiscal 2014 or 2013 which had a material impact on our net sales.

The following table presents net sales aggregated by product category for the respective periods indicated:

(In thousands)	Year Ended June 30, 2014 $	2014 % of total	2013 $		2013 % of total
Net Sales by Product Category:					
Coffee (Roast & Ground)	$ 319,251	60%	$ 305,623		59%
Coffee (Frozen)	37,840	7%	36,311	(1)	7%
Tea (Iced & Hot)	28,452	5%	27,919	(1)	6%
Culinary	56,567	11%	61,447		12%
Spice	31,876	6%	32,431		6%
Other beverages(2)	50,572	10%	46,233	(1)	9%
Net sales by product category	524,558	99%	509,964		99%
Fuel surcharge	3,822	1%	3,905		1%
Net sales	$ 528,380	100%	$ 513,869		100%

(1) Recategorized consistent with fiscal 2014 presentation.
(2) Includes all beverages other than coffee and tea.

Cost of goods sold in fiscal 2014 increased $3.8 million, or 1.1%, to $332.5 million, or 62.9% of net sales, from $328.7 million, or 64.0% of net sales in fiscal 2013. The decrease in cost of goods sold as a percentage of net sales in fiscal 2014 was primarily due to a 14.2% decrease in the average cost of green coffee purchased. Inventories increased at the end of fiscal 2014 compared to fiscal 2013 and, therefore, no beneficial effect of liquidation of LIFO inventory quantities was recorded in cost of goods sold in fiscal 2014. The beneficial effect of liquidation of LIFO inventory quantities reduced cost of goods sold by $1.1 million in the prior fiscal year.

Gross profit in fiscal 2014 increased $10.7 million, or 5.8%, to $195.9 million from $185.2 million in fiscal 2013. Gross margin increased to 37.1% in fiscal 2014 from 36.0% in the prior fiscal year. The increase in gross profit was primarily due to the increase in net sales from higher unit sales of roast and ground coffee, frozen coffee, tea products and other beverages. The increase in gross margin was primarily due to a 14.2% decrease in the average cost of green coffee purchased as compared to the prior fiscal year. Gross profit in fiscal 2013 included the expected beneficial effect of the liquidation of LIFO inventory quantities in the amount of $1.1 million.

In fiscal 2014, operating expenses increased $2.2 million, or 1.2%, to $187.0 million, or 35.4% of net sales, from $184.8 million, or 36.0% of net sales, in fiscal 2013. The increase in operating expenses in fiscal 2014 was primarily due to a $3.6 million increase in general and administrative expenses and lower net gains from sales of assets compared to fiscal 2013, partially offset by a $1.9 million decrease in selling expenses and by the absence of impairment losses on intangible assets. The increase in general and administrative expenses in fiscal 2014 was primarily due to an increase in accruals for anticipated bonus payments for eligible employees, higher ESOP compensation expense and expenses in connection with the restatement of certain prior period financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2013, partially offset by lower retiree medical expenses and depreciation and amortization expenses. The decrease in selling expenses was primarily due to lower retiree medical expenses and depreciation and amortization expenses, partially offset by higher payroll-related expenses from increased headcount, an increase in freight costs, additional accruals for self-insurance claims and accruals for anticipated bonus payments for eligible employees.

Income from operations in fiscal 2014 was $8.9 million compared to $0.4 million in fiscal 2013, primarily due to the improvement in gross profit.

Total other income (expense)

Total other income in fiscal 2014 was $3.9 million compared to total other expense of $(9.7) million in fiscal 2013, primarily due to net gains on derivative instruments and investments of $3.1 million compared to net losses on derivative instruments and investments of $(11.1) million in fiscal 2013. The net gains on derivative instruments and investments in fiscal 2014 were primarily due to net gains on coffee-related derivative instruments not designated as accounting hedges. Net gains on such coffee-related derivative instruments in fiscal 2014 were $2.7 million compared to net losses on such coffee-related derivative instruments of $(11.3) million in fiscal 2013. The increase in net gains on such coffee-related derivative instruments in fiscal 2014 compared to fiscal 2013 was due to the increase in coffee commodity prices in the second half of fiscal 2014. For the fiscal years ended June 30, 2014 and 2013, we recognized $(0.3) million and $(0.4) million, respectively, in losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness.

Income taxes

In fiscal 2014, we recorded income tax expense of $0.7 million compared to income tax benefit of $(0.8) million in fiscal 2013. Income tax expense in fiscal 2014 was primarily attributable to cash taxes paid.

The Company has generated approximately $0.2 million of excess tax benefits related to stock compensation, the benefit of which will be recorded to additional paid in capital if and when realized.

The Company made a determination in the quarter ended June 30, 2014 that it would not, at this time, pursue certain refund claims requested on its amended tax returns for the fiscal years ended June 30, 2003 through June 30, 2008. The Internal Revenue Service previously denied these refund claims upon audit and maintained that decision upon appeal. The Company released its tax reserve related to these refunds in the fourth quarter of fiscal 2014.

Income tax benefit for fiscal 2013 was primarily attributable to the gain on postretirement benefits. Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in ASC 740, "Tax Provisions" ("ASC 740"), when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the income tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the income tax expense recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from postretirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the fiscal year ended June 30, 2013, we recorded income tax expense of $1.1 million in OCI related to the gain on postretirement benefits, and recorded a corresponding income tax benefit of $1.1 million in continuing operations.

Net Income

As a result of the foregoing factors, net income was $12.1 million, or $0.76 per diluted common share, in fiscal 2014 compared to net loss of $(8.5) million, or $(0.54) per common share, in fiscal 2013.

Fiscal Years Ended June 30, 2013 and 2012

Overview

In fiscal 2013, green coffee commodity prices continued to fall but fuel costs remained high. Green coffee "C" market prices fell from $1.70 per pound at the end of fiscal 2012 to $1.20 per pound at the end of fiscal 2013. In fiscal 2013 we continued our hedging strategy intended to reduce the impact of changing green coffee commodity prices through the purchase of exchange-traded coffee-related derivative instruments for our own account and at the direction of customers under commodity-based pricing arrangements for longer periods of time than was done previously, because the cost of coffee significantly declined in fiscal 2013 and in the second half of fiscal 2012, making these long-term futures contracts relatively less expensive than they had been previously. Beginning April 1, 2013, we implemented procedures following the guidelines of ASC 815 to enable us to account for certain coffee-related derivative instruments as accounting hedges in order to reduce the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods. As a result, beginning in the fourth quarter of fiscal 2013, a portion of the gains and losses from re-valuing the coffee-related derivative contracts to their market prices is being recorded in AOCI on our consolidated balance sheets and reclassified to cost of goods sold when the hedged transaction affects earnings. To address the increase in freight and fuel expense, the fuel surcharge instituted in fiscal 2011 and 2012 continued in fiscal 2013.

In fiscal 2013, we invested in additional sales and marketing training and product re-branding. We also launched the Artisan Collection by Farmer Brothers™, our premium line of coffees, and the new Farmer Brothers teas. During fiscal 2013, we completed the integration of certain key functions including marketing, green coffee management, national sales and human resources at our Portland and Torrance facilities. We also continued to improve our real-estate asset management by divesting underutilized properties.

Operations

Net sales in fiscal 2013 increased $15.2 million, or 3.0%, to $513.9 million from $498.7 million in fiscal 2012. The change in net sales in fiscal 2013 compared to fiscal 2012 was due to the following:

(In millions)	Year Ended June 30, 2013 vs. 2012	
Effect of change in unit sales	$	57.9
Effect of pricing and product mix changes		(42.7)
Total increase in net sales	$	15.2

Unit sales increased 14% in fiscal 2013 as compared to fiscal 2012, partially offset by a 9% decrease in average unit price resulting in an increase in net sales of 3%. The increase in unit sales was primarily due to a 12% increase in unit sales of roast and ground coffee products, which accounted for approximately 59% of our total net sales, while the decrease in average unit price was primarily due to the lower average unit price of roast and ground coffee products driven by the pass-through of lower green coffee commodity purchase costs to our customers. In fiscal 2013, we processed and sold approximately 76 million pounds of green coffee as compared to approximately 60 million pounds of green coffee processed and sold in fiscal 2012. There were no new product category introductions in fiscal 2013 or 2012 which had a material impact on our net sales.

The following table presents net sales aggregated by product category for the respective periods indicated:

	Year Ended June 30,							
	2013				2012			
(In thousands)	$			% of total	$			% of total
Net Sales by Product Category:								
Coffee (Roast & Ground)	$	305,623		59%	$	290,526		58%
Coffee (Frozen)		36,311	(1)	7%		36,171	(1)	7%
Tea (Iced & Hot)		27,919	(1)	6%		28,799	(1)	6%
Culinary		61,447		12%		63,230		13%
Spice		32,431		6%		34,826		7%
Other beverages(2)		46,233	(1)	9%		41,890	(1)	8%
Net sales by product category		509,964		99%		495,442		99%
Fuel surcharge		3,905		1%		3,259		1%
Net sales	$	513,869		100%	$	498,701		100%

(1) Re-categorized consistent with fiscal 2014 presentation.
(2) Includes all beverages other than coffee and tea.

Cost of goods sold in fiscal 2013 decreased $3.6 million, or 1.1%, to $328.7 million, or 64.0% of net sales, from $332.3 million, or 66.6% of net sales, in fiscal 2012. The decrease in cost of goods sold as a percentage of net sales in fiscal 2013 was primarily due to a 31% decrease in the average cost of green coffee purchased and a reduction in inventory, which resulted in the liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The beneficial effect of this liquidation of LIFO inventory quantities reduced cost of goods sold by $1.1 million compared to $14.2 million in the prior fiscal year.

Gross profit in fiscal 2013 increased $18.8 million, or 11.3%, to $185.2 million from $166.4 million in fiscal 2012. Gross margin increased to 36.0% in fiscal 2013 from 33.4% in the prior fiscal year. The increases in gross profit and gross margin were primarily due to the increase in net sales and a 31% decrease in the average cost of green coffee purchased in fiscal 2013.

In fiscal 2013, operating expenses decreased $3.4 million, or 1.8%, to $184.8 million, or 36.0% of net sales, from $188.2 million, or 37.7% of net sales, in fiscal 2012. The decrease in operating expenses in fiscal 2013 was primarily due to a $10.1 million decrease in losses from impairment of goodwill and intangible assets, and pension withdrawal expense and $4.2 million in higher net gains on sales of assets, primarily real estate, compared to fiscal 2012, partially offset by a $10.8 million increase in expenses primarily from our investments in additional sales and marketing training, expenses related to the launch of the Artisan Collection by Farmer Brothers™ and the new Farmer Brothers teas, higher startup costs associated with the increase in national account customers, higher expenses related to severance and storm-related losses in our Moonachie, Oklahoma City and Houston distribution centers.

In our annual test of impairment in the fourth quarter of fiscal 2013, we determined that the book value of a certain trademark acquired in connection with the DSD Coffee Business acquisition was higher than the present value of the estimated future cash flows and concluded that the trademark was impaired. As a result, we recorded an impairment charge of $0.1 million to earnings in the fourth quarter of fiscal 2013.

In the fourth quarter of fiscal 2013, we determined that we would shut down our equipment refurbishment operations in Los Angeles, California and move them to our Oklahoma City distribution center effective August 30, 2013. Due to this shut down, all hourly employees responsible for these operations in Los Angeles were terminated and their pension benefits in the Brewmatic Plan were frozen effective August 30, 2013. As a result, we recorded a pension curtailment expense of $34,000 in the fourth quarter of fiscal 2013.

Income from operations in fiscal 2013 was $0.4 million compared to loss from operations of $(21.8) million in fiscal 2012, primarily due to the improvement in gross profit.

Total other income (expense)

Total other expense in fiscal 2013 was $(9.7) million compared to $(5.1) million in fiscal 2012, primarily due to higher net losses on derivative instruments and investments of $(11.1) million in fiscal 2013 compared to $(6.2) million in fiscal 2012. Net losses on derivative instruments and investments were primarily due to net losses on coffee-related derivative instruments not designated as accounting hedges. Net losses on coffee-related derivative instruments in fiscal 2013 were $(11.3) million compared to $(7.3) million in fiscal 2012. The increase in net losses on coffee-related derivative instruments in fiscal 2013 compared to fiscal 2012 was due in large part to the increase in the number of futures contracts combined with a continued decline in green coffee commodity costs in fiscal 2013. There was a significant increase in the number of our coffee-related derivative instruments as of June 30, 2013 covering 49.6 million pounds of green coffee compared to 18.2 million pounds of green coffee covered as of June 30, 2012. The increase in the number of such contracts was primarily due to the increase in the number of our national account customers because a majority of the contracts are purchased for their accounts. Additionally, during the first three quarters of fiscal 2013, when none of our coffee-related derivative instruments was designated as an accounting hedge, we recognized in our consolidated statements of operations, the net unrealized and realized losses from the continuing decline in green coffee commodity prices below our locked-in prices as the derivative contracts were re-valued to their market prices. For the fiscal year ended June 30, 2013, we recognized $(0.4) million in losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness.

Income taxes

In fiscal 2013, we recorded an income tax benefit of $0.8 million compared to $0.3 million in fiscal 2012. Income tax benefit in fiscal 2013 was primarily attributable to the gain on postretirement benefits. Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in ASC 740, "Tax Provisions" ("ASC 740"), when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the income tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the income tax expense recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from postretirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the fiscal year ended June 30, 2013, we recorded income tax expense of $1.1 million in OCI related to the gain on postretirement benefits, and recorded a corresponding income tax benefit of $1.1 million in continuing operations.

Income tax benefit in fiscal 2012 was primarily attributable to the settlement of certain tax issues with the Internal Revenue Service and the State of California during our exam appeals. In fiscal 2012, unrecognized tax benefits related to certain tax refunds were released and the resulting benefit was recorded.

Net Loss

As a result of the foregoing factors, net loss decreased to $(8.5) million, or $(0.54) per common share, in fiscal 2013 from $(26.6) million, or $(1.72) per common share, in fiscal 2012.

Non-GAAP Financial Measures

In addition to net income (loss) determined in accordance with GAAP, we use certain non-GAAP financial measures, including “Adjusted EBITDA” and "Adjusted EBITDA Margin," in assessing our operating performance. We believe these non-GAAP financial measures serve as appropriate measures to be used in evaluating the performance of our business.

Effective January 1, 2014, we corrected our presentation of "Net gains from sales of assets" previously presented within "Other, net" to a separate line item within "Income (loss) from operations" in order to comply with GAAP. In concert with this correction in presentation and to better reflect cash earnings of the Company as measured and evaluated by management, we began using the non-GAAP financial measure “Adjusted EBITDA,” defined as net income (loss) excluding the impact of income taxes, interest expense, depreciation and amortization expense, ESOP and share-based compensation expense, non-cash impairment losses, non-cash pension withdrawal expense and other similar non-cash expenses. We reference Adjusted EBITDA frequently in our decision-making because it provides supplemental information that facilitates internal comparisons to the historical operating performance of prior periods. In addition, we base certain of our forward-looking estimates on Adjusted EBITDA to facilitate quantification of planned business activities and enhance subsequent follow-up with comparisons of actual to planned Adjusted EBITDA. We define "Adjusted EBITDA Margin" as Adjusted EBITDA expressed as a percentage of net sales. Adjusted EBITDA and Adjusted EBITDA Margin as defined by us may not be comparable to similarly titled measures reported by other companies. We do not intend for non-GAAP financial measures to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP.

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

	Year Ended June 30,		
(In thousands)	**2014**	**2013**	**2012**
Net income (loss), as reported(1)	$ 12,132	$ (8,462)	$ (26,576)
Income tax expense (benefit)	705	(825)	(347)
Interest expense	1,258	1,782	2,137
Depreciation and amortization expense	27,334	32,542	32,113
ESOP and share-based compensation expense	4,692	3,563	3,287
Impairment losses on goodwill and intangible assets	—	92	5,585
Pension withdrawal expense	—	—	4,568
Adjusted EBITDA(1)	$ 46,121	$ 28,692	$ 20,767
Adjusted EBITDA Margin	8.7%	5.6%	4.2%

(1) Includes: (a) $3.8 million in net gains from sales of assets, primarily real estate, in fiscal 2014; (b) $4.5 million in net gains from sales of assets, primarily real estate, and $1.1 million in beneficial effect of liquidation of LIFO inventory quantities in fiscal 2013; and (c) $14.2 million in beneficial effect of liquidation of LIFO inventory quantities in fiscal 2012.

Contractual Obligations

The following table contains information regarding total contractual obligations as of June 30, 2014, including capital leases:

(In thousands)	Total	Less Than One Year	1-3 Years	3-5 Years	More Than 5 Years
	Payment due by period				
Contractual obligations:					
Operating lease obligations	$ 10,036	$ 3,527	$ 4,111	$ 2,211	$ 187
Capital lease obligations(1)	10,441	4,205	5,134	1,048	54
Pension plan obligations	80,592	7,024	14,524	15,391	43,653
Postretirement benefits other than pension plans	14,286	939	2,155	2,657	8,535
Revolving credit facility	78	78	—	—	—
Purchase commitments(2)	43,448	43,448	—	—	—
Total contractual obligations	$ 158,881	$ 59,221	$ 25,924	$ 21,307	$ 52,429

(1) Includes imputed interest of $1,260.

