THE **FUTURE** IS BRIGHT

Farmer Brothers®

2015 ANNUAL REPORT

Fellow Stockholders,

On behalf of our employees and the Board of Directors, I am pleased to present the Annual Report for Farmer Bros. Co. for fiscal year 2015. Over the past year, we drove positive sales growth, delivered our second straight year of bottom line profitability, and further strengthened our balance sheet. The full commitment of our team members across the organization has resulted in, among other things, the Company's best two years in many years. In addition, we announced a long-term, strategic plan called our "Corporate Relocation Plan." This multi-phased plan is estimated to lower our cost structure by $12-15M per year, create a more focused organization, and allow us to better meet the needs of current and future customers for years to come. At a high level, key objectives of this plan include:

Industry Leading Operations
In order to drive long-term growth and shareholder value, we needed to take action to improve our manufacturing efficiency while enhancing our product quality and sustainable practices. As a result, we recently began construction on our state-of-the-art facility in Northlake, Texas housing our manufacturing, distribution, coffee lab and corporate headquarters. In addition, we closed coffee production at our Torrance facility and transferred that volume to other existing production sites while the new facility is under construction. Over the past year, we increasingly integrated and streamlined our approach to quality, consistency, production efficiency – and most of all, profitability. As an example, we continued to rationalize our offerings of brands and products. We believe we have many opportunities to systematize our manufacturing and supply chain and intend to capitalize on those opportunities in order to free up our organization's time to focus even more on customer needs.

Organizational Improvement
We are in the process of consolidating corporate support positions to Northlake, Texas. This includes positions from the relocation of the Torrance, California, corporate office as well as key support positions previously located at regional offices and manufacturing facilities. By placing key resources in the same location, we are already beginning to experience improved cross-organization communication and collaboration. In addition, we optimized reporting structures and created more efficient overall work processes after our executive team completed a comprehensive review of our current organizational structure and legacy systems. I am confident this will result in a more engaged team with greater individual focus on driving key business results.

Early Rendering - Exterior
Provided by RGA Architects, Inc.

Early Renderings - Interior
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Social Responsibility
We continued our commitment to causes we believe in, including, particularly, our "SEED" Program, which approaches sustainability through the promotion of Social Environmental Economic Development. Our third Sustainability Report, published this year, is based on the Global Reporting Initiative's core compliance standard. We submitted our first third-party verified Carbon Disclosure Project survey for Scope 1, 2 and 3 emissions. We continued our work with industry and trade groups that promote sustainable practices and provide assistance to coffee farmers, including World Coffee Research where I remain a member of its board. As I have said in the past, not only is our support the "right" thing to do, the efforts will promote the long-term health of our industry. Moreover, the new facility will help improve our production from a green perspective, and we anticipate that the facility will be LEED© certified.

It is so important to us that we continue to honor our heritage and proud history as we move forward into the next era, what we call "The Next Hundred Years."

I hope you can attend the Annual Meeting of Stockholders on December 3, 2015 in Fort Worth, Texas, 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 any questions. I am very proud to be a part of this team and confident in our ability to improve shareholder value.

All the best,

Mike

Michael H. Keown
President and Chief Executive Officer
Farmer Bros. Co.

FARMER BROS. CO.

13601 North Freeway, Suite 200
Fort Worth, Texas 76177

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 3, 2015

TO THE STOCKHOLDERS OF FARMER BROS. CO.:

NOTICE IS HEREBY GIVEN that the 2015 Annual Meeting of Stockholders (the "Annual Meeting") of Farmer Bros. Co., a Delaware corporation (the "Company" or "Farmer Bros."), will be held at the Hilton Garden Inn, 2600 Westport Parkway, Fort Worth, Texas 76177, on Thursday, December 3, 2015, at 10:00 a.m., Central Standard Time, for the following purposes:

1. To elect two Class III directors to the Board of Directors of the Company for a three-year term of office expiring at the 2018 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, 2016;
3. To hold an advisory (non-binding) vote to approve the Company's executive compensation; and
4. 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, 2015 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

Fort Worth, Texas

October 28, 2015

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 3, 2015

This Notice of Annual Meeting of Stockholders, the accompanying Proxy Statement, the Company's 2015 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.

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FARMER BROS. CO.

13601 North Freeway, Suite 200
Fort Worth, Texas 76177

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 2015 Annual Meeting of Stockholders (the "Annual Meeting") to be held on Thursday, December 3, 2015, at 10:00 a.m., Central 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, 2015 ("2015 Form 10-K") on or about November 3, 2015 to all stockholders entitled to notice of and to vote at the Annual Meeting. The Annual Meeting will be held at the Hilton Garden Inn, 2600 Westport Parkway, Fort Worth, Texas 76177. If you plan to attend the Annual Meeting in person, you should review the details below under "Attending the Annual Meeting."

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 13601 North Freeway, Suite 200, Fort Worth, Texas 76177 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 III directors to serve on our Board for a three-year term of office expiring at the 2018 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, 2016;
- An advisory (non-binding) vote to approve our executive compensation; 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, 2015 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, 2015. 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, 2015, 16,679,199 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 at the Annual Meeting.

Voting of Shares

Stockholders of record as of the close of business on October 16, 2015 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. 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. 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").

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 14.2% 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 or the advisory vote to approve our executive compensation.

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, 2016 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.

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 III directors for a three-year term of office expiring at the 2018 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, 2016; and
- FOR the advisory vote to approve our executive compensation.

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 13601 North Freeway, Suite 200, Fort Worth, Texas 76177, 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 2015, 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 Proposal No. 1, Election of Directors. 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.

Attending the Annual Meeting

Admission to the Annual Meeting is limited to stockholders as of the close of business on October 16, 2015 with proof of ownership of the Company's Common Stock, as well as valid government-issued photo identification, such as a valid driver's license or passport. If your shares are held in the name of a broker, bank or other nominee and you plan to attend the Annual Meeting, you must present proof of your ownership of stock, such as a bank or brokerage account statement, to be admitted to the Annual Meeting. If you are a participant in the ESOP, although you may attend the Annual Meeting in person, you will not be able to cast a vote at the meeting.

If you plan to attend the Annual Meeting, you can obtain directions at *http://proxy.farmerbros.com*.

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 III 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 2018 Annual Meeting of Stockholders. Class I consists of three directors, continuing in office until the 2016 Annual Meeting of Stockholders. Class II consists of two directors, continuing in office until the 2017 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 and Corporate Governance Committee, the Board has nominated Randy E. Clark and Jeanne Farmer Grossman for re-election to the Board as Class III directors. If re-elected at the Annual Meeting, each would serve until the 2018 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. Mr. Clark and Ms. Grossman each currently serves as a director. Each person nominated for election has agreed to serve if elected, and we have no reason to believe that any nominee will be unable to serve if elected.

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.

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 III 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 and Corporate Governance Committee
Randy Clark.	63	2012	X	Chair	
Jeanne Farmer Grossman	65	2009		X	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 jalapeños 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 Master's 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 leadership as a former CEO, extensive background and experience in the foodservice business, IT, manufacturing and supply chain experience, involvement in sustainability and corporate responsibility, executive compensation experience, 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, 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, knowledge of the coffee and foodservice industries, executive compensation experience, 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.

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 Expiration	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Hamideh Assadi.	70	2011	II	2017	X	X	
Guenter W. Berger.	78	1980	II	2017			
Michael H. Keown.	53	2012	I	2016			
Charles F. Marcy	65	2013	I	2016		X	Chair
Christopher P. Mottern.	71	2013	I	2016	Chair		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, executive compensation experience, 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, global sourcing and the production and distribution processes related to coffee, tea and culinary products.

Michael H. Keown joined the Company as President and Chief Executive Officer on March 23, 2012. Prior to joining the Company, 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. He has served on the Board of Directors and Audit Committee of Welch Foods Inc., a wholly-owned subsidiary of the National Grape Cooperative Association, Inc., since June 2015. 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, marketing and consumer branding experience, expertise in global sourcing, sustainability and corporate responsibility, 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 is an independent business consultant. He 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 from May 2013 until April 2015. Prior to this, he was a principal with Marcy & Partners, Inc., providing strategic planning and acquisition consulting to consumer products companies. 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 food and beverage 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 Kraft General Foods. Mr. Marcy served as the Chairman of the Finance Committee on the Board of Trustees of Washington and Jefferson College for eleven years until 2014 and 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 Strategy Committee and is a member and Chairman of the Audit Committee of the Board of Directors of B&G. 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 leadership as a former CEO, extensive experience in the food industry, including foodservice, manufacturing, supply chain, marketing and regulatory experience, as well as his corporate governance and public company board and executive compensation experience.

Christopher P. Mottern is an independent business consultant. He 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 leadership as a former CEO, coffee industry, foodservice, manufacturing, supply chain and consumer branding experience, risk oversight experience, 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, 2016, 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 interest 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 "1992 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 1992 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, 2015, 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	6,075,857 shares(4)	36.4%
Farmer Bros. Co. Employee Stock Ownership Plan	2,364,971 shares(5)	14.2%

(1) The address for the Farmer Group and the ESOP is c/o Farmer Bros. Co., 13601 North Freeway, Suite 200, Fort Worth, Texas 76177.

(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, 2015 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 Form 4's filed with the SEC on December 9, 2013 and February 11, 2015 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"), which 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. Based solely on information provided by the Farmer Group, each member of the Farmer Group is the beneficial owner of the following shares, including certain shares held in a subtrust for which a corporate trustee has voting and/or investment power (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	3,725,984	22.3%	106,996	1,355,252	2,477,728
Richard F. Farmer	3,349,679	20.1%	178,675	1,276,363	2,251,991
Jeanne Farmer Grossman	1,198,341	7.2%	6,030	883,063	321,308

(5) Pursuant to a Schedule 13G/A filed with the SEC on February 12, 2015. Includes 1,974,443 allocated shares and 390,528 shares as yet unallocated to plan participants as of December 31, 2014. 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, Isaac N. Johnston, Jr., Thomas J. Mattei, Jr., Marti Gonzalez 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, 2015, by: (i) each current director; (ii) all individuals serving as the Company's principal executive officer or acting in a similar capacity during fiscal 2015, all individuals serving as the Company's principal financial officer or acting in a similar capacity during fiscal 2015, the Company's three most highly compensated executive officers (other than the principal executive officer and principal financial officer) who were serving as executive officers at the end of fiscal 2015, and two additional individuals for whom disclosure would have been provided but for the fact that they were not serving as executive officers of the Company at the end of fiscal 2015 (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	10,743	(3)	*
Guenter W. Berger	32,519	(4)	*
Randy E. Clark	11,728	(5)	*
Jeanne Farmer Grossman	1,198,341	(6)	7.2%
Charles F. Marcy	7,239	(7)	*
Christopher P. Mottern	11,739	(8)	*
Named Executive Officers(9):			
Michael H. Keown	206,060	(10)	1.2%
Mark J. Nelson	32,879	(11)	*
Scott W. Bixby	2,732	(12)	*
Barry C. Fischetto	2,844	(13)	*
Thomas J. Mattei, Jr.	4,803	(14)	*
Thomas W. Mortensen	38,976	(15)	*
Mark A. Harding	—	(16)	*
All directors and executive officers as a group (15 individuals)(17)	6,438,119		38.1%

* 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, 2015, awarded under the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan, including the Addendum thereto effective December 5, 2014, 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, 2015 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	—	—	3,100
Guenter W. Berger	—	—	3,100
Randy E. Clark	—	—	3,100
Jeanne Farmer Grossman	—	—	3,100
Charles F. Marcy	—	—	2,253
Christopher P. Mottern	—	—	2,253
Named Executive Officers:			
Michael H. Keown	131,822	23,334	8,840
Mark J. Nelson(a)	25,895	—	5,947
Scott W. Bixby	—	—	2,732
Barry C. Fischetto	—	—	2,844
Thomas J. Mattei, Jr.	3,066	—	428
Thomas W. Mortensen(b)	20,555	—	—
Mark A. Harding(c)	—	—	—

(a) Mr. Nelson stepped down from the position of Treasurer and Chief Financial Officer effective October 1, 2015. Mr. Nelson is expected to continue as an employee of the Company under the terms of his existing employment agreement to allow for an effective transition of his duties and responsibilities, following which he will resign. Under the terms of the applicable award agreements, effective upon Mr. Nelson's resignation of employment, (i) all then unvested stock options will be cancelled; (ii) all then remaining restricted stock will be immediately forfeited; and (iii) Mr. Nelson will have three (3) months following termination of employment to exercise any vested stock options.