(2) Commitments under coffee purchase contracts for which all delivery terms have been finalized but the related coffee has not been received as of June 30, 2014. Amounts shown in the table above: (a) include all coffee purchase contracts that the Company considers to be from normal purchases; and (b) do not include amounts related to derivative instruments that are recorded at fair value on the Company's consolidated balance sheets.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market value risk arising from changes in interest rates on our securities portfolio. Our portfolio of preferred securities has sometimes included investments in derivative instruments that provide a natural economic hedge of interest rate risk. We review the interest rate sensitivity of these securities and may enter into "short positions" in futures contracts on U.S. Treasury securities or hold put options on such futures contracts to reduce the impact of certain interest rate changes. Specifically, we attempt to manage the risk arising from changes in the general level of interest rates. We do not transact in futures contracts or put options for speculative purposes. The number and type of futures and options contracts entered into depends on, among other items, the specific maturity and issuer redemption provisions for each preferred stock held, the slope of the U.S. Treasury yield curve, the expected volatility of U.S. Treasury yields, and the costs of using futures and/or options.

The following table demonstrates the impact of varying interest rate changes based on our preferred securities holdings and market yield and price relationships at June 30, 2014. This table is predicated on an "instantaneous" change in the general level of interest rates and assumes predictable relationships between the prices of our preferred securities holdings and the yields on U.S. Treasury securities. At June 30, 2014, we had no futures contracts or put options with respect to our preferred securities portfolio designated as interest rate risk hedges.

($ in thousands)	Market Value of Preferred Securities at June 30, 2014	Change in Market Value
Interest Rate Changes		
–150 basis points	$ 23,511	$ 879
–100 basis points	$ 23,275	$ 643
Unchanged	$ 22,632	$ —
+100 basis points	$ 21,774	$ (858)
+150 basis points	$ 21,324	$ (1,308)

The Loan Agreement for our revolving credit facility provides for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0% to PRIME + 0.50% or Adjusted Eurodollar Rate + 1.75% to Adjusted Eurodollar Rate + 2.25%.

As of June 30, 2014, we had outstanding borrowings of $0.1 million, utilized $10.1 million of the letters of credit sublimit, and had excess availability under the credit facility of $59.7 million. The weighted average interest rate on our outstanding borrowings under the credit facility at June 30, 2014 was 1.76%.

Effective December 1, 2012, we entered into an interest rate swap transaction utilizing a notional amount of $10.0 million and a maturity date of March 1, 2015. We entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of our borrowings under the revolving credit facility. The swap transaction was intended to manage our interest rate risk related to our borrowings under the revolving credit facility and required us to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA. We terminated the swap transaction on March 5, 2014. As of June 30, 2014, we had no interest rate swap transactions in place. As of June 30, 2013, the fair value of the interest rate swap included in "Other current liabilities" was $25,000. We did not designate our interest rate swap as an accounting hedge and recorded the gain or loss from changes in fair value of the interest rate swap in "Other, net" in our consolidated statement of operations. In fiscal 2014 and 2013, we recorded a loss of $5,000 and $25,000, respectively, for the change in fair value of our interest rate swap. No such gains or losses were recorded in fiscal 2012.

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 LIFO 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 exchange-traded coffee-related derivative instruments to enable us to lock in the price of green coffee commodity purchases, typically three months in advance of the delivery date. 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 to 24 months or longer in the future. Prior to April 1, 2013, none of our derivative instruments was designated as an accounting hedge. Beginning April 1, 2013, we implemented procedures following the guidelines of ASC 815 to enable us to account for certain coffee-related derivative instruments as accounting hedges in order to reduce 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. Beginning in the fourth quarter of fiscal 2013, the effective portion of the change in fair value of the derivative instrument 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 fiscal years ended June 30, 2014 and 2013 we reclassified $1.2 million and $0.1 million, respectively, in net gains into cost of goods sold from AOCI. Any ineffective portion of the derivative's change in fair value is recognized currently in “Other, net.” Gains or losses deferred in AOCI associated with terminated derivative instruments, derivative intruments 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 the fiscal year ended June 30, 2014 and 2013, we recognized $0.3 million and $0.4 million, respectively, in losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness.

For derivative instruments that are not designated in a hedging relationship the changes in fair value are reported in “Other, net.”

For the fiscal years ended June 30, 2014, 2013 and 2012, we recorded gains (losses) from coffee-related derivative instruments not designated as accounting hedges in "Other, net" in the amounts of $2.7 million, $(11.3) million and $(7.3) million, respectively (see Note 2 of the Notes to Consolidated Financial Statements).

The following table summarizes the potential impact as of June 30, 2014 to net income and OCI 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 OCI**	
(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).	$ 37	$ (37)	$ 3,485	$ (3,485)

(1) The Company's purchase contracts that qualify as normal purchases include green coffee purchase commitments for which the price has been locked in as of June 30, 2014. These contracts are not included in the sensitivity analysis above as the underlying price has been fixed.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Farmer Bros. Co.
Torrance, California

We have audited the accompanying consolidated balance sheet of Farmer Bros. Co. and subsidiaries (the "Company") as of June 30, 2014 and the related consolidated statements of operations, comprehensive income(loss), stockholders' equity, and cash flows for the year ended June 30, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Farmer Bros. Co. and subsidiaries as of June 30, 2014, and the results of their operations and their cash flows for the year ended June 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2014, based on the criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 15, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California

September 15, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Farmer Bros. Co. and Subsidiaries

We have audited the accompanying consolidated balance sheet of Farmer Bros. Co. and Subsidiaries as of June 30, 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the two years in the period ended June 30, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Farmer Bros. Co. and Subsidiaries at June 30, 2013, and the consolidated results of their operations and their cash flows for each of the two years in the period ended June 30, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Los Angeles, California
October 9, 2013

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

	June 30, 2014	June 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,993	$ 2,678
Restricted cash	—	8,084
Short-term investments	22,632	20,546
Accounts and notes receivable, net of allowance for doubtful accounts of $651 and $1,115, respectively	42,230	43,922
Inventories	71,044	60,867
Income tax receivable	228	409
Short-term derivative assets	5,153	—
Prepaid expenses	4,180	3,243
Total current assets	157,460	139,749
Property, plant and equipment, net	95,641	92,159
Intangible assets, net	5,628	6,277
Other assets	7,034	5,484
Deferred income taxes	414	467
Total assets	$ 266,177	$ 244,136
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 44,336	$ 27,740
Accrued payroll expenses	22,190	19,757
Short-term borrowings under revolving credit facility	78	9,654
Short-term obligations under capital leases	3,779	3,409
Short-term derivative liabilities	—	9,896
Deferred income taxes	1,169	923
Other current liabilities	5,318	5,171
Total current liabilities	76,870	76,550
Long-term borrowings under revolving credit facility	—	10,000
Long-term derivative liabilities	—	1,129
Accrued postretirement benefits	19,970	16,076
Other long-term liabilities—capital leases	5,924	8,759
Accrued pension liabilities	40,256	43,800
Accrued workers' compensation liabilities	7,604	5,132
Deferred income taxes	689	852
Total liabilities	$ 151,313	$ 162,298
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, $1.00 par value, 500,000 shares authorized and none issued	$ —	$ —
Common stock, $1.00 par value, 25,000,000 shares authorized; 16,562,450 and 16,454,422 issued and outstanding at June 30, 2014 and 2013, respectively	16,562	16,454
Additional paid-in capital	35,917	34,654
Retained earnings	106,212	94,080
Unearned ESOP shares	(16,035)	(20,836)
Accumulated other comprehensive loss	(27,792)	(42,514)
Total stockholders' equity	$ 114,864	$ 81,838
Total liabilities and stockholders' equity	$ 266,177	$ 244,136

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

	Year Ended June 30, 2014	2013	2012
Net sales	$ 528,380	$ 513,869	$ 498,701
Cost of goods sold	332,466	328,693	332,309
Gross profit	195,914	185,176	166,392
Selling expenses	155,088	157,033	149,209
General and administrative expenses	35,724	32,146	29,144
Net gains from sales of assets	(3,814)	(4,467)	(268)
Impairment losses on goodwill and intangible assets	—	92	5,585
Pension withdrawal expense	—	—	4,568
Operating expenses	186,998	184,804	188,238
Income (loss) from operations	8,916	372	(21,846)
Other income (expense):			
Dividend income	1,073	1,103	1,231
Interest income	429	452	214
Interest expense	(1,258)	(1,782)	(2,137)
Other, net	3,677	(9,432)	(4,385)
Total other income (expense)	3,921	(9,659)	(5,077)
Income (loss) before taxes	12,837	(9,287)	(26,923)
Income tax expense (benefit)	705	(825)	(347)
Net income (loss)	$ 12,132	$ (8,462)	$ (26,576)
Net income (loss) per common share—basic	$ 0.76	$ (0.54)	$ (1.72)
Net income (loss) per common share—diluted	$ 0.76	$ (0.54)	$ (1.72)
Weighted average common shares outstanding—basic	15,909,631	15,604,452	15,492,314
Weighted average common shares outstanding—diluted	16,014,587	15,604,452	15,492,314

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended June 30,		
	2014	2013	2012
Net income (loss)	$ 12,132	$ (8,462)	$ (26,576)
Other comprehensive income (loss), net of tax:			
Unrealized gains (losses) on derivative instruments designated as cash flow hedges	18,685	(7,866)	—
Gains on derivative instruments designated as cash flow hedges reclassified to cost of goods sold	(1,161)	(55)	—
Change in the funded status of retiree benefit obligations	(2,802)	10,969	(26,574)
Income tax expense	—	(1,066)	—
Total comprehensive income (loss), net of tax	$ 26,854	$ (6,480)	$ (53,150)

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended June 30,		
	2014	2013	2012
Cash flows from operating activities:			
Net income (loss)	$ 12,132	$ (8,462)	$ (26,576)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	27,334	32,542	32,113
Provision for (recovery of) doubtful accounts	80	(757)	(980)
Deferred income taxes	137	74	(78)
Impairment losses on goodwill and intangible assets	—	92	5,585
Net gains from sales of assets	(3,814)	(4,467)	(268)
ESOP and share-based compensation expense	4,692	3,563	3,287
Net (gains) losses on derivative instruments and investments	(4,276)	11,132	6,175
Change in operating assets and liabilities:			
Restricted cash	8,084	(6,472)	(1,153)
Purchases of trading securities held for investment	(5,915)	(9,049)	(13,576)
Proceeds from sales of trading securities held for investment	4,290	7,633	18,267
Accounts and notes receivable	2,248	(2,429)	3,745
Inventories	(14,439)	5,115	13,236
Income tax receivable	181	353	(314)
Derivative assets, net	3,932	—	—
Prepaid expenses and other assets	(661)	(156)	(860)
Accounts payable	17,526	1,773	(13,441)
Accrued payroll expenses and other current liabilities	2,574	(8,785)	(4,239)
Accrued postretirement benefits	(1,905)	(6,451)	3,530
Other long-term liabilities	695	6,678	(6,320)
Net cash provided by operating activities	$ 52,895	$ 21,927	$ 18,133
Cash flows from investing activities:			
Purchases of property, plant and equipment	(25,267)	(15,894)	(17,498)
Proceeds from sales of property, plant and equipment	4,536	5,666	3,037
Net cash used in investing activities	$ (20,731)	$ (10,228)	$ (14,461)
Cash flows from financing activities:			
Proceeds from revolving credit facility	44,806	43,990	17,250
Repayments on revolving credit facility	(65,454)	(54,761)	(21,200)
Payments of capital lease obligations	(3,681)	(3,359)	(1,897)
Proceeds from stock option exercises	1,480	1,203	—
Net cash used in financing activities	$ (22,849)	$ (12,927)	$ (5,847)
Net increase (decrease) in cash and cash equivalents	$ 9,315	$ (1,228)	$ (2,175)
Cash and cash equivalents at beginning of year	2,678	3,906	6,081
Cash and cash equivalents at end of year	$ 11,993	$ 2,678	$ 3,906

(continued on next page)

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued from previous page)
(In thousands)

	Year Ended June 30,		
	2014	2013	2012
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 1,258	$ 1,783	$ 2,123
Cash paid for income taxes	$ 361	$ 370	$ 317
Supplemental disclosure of non-cash investing activities:			
Equipment acquired under capital leases	$ 1,217	$ 626	$ 9,508
Net change in derivative assets and liabilities included in other comprehensive income	$ 17,524	$ (7,921)	$ —
Non-cash additions to equipment	$ 142	$ —	$ —

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share and per share data)

	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2011	**16,186,372**	**$ 16,186**	**$ 36,470**	**$ 129,118**	**$ (30,437)**	**$ (17,922)**	**$ 133,415**
Net loss	—	—	—	(26,576)	—	—	(26,576)
Change in the funded status of retiree benefit obligations, net of tax of $0	—	—	—	—	—	(26,574)	(26,574)
ESOP compensation expense, including reclassifications	—	—	(3,327)	—	4,800	—	1,473
Share-based compensation	122,487	123	1,691	—	—	—	1,814
Balance at June 30, 2012	**16,308,859**	**$ 16,309**	**$ 34,834**	**$ 102,542**	**$ (25,637)**	**$ (44,496)**	**$ 83,552**
Net loss	—	—	—	(8,462)	—	—	(8,462)
Unrealized losses on derivative instruments designated as cash flow hedges, net of reclassifications to cost of goods sold	—	—	—	—	—	(7,921)	(7,921)
Change in the funded status of retiree benefit obligations, net of tax of $1,066	—	—	—	—	—	9,903	9,903
ESOP compensation expense, including reclassifications	—	—	(2,738)	—	4,801	—	2,063
Share-based compensation	28,081	28	1,472	—	—	—	1,500
Stock option exercises	117,482	117	1,086	—	—	—	1,203
Balance at June 30, 2013	**16,454,422**	**$ 16,454**	**$ 34,654**	**$ 94,080**	**$ (20,836)**	**$ (42,514)**	**$ 81,838**
Net income	—	—	—	12,132	—	—	12,132
Unrealized gains on derivative instruments designated as cash flow hedges, net of reclassifications to cost of goods sold	—	—	—	—	—	17,524	17,524
Change in the funded status of retiree benefit obligations, net of tax of $0	—	—	—	—	—	(2,802)	(2,802)
ESOP compensation expense, including reclassifications	—	—	(1,475)	—	4,801	—	3,326
Share-based compensation	(4,936)	(5)	1,371	—	—	—	1,366
Stock option exercises	112,964	113	1,367	—	—	—	1,480
Balance at June 30, 2014	**16,562,450**	**$ 16,562**	**$ 35,917**	**$ 106,212**	**$ (16,035)**	**$ (27,792)**	**$ 114,864**

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

FARMER BROS. CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the “Company,” or “Farmer Bros.”), is a manufacturer, wholesaler and distributor of coffee, tea and culinary products. The Company is a direct distributor of coffee to restaurants, hotels, casinos, offices, quick service restaurants ("QSR's"), convenience stores, healthcare facilities and other foodservice providers, as well as private brand retailers in the QSR, grocery, drugstore, restaurant, convenience store and independent coffeehouse channels. The Company was founded in 1912, was incorporated in California in 1923, and reincorporated in Delaware in 2004. The Company operates in one business segment.

The Company’s product line includes roasted coffee, liquid coffee, coffee-related products such as coffee filters, sugar and creamers, assorted iced and hot teas, cappuccino, cocoa, spices, gelatins and puddings, soup bases, dressings, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves. Most sales are made “off-truck” by the Company to its customers at their places of business.

The Company serves its customers from six distribution centers and its distribution trucks are replenished from 111 branch warehouses located throughout the contiguous United States. The Company operates its own trucking fleet to support its long-haul distribution requirements. A portion of the Company’s products is distributed by third parties or is direct shipped via common carrier.

Since 2007, Farmer Bros. has achieved growth primarily through the acquisition in 2007 of Coffee Bean Holding Co., Inc., a Delaware corporation ("CBH"), the parent company of Coffee Bean International, Inc., an Oregon corporation (“CBI”), a specialty coffee manufacturer and wholesaler, and the acquisition in 2009 from Sara Lee Corporation (“Sara Lee”) of certain assets used in connection with its DSD coffee business in the United States (the “DSD Coffee Business”).

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and 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.

Corrections to Previously Issued Financial Statements

Subsequent to the issuance of the Company’s consolidated financial statements for the year ended June 30, 2013 the Company identified certain errors in the consolidated statements of operations and consolidated statements of cash flows. Accordingly, the Company has corrected the accompanying consolidated statements of operations and consolidated statements of cash flows for the fiscal years ended June 30, 2013 and 2012 and the unaudited quarterly financial data for each of the quarters in the year ended June 30, 2013 and for the first three quarters in the year ended June 30, 2014 in order to comply with GAAP (see Note 17).