(b) Excludes 1,627 shares of restricted stock which were forfeited, and 3,546 unvested NQOs and 14,421 unvested and unearned PNQs which were cancelled, upon Mr. Mortensen's retirement from the Company effective July 1, 2015. Reflects the exercise and sale of 3,000 vested NQOs on October 1, 2015. Under the terms of the applicable award agreements, Mr. Mortensen will have one (1) year following his retirement to exercise any vested stock options.

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

(3) Includes 7,643 shares owned outright.

(4) Includes 14,735 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 8,628 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) 315,278 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 or Carol Farmer Waite; (iv) 12,035 shares owned outright; and (v) 3,100 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 6,075,857 shares, as shown in the table above under the heading "Security Ownership of Certain Beneficial Owners."

(7) Includes 4,986 shares owned outright.

(8) Includes 486 shares owned outright and 9,000 shares indirectly owned by Mr. Mottern as co-trustee for a family trust.

(9) Excludes Isaac N. Johnston, Jr., the Company's current Treasurer and Chief Financial Officer, whose employment with the Company commenced effective October 1, 2015.

(10) Includes 40,438 shares owned outright and 1,626 shares beneficially owned by Mr. Keown through the ESOP, rounded to the nearest whole share.

(11) Includes 1,037 shares beneficially owned by Mr. Nelson through the ESOP, rounded to the nearest whole share. Mr. Nelson stepped down from the position of Treasurer and Chief Financial Officer effective October 1, 2015. The ESOP shares included in the table above are expected to vest under the terms of the ESOP, as amended in connection with the Company's corporate relocation plan pursuant to which the Company will close its Torrance, California facility and relocate its operations to a new state-of-the-art facility housing its manufacturing, distribution, coffee lab and corporate headquarters in Northlake, Texas (the "Corporate Relocation Plan").

(12) Mr. Bixby joined the Company as Senior Vice President, General Manager Direct Store Delivery effective May 27, 2015.

(13) Mr. Fischetto joined the Company as Senior Vice President of Operations effective December 2, 2014.

(14) Includes 300 shares owned outright and 1,009 shares beneficially owned by Mr. Mattei through the ESOP, rounded to the nearest whole share. Mr. Mattei was appointed as the Company's General Counsel effective December 4, 2014 and Assistant Secretary effective August 6, 2015.

(15) Includes 9,848 shares owned outright and 8,573 shares beneficially owned by Mr. Mortensen through the ESOP, rounded to the nearest whole share. Mr. Mortensen retired from the Company effective July 1, 2015.

(16) 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.

(17) Includes 6,075,857 shares of Common Stock beneficially owned by the Farmer Group, including the 1,198,341 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)
Charles F. Marcy.	Independent(5)
Christopher P. Mottern	Independent

(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 current 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 36.4% of the outstanding Common Stock.

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

(5) Mr. Marcy served on the Board of Directors of Community Food Share, a nonprofit corporation, with Mr. Keown for a period ending in 2008.

Board Meetings and Attendance

The Board held fourteen meetings during fiscal 2015, including four regular and ten special meetings. During fiscal 2015, 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 in connection with each regularly scheduled Board meeting. Under the Company's Corporate Governance Guidelines, continuing directors are expected to attend the Company's annual meeting of stockholders absent a valid reason. All directors who were then serving were present at the 2014 Annual Meeting of Stockholders held on December 4, 2014.

Charters; Code of Conduct and Ethics; Corporate Governance Guidelines

The Board maintains charters for the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. In addition, the Board has adopted a written Code of Conduct and Ethics for all employees, officers and directors. During fiscal 2015, the Board adopted Corporate Governance Guidelines as a framework to promote the functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions. Current committee charters, the Code of Conduct and Ethics and the Corporate Governance Guidelines 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 of Directors has three standing committees: the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Summary information about each standing committee is set forth below. Additionally, from time to time, the Board has established *ad hoc* committees, on an interim basis, to assist the Board with its consideration of specific matters, and it expects to continue to do so as it may determine to be prudent and advisable in the future. In fiscal 2015, the Board established two Search Committees as ad hoc committees to search for potential candidates for the Senior Vice President of Operations and Chief Financial Officer positions. The committee members for the Senior Vice President of Operations Search Committee were Jeanne Farmer Grossman, Michael H. Keown and Christopher P. Mottern. The committee members for the Chief Financial Officer Search Committee were Hamideh Assadi, Randy E. Clark, Michael H. Keown and Christopher P. Mottern.

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, including the Company's cyber security risk. 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 2015, the Audit Committee held seven meetings. Christopher P. Mottern currently serves as Chair, and Hamideh Assadi and Randy E. Clark currently serve as members of the Audit Committee. 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 2015, the Compensation Committee held eleven meetings. Randy E. Clark currently serves as Chair, and Hamideh Assadi, Jeanne Farmer Grossman and Charles F. Marcy currently serve as members of the Compensation Committee. Until September 24, 2015, Jeanne Farmer Grossman served as Chair, and Hamideh Assadi, Randy E. Clark and Charles F. Marcy served as members of the Compensation Committee. Mr. Marcy was appointed to the Compensation Committee on December 5, 2014. 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 comparative pay levels among the members of the senior executive team, 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 Farmer Bros. Co. 2005 Incentive Compensation Plan, as amended (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 for 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 or confirms 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 and cash-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. Effective December 5, 2014, the Board approved an Addendum to the Amended Equity Plan to further define cash-based awards and other incentives payable in cash by setting forth provisions adding phantom stock units as a method of providing a cash-based, but equity-related incentive to key employees of the Company and its Board members.

- The Compensation Committee has the authority to retain consultants to advise on executive officer compensation matters. In fiscal 2015, the Compensation Committee utilized the services of Strategic Apex Group LLC ("Strategic Apex Group") to provide advice on the Company's executive compensation, to follow up on the work that it had performed for the Compensation Committee during the prior fiscal year. Strategic Apex Group was directed by the Compensation Committee to provide comparative information regarding Company executive officer compensation as compared to the peer group that Strategic Apex Group had helped to develop and refine and to make recommendations regarding the amount of total compensation to be delivered to executive officers. Strategic Apex Group attended none of the Compensation Committee meetings held in fiscal 2015. 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. In fiscal 2016, the Compensation Committee has engaged Meridian Compensation Partners, LLC ("Meridian") to review the Company's compensation peer group, benchmark officer pay levels and develop short- and long-term incentive plan design.

- 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 2015.

- 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. No executive officer has any role in determining or recommending the form or amount of director compensation.

- The Compensation Committee has the authority to retain consultants to advise on director compensation matters. In fiscal 2015, Strategic Apex Group provided information related to the recommended amount and form of compensation for non-employee directors, to follow up on the work that it had performed for the Compensation Committee during the prior fiscal year.
- 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 2015.

Compensation Committee Interlocks and Insider Participation

During fiscal 2015, Hamideh Assadi, Randy E. Clark, Jeanne Farmer Grossman and Charles F. Marcy 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 2015, 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 2015.

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 2015 Form 10-K.

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

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is a standing committee of the Board. The Nominating and Corporate Governance Committee's principal purposes are (i) monitoring the Company's corporate governance structure; (ii) assisting the Board in fulfilling its oversight responsibilities with respect to the management of risks associated with corporate governance; (iii) ensuring that the Board is appropriately constituted in order to meet its fiduciary obligations, including by identifying individuals qualified to become Board members and members of Board committees, recommending to the Board director nominees for the next annual meeting of stockholders or for appointment to vacancies on the Board, and recommending to the Board nominees for each committee of the Board; and (iv) leading the Board in its annual review of the Board's performance. During fiscal 2015, the Board changed the committee's name from Nominating Committee to Nominating and Corporate Governance Committee and approved amendments to the committee's charter to expand the scope of the committee's responsibilities to include corporate governance structure and the risks associated with corporate governance.

During fiscal 2015, the Nominating and Corporate Governance Committee met three times. Charles F. Marcy currently serves as Chair, and Jeanne Farmer Grossman and Christopher P. Mottern currently serve as members of the Nominating and Corporate Governance Committee. Prior to December 5, 2014, all of the Company's independent directors served on the Nominating Committee. The Board has determined that all directors who served on the Nominating Committee or who currently serve on the Nominating and Corporate Governance Committee are independent under the Nasdaq listing standards.

Director Qualifications and Board Diversity

The Nominating and Corporate Governance 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 and Corporate Governance 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 and Corporate Governance 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 and Corporate Governance 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 and Corporate Governance 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.

Directors should possess the highest personal and professional ethics, integrity and values and should be committed to representing the long-term interests of the Company's stockholders. The Nominating and Corporate Governance Committee evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best perpetuate the success of the Company's business and represent stockholder interests through the exercise of sound judgment, using its diversity of experience. Prior to nominating a sitting director for reelection, the Nominating and Corporate Governance Committee will consider the director's past attendance at, and participation in, meetings of the Board and its committees and the director's formal and informal contributions to the Board and its committees.

The Nominating and Corporate Governance 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 and Corporate Governance 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. During 2015, the Nominating and Corporate Governance Committee undertook a skills and experience evaluation to assist the committee in planning director education programs and to identify desired skill and experience for future director nominees. 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 and Corporate Governance Committee often relies on professional and personal contacts of the Board and senior management. If necessary, the Nominating and Corporate Governance Committee may explore alternative sources for identifying nominees, including engaging, as appropriate, a third party search firm to assist in identifying qualified candidates. No such search firms were retained by the Nominating and Corporate Governance Committee in fiscal 2015.

The Nominating and Corporate Governance 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., 13601 North Freeway, Suite 200, Fort Worth, Texas 76177, Attention: Secretary. The Nominating and Corporate

Governance 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 and Corporate Governance 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, cyber security, 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 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, 13601 North Freeway, Suite 200, Fort Worth, Texas 76177. 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 and Corporate Governance Committee.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Fiscal 2015 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 2015 with respect to our Named Executive Officers which include four current and three former executive officers as set forth in the table below:

Current Executive Officers(1) Included Among Fiscal 2015 Named Executive Officers	Former Executive Officers Included Among Fiscal 2015 Named Executive Officers
Michael H. Keown President and Chief Executive Officer	Mark J. Nelson(5) Former Treasurer and Chief Financial Officer
Scott W. Bixby(2) Senior Vice President, General Manager Direct Store Delivery	Thomas W. Mortensen(6) Former Senior Vice President of Route Sales
Barry C. Fischetto(3) Senior Vice President of Operations	Mark A. Harding(7) Former Senior Vice President of Operations
Thomas J. Mattei, Jr.(4) General Counsel and Assistant Secretary	

(1) Excludes Isaac N. Johnston, Jr., the Company's current Treasurer and Chief Financial Officer, whose employment with the Company commenced effective October 1, 2015.

(2) Mr. Bixby's employment with the Company commenced effective May 27, 2015.

(3) Mr. Fischetto' s employment with the Company commenced effective December 2, 2014.

(4) Mr. Mattei was appointed as an executive officer effective December 4, 2014.

(5) Mr. Nelson stepped down from the position of Treasurer and Chief Financial Officer effective October 1, 2015. Mr. Nelson is expected to continue as an employee of the Company under the terms of his existing employment agreement to allow for an effective transition of his duties and responsibilities, following which he will resign.

(6) Mr. Mortensen retired from the Company effective July 1, 2015.

(7) Mr. Harding separated from employment with the Company effective July 31, 2014.

Executive Compensation Philosophy and Objectives and Pay-for-Performance

Our executive compensation program is based upon striving to achieve 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 stockholder interests and the promotion of stock performance;

- 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 has been 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 individual 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 or cash-based awards under the Amended Equity Plan).

Fiscal 2015 Impact of Performance on Pay

In fiscal 2015, the Compensation Committee established Company financial performance criteria and individual participant goals for bonus awards under the Incentive Plan. For fiscal 2015, 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. Each of these measures excluded the effect of restructuring and other transition expenses related to the Corporate Relocation Plan. The Compensation Committee established a target level of performance for each of these goals as well as a threshold level for modified net income. In the event that the Company’s modified net income did not reach or exceed the threshold level, then no bonus was to be awarded to executive officers under the Incentive Plan. In fiscal 2015, net income was $652,000 compared to net income of $12.1 million in fiscal 2014, and the Company did not achieve the modified net income threshold level for fiscal 2015, so no bonus was awarded to any executive officer or other employee under the Company’s annual incentive compensation plans, including the Incentive Plan, with respect to fiscal 2015 performance. Although no bonus was awarded to any executive officer or other employee under the Company’s annual incentive compensation plans, including the Incentive Plan, in fiscal 2015, the Board of Directors elected to make a one-time discretionary cash payment (“Special Payment”) to all employees eligible to receive a bonus under such plans, including to executive officers under the Incentive Plan, equal to 25% of each such employee’s fiscal 2015 target bonus calculated based on average monthly base salary, prorated for those employees who joined the Company in fiscal 2015 based on start date. The Special Payment totaled $1,178,873, including $265,697 paid to Named Executive Officers. The Special Payment was awarded in recognition of the contribution and work of Company employees generally toward the execution of the Corporate Relocation Plan.

In fiscal 2015, 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 Mattei, 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 each anniversary of the grant date based on the Company’s achievement of a modified net income target for each fiscal year of the performance period as approved by the Compensation Committee, as well as an ability for each such tranche of each grant to vest in a subsequent period based upon achievement of cumulative modified net income equal to the sum of the individual targets for the periods being accumulated, 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 Company has met the first-year performance target set forth in the PNQ agreements for the fiscal 2015 awards.

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 and cash-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. Effective December 5, 2014, the Board approved an Addendum to the Amended Equity Plan to further define cash-based awards and other incentives payable in cash by setting forth provisions adding phantom stock units as a method of providing a cash-based, but equity-related incentive to key employees of the Company and its Board members.

For Mr. Keown, our current President and Chief Executive Officer, on an annualized basis for fiscal 2015, 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 and excluding Mr. Harding), on average, in fiscal 2015 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 349,565 shares have been exercised since inception of the Amended Equity Plan (including under its predecessor, the Omnibus Plan), and 509,397 shares issuable under outstanding stock options are “in the money” as of October 16, 2015.

Good Governance and Best Practices

Executive officer compensation is determined by the Compensation Committee which comprises only 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 2015, the Compensation Committee utilized the services of Strategic Apex Group to to provide advice on the Company’s executive compensation, to follow up on the work that it had performed for the Compensation Committee during the prior fiscal year 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 2014, 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 68% of the shares present or represented by proxy at the 2014 Annual Meeting and entitled to vote on the matter casting votes in favor of the say-on-pay proposal, which was a slight 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 2015, the Compensation Committee performed fine tuning of the Company’s executive compensation programs, given the work completed by the Compensation Committee in the prior two fiscal years to increasingly tie pay to performance. In fiscal 2015, the Compensation Committee awarded only PNQs to existing employees, with the use of NQOs and restricted stock limited to initial awards granted to incoming employees, and implemented 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 may incorporate cash-settled stock units in the future. Cash-settled stock units were added as a potential form of long-term incentive compensation award specifically 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 2016, the Compensation Committee has determined that annual incentive cash bonuses under the Incentive Plan will be determined in much the same manner as fiscal 2015, with modified net income and modified operating cash flow targets representing challenging goals that are designed to incentivize the executive officers, and that, if achieved, will reflect improvement in Company profitability in the hope of delivering additional value to our stockholders. Commencing in fiscal 2016, the threshold achievement required will be reduced; however, for total achievement of Company financial performance criteria below target (but above the required threshold) the resulting score will be reduced by a factor significantly in excess of the proportional reduction below 100%, placing an even stronger incentive to achieve at or above target levels. In accordance with the Amendment to the Incentive Plan approved by the Company's stockholders on December 4, 2014 and effective as of July 1, 2014, awards under the Incentive Plan may qualify as "performance-based compensation" assuming the requirements under Section 162(m) are otherwise met.

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 continue to 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 requisite 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 to assist the Company in recruiting and retaining key executives.

In fiscal 2015, in connection with the Corporate Relocation Plan, the Company designed and implemented certain compensation programs and benefits, in concert with existing Company compensation programs such as severance, to promote, among other things, continued engagement by employees who would not be relocating, smooth transition of processes and duties to new employees, and ease of transition for relocating employees, all of which focus on ensuring that the Company continues to perform well while undergoing the transition and executes well to achieve the goals of the Corporate Relocation Plan. We also implemented programs designed to provide assistance to our displaced employees. Our Named Executive Officers, with the exception of Messrs. Mortensen and Harding, are entitled to participate in these compensation programs and benefits. These programs are described below under the heading “Corporate Relocation Plan.”

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 comprises only 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 2015, the Compensation Committee utilized the services of Strategic Apex Group to provide advice on the Company’s executive compensation, to follow up on the work that it had performed for the Compensation Committee during the prior fiscal year. Strategic Apex Group was directed by the Compensation Committee to provide comparative information regarding Company executive officer compensation as compared to the peer group that Strategic Apex Group had helped to develop and refine and to make recommendations regarding the amount of total compensation to be delivered to executive officers. Strategic Apex Group also provided information related to the recommended amount and form of compensation for non-employee directors. Strategic Apex Group attended none of the Compensation Committee meetings held in fiscal 2015.

Neither Strategic Apex Group nor any of its affiliates provided any services to the Company or its affiliates during fiscal 2015 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.

In fiscal 2016, the Compensation Committee has engaged Meridian to review the Company’s compensation peer group, benchmark officer pay levels and develop short- and long-term incentive plan design.

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, Chief Financial Officer and General Counsel routinely attend the meetings of the Compensation Committee to provide input, as requested by the Compensation Committee and, in the case of the General Counsel, to act as secretary for the meeting. 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, in fiscal 2014 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 and continued to use this same peer group in fiscal 2015:

- 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 found this peer group to be appropriate because it represented 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 established executive compensation philosophy and objectives described above, and informed by the benchmarking comparisons provided by Strategic Apex Group, the Compensation Committee set fiscal 2015 base salaries for the Named Executive Officers as follows:

Name	Fiscal 2015 Annual Base Salary(1)	Fiscal 2014 Annual Base Salary(1)	Fiscal 2015 Annual Base Salary Percentage Change
Michael H. Keown	$ 507,000	$ 475,000	6.7%
Mark J. Nelson(2)	$ 320,000	$ 310,000	3.2%
Scott W. Bixby(3)	$ 300,000	$ —	—%
Barry C. Fischetto(4)	$ 300,000	$ —	—%
Thomas J. Mattei, Jr.(5)	$ 250,000	$ —	—%
Thomas W. Mortensen(6)	$ 270,300	$ 265,000	2.0%
Mark A. Harding(7)	$ 261,375	$ 261,375	0.0%

(1) Annual base salary as of the end of the applicable fiscal year or last day of employment. Increase in fiscal 2015 base salary for Messrs. Keown, Nelson and Mortensen effective September 1, 2014.

(2) Mr. Nelson stepped down from the position of Treasurer and Chief Financial Officer effective October 1, 2015.

(3) Mr. Bixby's employment with the Company commenced effective May 27, 2015.

(4) Mr. Fischetto's employment with the Company commenced effective December 2, 2014.

(5) Mr. Mattei was appointed as an executive officer effective December 4, 2014. Pursuant to his employment agreement with the Company, Mr. Mattei's annual base salary was increased to $300,000 effective as of August 6, 2015.

(6) Mr. Mortensen retired from the Company effective July 1, 2015.

(7) Actual fiscal 2015 base salary prorated through July 31, 2014, the effective date of Mr. Harding's separation from employment with the Company.

Incentive Cash Bonus

Under the Incentive Plan, early in 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 theoretically differ among the executive officers, although over the past four fiscal years the weighting between Company financial performance criteria and individual goals has been uniform for all executive officers in the interest of providing a concerted and unified emphasis on Company performance while still providing for attention on individual initiatives and deliverables. A threshold level for the Company's financial performance may also be established which, if not met, may preclude the award of bonuses, and such a threshold has been implemented in each of the prior four fiscal years. 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 or confirms 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. 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 (comprising 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 comparative pay levels among the members of 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 that are designed to incentivize the executive officers, and that, if achieved, will reflect improvement in Company profitability in the hope of delivering additional value to our stockholders. In accordance with the Amendment to the

Incentive Plan approved by the Company's stockholders on December 4, 2014 and effective as of July 1, 2014, awards under the Incentive Plan may qualify as "performance-based compensation" assuming the requirements under Section 162(m) are otherwise met.

In fiscal 2015, 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 reflecting recent and prior information and 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. The target bonus for any executive officer who commenced employment during the fiscal year was prorated based on start date.

In evaluating final awards under the Incentive Plan for fiscal 2015, the Compensation Committee first considered the Company's financial performance for fiscal 2015 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. Each of these measures excluded the effect of restructuring and other transition expenses related to the Corporate Relocation Plan. In fiscal 2015, net income was $652,000 compared to net income of $12.1 million in fiscal 2014, and the Company did not achieve the modified net income threshold level for fiscal 2015, so no bonus was awarded to any executive officer or other employee under the Company's annual incentive compensation plans, including the Incentive Plan, with respect to fiscal 2015 performance.

While ordinarily the next step is for the Compensation Committee to determine the achievement by each Named Executive Officer eligible to receive a bonus of his individually assigned goals, the fact that the Company did not achieve the threshold level of modified net income for fiscal 2015 meant that no bonus could be awarded, irrespective of any Named Executive Officer's level of achievement of his individual goals, including mathematically by reason of the fact that any such result would be multiplied by the Company achievement percentage of zero. Notwithstanding that no bonus would be awarded, the Compensation Committee did receive and evaluate information with respect to each current Named Executive Officer's level of achievement of individual goals.

The Compensation Committee typically evaluates the achievement of the individual listed goals as well as other reasonable factors it considers to be germane to each Named Executive Officer's performance for the year and listed goals were not required to be an exclusive list of goals and factors to be considered by the Compensation Committee in determining each Named Executive Officer's level of individual achievement for fiscal 2015.

Total incentive compensation bonuses paid to the Company's Named Executive Officers who were serving as executive officers at the end of fiscal 2015 under the Incentive Plan were $0, as compared to $1,323,341 paid to named executive officers, in fiscal 2014. The corporate and individual target levels for fiscal 2015 are considered confidential, the disclosure of which could cause competitive harm to the Company. In accordance with the statement above regarding the Compensation Committee's 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 result for fiscal 2015 is indicative that targets set and approved by the Compensation Committee are, in fact, challenging and not easily achievable.

Although no bonus was awarded to any executive officer or other employee under the Company's annual incentive compensation plans, including the Incentive Plan, in fiscal 2015, the Board of Directors elected to make a Special Payment to all employees eligible to receive a bonus under such plans, including executive officers, equal to 25% of each such employee's fiscal 2015 target bonus calculated based on average monthly base salary, prorated for those employees who joined the

Company in fiscal 2015 based on start date. The Special Payment totaled $1,178,873, including $265,697 paid to Named Executive Officers. The Special Payment was awarded in recognition of the contribution and work of Company employees generally toward the execution of the Corporate Relocation Plan.

Fiscal 2015 bonus information for the Named Executive Officers is as follows:

Name	Fiscal 2015 Target Award	Fiscal 2015 Target Award as Percentage of Fiscal 2015 Base Salary	Corporate Performance Goals (Weight)	Individual Performance Goals (Weight)	Fiscal 2015 Actual Bonus Award	Special Payment
Michael H. Keown	$ 507,000	100.0%	90.0%	10.0%	$ 0	$ 125,365
Mark J. Nelson(1).	$ 208,000	65.0%	90.0%	10.0%	$ 0	$ 51,437
Scott W. Bixby(2).	$ 15,370	5.1%	90.0%	10.0%	$ 0	$ 3,649
Barry C. Fischetto(3)	$ 94,932	31.6%	90.0%	10.0%	$ 0	$ 23,639
Thomas J. Mattei, Jr.(4)	$ 100,000	40.0%	90.0%	10.0%	$ 0	$ 24,567
Thomas W. Mortensen(5). . . .	$ 148,665	55.0%	90.0%	10.0%	$ 0	$ 37,040
Mark A. Harding(6)	$ —	—%	—%	—%	$ —	$ —

(1) Mr. Nelson stepped down from the position of Treasurer and Chief Financial Officer effective October 1, 2015.