The corrections to the consolidated statements of operations include:

1. reclassification of fuel surcharges billed to customers previously netted against the Company's fuel expenses in "Selling expenses" to "Net sales";
2. reclassification of certain labor and overhead expenses previously included in "Selling expenses" and "General and administrative expenses" to "Cost of goods sold"; and
3. reclassification of “Net gains from sales of assets” previously presented within "Other, net" to a separate line item within "Income (loss) from operations.”

The corrections to the consolidated statements of cash flows include:

1. presentation of purchases of and proceeds from sales of trading securities held for investment on a gross basis instead of on a net basis as previously presented within the presentation of cash flows from operating activities; and
2. reclassification of an increase in the Company's derivative liabilities previously presented as a reduction in the net activity in "Short-term investments" to a change in "Accrued payroll expenses and other current liabilities" within the presentation of cash flows from operating activities.

These errors had no impact on the amounts previously reported in the Company's consolidated balance sheets. Management has evaluated the materiality of these errors quantitatively and qualitatively, including the impact of the errors on gross profit, (loss) income from operations and cash flows activities, and has concluded that the corrections of these errors are immaterial to the consolidated financial statements as a whole.

The accompanying consolidated statements of operations and consolidated statements of cash flows for the fiscal years ended June 30, 2013 and 2012 have been corrected for the errors described above. The following tables present the impact of these corrections:

Consolidated Statement of Operations Data

	Year Ended June 30, 2013		
(In thousands)	As Previously Reported	Adjustments	As Corrected
Net sales	$ 509,964	$ 3,905	$ 513,869
Cost of goods sold	318,825	9,868	328,693
Gross profit	191,139	(5,963)	185,176
Selling expenses	158,079	(1,046)	157,033
General and administrative expenses	37,063	(4,917)	32,146
Net gains from sales of assets	—	(4,467)	(4,467)
Impairment losses on intangible assets	92	—	92
Operating expenses	195,234	(10,430)	184,804
(Loss) income from operations	(4,095)	4,467	372
Other income (expense):			
Dividend income	1,103	—	1,103
Interest income	452	—	452
Interest expense	(1,782)	—	(1,782)
Other, net	(4,965)	(4,467)	(9,432)
Total other expense	(5,192)	(4,467)	(9,659)
Loss before taxes	(9,287)	—	(9,287)
Income tax benefit	(825)	—	(825)
Net loss	$ (8,462)	$ —	$ (8,462)

Consolidated Statement of Operations Data (In thousands)	Year Ended June 30, 2012 As Previously Reported	Adjustments	As Corrected
Net sales	$ 495,442	$ 3,259	$ 498,701
Cost of goods sold	322,540	9,769	332,309
Gross profit	172,902	(6,510)	166,392
Selling expenses	150,641	(1,432)	149,209
General and administrative expenses	34,222	(5,078)	29,144
Net gains from sales of assets	—	(268)	(268)
Impairment losses on goodwill and intangible assets	5,585	—	5,585
Pension withdrawal expense	4,568	—	4,568
Operating expenses	195,016	(6,778)	188,238
(Loss) income from operations	(22,114)	268	(21,846)
Other income (expense):			
Dividend income	1,231	—	1,231
Interest income	214	—	214
Interest expense	(2,137)	—	(2,137)
Other, net	(4,117)	(268)	(4,385)
Total other expense	(4,809)	(268)	(5,077)
Loss before taxes	(26,923)	—	(26,923)
Income tax benefit	(347)	—	(347)
Net loss	$ (26,576)	$ —	$ (26,576)

Cash Flows From Operating Activities

(In thousands)	Year Ended June 30, 2013 As Previously Reported	Adjustments	As Corrected
Cash flows from operating activities:			
Net loss	$ (8,462)	$ —	$ (8,462)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	32,542	—	32,542
Recovery of doubtful accounts	(757)	—	(757)
Deferred income taxes	74	—	74
Impairment losses on intangible assets	92	—	92
Net gains from sales of assets	(4,467)	—	(4,467)
ESOP and share-based compensation expense	3,563	—	3,563
Net losses on derivative instruments and investments	11,132	—	11,132
Change in operating assets and liabilities:			
Restricted cash	(6,472)	—	(6,472)
Purchases of trading securities held for investment	—	(9,049)	(9,049)
Proceeds from sales of trading securities held for investment	—	7,633	7,633
Short-term investments	(11,942)	11,942	—
Accounts and notes receivable	(2,429)	—	(2,429)
Inventories	5,115	—	5,115
Income tax receivable	353	—	353
Prepaid expenses and other assets	(156)	—	(156)
Accounts payable	1,773	—	1,773
Accrued payroll expenses and other current liabilities	1,741	(10,526)	(8,785)
Accrued postretirement benefits	(6,451)	—	(6,451)
Other long-term liabilities	6,678	—	6,678
Net cash provided by operating activities	$ 21,927	$ —	$ 21,927

Cash Flows From Operating Activities	Year Ended June 30, 2012		
(In thousands)	As Previously Reported	Adjustments	As Corrected
Cash flows from operating activities:			
Net loss	$ (26,576)	$ —	$ (26,576)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	32,113	—	32,113
Recovery of doubtful accounts	(980)	—	(980)
Deferred income taxes	(78)	—	(78)
Impairment losses on goodwill and intangible assets	5,585	—	5,585
Net gains from sales of assets	(268)	—	(268)
ESOP and share-based compensation expense	3,287	—	3,287
Net losses on derivative instruments and investments	6,175	—	6,175
Change in operating assets and liabilities:			
Restricted cash	(1,153)	—	(1,153)
Purchases of trading securities held for investment	—	(13,576)	(13,576)
Proceeds from sales of trading securities held for investment	—	18,267	18,267
Short-term investments	(1,497)	1,497	—
Accounts and notes receivable	3,745	—	3,745
Inventories	13,236	—	13,236
Income tax receivable	(314)	—	(314)
Prepaid expenses and other assets	(860)	—	(860)
Accounts payable	(13,441)	—	(13,441)
Accrued payroll expenses and other current liabilities	1,949	(6,188)	(4,239)
Accrued postretirement benefits	3,530	—	3,530
Other long-term liabilities	(6,320)	—	(6,320)
Net cash provided by operating activities	$ 18,133	$ —	$ 18,133

Cash Equivalents

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

Investments

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

Derivative Instruments

The Company purchases various derivative instruments to create economic hedges of its commodity price risk and interest rate risk. These derivative instruments consist primarily of futures and swaps. The Company reports the fair value of derivative instruments on its consolidated balance sheets in "Short-term investments," "Short-term derivative assets," "Other assets," "Short-term derivative liabilities," or "Long-term derivative liabilities." The Company determines the current and noncurrent classification based on the timing of expected future cash flows of individual trades and reports these amounts on a gross basis. Additionally, the Company reports cash held on deposit in margin accounts for coffee-related derivative instruments on a gross basis on its consolidated balance sheet in "Restricted cash."

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

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

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

Prior to April 1, 2013, the Company had no derivative instruments that were designated as accounting hedges. Beginning April 1, 2013, the Company implemented procedures following the guidelines of Accounting Standards Codification ("ASC") 815, "Derivatives and Hedging" ("ASC 815"), to enable it to account for certain coffee-related derivative instruments as accounting hedges in order to minimize the volatility created in the Company's quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods. For a derivative to qualify for designation in a hedging relationship, it must meet specific criteria and the Company must maintain appropriate documentation. The Company establishes hedging relationships pursuant to its risk management policies. The hedging relationships are evaluated at inception and on an ongoing basis to determine whether the hedging relationship is, and is expected to remain, highly effective in achieving offsetting changes in fair value or cash flows attributable to the underlying risk being hedged. The Company also regularly assesses whether the hedged forecasted transaction is probable of occurring. If a derivative ceases to be or is no longer expected to be highly effective, or if the Company believes the likelihood of occurrence of the hedged forecasted transaction is no longer probable, hedge accounting is discontinued for that derivative, and future changes in the fair value of that derivative are recognized in "Other, net."

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

The following gains and losses on derivative instruments are netted together and reported in “Other, net” in the Company's consolidated statement of operations:

- Gains and losses on all derivative instruments that are not designated as cash flow hedges and for which the normal purchases and normal sales exception has not been elected; and
- The ineffective portion of unrealized gains and losses on derivative instruments that are designated as cash flow hedges.

The fair value of derivative instruments is based upon broker quotes. At June 30, 2014 approximately 98% of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges (see Note 2). At June 30, 2013, approximately 89% of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges (see Note 2).

Concentration of Credit Risk

At June 30, 2014, 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), short-term investments, investments in the preferred stocks of other companies, derivative instruments and trade receivables. Cash equivalents and short-term investments are not concentrated by issuer, industry or geographic area. Maturities are generally shorter than 180 days. Investments in the preferred stocks of other companies are limited to high quality issuers and are not concentrated by geographic area or issuer.

The Company does not have any credit-risk related contingent features that would require it to post additional collateral in support of its net derivative liability positions. At June 30, 2013, the Company had $8.1 million in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments due to a net loss position in such accounts. At June 30, 2014, as the Company had a net gain position in its coffee-related derivative margin accounts, none of the cash in these accounts was restricted. Changes in commodity prices could have a significant impact on cash deposit requirements under the Company's broker and counterparty agreements.

Concentration of credit risk with respect to trade receivables for the Company is limited due to the large number of customers comprising the Company’s customer base and their dispersion across many different geographic areas. The trade receivables are generally short-term and all probable bad debt losses have been appropriately considered in establishing the allowance for doubtful accounts. Due to improved collections of outstanding accounts receivable, in fiscal 2013, the Company decreased the allowance for doubtful accounts by $0.8 million, however, in fiscal 2014, the Company increased the allowance for doubtful accounts by $0.1 million.

Inventories

Inventories are valued at the lower of cost or market. The Company accounts for coffee, tea and culinary products on a last in, first out (“LIFO”) basis, and coffee brewing equipment parts on a first in, first out (“FIFO”) basis. The Company regularly evaluates these inventories to determine whether market conditions are appropriately reflected in the recorded carrying value. At the end of each quarter, the Company records the expected effect of the liquidation of LIFO inventory quantities, if any, and records the actual impact at fiscal year-end. An actual valuation of inventory under the LIFO method is made only at the end of each fiscal year based on the inventory levels and costs at that time. If inventory quantities decline at the end of the fiscal year compared to the beginning of the fiscal year, the reduction results in the liquidation of LIFO inventory quantities carried at the cost prevailing in prior years. This LIFO inventory liquidation may result in a decrease or increase in cost of goods sold depending on whether the cost prevailing in prior years was lower or higher, respectively, than the current year cost.

Property, Plant and Equipment

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

Buildings and facilities	10 to 30 years
Machinery and equipment	3 to 5 years
Equipment under capital leases	Term of lease
Office furniture and equipment	5 years
Capitalized software	3 years

When assets are sold or retired, the asset and related accumulated depreciation are removed from the respective account balances and any gain or loss on disposal is included in operations. Maintenance and repairs are charged to expense, and betterments are capitalized.

Coffee Brewing Equipment and Service

The Company classifies certain expenses related to coffee brewing equipment provided to customers as cost of goods sold. These costs include the cost of the equipment 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 consolidated financial statements for the years ended June 30, 2014, 2013 and 2012 are $25.9 million, $25.6 million and $24.9 million, respectively. In addition, depreciation expense related to capitalized coffee brewing equipment reported in cost of goods sold in the fiscal years ended June 30, 2014, 2013 and 2012 was $10.9 million, $12.8 million and $12.2 million, respectively. The Company capitalized coffee brewing equipment in the amounts of $13.6 million and $9.3 million in fiscal 2014 and 2013, respectively.

Income Taxes

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

Revenue Recognition

Most product sales are made "off-truck" to the Company's customers at their places of business by the Company's route sales representatives. Revenue is recognized at the time the Company's route sales representatives physically deliver products to customers and title passes or when it is accepted by the customer when shipped by third-party delivery.

The Company sells roast and ground coffee and tea to The J.M. Smucker Company ("J.M. Smucker") pursuant to a co–packing agreement. The Company recognizes revenue from the co-packing arrangement for the sale of tea on a net basis, net of direct costs of revenue, since the Company acts as an agent of J.M. Smucker in such transactions. As of June 30, 2014 and 2013, the Company had $0.5 million and $0.3 million, respectively, of receivables relating to this arrangement which are included in "Other receivables" (see Note 5).

Net Income (Loss) Per Common Share

Net income (loss) per share ("EPS") represents net income (loss) attributable to common stockholders divided by the weighted-average number of common shares outstanding for the period, excluding unallocated shares held by the Company's Employee Stock Ownership Plan ("ESOP") (see Note 11). Diluted EPS represents net income (loss) attributable to common stockholders divided by the weighted-average number of common shares outstanding, inclusive of the dilutive impact of common equivalent shares outstanding during the period. However, nonvested restricted stock awards (referred to as participating securities) are excluded from the dilutive impact of common equivalent shares outstanding in accordance with authoritative guidance under the two-class method. The nonvested restricted stockholders are entitled to participate in dividends declared on common stock as if the shares were fully vested and hence are deemed to be participating securities. Under the two-class method, net income (loss) attributable to nonvested restricted stockholders is excluded from net income (loss) attributable to common stockholders for purposes of calculating basic and diluted EPS. Computation of EPS for the year ended June 30, 2014 includes the dilutive effect of 104,956 shares but excludes the dilutive effect of 22,441 shares, issuable under stock options because their inclusion would be anti-dilutive. Computation of EPS for the years ended June 30, 2013 and 2012 does not include the dilutive effect of 557,427 and 667,235 shares, respectively, issuable under stock options since their inclusion would be anti-dilutive. Accordingly, the consolidated financial statements present only basic net loss per common share for the years ended June 30, 2013 and 2012 (see Note 15).

Dividends

The Company's Board of Directors has omitted the payment of a quarterly dividend since the third quarter of fiscal 2011. The amount, if any, of dividends to be paid in the future will depend upon the Company's then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors.

Employee Stock Ownership Plan

Compensation cost for the ESOP is based on the fair market value of shares released or deemed to be released for the period. Dividends on allocated shares retain the character of true dividends, but dividends on unallocated shares are considered compensation cost. As a leveraged ESOP with the Company as lender, a contra equity account is established to offset the Company's note receivable. The contra account will change as compensation expense is recognized.

Impairment of Goodwill and Indefinite-lived Intangible Assets

The Company performs its annual impairment test of goodwill and/or other indefinite-lived intangible assets as of June 30. Goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually, as well as on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired. Testing for impairment of goodwill is a two-step process. The first step requires the Company to compare the fair value of its reporting units to the carrying value of the net assets of the respective reporting units, including goodwill. If the fair value of the reporting unit is less than its carrying value, goodwill of the reporting unit is potentially impaired and the Company then completes step two to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill, which is the residual fair value remaining after deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized equal to the difference. Indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values.

In its annual test of impairment in the fourth quarter of fiscal 2014, the Company determined that the book value of trademarks acquired in connection with the CBI acquisition and DSD Coffee Business acquisition was lower than the present value of the estimated future cash flows and concluded that the trademarks were not impaired.

In its annual test of impairment in the fourth quarter of fiscal 2013, the Company determined that the book value of a certain trademark acquired in connection with the DSD Coffee Business acquisition was higher than the present value of the estimated future cash flows and concluded that the trademark was impaired. As a result, the Company recorded an impairment charge of $0.1 million to earnings in the fourth quarter of fiscal 2013.

In its annual test of impairment in the fourth quarter of fiscal 2012, the Company identified indicators of impairment including a decline in market capitalization and continuing losses from operations. The Company performed impairment tests to determine the recoverability of the carrying values of the assets or if impairment should be measured. The Company was required to make estimates of the fair value of the Company's intangible assets, and all assets of CBI, the reporting unit, which were based on the use of the income approach and/or market approach.

The Company used the relief from royalty method under the income approach to estimate the fair value of its indefinite-lived intangible assets. Inputs to this method included estimated royalty rates associated with licensing and franchise royalty agreements in related industries, which are Level 3 inputs within the fair value hierarchy. To estimate the fair value of CBI, the Company used discounted cash flow analysis under the income approach and the guideline public company method under the market approach. Inputs to the discounted cash flow analysis included the projection of future cash flows which are Level 3 inputs within the fair value hierarchy. Inputs to the guideline public company analysis included valuation multiples of publicly traded companies similar to CBI, which are Level 2 inputs within the fair value hierarchy.

As a result of these impairment tests, the Company determined that the Company's trademarks acquired in connection with the CBI acquisition were impaired and that the carrying value of all of the assets of CBI excluding goodwill exceeded their estimated fair values resulting in an implied fair value of zero for CBI's goodwill. Accordingly, in the fourth quarter of fiscal 2012, the Company recorded total impairment charges of $5.6 million including $5.1 million in impairment losses on goodwill, which was included in operating expenses. As of June 30, 2012, goodwill was written down to zero.

Long-Lived Assets, Excluding Goodwill and Indefinite-lived Intangible Assets

The Company reviews the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. There were no such events or circumstances during the fiscal years ended June 30, 2014 and 2013.

Shipping and Handling Costs

The Company distributes its products directly to its customers. Shipping and handling costs incurred through outside carriers are recorded as a component of the Company's selling expenses and were $8.4 million, $7.3 million and $6.6 million, respectively, in the years ended June 30, 2014, 2013 and 2012.

Collective Bargaining Agreements

Certain Company employees are subject to collective bargaining agreements. The duration of these agreements extend to 2017. At June 30, 2014, approximately 36% of the Company's workforce was covered by such agreements.

Self-Insurance

The Company is self-insured for workers' compensation insurance subject to specific retention levels and uses historical analysis to determine and record the estimates of expected future expenses resulting from workers' compensation claims. The estimated outstanding losses are the accrued cost of unpaid claims. The estimated outstanding losses, including allocated loss adjustment expenses ("ALAE"), include case reserves, the development of known claims and incurred but not reported claims. ALAE are the direct expenses for settling specific claims. The amounts reflect per occurrence and annual aggregate limits maintained by the Company. The analysis does not include estimating a provision for unallocated loss adjustment expenses.

The Company accounts for its accrued liability relating to workers' compensation claims on an undiscounted basis. The estimated gross undiscounted workers' compensation liability relating to such claims was $9.6 million and $9.9 million, respectively, and the estimated recovery from reinsurance was $1.2 million and $1.6 million, respectively, as of June 30, 2014 and 2013. The short-term and long-term accrued liabilities for workers' compensation claims are presented on the Company's consolidated balance sheets in "Other current liabilities" and in "Accrued workers' compensation liabilities," respectively. The estimated insurance receivable is included in "Other assets" on the Company's consolidated balance sheets.

In May 2011, the Company did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers for workers' compensation liability. As a result, the Company was required to post a $5.9 million letter of credit as a security deposit with the State of California Department of Industrial Relations Self-Insurance Plans. At June 30, 2014, this letter of credit continues to serve as a security deposit and has been increased to $6.5 million.

The estimated liability related to the Company's self-insured group medical insurance at June 30, 2014 and 2013 was $0.8 million and $1.1 million, respectively, recorded on an incurred but not reported basis, within deductible limits, based on actual claims and the average lag time between the date insurance claims are filed and the date those claims are paid.

General liability, product liability and commercial auto liability are insured through a captive insurance program. The Company retains the risk within certain aggregate amounts. Cost of the insurance through the captive program is accrued based on estimates of the aggregate liability claims incurred using certain actuarial assumptions and historical claims experience. The Company's liability reserve for such claims was $0.4 million and $0.5 million at June 30, 2014 and 2013, respectively.

The estimated liability related to the Company's self-insured group medical insurance, general liability, product liability and commercial auto liability is included on the Company's consolidated balance sheets in "Other current liabilities."

Recently Adopted Accounting Standards

None.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-9, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-9"). ASU 2014-9 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-9 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption prohibited. The Company is in the process of assessing the impact of the adoption of ASU 2014-9 on its consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11"). An entity is required to present unrecognized tax benefits as a decrease in net operating loss, similar tax loss or tax credit carryforward if certain criteria are met. The determination of whether a deferred tax asset is available is based on the unrecognized tax benefit and the deferred tax asset that exists at the reporting date and presumes disallowance of the tax position at the reporting date. The guidance will eliminate the diversity in practice in the presentation of unrecognized tax benefits but will not alter the way in which entities assess deferred tax assets for realizability. This update is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2013 and will be effective for the Company beginning July 1, 2014. Adoption of ASU 2013-11 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

Note 2. Derivative Instruments

Derivative Instruments Held

Coffee-Related Derivative Instruments

The Company is exposed to commodity price risk associated with its PTF green coffee purchase contracts, which are described further in Note 1. The Company utilizes futures contracts and options to manage exposure to the variability in expected future cash flows from forecasted purchases of green coffee attributable to commodity price risk, in some instances, as much as 24 months or more prior to the actual delivery date. Certain of these coffee-related derivative instruments utilized for risk management purposes have been designated as cash flow hedges, while other coffee-related derivative instruments have not been designated as cash flow hedges or do not qualify for hedge accounting despite hedging the Company's future cash flows on an economic basis.

The following table summarizes the notional volumes for the coffee-related derivative instruments held by the Company at June 30, 2014 and 2013:

	June 30,	
(In thousands)	2014	2013
Derivative instruments designated as cash flow hedges:		
Long coffee pounds	19,387	44,025
Derivative instruments not designated as cash flow hedges:		
Long coffee pounds	374	5,529
Total	19,761	49,554

Cash flow hedge contracts outstanding as of June 30, 2014 will expire within 18 months.

Interest Rate Swap

Effective December 1, 2012, the Company entered into an interest rate swap transaction utilizing a notional amount of $10.0 million and a maturity date of March 1, 2015. The Company entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of its borrowings under the revolving credit facility. The interest rate swap was not designated as an accounting hedge. The Company terminated the swap transaction on March 5, 2014.

Effect of Derivative Instruments on the Financial Statements

Balance Sheets

Fair values of derivative instruments on the consolidated balance sheets:

	Derivative Instruments Designated as Cash Flow Hedges		Derivative Instruments Not Designated as Accounting Hedges	
	June 30,		June 30,	
(In thousands)	2014	2013	2014	2013
Financial Statement Location:				
Short-term derivative assets:				
Coffee-related derivative instruments	$ 5,474	$ —	$ —	$ 4
Long-term derivative assets(1):				
Coffee-related derivative instruments	$ 862	$ —	$ —	$ —
Short-term derivative liabilities:				
Coffee-related derivative instruments	$ 252	$ 9,331	$ 69	$ 565
Other current liabilities:				
Interest rate swap	$ —	$ —	$ —	$ 25
Long-term derivative liabilities:				
Coffee-related derivative instruments	$ —	$ 1,129	$ —	$ —

(1) Included in "Other assets" on the consolidated balance sheets.

Statements of Operations

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

	Year Ended June 30,		Financial Statement Classification
(In thousands)	2014	2013	
Net gains recognized in earnings (effective portion)	$ 1,161	$ 55	Costs of goods sold
Net gains (losses) recognized in other comprehensive income (loss) (effective portion)	$ 17,524	$ (7,921)	AOCI
Net losses recognized in earnings (ineffective portion)	$ (259)	$ (447)	Other, net

For the years ended June 30, 2014 and 2013, 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. In the year ended June 30, 2012, none of the Company's coffee-related derivative instruments was designated as an accounting hedge.

Gains and losses on derivative instruments not designated as accounting hedges are included in "Other, net" in the Company's consolidated statements of operations and in "Net (gains) losses on derivative instruments and investments" in the Company's consolidated statements of cash flows.

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

(In thousands)	Year Ended June 30, 2014	2013	2012
Net gains (losses) from coffee-related derivative instruments	$ 2,655	$ (11,337)	$ (7,329)
Net gains on investments	464	230	1,154
Net losses on interest rate swap	(5)	(25)	—
Net gains (losses) on derivative instruments and investments(1)	3,114	(11,132)	(6,175)
Other gains, net	563	1,700	1,790
Other, net	$ 3,677	$ (9,432)	$ (4,385)

(1) Excludes net losses on coffee-related derivative instruments recorded in cost of goods sold in the years ended 2014 and 2013.

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 tables present the Company's net exposure from its offsetting derivative asset and liability positions, as well as cash margins on deposit with each of its counterparties as of the reporting dates indicated:

(In thousands)

Counterparty A		Gross Amount Reported on Balance Sheet	Netting Adjustments	Cash Collateral Posted	Net Exposure
June 30, 2014	Derivative Assets	$ 6,336	$ (321)	$ —	$ 6,015
	Derivative Liabilities	$ 321	$ (321)	$ —	$ —
June 30, 2013	Derivative Assets	$ 4	$ (4)	$ —	$ —
	Derivative Liabilities	$ 11,025	$ (4)	$ 8,084	$ 2,937

(In thousands)

Counterparty B		Gross Amount Reported on Balance Sheet	Netting Adjustments	Cash Collateral Posted	Net Exposure
June 30, 2014	Derivative Assets	$ —	$ —	$ —	$ —
	Derivative Liabilities	$ —	$ —	$ —	$ —
June 30, 2013	Derivative Assets	$ —	$ —	$ —	$ —
	Derivative Liabilities	$ 25	$ —	$ —	$ 25

Credit-Risk-Related Features

The Company does not have any credit-risk-related contingent features that would require it to post additional collateral in support of its net derivative liability positions. At June 30, 2013, the Company had $8.1 million in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments. At June 30, 2014, as the Company had a net gain position in its coffee-related derivative margin accounts, none of the cash in these accounts was restricted. 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.

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 June 30, 2014, $8.8 million of net gains are expected to be reclassified into cost of goods sold within the next twelve months. These recorded values are based on market prices of the commodities as of June 30, 2014. Due to the volatile nature of commodity prices, actual gains or losses realized within the next twelve months will likely differ from these values. These gains or losses are expected to substantially offset net losses or gains that will be realized in earnings from previous unfavorable or favorable market movements associated with underlying hedged transactions.

Note 3. Investments

The following table shows gains and losses on trading securities held for investment by the Company:

	Year Ended June 30,		
(In thousands)	**2014**	**2013**	**2012**
Total gains recognized from trading securities held for investment	$ 464	$ 230	$ 1,154
Less: Realized gains from sales of trading securities held for investment	116	499	1,475
Unrealized gains (losses) from trading securities held for investment	$ 348	$ (269)	$ (321)

Note 4. Fair Value Measurements

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

- Level 1—Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2—Valuation is based upon inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar instruments in active markets, and quoted prices for similar instruments in markets that are not active. Level 2 includes those financial instruments that are valued with industry standard valuation models that incorporate inputs that are observable in the marketplace throughout the full term of the instrument, or can otherwise be derived from or supported by observable market data in the marketplace.
- Level 3—Valuation is based upon one or more unobservable inputs that are significant in establishing a fair value estimate. These unobservable inputs are used to the extent relevant observable inputs are not available and are developed based on the best information available. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

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

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
June 30, 2014				
Preferred stock(1)	$ 22,632	$ 18,025	$ 4,607	$ —
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets	$ 5,153	$ 5,153	$ —	$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets	$ 862	$ 862	$ —	$ —

June 30, 2013	Total	Level 1	Level 2	Level 3
Preferred stock(1)	$ 20,542	$ 15,738	$ 4,804	$ —
Futures, options and other derivative assets(1)	$ 4	$ —	$ 4	$ —
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative liabilities	$ 10,460	$ 10,460	$ —	$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative liabilities	$ 565	$ 565	$ —	$ —
Derivative liabilities — interest rate swap	$ 25	$ —	$ 25	$ —

(1) Included in "Short-term investments" on the consolidated balance sheets.

There were no significant transfers of securities between Level 1 and Level 2.

Note 5. Accounts and Notes Receivable, Net

	June 30,	
(In thousands)	2014	2013
Trade receivables	$ 41,118	$ 43,965
Other receivables(1)	1,763	1,072
Allowance for doubtful accounts	(651)	(1,115)
Accounts and notes receivable, net	$ 42,230	$ 43,922

(1) Includes as of June 30, 2014 and June 30, 2013, $0.5 million and $0.3 million, respectively, of receivables relating to the co-packing arrangement for J.M. Smucker (see Note 1).

In fiscal 2013, due to improved collection of outstanding accounts receivable, the Company reduced its allowance for doubtful accounts by $0.8 million, however, in fiscal 2014, the Company increased the allowance for doubtful accounts by $0.1 million. In fiscal 2014, the Company reclassified $0.5 million of the allowance for doubtful long-term notes receivable to net with the corresponding notes receivable.

Allowance for doubtful accounts:

(In thousands)		
Balance at June 30, 2011	$	(2,852)
Recovery		980
Write-offs		—
Balance at June 30, 2012	$	(1,872)
Recovery		757
Write-offs		—
Balance at June 30, 2013	$	(1,115)
Provision		(80)
Reclassification to long-term		544
Write-offs		—
Balance at June 30, 2014	$	(651)

Note 6. Inventories

	June 30,	
(In thousands)	2014	2013
Coffee		
Processed	$ 17,551	$ 12,553
Unprocessed	21,164	12,796
Total	$ 38,715	$ 25,349
Tea and culinary products		
Processed	$ 22,381	$ 21,406
Unprocessed	4,598	4,194
Total	$ 26,979	$ 25,600
Coffee brewing equipment parts	$ 5,350	$ 9,918
Total inventories	$ 71,044	$ 60,867

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

Inventories are valued at the lower of cost or market. The Company accounts for coffee, tea and culinary products on the LIFO basis and coffee brewing equipment parts on the FIFO basis. The Company regularly evaluates these inventories to determine whether market conditions are appropriately reflected in the recorded carrying value. At the end of each quarter, the Company records the expected effect of the liquidation of LIFO inventory quantities, if any, and records the actual impact at fiscal year-end. An actual valuation of inventory under the LIFO method is made only at the end of each fiscal year based on the inventory levels and costs at that time. If inventory quantities decline at the end of the fiscal year compared to the beginning of the fiscal year, the reduction results in the liquidation of LIFO inventory quantities carried at the cost prevailing in prior years. This LIFO inventory liquidation may result in a decrease or increase in cost of goods sold depending on whether the cost prevailing in prior years was lower or higher, respectively, than the current year cost. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected fiscal year-end inventory levels and costs. Because these estimates are subject to many forces beyond management's control, interim results are subject to the final fiscal year-end LIFO inventory valuation.

Current cost of coffee, tea and culinary product inventories exceeds the LIFO cost by:

(In thousands)	June 30, 2014	June 30, 2013
Coffee	$ 23,223	$ 27,755
Tea and culinary products	8,235	7,757
Total	$ 31,458	$ 35,512

Inventories increased at the end of fiscal 2014 compared to fiscal 2013 and, therefore, no beneficial effect of liquidation of LIFO inventory quantities was recorded in cost of goods sold in fiscal 2014. The Company recorded $1.1 million and $14.2 million in beneficial effect of LIFO inventory liquidation in cost of goods sold in the fiscal years ended June 30, 2013 and 2012, respectively, which reduced net loss for the fiscal years ended June 30, 2013 and 2012 by $1.1 million and $14.2 million, respectively.

Note 7. Property, Plant and Equipment

(In thousands)	June 30, 2014	June 30, 2013
Buildings and facilities	$ 77,926	$ 77,807
Machinery and equipment	162,030	138,470
Equipment under capital leases	19,458	18,806
Capitalized software.	18,878	17,993
Office furniture and equipment	15,049	15,610
	$ 293,341	$ 268,686
Accumulated depreciation	(206,819)	(185,718)
Land	9,119	9,191
Property, plant and equipment, net(1).	$ 95,641	$ 92,159

(1) Includes in the years ended June 30, 2014 and 2013, expenditures for items that have not been placed in service in the amounts of $2.8 million and $3.1 million, respectively,

Capital leases consisted mainly of vehicle leases at June 30, 2014 and 2013.

The Company capitalized coffee brewing equipment (included in machinery and equipment) in the amounts of $13.6 million and $9.3 million in fiscal 2014 and 2013, respectively. Depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold was $10.9 million, $12.8 million and $12.2 million in fiscal 2014, 2013 and 2012, respectively. Depreciation and amortization expense includes amortization expense for assets recorded under capitalized leases.

Maintenance and repairs to property, plant and equipment charged to expense for the years ended June 30, 2014, 2013 and 2012 were $8.7 million, $7.6 million and $7.9 million, respectively.

Note 8. Goodwill and Intangible Assets

The following is a summary of the Company's amortized and unamortized intangible assets other than goodwill, along with amortization expense on these intangible assets for the past three fiscal years. All amortizable intangible assets are fully amortized.

	June 30, 2014		June 30, 2013	
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer relationships	$ 10,083	$ (10,083)	$ 10,083	$ (9,434)
Total amortized intangible assets	$ 10,083	$ (10,083)	$ 10,083	$ (9,434)
Unamortized intangible assets:				
Tradenames with indefinite lives	$ 3,640	$ —	$ 3,640	$ —
Trademarks with indefinite lives	1,988	—	1,988	—
Total unamortized intangible assets	$ 5,628	$ —	$ 5,628	$ —
Total intangible assets	$ 15,711	$ (10,083)	$ 15,711	$ (9,434)

Aggregate amortization expense for the past three fiscal years (In thousands):	
For the fiscal year ended June 30, 2014	$ 649
For the fiscal year ended June 30, 2013	$ 1,246
For the fiscal year ended June 30, 2012	$ 1,439

Following is a summary of changes in the carrying value of goodwill:

(In thousands)	
Balance at June 30, 2011	$ 5,310
Reclassification	(165)
Impairment loss	(5,145)
Balance at June 30, 2012	$ —

Note 9. Employee Benefit Plans

The Company provides pension plans for most full-time employees. Generally the plans provide 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 eight 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 sheet. The Company is also required to recognize in other comprehensive income (loss) ("OCI") certain gains and losses that arise during the period but are deferred under pension accounting rules.