(2) Pursuant to his employment agreement with the Company, Mr. Bixby's target award as a percentage of base salary was fifty-five percent (55%), or $165,000, prorated based on his employment commencement date of May 27, 2015.

(3) Pursuant to his employment agreement with the Company, Mr. Fischetto' s target award as a percentage of base salary was fifty-five percent (55%), or $165,000, prorated based on his employment commencement date of December 2, 2014.

(4) Mr. Mattei was appointed as an executive officer effective December 4, 2014. Pursuant to his employment agreement with the Company, Mr. Mattei's target award as a percentage of base salary was increased to fifty-five percent (55%) effective as of August 6, 2015.

(5) Mr. Mortensen retired from the Company effective July 1, 2015.

(6) Mr. Harding separated from employment with the Company effective July 31, 2014 and did not participate in the Incentive Plan or receive a Special Payment in fiscal 2015.

For fiscal 2016, the Compensation Committee has determined that annual incentive cash bonuses under the Incentive Plan will be determined in much the same manner as fiscal 2015, with modified net income and modified operating cash flow targets representing challenging goals that are designed to incentivize the executive officers, and that, if achieved, will reflect improvement in Company profitability in the hope of delivering additional value to our stockholders. Commencing in fiscal 2016, the threshold achievement required will be reduced; however, for total achievement of Company financial performance criteria below target (but above the required threshold) the resulting score will be reduced by a factor significantly in excess of the proportional reduction below 100%, placing an even stronger incentive to achieve at or above target levels.

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. Effective December 5, 2014, the Board approved an Addendum to the Amended Equity Plan to further define cash-based awards and other incentives payable in cash by setting forth provisions adding phantom stock units as a method of providing a cash-based, but equity-related incentive to key employees of the Company and its Board members. 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 exercise price of the NQOs and number of shares of restricted stock awarded 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 the 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, with the exception of NQOs and restricted stock granted to Messrs. Bixby and Fischetto pursuant to the terms of their employment agreements as an inducement to their joining the Company which vest ratably over three years on the anniversary of the grant date. No PNQs were granted prior to fiscal 2014.

On February 9, 2015, the Compensation Committee made the following annual grants of PNQs to our Named Executive Officers under the Amended Equity Plan:

Name	Fiscal 2015 Annual PNQ Grant (# of Shares of Common Stock Issuable Upon Exercise)
Michael H. Keown	49,902
Mark J. Nelson(1)	21,400
Scott W. Bixby(2)	0
Barry C. Fischetto(3)	0
Thomas J. Mattei, Jr.	4,281
Thomas W. Mortensen(4)	9,095
Mark A. Harding(5)	—

(1) Mr. Nelson stepped down from the position of Treasurer and Chief Financial Officer effective October 1, 2015. Mr. Nelson is expected to continue as an employee of the Company under the terms of his existing employment agreement to allow for an effective transition of his duties and responsibilities, following which he will resign. Under the terms of the applicable award agreements, effective upon Mr. Nelson's resignation of employment, all then unvested stock options will be cancelled.

(2) Mr. Bixby's employment with the Company commenced effective May 27, 2015; no PNQ grant was awarded to him.

(3) Mr. Fischetto' s employment with the Company commenced effective December 2, 2014; no PNQ grant was awarded to him.

(4) Under the terms of the award agreement, Mr. Mortensen's fiscal 2015 PNQ grant was unvested and cancelled upon his retirement from the Company effective July 1, 2015.

(5) Mr. Harding separated from employment with the Company effective July 31, 2014 and did not participate in the Amended Equity Plan in fiscal 2015.

The PNQs shown in the table above have an exercise price per share of $23.44, which was the closing price of the Common Stock as reported on Nasdaq on the date of grant. The PNQs have a seven-year term expiring on February 9, 2022 and vest over a three-year period with one-third of the total number of shares subject to each such PNQ vesting on each anniversary of the grant date based on the Company's achievement of a modified net income target for each fiscal year of the performance period as approved by the Compensation Committee, as well as an ability for each such tranche of each grant to vest in a subsequent period based upon achievement of cumulative modified net income equal to the sum of the individual targets for the periods being accumulated, 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 Company has met the first-year performance target set forth in the PNQ agreements for the fiscal 2015 awards.

On February 9, 2015, pursuant to the employment agreement between the Company and Mr. Fischetto, the Compensation Committee granted 2,844 shares of restricted stock and 13,123 NQOs to Mr. Fischetto. The restricted stock vests on February 9, 2018 and the stock options vest ratably over three years on the anniversary of the grant date, in each case, subject to the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement. The stock options have an exercise price of $23.44, 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 February 9, 2022. The foregoing equity awards were granted to Mr. Fischetto as an inducement to his joining the Company.

On May 27, 2015, pursuant to the employment agreement between the Company and Mr. Bixby, the Compensation Committee granted 2,732 shares of restricted stock and 12,580 NQOs to Mr. Bixby. The restricted stock vests on May 27, 2018 and the stock options vest ratably over three years on the anniversary of the grant date, in each case, subject to the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement. The stock options have an exercise price of $24.41, 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 May 27, 2022. The foregoing equity awards were granted to Mr. Bixby as an inducement to his joining the Company.

Stock options for 349,565 shares have been exercised since inception of the Amended Equity Plan (including under its predecessor, the Omnibus Plan), and 509,397 shares issuable under outstanding stock options are "in the money" as of October 16, 2015.

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. Notwithstanding the foregoing, in connection with the Corporate Relocation Plan, the Management Administrative Committee, with the consent of the Board of Directors, amended the ESOP to provide for full vesting of the accounts of certain ESOP participants under certain circumstances due to the closure of the Company's Torrance facility or a reduction-in-force at another Company facility designated by the Management Administrative Committee as eligible for accelerated vesting under the terms of the ESOP, as so amended. 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 12, 2015, as of December 31, 2014, the ESOP owned of record 2,364,971 shares of Common Stock, including 1,974,443 allocated shares and 390,528 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, Isaac N. Johnston, Jr., Thomas J. Mattei, Jr., Marti Gonzalez and Rene E. Peth.

Our executive officers participate in the ESOP in the same manner as all other participants. In calendar 2015, the Company's Named Executive Officers received the following ESOP allocations based on compensation earned during calendar 2014:

Name	Calendar Year 2015 ESOP Allocation (# of Shares)
Michael H. Keown	523
Mark J. Nelson	522
Scott W. Bixby	—
Barry C. Fischetto	—
Thomas J. Mattei, Jr.	522
Thomas W. Mortensen	522
Mark A. Harding	—

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) and a 401(k) plan. 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. Co. Pension Plan for Salaried Employees (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. 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, relocation assistance, 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).

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

Corporate Relocation Plan

On February 5, 2015, the Company announced the Corporate Relocation Plan, pursuant to which we will close our Torrance, California facility and relocate its operations to a new state-of-the-art facility housing our manufacturing, distribution, coffee lab and corporate headquarters. The new facility will be located in Northlake, Texas in the Dallas/Fort Worth area. In fiscal 2015, in connection with the Corporate Relocation Plan, the Company designed and implemented certain compensation programs and benefits, in concert with existing Company compensation programs such as severance, to promote, among other things, continued engagement by employees who would not be relocating, smooth transition of processes and duties to new employees, and ease of transition for relocating employees, all of which focus on ensuring that the Company continues to perform well while undergoing the transition and executes well to achieve the goals of the Corporate Relocation Plan. We also implemented programs designed to provide assistance to our displaced employees. Our Named Executive Officers, with the exception of Messrs. Mortensen and Harding, are entitled to participate in these compensation programs and benefits.

The main compensation programs or features added in connection with the Corporate Relocation Plan which benefit employees, including executive officers, are as follows: retention payments, relocation benefits, accelerated 401(k) vesting and accelerated ESOP vesting.

- ***Retention Payments***: Fixed payment amounts that would be paid to employees upon remaining in employment through a specified date and otherwise satisfying the requirements of that position. Retention payment amounts are determined by reference to position, role in transition of duties, length of time for which the employee is retained, and whether the employee is expected to transition to the new location. Retention payments were implemented in order to promote continued engagement and orderly transition of processes and duties from exiting employees to new employees.
- ***Relocation Benefits:*** Direct payment or reimbursement of expenses, as well as certain tax gross-up payments, in connection with relocation to the new facility in Northlake, Texas, from Torrance, California or other locations across the country. Relocation benefits could consist of some or all of the following: moving of household goods, travel expense reimbursement for home-finding trips and final journey to the destination, expense allowance, home sale assistance (including, potentially, payment of certain closing costs including commission on sale, marketing assistance, inspection cost reimbursement), provision of information regarding the destination, payment of certain closing costs in connection with a new home purchase, rental assistance (including, potentially, payment of certain lease cancellation or penalty charges, an allowance for area touring fees, and payment of limited finder's fees), shipment of an automobile, temporary storage of household goods, temporary housing, and tax gross-up payments in connection with some of the foregoing benefits. Employees who receive these relocation benefits sign agreements obligating them to repay all or a portion of the amounts in the event that the employee resigns or is terminated within

the 24 months following the relocation. These relocation benefits were implemented in order to ease transition for relocating employees.

- ***Accelerated 401(k) Vesting:*** Full vesting of the Company match amounts and the pro rata share of the Company match amounts accumulated during the 2015 calendar year, of certain Company 401(k) participants under certain circumstances due to the closure of the Company's Torrance facility or a reduction-in-force at another Company facility designated by the Management Administrative Committee. Accelerated vesting of Company match amounts under the 401(k) was implemented to prevent the loss of Company match amounts accumulated in 401(k) accounts by employees who would be losing their jobs because of circumstances arising from the Corporate Relocation Plan, addressing the goal of providing assistance to displaced employees.
- ***Accelerated ESOP Vesting***: Full vesting of the accounts of certain ESOP participants under certain circumstances due to the closure of the Company's Torrance facility or a reduction-in-force at another Company facility designated by the Management Administrative Committee. Accelerated ESOP vesting was implemented to prevent the loss of ESOP benefits by employees who would be losing their jobs because of circumstances arising from the Corporate Relocation Plan, addressing the goal of providing assistance to displaced employees.

Change in Control and Termination Arrangements

Change in Control Severance Agreements; Employment Agreements; Severance Arrangements

The Company has entered into agreements with each of Messrs. Keown, Nelson, Johnston, Bixby, Fischetto and Mattei 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 severance agreements with Messrs. Mortensen and Harding automatically expired upon their retirement or separation from employment with the Company effective July 1, 2015 and July 31, 2014, respectively. A description of the benefits paid to Messrs. Mortensen and Harding in connection with their retirement or separation from employment, respectively, 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 pro rata 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). In accordance with the Amendment to the Incentive Plan approved by the Company's stockholders on December 4, 2014 and effective as of July 1, 2014, awards under the Incentive Plan may qualify as performance-based compensation assuming the requirements under Section 162(m) are otherwise met.

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 2015 will be deductible by the Company for federal income tax purposes.

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.	53	President and Chief Executive Officer	2012
Isaac N. Johnston, Jr.(1)	53	Treasurer and Chief Financial Officer	2015
Scott W. Bixby.	54	Senior Vice President, General Manager Direct Store Delivery	2015
Barry C. Fischetto	46	Senior Vice President of Operations	2014
Thomas J. Mattei, Jr..	45	General Counsel and Assistant Secretary	2015
Teri L. Witteman	47	Secretary	2012

(1) Mr. Johnston was appointed Treasurer and Chief Financial Officer effective October 1, 2015. Mark J. Nelson, the Company's former Treasurer and Chief Financial Officer, stepped down from that position effective October 1, 2015. Mr. Nelson is expected to continue as an employee of the Company under the terms of his existing employment agreement to allow for an effective transition of his duties and responsibilities, following which he will resign.

Michael H. Keown joined the Company as President and Chief Executive Officer on March 23, 2012. Prior to joining the Company, 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. He has served on the Board of Directors and Audit Committee of Welch Foods Inc., a wholly-owned subsidiary of the National Grape Cooperative Association, Inc., since June 2015. Mr. Keown received his undergraduate degree in Economics from Northwestern University.