Single Employer Pension Plans

The Company has a defined benefit pension plan, the Farmer Bros. Co. Pension Plan for Salaried Employees (the "Farmer Bros. Plan"), for the majority of its employees who are not covered under a collective bargaining agreement. The Company amended the Farmer Bros. Plan, freezing the benefit for all participants effective June 30, 2011. After the plan freeze, participants do not accrue any benefits under the Farmer Bros. Plan, and new hires are not eligible to participate in the Farmer

Bros. Plan. As all plan participants became inactive following this pension curtailment, net (gain) loss is now amortized based on the remaining life expectancy of these participants instead of the remaining service period of these participants.

The Company also has two defined benefit pension plans for certain hourly employees covered under collective bargaining agreements (the "Brewmatic Plan" and the "Hourly Employees' Plan"). In the fourth quarter of fiscal 2013, the Company determined that it would shut down its equipment refurbishment operations in Los Angeles, California and move them to its Oklahoma City distribution center effective August 30, 2013. Due to this shut down, all hourly employees responsible for these operations in Los Angeles were terminated and their pension benefits in the Brewmatic Plan were frozen effective August 30, 2013. As a result, the Company recorded a pension curtailment expense of $34,000 in the fourth quarter of fiscal 2013.

Obligations and Funded Status

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
($ in thousands)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Change in projected benefit obligation						
Benefit obligation at the beginning of the year	$ 126,205	$ 124,828	$ 3,946	$ 4,022	$ 2,056	$ 1,520
Service cost	—	—	—	59	401	418
Interest cost	5,545	5,550	171	176	92	69
Actuarial (gain) loss	7,069	1,333	153	(24)	81	56
Benefits paid	(5,683)	(5,506)	(279)	(287)	(11)	(7)
Projected benefit obligation at the end of the year	$ 133,136	$ 126,205	$ 3,991	$ 3,946	$ 2,619	$ 2,056
Change in plan assets						
Fair value of plan assets at the beginning of the year	$ 88,097	$ 82,110	$ 3,063	$ 2,718	$ 1,248	$ 1,013
Actual return on plan assets	15,046	10,145	521	322	207	125
Employer contributions	966	1,348	130	310	185	117
Benefits paid	(5,683)	(5,506)	(279)	(287)	(11)	(7)
Fair value of plan assets at the end of the year	$ 98,426	$ 88,097	$ 3,435	$ 3,063	$ 1,629	$ 1,248
Funded status at end of year (underfunded) overfunded	$ (34,710)	$ (38,108)	$ (556)	$ (883)	$ (990)	$ (808)
Amounts recognized in consolidated balance sheets						
Non-current liabilities	(34,710)	(38,108)	(556)	(883)	(990)	(808)
Total	$ (34,710)	$ (38,108)	$ (556)	$ (883)	$ (990)	$ (808)
Amounts recognized in consolidated statements of operations						
Total net (gain) loss	$ 42,093	$ 44,841	$ 1,665	$ 1,878	$ 73	$ 108
Total accumulated OCI (not adjusted for applicable tax)	$ 42,093	$ 44,841	$ 1,665	$ 1,878	$ 73	$ 108
Weighted average assumptions used to determine benefit obligations						
Discount rate	4.15%	4.50%	4.15%	4.50%	4.15%	4.50%
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A

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

($ in thousands)	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
	2014	2013	2014	2013	2014	2013
Components of net periodic benefit cost						
Service cost	$ —	$ —	$ —	$ 59	$ 401	$ 418
Interest cost	5,545	5,550	171	176	92	69
Expected return on plan assets	(6,508)	(6,355)	(221)	(196)	(90)	(87)
Amortization of net (gain) loss	1,279	1,422	65	126	—	—
Amortization of prior service cost (credit)	—	—	—	19	—	—
Amount recognized due to special event (curtailment)	—	—	—	34	—	—
Net periodic benefit cost	$ 316	$ 617	$ 15	$ 218	$ 403	$ 400
Other changes recognized in OCI						
Net (gain) loss	$ (1,469)	$ (2,456)	$ (147)	$ (150)	$ (35)	$ 18
Prior service cost (credit)	—	—	—	—	—	—
Amortization of net gain (loss)	(1,279)	(1,422)	(65)	(126)	—	—
Amortization of prior service (cost) credit	—	—	—	(19)	—	—
Amount recognized due to special event (curtailment)	—	—	—	(34)	—	—
Total recognized in OCI	$ (2,748)	$ (3,878)	$ (212)	$ (329)	$ (35)	$ 18
Total recognized in net periodic benefit cost and OCI	$ (2,432)	$ (3,261)	$ (197)	$ (111)	$ 368	$ 418
Weighted-average assumptions used to determine net periodic benefit cost						
Discount rate	4.50%	4.55%	4.50%	4.55%	4.50%	4.55%
Expected long-term return on plan assets	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A

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. The overall rate for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earnings yields' models, expected economic growth outlook and market yields analysis.

Description of Investment Policy

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

Additional Disclosures

($ in thousands)	Farmer Bros. Plan June 30, 2014	Farmer Bros. Plan June 30, 2013	Brewmatic Plan June 30, 2014	Brewmatic Plan June 30, 2013	Hourly Employees' Plan June 30, 2014	Hourly Employees' Plan June 30, 2013
Comparison of obligations to plan assets						
Projected benefit obligation	$ 133,136	$ 126,205	$ 3,991	$ 3,946	$ 2,619	$ 2,056
Accumulated benefit obligation	$ 133,136	$ 126,205	$ 3,991	$ 3,946	$ 2,619	$ 2,056
Fair value of plan assets at measurement date	$ 98,426	$ 88,097	$ 3,435	$ 3,063	$ 1,629	$ 1,248
Plan assets by category						
Equity securities	$ 53,355	$ 58,681	$ 1,861	$ 2,059	$ 884	$ 811
Debt securities	35,035	24,822	1,223	843	579	375
Real estate	10,036	4,594	351	161	166	62
Total	$ 98,426	$ 88,097	$ 3,435	$ 3,063	$ 1,629	$ 1,248
Plan assets by category						
Equity securities	54%	67%	54%	67%	54%	65%
Debt securities	36%	28%	36%	28%	36%	30%
Real estate	10%	5%	10%	5%	10%	5%
Total	100%	100%	100%	100%	100%	100%

Fair values of plan assets were as follows:

(In thousands)	June 30, 2014 Total	Level 1	Level 2	Level 3
Farmer Bros. Plan	$ 98,426	$ —	$ 98,426	$ —
Brewmatic Plan	$ 3,435	$ —	$ 3,435	$ —
Hourly Employees' Plan	$ 1,629	$ —	$ 1,629	$ —

(In thousands)	June 30, 2013 Total	Level 1	Level 2	Level 3
Farmer Bros. Plan	$ 88,097	$ —	$ 88,097	$ —
Brewmatic Plan	$ 3,063	$ —	$ 3,063	$ —
Hourly Employees' Plan	$ 1,248	$ —	$ 1,248	$ —

As of June 30, 2014, approximately 5.0% of the assets of the Farmer Bros. Plan, the Brewmatic Plan and the Hourly Employees' Plan were invested in pooled separate accounts ("PSA's") which invested mainly in commercial real estate and included mortgage loans which were backed by the associated properties. These underlying real estate investments are able to be redeemed at net asset value per share ("NAV"), and therefore, are considered Level 2 assets. The amounts and types of investments within plan assets did not change significantly from June 30, 2012.

The following is a reconciliation of asset balances with Level 3 input pricing:

(In thousands)	Beginning Balance at 7/1/2012	Total Gains	Settlements	Transfers	Ending Balance at 6/30/2013
Farmer Bros. Plan	$ 4,104	$ —	$ —	$ (4,104)	$ —
Brewmatic Plan	$ 136	$ —	$ —	$ (136)	$ —
Hourly Employees' Plan	$ 66	$ —	$ —	$ (66)	$ —

The following is the target asset allocation for the Company's single employer pension plans—Farmer Bros. Plan, Brewmatic Plan and Hourly Employees' Plan—for fiscal 2015:

	Fiscal 2015
U.S. large cap equity securities	29.9%
U.S. small cap equity securities	7.6%
International equity securities	12.5%
Debt securities	40.0%
Real estate	10.0%
Total	100.0%

Estimated Amounts in OCI Expected To Be Recognized

In fiscal 2015, the Company expects to recognize as a component of net periodic benefit (credit) cost $(0.4) million for the Farmer Bros. Plan, $(17,000) for the Brewmatic Plan, and $0.4 million for the Hourly Employees' Plan.

Estimated Future Contributions and Refunds

In fiscal 2015, the Company expects to contribute $1.9 million to the Farmer Bros. Plan, $0.2 million to the Brewmatic Plan, and $0.5 million to the Hourly Employees' Plan. The Company is not aware of any refunds expected from single employer pension plans.

Estimated Future Benefit Payments

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

(In thousands)	Farmer Bros. Plan	Brewmatic Plan	Hourly Employees' Plan
Year Ending:			
June 30, 2015	$ 6,350	$ 280	$ 47
June 30, 2016	$ 6,490	$ 280	$ 62
June 30, 2017	$ 6,650	$ 270	$ 78
June 30, 2018	$ 6,880	$ 280	$ 97
June 30, 2019	$ 7,050	$ 280	$ 110
June 30, 2020 to June 30, 2024	$ 38,860	$ 1,290	$ 890

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

Multiemployer Pension Plans

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

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

The Company's participation in WCTPP is outlined in the table below. The Pension Protection Act ("PPA") Zone Status available in the Company's fiscal year 2014 and fiscal year 2013 is for the plan's year ended December 31, 2013 and December 31, 2012, respectively. The zone status is based on information obtained from WCTPP and is certified by WCTPP's actuary. Among other factors, plans in the green zone are generally more than 80% funded. Based on WCTPP's annual report on Form 5500, WCTPP was 91.5% and 90.0% funded for its plan year beginning January 1, 2013 and 2012, respectively. The

"FIP/RP Status Pending/Implemented" column indicates if a funding improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

Pension Plan	Employer Identification Number	Pension Plan Number	PPA Zone Status July 1, 2013	PPA Zone Status July 1, 2012	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
Western Conference of Teamsters Pension Plan.	91-6145047	001	Green	Green	No	No	August 2014 to June 2017

Based upon the most recent information available from the trustees managing WCTPP, the Company's share of the unfunded vested benefit liability for the plan was estimated to be approximately $14.4 million if the withdrawal had occurred in calendar year 2013. These estimates were calculated by the trustees managing WCTPP. Although the Company believes the most recent plan data available from WCTPP was used in computing this 2013 estimate, the actual withdrawal liability amount is subject to change based on, among other things, the plan's investment returns and benefit levels, interest rates, financial difficulty of other participating employers in the plan such as bankruptcy, and continued participation by the Company and other employers in the plan, each of which could impact the ultimate withdrawal liability.

If withdrawal liability were to be triggered, the withdrawal liability assessment can be paid in a lump sum or on a monthly basis. The amount of the monthly payment is determined as follows: Average number of hours reported to the pension plan trust during the three consecutive years with highest number of hours in the 10-year period prior to the withdrawal is multiplied by the highest hourly contribution rate during the 10-year period to determine the amount of withdrawal liability that has to be paid annually. The annual amount is divided by 12 to arrive at the monthly payment due. If monthly payments are elected, interest is assessed on the unpaid balance after 12 months at the rate of 7% per annum.

In fiscal 2012, the Company paid a final settlement of $0.3 million towards withdrawal from the Central States Pension Fund that was part of the DSD Coffee Business acquisition and recorded the charge as "Pension withdrawal expense." In addition, in fiscal 2012, the Company withdrew from the Labor Management 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. Installment payments will commence once the final determination of the amount of withdrawal liability is established. Upon withdrawal, the employees covered under this multiemployer pension plan were included in the Company's 401(k) plan (the "401(k) Plan"). The $4.3 million estimated withdrawal charge is included in the Company's consolidated statement of operations for the fiscal year ended June 30, 2012 as "Pension withdrawal expense," with the short-term and long-term portions reflected in current and long-term liabilities, respectively, on the Company's consolidated balance sheets at June 30, 2014 and June 30, 2013. As of June 30, 2014, a final determination of liability has not been made by the pension plan administrator and installment payments have not commenced.

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.

Company contributions to the multiemployer pension plans:

(In thousands)	WCTPP(1)(2)(3)	All Other Plans(4)
Year Ended:		
June 30, 2014	$ 3,153	$ 34
June 30, 2013	$ 3,064	$ 37
June 30, 2012	$ 3,048	$ 113

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(1) Individually significant plan.
(2) Less than 5% of total contribution to WCTPP based on WCTPP's most recent annual report on Form 5500 for the calendar year ended December 31, 2013.
(3) The Company guarantees that one hundred seventy-three (173) hours will be contributed upon for all employees who are compensated for all available straight time hours for each calendar month. An additional 6.5% of the basic contribution must be paid for PEER or the Program for Enhanced Early Retirement.
(4) Includes a plan that is not individually significant.

The Company expects to contribute an aggregate of $3.3 million towards multiemployer pension plans in fiscal 2015.

Multiemployer Plans Other Than Pension Plans

The Company participates in eight defined contribution multiemployer 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 September 30, 2017. The Company's aggregate contributions to multiemployer plans other than pension plans in the fiscal years ended June 30, 2014, 2013 and 2012 were $6.6 million, $5.8 million and $5.8 million, respectively. The Company expects to contribute an aggregate of $7.2 million towards multiemployer plans other than pension plans in fiscal 2015.

401(k) Plan

The Company's 401(k) Plan is available to all eligible employees who have worked more than 1,000 hours during a calendar year and were employed at the end of the calendar year. Participants in the 401(k) Plan may choose to contribute a percentage of their annual pay subject to the maximum contribution allowed by the Internal Revenue Service. The Company's matching contribution is discretionary, based on approval by the Company's Board of Directors. For the calendar years 2014, 2013 and 2012, the Company's Board of Directors approved a Company matching contribution of 50% of an employee's annual contribution to the 401(k) Plan, up to 6% of the employee's eligible income. 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. A participant is automatically vested in the event of death, disability or attainment of age 65 while employed by the Company. Employees are 100% vested in their contributions. For employees subject to a collective bargaining agreement, the match is only available if so provided in the labor agreement.

The Company recorded matching contributions of $1.3 million, $1.2 million and $1.4 million in operating expenses for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

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's retiree medical, dental and vision plan is unfunded, and its liability was calculated using an assumed discount rate of 4.3% at June 30, 2014. The Company projects an initial medical trend rate of 8.0% in fiscal 2014, ultimately reducing to 4.5% in 10 years.

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 fiscal years ended June 30, 2014, 2013 and 2012. Net periodic postretirement benefit cost for fiscal 2014 was based on employee census information as of July 1, 2013 and asset information as of June 30, 2014.

	Year Ended June 30,		
(In thousands)	2014	2013	2012
Components of Net Periodic Postretirement Benefit Cost:			
Service cost	$ 936	$ 1,972	$ 1,817
Interest cost	810	969	1,100
Expected return on plan assets	—	—	—
Amortization of net gain	(880)	7	(164)
Amortization of unrecognized transition (asset) obligation	—	—	—
Amortization of prior service cost (credit)	(1,757)	(1,757)	(1,757)
Net periodic postretirement benefit cost	$ (891)	$ 1,191	$ 996

The difference between the assets and the Accumulated Postretirement Benefit Obligation (APBO) at the adoption of ASC 715-60 was established as a transition (asset) obligation and is amortized over the average expected future service for active employees as measured at the date of adoption. Any plan amendments that retroactively increase benefits create prior service cost. The increase in the APBO due to any plan amendment is established as a base and amortized over the average remaining years of service to the full eligibility date of active participants who are not yet fully eligible for benefits at the plan amendment date. Gains and losses due to experience different than that assumed or from changes in actuarial assumptions are not immediately recognized. The tables below show the remaining bases for the transition (asset) obligation, prior service cost (credit), and the calculation of the amortizable gain or loss.

Amortization Schedule

Transition (Asset) Obligation: The transition (asset) obligations have been fully amortized.