Isaac N. Johnston, Jr. joined the Company as Treasurer and Chief Financial Officer effective October 1, 2015. Prior to joining the Company, Mr. Johnston served as President of WWW-Winning Enterprises, LLC ("Winning Enterprises"), a consulting company he founded, focusing on implementing productivity programs from June 2014 to September 2015. Prior to that, from January 2013 to June 2014, Mr. Johnston served as the Executive Vice President, CFO of Operations and Chief Transformation Officer at United Surgical Partners International, Inc. ("USPI"), a partner in a network of surgical and imaging facilities across the nation, where his primary focus was on transforming the supply chain structure to a more cost competitive model. Prior to USPI, from 2012 to 2013, he served as President of Winning Enterprises. Prior to that, for 27 years, from 1985 to 2012, Mr. Johnston served at PepsiCo Inc., a global food and beverage company, in several senior leadership roles, including from 2010 to 2012 as Senior Vice President of Company Wide Productivity and Advanced Research Commercialization at Frito-Lay North America, from 2009 to 2010 as Senior Vice President of Procurement at PepsiCo, from 2005 to 2009 as Senior Vice President Finance at Frito-Lay North America, and from 2001 to 2005 as Chief Financial Officer of Frito-Lay Canada. Mr. Johnston graduated with an undergraduate degree in Accounting from Oklahoma State University and was a certified public accountant in the State of Texas from 1987 to 1991.

Scott W. Bixby joined the Company as Senior Vice President, General Manager Direct Store Delivery effective May 27, 2015. Prior to joining the Company, Mr. Bixby served as Vice President, Customer Development for Hill's Pet Nutrition, a leader in specialty pet nutrition products and a subsidiary of the Colgate-Palmolive Company, from 2013 to May 2015. Mr. Bixby's responsibilities included all US customer sales relationships, e-commerce, customer service, consumer services, retail marketing, and multi-functional customer development. From 2004 to 2012, Mr. Bixby served as Senior Vice President and Chief Merchandising Officer for Food Services of America, part of Services Group of America, one of the nation's largest privately-held broadline foodservice distributors, leading the procurement and merchandising side of the business for the Food Group distribution comprised of Ameristar Meats, Amerifresh Produce, GAMPAC Transportation, and Systems Services of America. Prior to Food Services of America, Mr. Bixby served three years as Vice President of Sales at the Campbell Soup Company, a producer of canned soups and related products. Prior to the Campbell Soup Company, Mr. Bixby served for 19 years at The Procter & Gamble Company, a multinational consumer goods company, in a variety of sales management and marketing roles with increasing responsibilities, and played key leadership roles in building customer-focused, multi-functional sales teams responsible for working with many of the nation's leading retailers including Costco Wholesale, H-E-B, Kroger, SuperValu and Safeway. Mr. Bixby graduated with an undergraduate degree in Marketing from Colorado State University.

Barry C. Fischetto joined the Company as Senior Vice President of Operations effective December 2, 2014. Prior to joining the Company, Mr. Fischetto, served as chief operating officer of SK Food Group, a subsidiary of Premium Brands Holdings Corporation, a producer, marketer and distributor of branded specialty food products, traded on the Toronto Stock Exchange, from 2013 to August 2014. From 2010 to 2013 Mr. Fischetto served as chief operating officer and from 2007 to 2010 as senior vice president at Millard Refrigerated Services, Inc. ("Millard"), a privately held temperature controlled supply chain solutions company, leading a 38-facility workforce with process improvements and best-in-class service levels to provide scalable process reliability. Prior to joining Millard, Mr. Fischetto held leadership positions with increasing responsibilities in supply chain management and continual process improvement with ConAgra Foods, Inc. and Nabisco Biscuit Company. Mr. Fischetto received his MBA in Operations Management from Long Island University and his undergraduate degree in Business Management from St. Thomas Aquinas College.

Thomas J. Mattei, Jr. was promoted to General Counsel effective December 4, 2014 and appointed Assistant Secretary effective August 6, 2015. Mr. Mattei joined the Company in January 2013 as Vice President and Corporate Counsel. Prior to joining the Company, Mr. Mattei was in private practice with Weintraub Tobin Chediak Coleman Grodin Law Corporation and Weissmann Wolff Bergman Coleman Grodin & Evall LLP in Beverly Hills, CA, from July 2004 to December 2012, with primary responsibilities in corporate, finance and real estate transactional matters. From October 1999 to July 2004, Mr. Mattei was a Corporate Associate at Latham & Watkins LLP in Los Angeles, CA, with primary responsibilities in securities, mergers and acquisitions, and general corporate matters. Mr. Mattei received his undergraduate degree in Public Policy from Duke University and his Juris Doctor from the University of Virginia School of Law.

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 undergraduate degree in Economics from the University of California, Berkeley and her Juris Doctor from UCLA School of Law. AFRCT provided legal services to the Company in fiscal 2015 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 2016.

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(1)	**Fiscal Year**	**Salary ($)**	**Bonus ($)**	**Stock Awards ($)**	**Option Awards ($)**	**Non-Equity Incentive Plan Compensation ($)**	**Change in Pension Value ($)**	**All Other Compensation ($)(2)**	**Total ($)**
Michael H. Keown	2015	500,231	125,365	—	507,184	—	—	20,091	1,152,871
President and CEO	2014	474,999	—	—	478,344	688,748	—	19,335	1,661,426
	2013	474,999	—	104,400	387,800	536,274	—	56,268	1,559,741
Mark J. Nelson (3)	2015	315,769	51,437	—	217,501	—	—	20,067	604,774
Former Treasurer and CFO	2014	294,154	—	—	197,744	255,913	—	15,898	763,709
	2013	48,461	—	80,998	189,043	36,354	—	—	354,856
Scott W. Bixby(4)	2015	15,000	3,649	66,688	133,334	—	—	—	218,671
Senior VP, GM DSD									
Barry C. Fischetto(5)	2015	160,385	23,639	66,663	133,377	—	—	35,240	419,304
Senior VP of Operations									
Thomas J. Mattei, Jr.(6)	2015	244,711	24,567	—	43,510	—	—	57,540	370,328
General Counsel and Assistant Secretary									
Thomas W. Mortensen(7)	2015	269,179	37,040	—	92,438	—	51,613	70,251	520,521
Former Senior VP of Route Sales	2014	262,442	—	—	84,044	190,270	69,852	23,282	629,890
	2013	254,644	—	19,215	58,935	142,908	44,464	18,451	538,617

(continued on next page)

SUMMARY COMPENSATION TABLE (continued)

A	B	C	D	E	F	G	H	I	J
Name and Principal Position(1)	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value ($)	All Other Compensation ($)(2)	Total ($)
Mark A. Harding (8)	2015	29,336	—	—	—	—	3,786	171,713	204,835
Former Senior VP of Operations	2014	259,877	—	—	79,100	—	7,308	474,645	820,930
	2013	254,447	—	19,215	58,935	142,908	3,563	15,064	494,132

(1) Excludes Isaac N. Johnston, Jr., the Company's current Treasurer and Chief Financial Officer, whose employment with the Company commenced effective October 1, 2015.

(2) Details about the amounts in this column are set forth below under the heading "All Other Compensation (Column I)."

(3) Mr. Nelson joined the Company as Treasurer and Chief Financial Officer on April 15, 2013. Mr. Nelson stepped down from the position of Treasurer and Chief Financial Officer effective October 1, 2015. Mr. Nelson is expected to continue as an employee of the Company under the terms of his existing employment agreement to allow for an effective transition of his duties and responsibilities, following which he will resign.

(4) Mr. Bixby joined the Company as Senior Vice President, General Manager Direct Store Delivery on May 27, 2015.

(5) Mr. Fischetto joined the Company as Senior Vice President of Operations on December 2, 2014.

(6) Mr. Mattei was promoted to General Counsel on December 4, 2014 and appointed Assistant Secretary effective August 6, 2015. Prior to his promotion, Mr. Mattei served as Vice President and Corporate Counsel. The amounts shown in the table for fiscal 2015 reflect Mr. Mattei's compensation for all services rendered in all capacities to the Company for the full fiscal year.

(7) Mr. Mortensen retired from the Company effective July 1, 2015.

(8) Mr. Harding separated from employment with the Company effective July 31, 2014.

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 increase in fiscal 2015 base salary for Messrs. Keown, Nelson and Mortensen was effective September 1, 2014. 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. Although no bonus was awarded to any executive officer or other employee under the Company's annual incentive compensation plans, including the Incentive Plan, in fiscal 2015, the Board of Directors elected to make a Special Payment to all employees eligible to receive a bonus under such plans, including executive officers, equal to 25% of each such employee's fiscal 2015 target bonus calculated based on average monthly base salary, prorated for those employees who joined the Company in fiscal 2015 based on start date. The Special Payment totaled $1,178,873, including $265,697 paid to Named Executive Officers. The Special Payment amount accrued for each Named Executive Officer in fiscal 2015 is shown in column D, with the actual amount paid to the Named Executive Officers in the subsequent fiscal year. The Special Payment was awarded in recognition of the contribution and work of Company employees generally toward the execution of the Corporate Relocation Plan. Mr. Harding separated from employment with the Company effective July 31, 2014 and did not receive a Special Payment in fiscal 2015.

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 14 to our audited consolidated financial statements for the fiscal year ended June 30, 2015 included in our 2015 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. Other than Mr. Fischetto who received a restricted stock award of 2,844 shares on February 9, 2015, and Mr. Bixby who received a restricted stock award of 2,732 shares on May 27, 2015, no Named Executive Officer received a restricted stock award in fiscal 2015. The restricted stock awards to Messrs. Fischetto and Bixby were granted as an inducement to their joining the Company. See the "Grants of Plan Based Awards" table, below.

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 2015, 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 14 to our audited consolidated financial statements for the fiscal year ended June 30, 2015 included in our 2015 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. Other than Mr. Fischetto who received 13,123 NQOs with an exercise price of $23.44 on February 9, 2015, and Mr. Bixby who received 12,580 NQOs with an exercise price of $24.41 on May 27, 2015, no Named Executive Officer received an NQO award in fiscal 2015. The NQO awards to Messrs. Fischetto and Bixby were granted as an inducement to their joining the Company. The amounts reported in column F for Messrs. Keown, Nelson, Mattei and Mortensen in fiscal 2015 reflect PNQ awards. Mr. Harding separated from employment with the Company effective July 31, 2014 and did not participate in the Amended Equity Plan in fiscal 2015. See the "Grants of Plan Based Awards" table, below.

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. No bonus was awarded to any executive officer or other employee under the Company's annual incentive compensation plans, including the Incentive Plan, with respect to fiscal 2015 performance, in light of the Company's failure to meet a threshold level of modified net income established for the achievement of fiscal 2015 bonus awards under such plans. Mr. Harding separated from employment with the Company effective July 31, 2014 and did not participate in the Incentive Plan in fiscal 2015.

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, 2014 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, 2015. 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 a decrease over the prior fiscal year due to a change in mortality and an increase in the discount rate used to calculate present value, with the change in mortality producing a greater impact. The discount rate used to calculate present values increased from 4.15% as of the end of fiscal 2014 to 4.40% as of the end of fiscal 2015, producing a decrease 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, none of the Named Executive Officers other than Messrs. Mortensen and Harding are eligible to participate in the Farmer Bros. Plan.

All Other Compensation (Column I)

The amounts reported in column I for fiscal 2015 include the following:

ALL OTHER COMPENSATION

	Perquisites and Other Personal Benefits ($)		Tax Gross-Ups(1) ($)	Life Insurance Premiums(2) ($)	ESOP Allocation(3) ($)	401(k)(4) ($)	Other ($)	Total ($)
Michael H. Keown	—	(5)	—	—	12,291	7,800	—	20,091
Mark J. Nelson	—	(5)	—	—	12,267	7,800	—	20,067
Scott W. Bixby	—	(5)	—	—	—	—	—	—
Barry C. Fischetto	22,623	(6)	12,617	—	—	—	—	35,240
Thomas J. Mattei, Jr.	30,608	(7)	6,865	—	12,267	7,800	—	57,540
Thomas W. Mortensen(8)	—	(5)	—	3,401	12,267	7,800	46,783	70,251
Mark A. Harding(9)	—	(5)	—	—	—	—	171,713	171,713

(1) Represents amounts reimbursed during the fiscal year for the payment of taxes associated with relocation assistance included under "Perquisites and Other Personal Benefits."

(2) Represents life insurance premiums paid by the Company under the Company's postretirement death benefit plan.

(3) Represents the dollar value of ESOP shares allocated to each Named Executive Officer in calendar 2015 based on compensation earned during calendar 2014 calculated on the basis of the closing price of our Common Stock on June 30, 2015 ($23.50). A participant's interest in the ESOP becomes one hundred percent vested after five years of service to the Company, subject to accelerated vesting under certain circumstances in connection with the Corporate Relocation Plan due to the closure of the Company's Torrance facility or a reduction-in-force at another Company facility designated by the Management Administrative Committee.

(4) Represents the Company's discretionary matching contribution under the 401(k) plan. Matching contributions (and any earnings thereon) vest at the rate of 20% for each of the participant's first 5 years of vesting service, so that a participant is fully vested in his or her matching contribution account after 5 years of vesting service, subject to accelerated vesting under certain circumstances in connection with the Corporate Relocation Plan due to the closure of the Company's Torrance facility or a reduction-in-force at another Company facility designated by the Management Administrative Committee.

(5) The total value of all perquisites and other personal benefits for Messrs. Keown, Nelson, Bixby, Mortensen and Harding did not exceed $10,000 in fiscal 2015 and has been excluded from the table.

(6) Includes relocation assistance in connection with the Corporate Relocation Plan ($20,073) and an auto allowance.

(7) Includes relocation assistance in connection with the Corporate Relocation Plan ($25,991) and an auto allowance.

(8) Mr. Mortensen retired from the Company effective July 1, 2015. The amount shown in the column "Other" represents accumulated paid days off through June 30, 2015 paid on July 1, 2015.

(9) Mr. Harding separated from employment with the Company effective July 31, 2014. In connection therewith, the Company and Mr. Harding entered into a separation agreement pursuant to which Mr. Harding was entitled to receive certain amounts which were accrued in fiscal 2014 and are reflected in column I in fiscal 2014. In addition to these amounts, pursuant to the separation agreement Mr. Harding agreed to provide consulting services to the Company through December 31, 2014. During the consulting period, Mr. Harding received aggregate consulting retainer fees of $160,000 and certain COBRA benefits which are included in the table above.

In fiscal 2015, in connection with the Corporate Relocation Plan, the Company designed and implemented certain compensation programs and benefits, in concert with existing Company compensation programs such as severance, to promote, among other things, continued engagement by employees who would not be relocating, smooth transition of processes and duties to new employees, and ease of transition for relocating employees, all of which focus on ensuring that the Company continues to perform well while undergoing the transition and executes well to achieve the goals of the Corporate Relocation Plan. We also implemented programs designed to provide assistance to our displaced employees. Our Named Executive Officers, with the exception of Messrs. Mortensen and Harding, are entitled to participate in these compensation programs and benefits.

These programs include a relocation benefits program consisting primarily of direct payment or reimbursement of expenses, as well as certain tax gross-up payments, in connection with relocation to the new facility in Northlake, Texas, from Torrance, California or other locations across the country. Relocation benefits could consist of some or all of the following: moving of household goods, travel expense reimbursement for home-finding trips and final journey to the destination, expense allowance, home sale assistance (including, potentially, payment of certain closing costs including commission on sale, marketing assistance, inspection cost reimbursement), provision of information regarding the destination, payment of certain closing costs in connection with a new home purchase, rental assistance (including, potentially, payment of certain lease cancellation or penalty charges, an allowance for area touring fees, and payment of limited finder's fees), shipment of an automobile, temporary storage of household goods, temporary housing, and tax gross-up payments in connection with some of the foregoing benefits. Employees who receive these relocation benefits sign agreements obligating them to repay all or a portion of the amounts in the event that the employee resigns or is terminated within the 24 months following the relocation. The amounts shown in the table above for Messrs. Fischetto and Mattei include relocation assistance under this program in fiscal 2015.

These programs also include retention payments that will be paid to employees upon remaining in employment through a specified date and otherwise satisfying the requirements of that position. Retention payment amounts are determined by reference to position, role in transition of duties, length of time for which the employee is retained, and whether the employee is expected to transition to the new location. No such retention payments are shown in the table above for the Named Executive Officers in fiscal 2015 because at June 30, 2015 the executive officer’s performance was still necessary for the payment to become due.

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 2015.

GRANTS OF PLAN-BASED AWARDS

				Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)				
Name	Plan	Grant Date	Approval Date(1)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Exercise or Base Price of Option Awards ($/Sh) (4)	Grant Date Fair Value of Stock and Option Awards ($)(5)
Michael H. Keown											
Annual Cash Incentive Bonus	Incentive Plan	—	—	—	507,000	—	—	—	—	—	—
PNQs	Amended Equity Plan	2/9/15	12/5/14	—	—	—	—	49,902	—	23.44	507,184
Mark J. Nelson											
Annual Cash Incentive Bonus	Incentive Plan	—	—	—	208,000	—	—	—	—	—	—
PNQs	Amended Equity Plan	2/9/15	12/5/14	—	—	—	—	21,400	—	23.44	217,501
Scott W. Bixby											
Annual Cash Incentive Bonus	Incentive Plan	—	—	—	15,370(6)	—	—	—	—	—	—
Restricted Stock	Amended Equity Plan	5/27/15	5/11/15	—	—	—	—	2,732	—	24.41	66,688
NQOs.	Amended Equity Plan	5/27/15	5/11/15	—	—	—	—	12,580	—	24.41	133,334
Barry C. Fischetto											
Annual Cash Incentive Bonus	Incentive Plan	—	—	—	94,932(7)	—	—	—	—	—	—
Restricted Stock	Amended Equity Plan	2/9/15	12/5/14	—	—	—	—	2,844	—	23.44	66,663
NQOs.	Amended Equity Plan	2/9/15	12/5/14	—	—	—	—	13,123	—	23.44	133,377
Thomas J. Mattei, Jr.											
Annual Cash Incentive Bonus	Incentive Plan	—	—	—	100,000	—	—	—	—	—	—
PNQs	Amended Equity Plan	2/9/15	12/5/14	—	—	—	—	4,281	—	23.44	43,510

(continued on next page)

GRANTS OF PLAN-BASED AWARDS (continued)

Name	Plan	Grant Date	Approval Date(1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards(3) Threshold (#)	Target (#)	Maximum (#)	Exercise or Base Price of Option Awards ($/Sh) (4)	Grant Date Fair Value of Stock and Option Awards ($)(5)
Thomas W. Mortensen											
Annual Cash Incentive Bonus	Incentive Plan	—	—	—	148,665	—	—	—	—	—	—
PNQs.	Amended Equity Plan	2/9/15	12/5/14	—	—	—	—	9,095	—	23.44	92,438
Mark A. Harding(8)											
Annual Cash Incentive Bonus	Incentive Plan	—	—	—	—	—	—	—	—	—	—
PNQs.	Amended Equity Plan	—	—	—	—	—	—	—	—	—	—

(1) Reflects the date on which the grants were approved by the Compensation Committee.

(2) Represents annual cash incentive opportunities based on fiscal 2015 performance under the Incentive Plan. There were no thresholds or maximums under the Incentive Plan in fiscal 2015. 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 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.

(3) PNQs granted under the Amended Equity Plan in fiscal 2015 to Messrs. Keown, Nelson, Mattei and Mortensen vest over a three-year period with one-third of the total number of shares subject to each such PNQ vesting on each anniversary of the grant date based on the Company's achievement of a modified net income target for each fiscal year of the performance period as approved by the Compensation Committee, as well as an ability for each such tranche of each grant to vest in a subsequent period based upon achievement of cumulative modified net income equal to the sum of the individual targets for the periods being accumulated, 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 the 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. The Company has met the first-year performance target set forth in the PNQ agreements for the fiscal 2015 awards. NQOs and restricted stock granted under the Amended Equity Plan in fiscal 2015 to Messrs. Bixby and Fischetto vest ratably over three years on the anniversary of the grant date and on the third anniversary of the grant date, respectively, in each case, subject to the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement.

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

(5) 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 14 to our audited consolidated financial statements for the fiscal year ended June 30, 2015 included in our 2015 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. The amount reported for PNQ awards subject to performance conditions is based upon the probable outcome of such conditions.

(6) Pursuant to his employment agreement with the Company, Mr. Bixby's target award as a percentage of base salary was fifty-five percent (55%), or $165,000, prorated based on his employment commencement date of May 27, 2015.

(7) Pursuant to his employment agreement with the Company, Mr. Fischetto's target award as a percentage of base salary was fifty-five percent (55%), or $165,000, prorated based on his employment commencement date of December 2, 2014.

(8) Mr. Harding separated from employment with the Company effective July 31, 2014 and did not participate in the Incentive Plan or Amended Equity Plan in fiscal 2015.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth summary information regarding the outstanding equity awards at June 30, 2015 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	70,000	—	—	6.96	05/11/19	—	—	—	—
	46,666	23,334	—	11.81	12/07/19	8,840	207,740	—	—
	15,156	—	30,314	21.33	12/12/20	—	—	—	—
	—	—	49,902	23.44	02/09/22	—	—	—	—
Mark J. Nelson (4).	19,630	9,816	—	13.62	05/09/20	5,947	139,755	—	—
	6,265	—	12,532	21.33	12/12/20	—	—	—	—
	—	—	21,400	23.44	02/09/22	—	—	—	—
Scott W. Bixby . .	—	12,580	—	24.41	05/27/22	2,732	64,202	—	—
Barry C. Fischetto.	—	13,123	—	23.44	02/09/22	2,844	66,834	—	—
Thomas J. Mattei, Jr.	1,813	907	—	13.09	02/27/16	428	10,058	—	—
	1,253	—	2,507	21.33	12/12/20	—	—	—	—
	—	—	4,281	23.44	02/09/22	—	—	—	—
Thomas W. Mortensen(5) .	3,000	—	—	21.76	12/11/15	—	—	—	—
	1,012	—	—	7.32	12/08/18	—	—	—	—
	13,334	—	—	6.96	05/11/19	—	—	—	—
	3,546	3,546	—	11.81	12/07/19	1,627	38,235	—	—
	2,663	—	5,326	21.33	12/12/20	—	—	—	—
	—	—	9,095	23.44	02/09/22	—	—	—	—
Mark. A. Harding(6) . .	—	—	—	—	—	—	—	—	—

(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 the 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, with the exception of NQOs granted to Messrs. Bixby and Fischetto pursuant to the terms of their employment agreements as an inducement to their joining the Company which vest ratably over three years on the anniversary of the grant date. 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. PNQs granted under the Amended Equity Plan in fiscal 2015 vest over a three-year period with one-third of the total number of shares subject to each such PNQ vesting on each anniversary of the grant date based on the Company's achievement of a modified net income target for each fiscal year of the performance period as approved by the Compensation Committee, as well as an ability for each such tranche of each grant to vest in a subsequent period based upon achievement of cumulative modified net income equal to the sum of the individual targets for the periods being accumulated, 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 Company has met the first-year performance targets set forth in the PNQ agreements for the fiscal 2014 and 2015 awards.

(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, 2015 ($23.50) by the number of shares of unvested restricted stock.

(4) Mr. Nelson stepped down from the position of Treasurer and Chief Financial Officer effective October 1, 2015. Mr. Nelson is expected to continue as an employee of the Company under the terms of his existing employment agreement to allow for an effective transition of his duties and responsibilities, following which he will resign. Under the terms of the applicable award agreements, effective upon Mr. Nelson's resignation of employment, (i) all then unvested stock options will be cancelled; (ii) all then remaining restricted stock will be immediately forfeited; and (iii) Mr. Nelson will have three (3) months following termination of employment to exercise any vested stock options.

(5) Mr. Mortensen retired from the Company effective July 1, 2015, at which time 1,627 shares of restricted stock shown in the table were forfeited, and 3,546 unvested NQOs and 14,421 unvested and unearned PNQs shown in the table were cancelled. In addition, Mr. Mortensen exercised and sold 3,000 vested NQOs shown in the table on October 1, 2015. Under the terms of the applicable award agreements, Mr. Mortensen will have one (1) year following his retirement to exercise any vested stock options.

(6) Mr. Harding separated from employment with the Company effective July 31, 2014, at which time 8,527 shares of restricted stock were forfeited and 18,657 shares subject to unvested stock options were cancelled.