Prior service cost (credit) ($ in thousands):

Date Established	Balance at July 1, 2013	Annual Amortization	Years Remaining	Curtailment	Balance at June 30, 2014
January 1, 2008	$ (1,423)	$ 230	6.2	—	$ (1,193)
July 1, 2012	(16,054)	1,527	10.5	—	(14,527)
	$ (17,477)	$ 1,757			$ (15,720)

	Year Ended June 30,			
	Retiree Medical Plan		Death Benefit	
($ in thousands)	2014	2013	2014	2013
Amortization of Net (Gain) Loss:				
Net (gain) loss as of July 1	$ (8,006)	$ (12,087)	$ 1,791	$ 1,850
Asset (gains) losses not yet recognized in market related value of assets	—	—	—	—
Net (gain) loss subject to amortization	(8,006)	(12,087)	1,791	1,850
Corridor (10% of greater of APBO or assets)	1,262	872	(826)	(798)
Net (gain) loss in excess of corridor	$ (6,744)	$ (11,215)	$ 965	$ 1,052
Amortization years	10.7	11.1	7.4	8.0

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

	Year Ended June 30,	
(In thousands)	2014	2013
Change in Benefit Obligation:		
Projected postretirement benefit obligation at beginning of year	$ 16,701	$ 23,325
Service cost	936	1,972
Interest cost	810	969
Participant contributions	708	729
Actuarial (gains) losses	3,141	(8,520)
Benefits paid	(1,407)	(1,774)
Projected postretirement benefit obligation at end of year	$ 20,889	$ 16,701

	Year Ended June 30,	
(In thousands)	2014	2013
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ —	$ —
Employer contributions	699	1,045
Participant contributions	708	729
Benefits paid	(1,407)	(1,774)
Fair value of plan assets at end of year	—	—
Funded status of plan	$ (20,889)	$ (16,701)

	June 30,	
(In thousands)	2014	2013
Amounts Recognized in the Consolidated Balance Sheet Consist of:		
Non-current assets	$ —	$ —
Current liabilities	(919)	(625)
Non-current liabilities	(19,970)	(16,076)
Total	$ (20,889)	$ (16,701)

(In thousands)	Year Ended June 30, 2014	2013
Amounts Recognized in Accumulated OCI Consist of:		
Net gain	$ (6,216)	$ (10,131)
Transition obligation	(15,720)	—
Prior service cost (credit)	—	(17,604)
Total accumulated OCI	$ (21,936)	$ (27,735)

(In thousands)	Year Ended June 30, 2014	2013
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI:		
Unrecognized actuarial loss (gain)	$ 3,141	$ (8,520)
Amortization of net loss	880	(7)
Amortization of prior service cost	1,757	1,757
Total recognized in OCI	5,778	(6,770)
Net periodic benefit (credit) cost	(891)	1,191
Total recognized in net periodic benefit cost and OCI	$ 4,887	$ (5,579)

The estimated net gain and prior service credit that will be amortized from accumulated OCI into net periodic benefit cost in fiscal 2015 are $0.5 million and $1.8 million, respectively.

(In thousands)	
Estimated Future Benefit Payments:	
Year Ending:	
June 30, 2015	$ 939
June 30, 2016	$ 1,029
June 30, 2017	$ 1,126
June 30, 2018	$ 1,252
June 30, 2019	$ 1,405
June 30, 2020 to June 30, 2024	$ 8,535
Expected Contributions:	
June 30, 2015	$ 939

Sensitivity in Fiscal 2015 Results

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percentage point change in assumed health care cost trend rates would have the following effects in fiscal 2015:

(In thousands)	1-Percentage Point Increase	Decrease
Effect on total of service and interest cost components	$ 220	$ (183)
Effect on accumulated postretirement benefit obligation	$ 1,378	$ (1,158)

Note 10. Bank Loan

On September 12, 2011, the Company entered into an Amended and Restated Loan and Security Agreement (the “Loan Agreement”) among the Company and Coffee Bean International, Inc. (“CBI”), as Borrowers, certain of the Company’s other subsidiaries, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association (“Wells Fargo”), as Agent.

On January 9, 2012, the Loan Agreement was amended in connection with JPMorgan Chase Bank, N.A. (“JPMorgan Chase”), becoming an additional Lender thereunder. On March 18, 2013, the Loan Agreement was amended further ("Amendment No. 2") to amend the definition of "Maximum Credit" available thereunder to $75.0 million from $85.0 million. Pursuant to Amendment No. 2, Wells Fargo agreed to provide a commitment of $53.0 million and JPMorgan Chase agreed to provide a commitment of $22.0 million.

On February 28, 2014, the Company entered into Amendment No. 3 to the Loan Agreement, which, among other things, amended the definition of "Applicable Margin" set forth in the Loan Agreement to provide for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0% to PRIME + 0.50% or Adjusted Eurodollar Rate + 1.75% to Adjusted Eurodollar Rate + 2.25%.

The Loan Agreement provides for a senior secured revolving credit facility of up to $75.0 million, with a letter of credit sublimit of $20.0 million. The revolving credit facility provides for advances of 85% of eligible accounts receivable and 75% of eligible inventory (subject to a $60.0 million inventory loan limit), as defined.The Loan Agreement has an amendment fee of 0.375% and an unused line fee of 0.25%. Outstanding obligations under the Loan Agreement are collateralized by all of the Borrowers’ assets, including the Company’s preferred stock portfolio. The Loan Agreement expires on March 2, 2015. Management cannot provide assurances that the Company will be able to refinance any of its indebtedness under the credit facility on commercially reasonable terms or at all.

The Loan Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including those relating to reporting requirements, maintenance of records, properties and corporate existence, compliance with laws, incurrence of other indebtedness and liens, limitations on certain payments, including the payment of dividends and capital expenditures, and transactions and extraordinary corporate events. The Loan Agreement allows the Company to pay dividends, provided, among other things, certain liquidity requirements are met, the aggregate amount of all such payments in any fiscal year is not in excess of $7.0 million ($1.75 million in any fiscal quarter), and no event of default exists or has occurred and is continuing as of the date of any such payment and after giving effect thereto. The Loan Agreement also contains financial covenants requiring the Borrowers to maintain minimum Excess Availability and Total Liquidity levels. The Loan Agreement allows the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to the Company, to reflect events, conditions, or risks that would have a reasonable likelihood of adversely affecting the Lender’s collateral or the Company’s assets, including the Company’s green coffee inventory.

Effective December 1, 2012, the Company entered into an interest rate swap transaction utilizing a notional amount of $10.0 million and a maturity date of March 1, 2015. The Company entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of its borrowings under the revolving credit facility. The swap transaction was intended to manage the Company's interest rate risk related to its revolving credit facility and required the Company to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA. The Company terminated the swap transaction on March 5, 2014. As of June 30, 2013, the fair value of the interest rate swap included in "Other current liabilities" was $25,000. As of June 30, 2014, the Company had no interest rate swap transactions in place.

The Company had not designated its interest rate swap as an accounting hedge. The Company recorded the interest rate swap on its consolidated balance sheets at fair value with the changes in fair value recorded as gain or loss in "Other, net" in its consolidated statements of operations. In the fiscal year ended June 30, 2014 and 2013, respectively, the Company recorded a loss of $5,000 and $25,000 for the change in fair value of its interest rate swap. No such gains or losses were recorded in fiscal 2012 (see Note 2).

On June 30, 2014, the Company was eligible to borrow up to a total of $69.9 million under the credit facility. As of June 30, 2014, the Company had outstanding borrowings of $0.1 million, utilized $10.1 million of the letters of credit sublimit, and had excess availability under the credit facility of $59.7 million. At June 30, 2014, the weighted average interest rate on the Company's outstanding borrowings under the credit facility was 1.76%.

Note 11. 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. The loans will be 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 1.67% at June 30, 2014, which is updated on a quarterly basis.

	As of and for the years ended June 30,		
	2014	2013	2012
Loan amount (in thousands)	$16,035	$20,836	$25,637
Shares purchased	—	—	—

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 fiscal 2014, 2013 and 2012.

The Company reports compensation expense equal to the fair market value of shares committed to be released to employees in the period in which they are committed. The cost of shares purchased by the ESOP which have not been committed to be released or allocated to participants are shown as a contra-equity account “Unearned ESOP Shares” and are excluded from earnings per share calculations.

During the fiscal years ended June 30, 2014, 2013 and 2012, the Company charged $3.3 million, $2.1 million and $1.5 million to compensation expense related to the ESOP. The increase in ESOP expense in fiscal 2014 compared to the prior years was due to the increase in the fair market value of the Company's shares which determines the ESOP expense recorded. The difference between cost and fair market value of committed to be released shares, which was $0.3 million, $0.1 million and $0.1 million for the fiscal years ended June 30, 2014, 2013 and 2012, respectively, is recorded as additional paid-in capital.

	June 30,	
	2014	2013
Allocated shares	1,943,882	1,885,060
Committed to be released shares	175,429	173,244
Unallocated shares	562,926	738,355
Total ESOP shares	2,682,237	2,796,659
(In thousands)		
Fair value of ESOP shares	$ 57,963	$ 39,321

Note 12. Share-based Compensation

On December 5, 2013, the Company’s stockholders approved the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (the “Amended Equity Plan”). The Amended Equity Plan is an amendment and restatement of, and successor to, the Farmer Bros. Co. 2007 Omnibus Plan (the "Omnibus Plan"), and, among other things, increases the number of shares of the Company’s common stock, par value $1.00 per share, authorized for issuance under the plan by 250,000 from 1,125,000 from 1,375,000. In addition, the Amended Equity Plan provides for the following material changes: limits the types of equity awards available to be granted under the Amended Equity Plan to options, performance-based options and restricted stock; limits participants in the Amended Equity Plan to directors, officers and other employees of the Company; limits the performance criteria that will be used to establish performance goals under the plan to (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); reduces the maximum number of shares of stock with respect to one or more awards that may be granted to any one participant during any calendar year from 250,000 to 75,000; requires that all options issued to employees include performance criteria or performance goals, unless issued in connection with the commencement of employment as an executive of the Company; provides for forfeiture of unvested awards upon termination of employment or termination of directorship, except as otherwise determined by the plan administrator; prohibits awards of restricted stock to employees except in connection with the commencement of employment as an executive of the Company; limits the value of restricted stock awards granted to any non-employee director to an amount not more than $30,000 annually; and prohibits delegation of administration of the plan to another committee or subcommittee of the Board, or authority to grant or amend awards to participants to a committee of one or more members of the Board or one or more officers of the Company.

Stock Options

The share-based compensation expense recognized in the Company's consolidated statements of operations for the fiscal years ended June 30, 2014, 2013 and 2012 is based on awards ultimately expected to vest. Compensation expense is recognized on a straight-line basis over the service period based on the estimated fair value of the stock options. The Company estimates the fair value of option awards using the Black-Scholes option valuation model, which requires management to make certain assumptions for estimating the fair value of stock options at the date of grant. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion the existing models may not necessarily provide a reliable single measure of the fair value of the Company's stock options. Although the fair value of stock options is determined using an option valuation model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

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

In fiscal 2014, the Company granted 1,927 shares issuable upon the exercise of NQOs with an exercise price of $18.68 per share to an eligible employee under the Omnibus Plan prior to its amendment and restatement which vest ratably over a three-year period.

Following are the weighted average assumptions used in the Black-Scholes valuation model for NQOs granted during the fiscal years ended June 30, 2014, 2013 and 2012:

	Year Ended June 30,		
	2014	2013	2012
Weighted average fair value of NQOs	$ 9.17	$ 5.69	$ 4.42
Risk-free interest rate	1.7%	0.9%	1.1%
Dividend yield	—%	—%	—%
Average expected term	6 years	6 years	6 years
Expected stock price volatility	50.4%	49.5%	52.5%

The Company's assumption regarding expected stock price volatility is based on the historical volatility of the Company's stock price. The risk-free interest rate is based on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the expected life of the stock options. The average expected term is based on the midpoint between the vesting date and the end of the contractual term of the award. Currently, management estimates an annual forfeiture rate of 6.5% based on actual forfeiture experience. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The following table summarizes NQO activity for the three most recent fiscal years:

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, 2011	497,810	17.19	6.44	5.7	61
Granted	356,834	8.90	4.42	—	—
Cancelled/Forfeited	(187,409)	16.89	5.06	—	—
Outstanding at June 30, 2012	667,235	12.84	4.78	4.8	143
Granted	192,892	12.12	5.69	6.5	374
Exercised	(117,482)	10.24	5.23	—	336
Cancelled/Forfeited	(185,218)	13.83	5.92	—	—
Outstanding at June 30, 2013	557,427	12.81	5.44	5.1	1,620
Granted	1,927	18.68	9.17	6.4	—
Exercised	(112,964)	13.10	5.81	—	895
Cancelled/Forfeited	(33,936)	16.63	6.13	—	—
Outstanding at June 30, 2014	412,454	12.44	5.30	4.4	3,782
Vested and exercisable, June 30, 2014	244,656	13.67	5.46	3.7	1,967
Vested and expected to vest, June 30, 2014	402,440	12.48	5.30	4.3	3,700

The aggregate intrinsic values outstanding at the end of each period in the table above represent the total pretax intrinsic value, based on the Company's closing stock price of $21.61 at June 30, 2014, $14.06 at June 28, 2013 and $7.96 at June 29, 2012, representing the last trading day of the respective fiscal years, which would have been received by NQO holders had all NQO holders exercised their awards that were in-the-money as of those dates.

Total fair value of NQOs vested during fiscal 2014, 2013 and 2012 was $0.7 million, $1.0 million and $1.2 million, respectively. The Company received $1.5 million and $1.2 million in proceeds from exercises of vested NQOs in fiscal 2014 and 2013, respectively.

Nonvested NQOs:	Number of NQOs	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)
Outstanding at June 30, 2011	322,869	15.02	6.50	1.7
Granted	356,834	8.90	4.42	6.6
Vested	(243,518)	13.00	5.85	—
Forfeited	(92,946)	12.54	5.80	—
Outstanding at June 30, 2012	343,239	10.76	4.20	6.3
Granted	192,892	12.12	5.69	6.5
Vested	(188,909)	11.56	5.33	—
Forfeited	(31,561)	13.82	5.92	—
Outstanding at June 30, 2013	315,661	10.80	5.12	6.1
Granted	1,927	18.68	9.17	6.4
Vested	(133,957)	11.02	5.21	—
Forfeited	(15,833)	11.48	5.49	—
Outstanding at June 30, 2014	167,798	10.65	5.06	5.3

As of June 30, 2014, 2013 and 2012, there was $0.7 million, $1.3 million and $1.3 million, respectively, of unrecognized compensation cost related to NQOs. Total compensation expense for NQOs was $0.6 million, $0.9 million and $1.2 million in fiscal 2014, 2013 and 2012, respectively.

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

In the fiscal year ended June 30, 2014, the Company granted a total of 112,442 shares issuable upon the exercise of PNQs with a weighted average exercise price of $21.27 per share to eligible employees under the Amended Equity Plan. These PNQs vest over a three-year period with one-third of the total number of shares subject to each such PNQ vesting on the first anniversary of the grant date based on the Company's achievement of a modified net income target for the first fiscal year of the performance period as approved by the Compensation Committee, and the remaining two-thirds of the total number of shares subject to each PNQ vesting on the third anniversary of the grant date based on the Company's achievement of a cumulative modified net income target for all three years during the performance period as approved by the Compensation Committee, in each case, subject to the participant's employment by the Company or service on the Board of Directors of the Company on the applicable vesting date. No PNQs were granted prior to fiscal 2014.

Following are the assumptions used in the Black-Scholes valuation model for PNQs granted during the fiscal year ended June 30, 2014:

	Year Ended June 30, 2014
Weighted average fair value of PNQs	$ 10.49
Risk-free interest rate	1.8%
Dividend yield	—%
Average expected term	6 years
Expected stock price volatility	50.5%

The following table summarizes PNQ activity in fiscal 2014:

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, 2013	—	—	—	—	—
Granted	112,442	21.27	10.49	6.5	—
Cancelled/Forfeited	—	—	—	—	—
Outstanding at June 30, 2014	112,442	21.27	10.49	6.5	38
Vested and exercisable, June 30, 2014	—	—	—	—	—
Vested and expected to vest, June 30, 2014	99,727	21.28	10.49	6.5	33

The aggregate intrinsic values outstanding at the end of fiscal 2014 in the table above represent the total pretax intrinsic values, based on the Company's closing stock price of $21.61 at June 30, 2014 representing the last trading day of fiscal 2014, which would have been received by award holders had all award holders exercised their awards that were in-the-money as of that date.

In the fiscal year ended June 30, 2014, the Company recognized $0.3 million in compensation expense for PNQs and as of June 30, 2014, there was approximately $0.9 million of unrecognized compensation cost related to PNQs.

As of June 30, 2014, the Company expects that it will achieve the performance targets set forth in the PNQ agreements.

Restricted Stock

During each of fiscal 2014, 2013 and 2012 the Company granted a total of 9,200 shares, 51,177 shares and 142,070 shares of restricted stock, respectively, with a weighted average grant date fair value of $20.48, $11.67 and $7.70 per share, respectively, to eligible employees, officers and directors. Shares of restricted stock generally vest at the end of three years for eligible employees and officers who are employees. No restricted stock was granted to executive officers in fiscal 2014. Shares of restricted stock generally vest ratably over a period of three years for directors.

Compensation expense is recognized on a straight-line basis over the service period based on the estimated fair value of the restricted stock. Compensation expense recognized in general and administrative expenses was $0.5 million, $0.6 million and $0.6 million, for the fiscal years ended June 30, 2014, 2013 and 2012, respectively. As of June 30, 2014, 2013 and 2012, there was approximately $0.6 million, $1.0 million and $1.3 million, respectively, of unrecognized compensation cost related to restricted stock.

The following table summarizes restricted stock activity:

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 at June 30, 2011	80,687	17.31	2.6	818
Granted	142,070	7.70	2.1	1,094
Exercised/Released	(27,227)	15.80	—	202
Cancelled/Forfeited	(19,583)	13.92	—	—
Outstanding June 30, 2012	175,947	10.16	1.9	1,401
Granted	51,177	11.67	—	597
Exercised/Released	(64,668)	11.27	—	832
Cancelled/Forfeited	(23,096)	12.21	—	—
Outstanding at June 30, 2013	139,360	9.87	1.9	1,959
Granted	9,200	20.48	—	188
Exercised/Released	(38,212)	11.59	—	820
Cancelled/Forfeited	(14,136)	9.38	—	—
Outstanding at June 30, 2014	96,212	10.27	1.5	2,079
Expected to vest, June 30, 2014	90,359	12.61	1.5	1,953

Aggregate intrinsic values outstanding at the end of fiscal 2014 in the table above represent the total pretax intrinsic values, based on the Company's closing stock price of $21.61 at June 30, 2014 representing the last trading day of fiscal 2014.