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, 2015.

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	—	—	15,000	(3)	363,450
Mark J. Nelson	—	—	—		—
Scott W. Bixby	—	—	—		—
Barry C. Fischetto	—	—	—		—
Thomas J. Mattei, Jr..	—	—	—		—
Thomas W. Mortensen	3,000	6,360	11,070	(4)	271,265
Mark A. Harding	17,638	188,297	—		—

(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) Includes 5,702 shares that were sold in the open market to pay for taxes on restricted stock that vested on May 11, 2015.

(4) Includes 337 shares that were withheld to pay for taxes on restricted stock that vested on December 8, 2014 and 3,123 shares that were sold in the open market to pay for taxes on restricted stock that vested on May 11, 2015.

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 who 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

Employment Agreements

The Company has entered into "at-will" employment agreements with each of its current Named Executive Officers. These agreements provide for an initial annual base salary which may be adjusted upward or downward by the Company from time to time, subject to a minimum annual base salary as specified in the employment agreement. The employment agreements provide that the Named Executive Officer is entitled to participate in the Incentive Plan, with a specified target award equal to a percentage of such Named Executive Officer's annual base salary. Additionally, the employment agreements provide for grants under the Amended Equity Plan as determined by the Compensation Committee, in some cases, upon the commencement of employment as an inducement to joining the Company. In certain cases, the Named Executive Officers have been entitled to specified relocation benefits. Each Named Executive Officer 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. The employment agreements contain no specified term of employment, but rather the Named Executive Officer's employment may be terminated by the Company at any time with or without Cause or upon the Named Executive Officer's resignation with or without Good Reason, death or Permanent Incapacity, as such terms are defined in the applicable employment agreement. Each of these agreements contains customary provisions protecting our confidential information and intellectual property. They also contain restrictions, for a period of two years following any termination of employment, on the employee's ability to solicit any customer or prospective customer of the Company or any person employed by the Company to leave the Company. The employment agreements require that all disputes between such employees and the Company arising under or in connection with their employment agreement shall be subject to resolution through arbitration. Upon certain events of termination, the Named Executive Officers may be entitled to certain payments and benefits in the event of a qualifying termination of employment and/or change in control. A detailed discussion of these payments and benefits is described below under the heading "Change in Control and Termination Arrangements."

In addition to the current Named Executive Officers, the Company has entered into an employment agreement with Mark J. Nelson, the Company's former Treasurer and Chief Financial Officer. Mr. Nelson stepped down from this position effective October 1, 2015. Mr. Nelson is expected to continue as an employee of the Company under the terms of his existing employment agreement to allow for an effective transition of his duties and responsibilities, following which he will resign and be entitled to certain payments and benefits described below under the heading "Change in Control and Termination Arrangements."

The Company entered into an employment agreement with Thomas W. Mortensen, the Company's former Senior Vice President of Route Sales. Mr. Mortensen retired from employment with the Company effective July 1, 2015, upon which his employment agreement terminated; provided, however, that certain provisions, including confidentiality and non-solicitation, expressly survive termination thereof.

On September 25, 2015, the Company entered into an employment agreement with Isaac N. Johnston, Jr., pursuant to which the Company employed Mr. Johnston as Treasurer and Chief Financial Officer effective October 1, 2015. Mr. Johnston's initial annual base salary is $350,000 and his target bonus percentage is seventy percent (70%) of his annual base salary, prorated to 52.74% for fiscal 2016 based on the commencement date of his employment. Mr. Johnston also received certain equity awards as an inducement to joining the Company and is entitled to receive future grants under the Amended Equity Plan as determined by the Compensation Committee.

Separation Agreement

Mr. Harding separated from employment with the Company effective July 31, 2014. In connection therewith, the Company and Mr. Harding entered into a separation agreement pursuant to which Mr. Harding agreed to provide consulting services to the Company through December 31, 2014. During the consulting period, Mr. Harding received a monthly retainer of $32,000 and certain COBRA benefits. As a result of his separation from employment with the Company, Mr. Harding was 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 2015 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. 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. 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. Co. Pension Plan for Salaried Employees	—	—	—
	Farmer Bros. Co. Death Benefit Plan	—	—	—
Mark J. Nelson	Farmer Bros. Co. Pension Plan for Salaried Employees	—	—	—
	Farmer Bros. Co. Death Benefit Plan	—	—	—
Scott W. Bixby	Farmer Bros. Co. Pension Plan for Salaried Employees	—	—	—
	Farmer Bros. Co. Death Benefit Plan	—	—	—
Barry C. Fischetto	Farmer Bros. Co. Pension Plan for Salaried Employees	—	—	—
	Farmer Bros. Co. Death Benefit Plan	—	—	—
Thomas J. Mattei, Jr.	Farmer Bros. Co. Pension Plan for Salaried Employees	—	—	—
	Farmer Bros. Co. Death Benefit Plan	—	—	—
Thomas W. Mortensen	Farmer Bros. Co. Pension Plan for Salaried Employees	22.50	988,247	—
	Farmer Bros. Co. Death Benefit Plan	—	58,152	—
Mark A. Harding	Farmer Bros. Co. Pension Plan for Salaried Employees	2.33	74,438	—
	Farmer Bros. Co. Death Benefit Plan	—	—	—

Named Executive Officers participate in the same defined benefit pension plan offered to other non-union company employees; however, all of our Named Executive Officers other than Messrs. Mortensen and Harding 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 Messrs. Mortensen and Harding, who are each 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 11 to our audited consolidated financial statements for the fiscal year ended June 30, 2015 included in our 2015 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 postretirement 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 compliant with financial accounting standards.

Change in Control and Termination Arrangements

Change in Control Agreements

The Company has entered into a Change in Control Severance Agreement ("Severance Agreement") with Messrs. Keown, Nelson, Johnston, Bixby, Fischetto and Mattei 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, 2015, subject to automatic one year extensions unless the Company or such executive officer notified the other no later than September 30, 2015 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, 2016, 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. Mortensen and Mr. Harding automatically expired upon their retirement and separation from employment with the Company, respectively. Mr. Nelson is expected to continue as an employee of the Company under the terms of his existing employment agreement to allow for an effective transition of his duties and responsibilities, following which he will resign. Upon his resignation, his Severance Agreement will be deemed to have expired.

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), Messrs. Keown, Nelson, Johnston, Bixby, Fischetto and Mattei 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, Johnston, Bixby, Fischetto and Mattei, 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 his separation agreement with the Company, Mr. Harding was 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 the 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, 2015.

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 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. Mortensen who retired from the Company effective July 1, 2015, and Mr. Harding who separated his employment with the Company effective July 31, 2014. The tables also exclude Mr. Johnston, whose employment with the Company commenced effective October 1, 2015.

In connection with his retirement, Mr. Mortensen will be entitled to a postretirement death benefit and retiree medical benefits. As a fully vested participant in the Farmer Bros. Plan, the present value of Mr. Mortensen's accumulated pension benefit was $58,152 at June 30, 2015. Mr. Mortensen's vested benefit under the ESOP as of June 30, 2015 was estimated to be $201,466.

In connection with Mr. Harding' separation from employment, the Company and Mr. Harding entered into a separation agreement pursuant to which Mr. Harding received aggregate 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, 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. In exchange for the foregoing payments, Mr. Harding provided the Company a general release of claims as required under the separation agreement with the Company.

Effective October 1, 2015, Mr. Nelson stepped down as Treasurer and Chief Financial Officer. Mr. Nelson is expected to continue as an employee of the Company under the terms of his existing employment agreement to allow for an effective transition of his duties and responsibilities, following which he will resign. Upon his resignation, pursuant to the terms of his employment agreement he will be entitled to severance consisting of: (i) salary continuation payments in the amount of $320,000 in the aggregate, 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 his termination of employment; and (ii) partially Company-paid COBRA coverage under the Company's health care plan for himself and his spouse for period of one (1) year after the effective termination date. In connection with the Corporate Relocation Plan, the Management Administrative Committee provided for accelerated vesting of Company match amounts of certain participants in the 401(k) plan and accelerated vesting of accounts of certain participants in the ESOP under certain circumstances due to the closure of the Company's Torrance facility or a reduction-in-force at another Company facility designated by the Management Administrative Committee. As a result, Mr. Nelson's benefit under the ESOP, estimated to be $24,370 as of June 30, 2015, is expected to vest upon his resignation.

Vesting and exercise of all stock options and restricted stock awards granted to Messrs. Mortensen, Harding and Nelson are governed by the terms and conditions of the applicable award agreements.

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	$ —	$ —	$ —	$ 1,014,000	$ 1,014,000	$ 507,000
Bonus Payments	$ 507,000	$ 507,000	$ —	$ 507,000	$ 507,000	$ 507,000
Value of Accelerated Stock Options	$ 750,811	$ 750,811	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 177,223	$ 177,223	$ —	$ —	$ —	$ —
ESOP	$ 38,211	$ 38,211	$ —	$ 62,792	$ 62,792	$ —
Health and Dental Insurance	$ —	$ 10,077	$ —	$ 20,154	$ 20,154	$ 10,077
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Total Pre-Tax Benefit	$1,473,245	$1,483,322	$ —	$ 1,628,946	$ 1,628,946	$ 1,024,077

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	$ —	$ —	$ —	$ 640,000	$ 640,000	$ 320,000
Bonus Payments	$ 208,000	$ 208,000	$ —	$ 208,000	$ 208,000	$ 208,000
Value of Accelerated Stock Options	$ 285,714	$ 285,714	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 99,715	$ 99,715	$ —	$ —	$ —	$ —
ESOP	$ 24,370	$ 24,370	$ —	$ —	$ —	$ —
Health and Dental Insurance	$ —	$ 10,077	$ —	$ 20,154	$ 20,154	$ 10,077
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Total Pre-Tax Benefit	$ 617,799	$ 627,876	$ —	$ 893,154	$ 893,154	$ 538,077

Scott W. Bixby	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	$ —	$ —	$ —	$ 600,000	$ 600,000	$ 300,000
Bonus Payments	$ 165,000	$ 165,000	$ —	$ 165,000	$ 165,000	$ 165,000
Value of Accelerated Stock Options	$ —	$ —	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 1,992	$ 1,992	$ —	$ —	$ —	$ —
ESOP	$ —	$ —	$ —	$ —	$ —	$ —
Health and Dental Insurance	$ —	$ 8,784	$ —	$ 17,568	$ 17,568	$ 8,784
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Total Pre-Tax Benefit	$ 166,992	$ 175,776	$ —	$ 807,568	$ 807,568	$ 473,784

Barry C. Fischetto	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	$ —	$ —	$ —	$ 600,000	$ 600,000	$ 300,000
Bonus Payments	$ 165,000	$ 165,000	$ —	$ 165,000	$ 165,000	$ 165,000
Value of Accelerated Stock Options	$ 101	$ 101	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 8,598	$ 8,598	$ —	$ —	$ —	$ —
ESOP	$ —	$ —	$ —	$ —	$ —	$ —
Health and Dental Insurance	$ —	$ 9,105	$ —	$ 18,210	$ 18,210	$ 9,105
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Total Pre-Tax Benefit	$ 173,699	$ 182,804	$ —	$ 808,210	$ 808,210	$ 474,105

Thomas J. Mattei, Jr.	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	$ —	$ —	$ —	$ 500,000	$ 500,000	$ 250,000
Bonus Payments	$ 100,000	$ 100,000	$ —	$ 100,000	$ 100,000	$ 100,000
Value of Accelerated Stock Options	$ 50,662	$ 50,662	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 7,828	$ 7,828	$ —	$ —	$ —	$ —
ESOP	$ 23,712	$ 23,712	$ —	$ —	$ —	$ —
Health and Dental Insurance	$ —	$ 549	$ —	$ 1,098	$ 1,098	$ 549
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Total Pre-Tax Benefit	$ 182,202	$ 182,751	$ —	$ 626,098	$ 626,098	$ 350,549

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 amounts shown in the tables above for Messrs. Bixby and Fischetto are based on a full-year target award and have not been prorated to reflect their employment commencement dates during fiscal 2015. 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 pro rata 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, 2015 ($23.50). The value of the options is the aggregate spread between $23.50 and the exercise price of the accelerated options, if less than $23.50, while $23.50 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.