Note 13. Other Current Liabilities

Other current liabilities consist of the following:

(In thousands)	June 30, 2014	June 30, 2013
Accrued postretirement benefits	$ 919	$ 625
Accrued workers' compensation liabilities	1,947	1,496
Short-term pension liabilities	347	347
Other (including net taxes payable)	2,105	2,703
Other current liabilities	$ 5,318	$ 5,171

Note 14. Income Taxes

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

(In thousands)	June 30, 2014	June 30, 2013	June 30, 2012
Current:			
Federal	$ 293	$ (24)	$ (385)
State	275	191	115
Total current income tax expense (benefit)	568	167	(270)
Deferred:			
Federal	99	(819)	(63)
State	38	(173)	(14)
Total deferred income tax expense (benefit)	137	(992)	(77)
Income tax expense (benefit)	$ 705	$ (825)	$ (347)

Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in ASC 740, "Tax Provisions," when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the income tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the income tax expense recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from postretirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the fiscal years ended June 30, 2014, 2013 and 2012, the Company recorded income tax expense of $0, $1.1 million and $0, respectively, in OCI related to the gain on postretirement benefits, and recorded a corresponding income tax benefit of $0, $1.1 million and $0, respectively, in continuing operations.

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

(In thousands)	June 30, 2014	June 30, 2013	June 30, 2012
Statutory tax rate	34%	34%	34%
Income tax expense (benefit) at statutory rate	$ 4,365	$ (3,158)	$ (9,154)
State income tax expense (benefit), net of federal tax benefit	749	(223)	(1,023)
Valuation allowance	(4,292)	3,074	10,588
Change in contingency reserve (net)	(39)	(7)	(561)
Other (net)	(78)	(511)	(197)
Income tax expense (benefit)	$ 705	$ (825)	$ (347)

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

(In thousands)	June 30, 2014	2013	2012
Deferred tax assets:			
Postretirement benefits	$ 19,800	$ 26,014	$ 27,568
Accrued liabilities	6,156	4,477	3,958
Net operating loss carryforward	40,275	44,607	44,736
Intangible assets	1,126	694	919
Other	7,253	8,945	5,945
Total deferred tax assets	74,610	84,737	83,126
Deferred tax liabilities:			
Fixed assets	(1,902)	(2,641)	(4,117)
Other	(1,538)	(882)	(794)
Total deferred tax liabilities	(3,440)	(3,523)	(4,911)
Valuation allowance	(72,613)	(82,522)	(79,448)
Net deferred tax liability	$ (1,443)	$ (1,308)	$ (1,233)

The Company has approximately $102.9 million and $99.2 million of federal and state net operating loss carryforwards that will begin to expire in the years ending June 30, 2030 and June 30, 2025, respectively. The Company has no federal or state capital loss carryforwards. Additionally, the Company has $0.8 million of federal business tax credits that begin expiring in June 30, 2025 and $2.5 million of charitable contribution carryforwards.

The Company has generated approximately $0.2 million of excess tax benefits related to stock compensation, the benefit of which will be recorded to additional paid in capital if and when realized.

At June 30, 2014, the Company had total deferred tax assets of $74.6 million and net deferred tax assets before valuation allowance of $71.2 million. In fiscal 2014, deferred tax assets decreased primarily due to the utilization of net operating losses to offset taxable income. Additionally, a cumulative loss in OCI related to coffee hedging, which previously represented a deferred tax asset, became a cumulative gain as of the end of the year which lowered the total net deferred tax assets. In fiscal 2013, deferred tax assets increased primarily due to net loss carryovers and a decrease in expected pension asset values related to a change in actuarial assumptions.

The Company considered whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets would or would not ultimately be realized in future periods. In making such assessment, significant weight was given to evidence that could be objectively verified, such as recent operating results, and less consideration was given to less objective indicators such as future earnings projections. After consideration of positive and negative evidence, including the recent history of losses, the Company cannot conclude that it is more likely than not that it will generate future earnings sufficient to realize the Company's deferred tax assets as of June 30, 2014. Accordingly, a valuation allowance of $72.6 million has been recorded to offset this deferred tax asset. The valuation allowance decreased by $9.9 million in fiscal year ended June 30, 2014 and increased by $3.1 million, and $20.7 million, in the fiscal years ended June 30, 2013 and 2012, respectively.

A tabular reconciliation of the total amounts (in absolute values) of unrecognized tax benefits is as follows:

	Year Ended June 30,		
(In thousands)	2014	2013	2012
Unrecognized tax benefits at beginning of year	$ 3,211	$ 3,211	$ 3,902
Increases in tax positions for prior years	(30)	—	—
Settlements	(3,181)	—	(691)
Unrecognized tax benefits at end of year	$ —	$ 3,211	$ 3,211

At June 30, 2014 and 2013, the Company has approximately $0 and $3.1 million, respectively, of unrecognized tax benefits that, if recognized, would affect the effective tax rate, subject to the valuation allowance. The Company believes it is reasonably possible that none of its total unrecognized tax benefits could be released in the next 12 months.

The Company made a determination in the quarter ended June 30, 2014 that it would not, at this time, pursue certain refund claims requested on its amended tax returns for the fiscal year ended June 30, 2003 through June 30, 2008. The Internal Revenue Service previously denied these refund claims upon audit and maintained that decision upon appeal. The Company released its tax reserve related to these refunds in the fourth quarter of fiscal 2014.

The Company files income tax returns in the U.S. and in various state jurisdictions with varying statutes of limitations. The Company is no longer subject to U.S. income tax examinations for the fiscal years prior to June 30, 2011.

The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. In each of the fiscal years ended June 30, 2014 and 2013, the Company recorded $0 in accrued interest and penalties associated with uncertain tax positions. Additionally, the Company recorded income (expense) of $0, $10,000, and $37,000, related to interest and penalties on uncertain tax positions in the years ended June 30, 2014, 2013 and 2012, respectively.

Note 15. Earnings (Loss) Per Common Share

	Year ended June 30,		
	2014	2013	2012
(In thousands, except share and per share amounts)			
Net income (loss) attributable to common stockholders—basic	$ 12,063	$ (8,401)	$ (26,274)
Net income (loss) attributable to nonvested restricted stockholders	69	(61)	(302)
Total net income (loss)	$ 12,132	$ (8,462)	$ (26,576)
Weighted average shares outstanding—basic	15,909,631	15,604,452	15,492,314
Effect of dilutive securities:			
Shares issuable under stock options	104,956	—	—
Weighted average shares outstanding—diluted	16,014,587	15,604,452	15,492,314
Net loss per common share—basic	$ 0.76	$ (0.54)	$ (1.72)
Net loss per common share—diluted	$ 0.76	$ (0.54)	$ (1.72)

Note 16. Commitments and Contingencies

With the acquisition of the DSD Coffee Business in the fiscal year ended June 30, 2009, the Company assumed some of the operating lease obligations associated with the acquired vehicles. The Company also refinanced some of the existing leases and entered into new capital leases for certain vehicles. The terms of the capital leases vary from 12 months to 84 months with varying expiration dates through 2021.

The Company is also obligated under operating leases for branch warehouses, distribution centers and its production facility in Portland, Oregon. Some operating leases have renewal options that allow the Company, as lessee, to extend the leases. The Company has one operating lease with a term greater than five years that expires in 2018 and has a ten year renewal option, and operating leases for computer hardware with terms that do not exceed five years. Rent expense for the fiscal years ended June 30, 2014, 2013 and 2012 was $3.7 million, $3.6 million and $4.5 million, respectively.

In May 2011, the Company did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers for workers' compensation liability. As a result, the Company was required to post a $5.9 million letter of credit as a security deposit with the State of California Department of Industrial Relations Self-Insurance Plans. At June 30, 2014, this letter of credit continues to serve as a security deposit and has been increased to $6.5 million.

Contractual obligations for future fiscal years are as follows:

(In thousands)	Contractual Obligations					
Year Ended June 30,	Capital Lease Obligations	Operating Lease Obligations	Pension Plan Obligations	Postretirement Benefits Other Than Pension Plans	Revolving Credit Facility	Purchase Commitments (1)(2)
2015	$ 4,205	$ 3,527	$ 7,024	$ 939	$ 78	$ 43,448
2016	3,520	2,503	7,179	1,029	—	—
2017	1,614	1,608	7,345	1,126	—	—
2018	905	1,350	7,604	1,252	—	—
2019	143	861	7,787	1,405	—	—
Thereafter	54	187	43,653	8,535	—	—
		$ 10,036	$ 80,592	$ 14,286	$ 78	$ 43,448
Total minimum lease payments	$ 10,441					
Less: imputed interest (0.82% to 10.7%)	(738)					
Present value of future minimum lease payments	$ 9,703					
Less: current portion	3,779					
Long-term capital lease obligations	$ 5,924					

(1) Includes all coffee purchase contracts that the Company considers to be for normal purchases.
(2) Does not include amounts related to derivative instruments that are recorded at fair value on the Company's consolidated balance sheets.

On August 31, 2012, the Council for Education and Research on Toxics ("CERT") filed an amendment to a private enforcement action adding a number of companies as defendants, including CBI, which sell coffee in California. 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 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.

To date, the pleadings stage of case has been completed. The Court has phased trial so that the “no significant risk level” defense, the First Amendment defense, and the preemption defense will be tried first. Fact discovery and expert discovery on these issues have been completed, and the parties filed trial briefs. Trial commenced on September 8, 2014 for these first phase defenses. 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 17. Selected Quarterly Financial Data (Unaudited)

The following tables set forth certain unaudited quarterly information for each of the eight fiscal quarters in the two year period ended June 30, 2014. This quarterly information has been prepared on a consistent basis with the audited consolidated financial statements and, in the opinion of management, includes all adjustments which management believes are necessary for a fair presentation of the information for the periods presented. The unaudited quarterly data presented below, with the exception of the quarter ended June 30, 2014, include correction of errors related to the reclassification of fuel surcharges billed to customers previously netted against the Company's fuel expenses in "Selling expenses" to "Net sales; reclassification of certain labor and overhead expenses previously included in "Selling expenses" and "General and administrative expenses" to "Cost of goods sold"; and reclassification of “Net gains from sales of assets” previously presented within "Other, net" to a separate line item within "Income (loss) from operations.” See Note 1 for additional information. In addition, reconciliations from the amounts as originally reported to the applicable corrected amounts for the quarters ended March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013, March 31, 2013, December 31, 2012 and September 30, 2012 can be found in the unaudited consolidated statements of operations data immediately following the unaudited quarterly financial data in the tables below. See Note 1 for additional information.

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

(In thousands, except per share data)	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014
Net sales	$ 129,529	$ 143,129	$ 125,525	$ 130,197
Gross profit	$ 48,005	$ 54,374	$ 48,052	$ 45,483
Income (loss) from operations	$ 3,014	$ 5,650	$ (2,075)	$ 2,327
Net income	$ 1,806	$ 4,709	$ 2,506	$ 3,111
Net income per common share—basic	$ 0.11	$ 0.29	$ 0.16	$ 0.19
Net income per common share—diluted	$ 0.11	$ 0.29	$ 0.16	$ 0.19

(In thousands, except per share data)	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013
Net sales	$ 120,147	$ 136,699	$ 127,279	$ 129,744
Gross profit	$ 43,141	$ 48,594	$ 47,446	$ 45,995
Income (loss) from operations	$ 1,794	$ 536	$ 691	$ (2,650)
Net income (loss)	$ 2,979	$ (7,157)	$ (1,306)	$ (2,978)
Net income (loss) per common share—basic	$ 0.19	$ (0.46)	$ (0.08)	$ (0.19)
Net income (loss) per common share—diluted	$ 0.19	$ (0.46)	$ (0.08)	$ (0.19)

In the fourth quarter and for the fiscal year ended June 30, 2013, the Company recorded $0.1 million in impairment loss on indefinite-lived intangible assets (see Note 1).

The following tables present the effects of adjustments made to the Company's previously reported unaudited consolidated quarterly financial statements for the quarters ended March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013, March 31, 2013, December 31, 2012 and September 30, 2012. For further information regarding these adjustments, see Note 1.

CONSOLIDATED STATEMENTS OF OPERATIONS DATA

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
(In thousands)	As Previously Reported	Adjustments (1)	As Corrected	As Previously Reported	Adjustments (1)	As Corrected
Net sales	$ 128,561	$ 968	$ 129,529	$ 119,153	$ 994	$ 120,147
Cost of goods sold	79,089	2,435	81,524	74,532	2,474	77,006
Gross profit	49,472	(1,467)	48,005	44,621	(1,480)	43,141
Selling expenses	37,335	(721)	36,614	37,271	(242)	37,029
General and administrative expenses	9,246	(746)	8,500	8,769	(1,238)	7,531
Net gains from sales of assets	—	(123)	(123)	—	(3,213)	(3,213)
Operating expenses	46,581	(1,590)	44,991	46,040	(4,693)	41,347
Income (loss) from operations	2,891	123	3,014	(1,419)	3,213	1,794
Other income (expense):						
Dividend income	268	—	268	259	—	259
Interest income	108	—	108	92	—	92
Interest expense	(372)	—	(372)	(457)	—	(457)
Other, net	(783)	(123)	(906)	4,945	(3,213)	1,732
Total other (expense) income	(779)	(123)	(902)	4,839	(3,213)	1,626
Income before taxes	2,112	—	2,112	3,420	—	3,420
Income tax expense	306	—	306	441	—	441
Net income	$ 1,806	$ —	$ 1,806	$ 2,979	$ —	$ 2,979

(1) For details, see Note 1.

CONSOLIDATED STATEMENTS OF OPERATIONS DATA

(In thousands)	Three Months Ended December 31, 2013			Three Months Ended December 31, 2012		
	As Previously Reported	Adjustments (1)	As Corrected	As Previously Reported	Adjustments (1)	As Corrected
Net sales	$ 142,151	$ 978	$ 143,129	$ 135,705	$ 994	$ 136,699
Cost of goods sold	86,713	2,042	88,755	85,352	2,753	88,105
Gross profit	55,438	(1,064)	54,374	50,353	(1,759)	48,594
Selling expenses	38,991	(669)	38,322	40,765	(489)	40,276
General and administrative expenses	10,724	(395)	10,329	9,041	(1,270)	7,771
Net gains from sales of assets	—	73	73	—	11	11
Operating expenses	49,715	(991)	48,724	49,806	(1,748)	48,058
Income (loss) from operations	5,723	(73)	5,650	547	(11)	536
Other income (expense):						
Dividend income	258	—	258	284	—	284
Interest income	110	—	110	99	—	99
Interest expense	(393)	—	(393)	(463)	—	(463)
Other, net	(587)	73	(514)	(7,656)	11	(7,645)
Total other (expense) income	(612)	73	(539)	(7,736)	11	(7,725)
Income (loss) before taxes	5,111	—	5,111	(7,189)	—	(7,189)
Income tax expense (benefit)	402	—	402	(32)	—	(32)
Net income (loss)	$ 4,709	$ —	$ 4,709	$ (7,157)	$ —	$ (7,157)

(1) For details, see Note 1.

CONSOLIDATED STATEMENTS OF OPERATIONS DATA

(In thousands)	Three Months Ended March 31, 2014			Three Months Ended March 31, 2013		
	As Previously Reported	Adjustments (1)	As Corrected	As Previously Reported	Adjustments (1)	As Corrected
Net sales	$ 124,600	$ 925	$ 125,525	126,343	936	127,279
Cost of goods sold	76,810	663	77,473	78,761	1,072	79,833
Gross profit	47,790	262	48,052	47,582	(136)	47,446
Selling expenses	42,161	431	42,592	39,135	(69)	39,066
General and administrative expenses	7,667	(169)	7,498	8,941	(67)	8,874
Net gains from sales of assets	37	—	37	(1,185)	—	(1,185)
Operating expenses	49,865	262	50,127	46,891	(136)	46,755
(Loss) income from operations	(2,075)	—	(2,075)	691	—	691
Other income (expense):						
Dividend income	276	—	276	286	—	286
Interest income	114	—	114	92	—	92
Interest expense	(277)	—	(277)	(466)	—	(466)
Other, net	4,664	—	4,664	(1,949)	—	(1,949)
Total other income	4,777	—	4,777	(2,037)	—	(2,037)
Income before taxes	2,702	—	2,702	(1,346)	—	(1,346)
Income tax benefit	196	—	196	(40)	—	(40)
Net income	$ 2,506	$ —	$ 2,506	$ (1,306)	$ —	$ (1,306)

(1) For details, see Note 1.

CONSOLIDATED STATEMENTS OF OPERATIONS DATA

(In thousands)	Three Months Ended June 30, 2013		
	Previously Reported	Adjustments (1)	As Corrected
Net sales	$ 128,763	$ 981	$ 129,744
Cost of goods sold	81,273	2,476	83,749
Gross profit	47,490	(1,495)	45,995
Selling expenses	40,908	(246)	40,662
General and administrative expenses	9,219	(1,249)	7,970
Net gains from sales of assets	—	(79)	(79)
Impairment losses on intangible assets	92	—	92
Operating expenses	50,219	(1,574)	48,645
Loss from operations	(2,729)	79	(2,650)
Other income (expense):			
Dividend income	274	—	274
Interest income	169	—	169
Interest expense	(396)	—	(396)
Other, net	(1,490)	(79)	(1,569)
Total other income	(1,443)	(79)	(1,522)
Income before taxes	(4,172)	—	(4,172)
Income tax benefit	(1,194)	—	(1,194)
Net income	$ (2,978)	$ —	$ (2,978)

(1) For details, see Note 1.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

As of June 30, 2014, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) promulgated under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2014, our disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, 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. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with policies or procedures may deteriorate.

With the participation of the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in the 1992 "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of June 30, 2014.

The effectiveness of our internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Remediation of Prior Material Weakness in Internal Control over Financial Reporting

As previously disclosed in our Annual Report on Form 10-K for the year ended June 30, 2013, we determined that we did not maintain adequate effective internal control in the area of accounting for and reporting postretirement benefit obligations.

Remediation of Material Weakness in Internal Control

During the fiscal year ended June 30, 2014, we implemented additional controls and procedures to address this material weakness. These controls and procedures included:

- engagement of independent consultants to review the Company's other postretirement benefit obligation controls and to make recommendations to address the design gaps in these controls;
- retention of additional knowledgeable accounting personnel to review the accuracy of data and plan information provided to actuaries engaged to perform valuation services;
- design of processes to facilitate improved interaction among human resources, external actuaries and accounting personnel; and

- additional focused training of our finance personnel in the area of accounting and reporting for our other postretirement obligations, including any changes in the relevant accounting guidance and timely adoption thereof.

We have evaluated and tested the effectiveness of these controls as of June 30, 2014 and have determined that our previously reported material weakness has been remediated.

Changes in Internal Control Over Financial Reporting

Except as described above, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended June 30, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

Farmer Bros. Co.
Torrance, California

We have audited the internal control over financial reporting of Farmer Bros. Co. and subsidiaries (the "Company") as of June 30, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2014, based on the criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended June 30, 2014 of the Company and our report dated September 15, 2014 expressed an unqualified opinion on those financial statements..

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California

September 15, 2014

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be set forth in the Proxy Statement or Form 10-K/A and is incorporated in this report by reference.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended June 30, 2014, its officers, directors and ten percent stockholders complied with all applicable Section 16(a) filing requirements, with the exception of those filings listed in the Company's Proxy Statement expected to be dated and filed with the SEC not later than 120 days after the conclusion of the Company's fiscal year ended June 30, 2014.

Item 11. Executive Compensation

The information required by this item will be set forth in the Proxy Statement or Form 10-K/A and is incorporated in this report by reference.

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

The information required by this item will be set forth in the Proxy Statement or Form 10-K/A and is incorporated in this report by reference.

Equity Compensation Plan Information

Information about our equity compensation plans at June 30, 2014 that were either approved or not approved by our stockholders was as follows:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance(2)
Equity compensation plans approved by stockholders(1)	557,427	$14.33	363,774
Equity compensation plans not approved by stockholders	—	—	—
Total	557,427	$14.33	363,774

(1) Includes shares issued under the Amended Equity Plan and its predecessor plan, the Farmer Bros. Co. 2007 Omnibus Plan.

(2) Shares available for future issuance under the Amended Equity Plan may be awarded in the form of performance-based stock options, restricted stock awards, another cash-based award or other incentive payable in cash. Shares covered by an award will 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 are issued under the Amended Equity Plan to a participant and are thereafter reacquired by the Company, the shares subject to such awards and the reacquired shares will again be available for issuance under the Amended Equity Plan. In addition to the shares that are actually issued to a participant, the following items will be counted against the total number of shares available for issuance under the Amended Equity Plan: (i) shares subject to an award that are not delivered to a participant because the award is exercised through a reduction of shares subject to the award (i.e., "net exercised"); (ii) shares 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 or issuance of shares under certain types of awards; and (iii) shares that are tendered to the Company to pay the exercise price of any option. The following items will not be counted against the total number of shares available for issuance under the

Amended Equity Plan: (A) the payment in cash of dividends; and (B) any award that is settled in cash rather than by issuance of stock.

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

The information required by this item will be set forth in the Proxy Statement or Form 10-K/A and is incorporated in this report by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item will be set forth in the Proxy Statement or Form 10-K/A and is incorporated in this report by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

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

Consolidated Balance Sheets as of June 30, 2014 and 2013

Consolidated Statements of Operations for the Years Ended June 30, 2014, 2013 and 2012

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended June 30, 2014, 2013 and 2012

Consolidated Statements of Cash Flows for the Years Ended June 30, 2014, 2013 and 2012

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2014, 2013 and 2012

Notes to Consolidated Financial Statements

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

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

(b) Exhibits: See Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FARMER BROS. CO.

By: /s/MICHAEL H. KEOWN

Michael H. Keown
President and Chief Executive Officer
(chief executive officer)
Date: September 15, 2014

By: /s/MARK J. NELSON

Mark J. Nelson
Treasurer and Chief Financial Officer
(principal financial and accounting officer)
Date: September 15, 2014

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

/s/ GUENTER W. BERGER Guenter W. Berger	Chairman of the Board and Director	September 15, 2014
/s/ HAMIDEH ASSADI Hamideh Assadi	Director	September 15, 2014
/s/ RANDY E. CLARK Randy E. Clark	Director	September 15, 2014
Jeanne Farmer Grossman	Director	
/s/ CHARLES F. MARCY Charles F. Marcy	Director	September 15, 2014
/s/ CHRISTOPHER P. MOTTERN Christopher P. Mottern	Director	September 15, 2014
/s/ MICHAEL H. KEOWN Michael H. Keown	Director	September 15, 2014

EXHIBIT INDEX

3.1	Certificate of Incorporation (filed herewith).
3.2	Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company’s Current Report on Form 8-K filed with the SEC on April 25, 2011 and incorporated herein by reference).
4.1	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (filed as Exhibit 4.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).
4.2	Rights Agreement, dated March 17, 2005, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A., as Rights Agent (filed as Exhibit 4.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).
4.3	Specimen Stock Certificate (filed as Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2013 filed with the SEC on February 10, 2014 and incorporated herein by reference).
10.1	Amended and Restated Loan and Security Agreement, dated September 12, 2011, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.12 to the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the SEC on September 12, 2011 and incorporated herein by reference).
10.2	Amendment No. 1 to Amended and Restated Loan and Security Agreement, effective January 9, 2012, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2011 filed with the SEC on February 8, 2012 and incorporated herein by reference).
10.3	Amendment No. 2 to Amended and Restated Loan and Security Agreement, dated as of March 18, 2013, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on March 20, 2013 and incorporated herein by reference).
10.4	Amendment No. 3 to Amended and Restated Loan and Security Agreement, dated as of February 28, 2014, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on March 5, 2014 and incorporated herein by reference).
10.5	Letter Agreement regarding Waiver of Event of Default, dated October 3, 2013, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on October 4, 2013 and incorporated herein by reference).
10.6	ISDA Master Agreement, dated as of November 19, 2012, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 26, 2012 and incorporated herein by reference).
10.7	Schedule to the ISDA Master Agreement, dated as of November 19, 2012, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on November 26, 2012 and incorporated herein by reference).

10.8 Farmer Bros. Co. Pension Plan for Salaried Employees (filed as Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed with the SEC on November 5, 2012 and incorporated herein by reference).*

10.9 Amendment No. 1 to Farmer Bros. Co. Retirement Plan effective June 30, 2011 (filed as Exhibit 10.14 to the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the SEC on September 12, 2011 and incorporated herein by reference).*

10.10 Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Retirement Plan, effective as of December 6, 2012 (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012 filed with the SEC on February 6, 2013 and incorporated herein by reference).*

10.11 Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2013 filed with the SEC on February10, 2014 and incorporated herein by reference).*

10.12 Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, as adopted by the Board of Directors on December 9, 2010 and effective as of January 1, 2010 (filed as Exhibit 10.12 to the Company’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).*

10.13 Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 2012 (filed as Exhibit 10.7 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed with the SEC on November 5, 2012 and incorporated herein by reference).*

10.14 ESOP Loan Agreement including ESOP Pledge Agreement and Promissory Note, dated March 28, 2000, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.13 to the Company’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).

10.15 Amendment No. 1 to ESOP Loan Agreement, dated June 30, 2003, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.14 to the Company’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).

10.16 ESOP Loan Agreement No. 2 including ESOP Pledge Agreement and Promissory Note, dated July 21, 2003 between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.15 to the Company’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).

10.17 Employment Agreement, dated March 9, 2012, by and between Farmer Bros. Co. and Michael H. Keown (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on March 13, 2012 and incorporated herein by reference).*

10.18 Consulting Services Agreement, effective as of March 1, 2013, between Farmer Bros. Co. and Jeffrey A. Wahba (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 28, 2013 and incorporated herein by reference).*

10.19 Letter Agreement by and between Farmer Bros. Co. and Jeffrey A. Wahba (filed as Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*

10.20 Employment Agreement, dated as of April 4, 2012, by and between Farmer Bros. Co. and Thomas W. Mortensen (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K/A filed with the SEC on April 10, 2012 and incorporated herein by reference).*

10.21	Employment Agreement, dated as of April 1, 2013, by and between Farmer Bros. Co. and Mark J. Nelson (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
10.22	Amendment No. 1 to Employment Agreement, dated as of January 1, 2014, by and between Farmer Bros. Co. and Mark J. Nelson (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 5, 2014 and incorporated herein by reference).*
10.23	Separation Agreement, dated as of December 12, 2013, by and between Farmer Bros. Co. and Hortensia R. Gomez (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 18, 2013 and incorporated herein by reference).*
10.24	Separation Agreement, dated as of July 16, 2014, by and between Farmer Bros. Co. and Mark A. Harding (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 17, 2014 and incorporated herein by reference).*
10.25	Farmer Bros. Co. 2007 Omnibus Plan, as amended (as approved by the stockholders at the 2012 Annual Meeting of Stockholders on December 6, 2012) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 12, 2012 and incorporated herein by reference).*
10.26	Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (as approved by the stockholders at the 2013 Annual Meeting of Stockholders on December 5, 2013) (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 11, 2013 and incorporated herein by reference).*
10.27	Form of Farmer Bros. Co. 2007 Omnibus Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
10.28	Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 18, 2013 and incorporated herein by reference).*
10.29	Form of Farmer Bros. Co. 2007 Omnibus Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.3 to the Company’s Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
10.30	Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on December 18, 2013 and incorporated herein by reference).*
10.31	Stock Ownership Guidelines for Directors and Executive Officers (filed as Exhibit 10.4 to the Company’s Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
10.32	Form of Award Letter (Fiscal 2012) under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 24, 2012 and incorporated herein by reference).*
10.33	Form of Target Award Notification Letter (Fiscal 2013) under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 28, 2012 and incorporated herein by reference).*
10.34	Form of Award Letter (Fiscal 2013) under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 15, 2013 and incorporated herein by reference).*
10.35	Form of Target Award Notification Letter (Fiscal 2014) under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 15, 2013 and incorporated herein by reference).*

10.36	Form of Change in Control Severance Agreement for Executive Officers of the Company (with schedule of executive officers attached) (filed as Exhibit 10.6 to the Company’s Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
10.37	Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on December 5, 2013 (with schedule of indemnitees attached) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 11, 2013 and incorporated herein by reference).*
14.1	Farmer Bros. Co. Code of Conduct and Ethics adopted on August 26, 2010 and updated February 2013 (filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K filed with the SEC on October 15, 2013 and incorporated herein by reference).
21.1	List of all Subsidiaries of Farmer Bros. Co. (filed herewith)
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm (filed herewith)
23.2	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm (filed herewith)
31.1	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Principal Financial and Accounting Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Principal Financial and Accounting Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Properties List (filed herewith)
101	The following financial statements from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2014, formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Stockholders' Equity, and (vi) Notes to Consolidated Financial Statements (furnished herewith).

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* Management contract or compensatory plan or arrangement.

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Forward-Looking Statements

Certain statements contained in this Annual Report 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 the 2014 Form 10-K. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects, " "plans," "believes," "intends," "will," "assumes" and other words of similar meaning. These risks and uncertainties include the ability of the Company to achieve strategic initiatives, the risk that changes in management may not help improve Company performance, whether the implementation of compensation plans will provide the incentives desired, whether the achievement of Company and employee goals will drive Company performance, whether Company changes executed in the past year will produce Company benefits in the future, the Company's capacity to meet the demands of its 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, and whether improvements in Company performance would improve stockholder value. Certain risks and uncertainties related to the Company's business are or will be described in greater detail in the Company's filings with the SEC. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. The Company intends these forward-looking statements to speak only at the time of this Annual Report and does 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.

FARMER BROS. CO.

20333 South Normandie Avenue
Torrance, California 90502

DIRECTORS

Guenter W. Berger
Chairman of the Board
Farmer Bros. Co. — Retired Chief Executive Officer

Hamideh Assadi
Independent Tax Consultant

Randy E. Clark
Food Industry Consultant

Jeanne Farmer Grossman
Chair, Compensation Committee
Retired Teacher

Michael H. Keown
President, Chief Executive Officer
Farmer Bros. Co.

Charles F. Marcy
Chair, Nominating Committee
President and Chief Executive Officer
So Delicious Dairy Free

Christopher P. Mottern
Chair, Audit Committee
Business Consultant

EXECUTIVE OFFICERS

Michael H. Keown
President, Chief Executive Officer

Mark J. Nelson
Treasurer, Chief Financial Officer

Thomas W. Mortensen
Senior Vice President of Route Sales

Teri L. Witteman, Esq.
Secretary
Attorney-at-Law
Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP

LEGAL COUNSEL
Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP
199 South Los Robles Avenue, Suite 600
Pasadena, California 91101

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Deloitte & Touche LLP
695 Town Center Dr., Suite 1200
Costa Mesa, California 92626

TRANSFER AGENT AND REGISTRAR
Wells Fargo Bank, N.A.
Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, Minnesota 55120-4100

Financial Highlights[1]

(In thousands, except per share data)

Fiscal year ended June 30,	2014	2013	2012	2011	2010
Consolidated Statement of Operations Data:					
Net sales	$ 528,380	$ 513,869	$ 498,701	$ 464,346	$ 450,555
Cost of goods sold	$ 332,466	$ 328,693	$ 332,309	$ 316,109	$ 263,999
Income (loss) from operations	$ 8,916	$ 372	$ (21,846)	$ (70,725)	$ (41,030)
Income (loss) from operations per common share	$ 0.56	$ 0.02	$ (1.41)	$ (4.69)	$ (2.76)
Net income (loss)	$ 12,132	$ (8,462)	$ (26,576)	$ (52,033)	$ (25,359)
Net income (loss) per common share—basic	$ 0.76	$ (0.54)	$ (1.72)	$ (3.45)	$ (1.71)
Net income (loss) per common share—diluted	$ 0.76	$ (0.54)	$ (1.72)	$ (3.45)	$ (1.71)
Capital expenditures	$ 25,267	$ 15,894	$ 17,498	$ 19,416	$ 28,484
June 30,	**2014**	**2013**	**2012**	**2011**	**2010**
Consolidated Balance Sheet Data:					
Total assets	$ 266,177	$ 244,136	$ 257,916	$ 292,050	$ 342,084
Capital lease obligations	$ 9,703	$ 12,168	$ 15,867	$ 8,636	$ 3,861
Long-term borrowings under revolving credit facility	$ —	$ 10,000	$ —	$ —	$ —
Long-term derivative liabilities	$ —	$ 1,129	$ —	$ —	$ —
Total liabilities	$ 151.313	$ 162,298	$ 174,364	$ 158,635	$ 180,341

(1) For a discussion of the factors that materially affect the comparability of the information reflected in the selected financial data, see Part II, Item 6, Selected Financial Data, included in the Company's Form 10-K for the fiscal year ended June 30, 2014 (the "2014 Form 10-K"). As discussed in Note 1, "Summary of Significant Accounting Policies," and Note 17, "Selected Quarterly Financial Data (Unaudited)," of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of the 2014 10-K, the Company has corrected its consolidated financial statements for certain prior periods. The consolidated statement of operations data for the fiscal years ended June 30, 2014, 2013 and 2012, and the consolidated balance sheet data as of June 30, 2014 and 2013, are derived from, and are qualified in their entirety by reference to, the Company's audited consolidated financial statements included in the 2014 Form 10-K. The consolidated statement of operations data for the fiscal years ended June 30, 2011 and 2010, and the consolidated balance sheet data as of June 30, 2012, 2011 and 2010, have been corrected to conform to the consolidated financial statements included in the 2014 Form 10-K.

Farmer Brothers®

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