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 ESOP 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 ESOP. 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 $12,291 for Mr. Keown, the only executive officer who will have completed five years of service at the end of the twenty-four (24) month period following the assumed date of the Change of Control Event of June 30, 2015). The estimated value of the ESOP shares is based on $23.50 per share, the closing price of our Common Stock on June 30, 2015.

Participants become 100% vested under the ESOP upon death, disability and, subject to certain eligibility requirements, retirement. Notwithstanding the foregoing, in connection with the Corporate Relocation Plan, the Management Administrative Committee, with the consent of the Board of Directors, amended the ESOP to provide for full vesting of the accounts of certain ESOP participants under certain circumstances due to the closure of the Company's Torrance facility or a reduction-in-force at another Company facility designated by the Management Administrative Committee as eligible for accelerated vesting under the terms of the ESOP, as so amended.

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.

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 stockholder interests and the promotion of stock performance. 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 2015, the Compensation Committee established Company financial performance criteria and individual participant goals for bonus awards under the Incentive Plan. For fiscal 2015, Company financial performance was gauged by the level of achievement of modified net income and modified operating cash flow. The Compensation Committee established a target level of performance for each of these goals as well as a threshold level for modified net income. In the event that the Company's modified net income did not reach or exceed the threshold level, then no bonus was to be awarded to executive officers under the Incentive Plan. In fiscal 2015, net income was $652,000 compared to net income of $12.1 million in fiscal 2014, and the Company did not achieve the modified net income threshold level for fiscal 2015, so no bonus was awarded to any executive officer or other employee under the Company's annual incentive compensation plans, including the Incentive Plan, with respect to fiscal 2015 performance. Although no bonus was awarded to any executive officer or other employee under the Company's annual incentive compensation plans, including the Incentive Plan, in fiscal 2015, the Board of Directors elected to make a Special Payment to all employees eligible to receive a bonus under such plans, including executive officers, equal to 25% of each such employee's fiscal 2015 target bonus calculated based on average monthly base salary, prorated for those employees who joined the Company in fiscal 2015 based on start date. The Special Payment totaled $1,178,873, including $265,697 paid to Named Executive Officers. The Special Payment was awarded in recognition of the contribution and work of Company employees generally toward the execution of the Corporate Relocation Plan.

In fiscal 2015, 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 Mattei, 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 each anniversary of the grant date based on the Company's achievement of a modified net income target for each fiscal year of the performance period as approved by the Compensation Committee, as well as an ability for each such tranche of each grant to vest in a subsequent period based upon achievement of cumulative modified net income equal to the sum of the individual targets for the periods being accumulated, 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 Company has met the first-year performance target set forth in the PNQ agreements for the fiscal 2015 awards.

We believe our compensation programs are strongly aligned with the long-term interests of our stockholders. Compensation includes equity-based and cash-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. Effective December 5, 2014, the Board approved an Addendum to the Amended Equity Plan to further define cash-based awards and other incentives payable in cash by setting forth provisions adding phantom stock units as a method of providing a cash-based, but equity-related incentive to key employees of the Company and its Board members.

For Mr. Keown, our current President and Chief Executive Officer, on an annualized basis for fiscal 2015, 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 and excluding Mr. Harding), on average, in fiscal 2015 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 349,565 shares have been exercised since inception of the Amended Equity Plan (including under its predecessor, the Omnibus Plan), and 509,397 shares issuable under outstanding stock options are "in the money" as of October 16, 2015.

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 2015, the Compensation Committee utilized the services of Strategic Apex Group to provide advice on the Company's executive compensation, to follow up on the work that it had performed for the Compensation Committee during the prior fiscal year 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 2014, we have further aligned executive compensation with performance. During fiscal 2015, the Compensation Committee performed fine tuning of the Company's executive compensation programs, given the work completed by the Compensation Committee in the prior two fiscal years to increasingly tie pay to performance. In fiscal 2015, the Compensation Committee awarded only PNQs to existing employees, with the use of NQOs and restricted stock limited to initial awards granted to incoming employees, and implemented 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 may incorporate cash-settled stock units in the future. Cash-settled stock units were added as a potential form of long-term incentive compensation award specifically 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 2016, the Compensation Committee has determined that annual incentive cash bonuses under the Incentive Plan will be determined in much the same manner as fiscal 2015, with modified net income and modified operating cash flow targets representing challenging goals that are designed to incentivize the executive officers, and that, if achieved, will reflect improvement in Company profitability in the hope of delivering additional value to our stockholders. Commencing in fiscal 2016, the threshold achievement required will be reduced; however, for total achievement of Company financial performance criteria below target (but above the required threshold) the resulting score will be reduced by a factor significantly in excess of the proportional reduction below 100%, placing an even stronger incentive to achieve at or above target levels. In accordance with the Amendment to the Incentive Plan approved by the Company's stockholders on December 4, 2014 and effective as of July 1, 2014, 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 proposal 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 2016 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.

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 2015

In fiscal 2015, each non-employee director received an annual retainer of $37,000, payable quarterly in advance, and meeting fees of $2,000 for each Board meeting and $2,500 for each Compensation Committee, Audit Committee or Nominating and Corporate Governance Committee meeting attended; provided if more than one meeting (Board or committee) was held and attended on the same date, maximum meeting fees were $4,500. Meeting fees for the Nominating Committee prior to December 5, 2014, were $2,000 per meeting. On February 24, 2015, the Board of Directors amended the fiscal 2015 non-employee director compensation program to allow for the payment of additional per diem fees associated with Board or committee service beyond the service which is intended to be covered by the annual retainer and per meeting fees, to the extent such service is pre-approved by the Board and the fee therefor is approved by the Chairman of the Board or committee chair, as applicable.

In fiscal 2015, the Board established two Search Committees as ad hoc committees to search for potential candidates for the Senior Vice President of Operations and Chief Financial Officer positions. The committee members for the Senior Vice President of Operations Search Committee were Jeanne Farmer Grossman, Michael H. Keown and Christopher P. Mottern. The committee members for the Chief Financial Officer Search Committee were Hamideh Assadi, Randy E. Clark, Michael H. Keown and Christopher P. Mottern. The Senior Vice President of Operations Search Committee members received meeting fees of $1,500 per meeting, subject to the limitation on maximum meeting fees described above. The Chief Financial Officer Search Committee members received a combination of meeting fees of $1,500 per meeting and per diem fees in accordance with the non-employee director compensation program.

The Chairman of the Board received an annual retainer of $20,000. In addition, the committee chairs received additional annual retainers, as follows: (i) Audit Committee, $15,000; and (ii) Compensation Committee and Nominating and Corporate Governance 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 2016

Fiscal 2016 non-employee director cash compensation is currently under review but for the present time remains unchanged from fiscal 2015. The Company anticipates revising its travel expense reimbursement policy to account for the relocation of the Company's headquarters to Northlake, Texas and the location of Board and committee meetings.

Equity Compensation

In fiscal 2015, 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 subject to any blackout period under the Company's insider trading policy. 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 2015, the annual grant of restricted stock was made on February 9, 2015. Each non-employee director received a grant of 1,280 shares of restricted stock based on the closing price per share of our Common Stock on February 9, 2015 ($23.44). Fiscal 2016 non-employee director equity compensation is currently under review but for the present time remains unchanged from fiscal 2015.

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 2015 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)	95,250	30,003	—	2,372	127,625
Guenter W. Berger(6)	80,750	30,003	8,781	6,820	126,354
Randy E. Clark(5)(6)(7)	88,250	30,003	—	—	118,253
Jeanne Farmer Grossman(5)(6)	100,250	30,003	—	—	130,253
Charles F. Marcy(5)(6)(8)	71,875	30,003	—	—	101,878
Christopher P. Mottern(6)(7)	111,250	30,003	—	—	141,253

(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 2015.

(2) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. Each non-employee director received a grant on February 9, 2015 of 1,280 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 $23.44 per share, based on the closing price of our Common Stock on that date of $23.44. The aggregate number of shares of restricted stock outstanding at June 30, 2015 for each non-employee director is: Ms. Assadi, 3,100 shares; Mr. Berger, 3,100 shares; Mr. Clark, 3,100 shares; Ms. Grossman, 3,100 shares; Mr. Marcy, 2,253 shares; and Mr. Mottern, 2,253 shares.

(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, 2014 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, 2015. The aggregate change in the actuarial present value of Ms. Assadi's accumulated benefit under the Farmer Bros. Plan was ($1,126) due to a higher discount rate and payment of benefits to Ms. Assadi under the plan in fiscal 2015, offset by the change in mortality assumptions.

(4) All Other Compensation for Ms. Assadi includes life insurance premiums paid by the Company under the Company's postretirement death benefit plan ($2,030) and the economic benefit of the associated life insurance policy ($342). 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 ($2,864).

(5) During fiscal 2015, Hamideh Assadi, Randy E. Clark, Jeanne Farmer Grossman and Charles F. Marcy (appointed December 5, 2014) served as members, and Ms. Grossman served as Chair, of the Compensation Committee. Mr. Clark was appointed Chair of the Compensation Committee effective September 24, 2015.

(6) During fiscal 2015 through December 4, 2014, Hamideh Assadi, Guenter W. Berger, Randy E. Clark, Jeanne Farmer Grossman, Charles F. Marcy and Christopher P. Mottern served as members of the Nominating Committee. Effective December 4, 2014, upon the expansion of the scope of authority and responsibilities of the Nominating Committee to include corporate governance and the renaming of the committee to the “Nominating and Corporate Governance Committee,” Messrs. Marcy and Mottern and Ms. Grossman were appointed to the Nominating and Corporate Governance Committee, with Mr. Marcy being appointed as Chair.

(7) During fiscal 2015, Hamideh Assadi, Randy E. Clark and Christopher P. Mottern served as members, and Mr. Mottern served as Chair, of the Audit Committee.

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 and transactions involving employment, consulting or similar arrangements, 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.

The Company will maintain a related person master list to assist in identifying related person transactions, which will be distributed by the Company's General Counsel to the Company's executive officers; the function or department managers responsible for purchasing goods or services for the Company and its subsidiaries; the director of accounts payable and the director of accounts receivable for the Company and its subsidiaries; and any other persons whom the Audit Committee, the Chief Compliance Officer or the General Counsel may designate.

Upon referral by the Chief Compliance Officer, General Counsel 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.

Following review, the Audit Committee will approve or ratify in writing any related person transaction determined by the Audit Committee to be in, or not inconsistent with, the best interests of the Company and its stockholders.

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. Any member of the Audit Committee who has or whose immediate family member has an interest in the transaction under discussion will abstain from voting on the approval of the related person transaction, but may, if so requested by the Chair of the Audit Committee, participate in some or all of the Audit Committee's discussions of the related person transaction.

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 2015, 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 currently in the position of Vice President of Construction Management. Mr. Waite's fiscal 2015 compensation (including salary, bonus (Special Payment), stock based compensation in the form of PNQ awards, auto allowance, life insurance premium paid by the Company under the Company's postretirement death benefit plan and the economic benefit of the associated life insurance policy, ESOP allocation, 401(k) matching contribution and change in pension value) was $396,546. Additionally, Mr. Waite's fiscal 2016 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 2015, we paid AFRCT approximately $329,000 in fees and costs for such services. We expect to continue to engage AFRCT to perform legal services in fiscal 2016.

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, 2015.

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 2015 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 2015 and 2014 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 2014, 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 2015	Fiscal 2014
Audit Fees	$ 826,910	$ 944,187
Audit-Related Fees	—	—
Tax Fees	38,480	48,354
All Other Fees	2,000	6,400
Total Fees	$ 867,390	$ 998,941

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 2015 consisted of $816,910 of fees rendered by Deloitte associated with the audit of the Company's fiscal 2015 annual financial statements, the audit of internal control over financial reporting in fiscal 2015, and the review of the Company's quarterly reports on Form 10-Q. Audit fees for fiscal 2015 also included $10,000 of fees rendered by EY for providing their consent in the Company's 2015 Form 10-K. 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 included $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-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 2015 and 2014, 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 2015 consisted of $38,480 in fees paid to Deloitte for tax compliance and advisory services and certain tax services in connection with the Company's 2014 federal and state income tax returns. 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.

All Other Fees

"All Other Fees" are fees for any services not included in the first three categories. All other fees in fiscal 2015 consisted of subscription fees paid to Deloitte for an online accounting research tool. 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 2015 and 2014, 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 2015, 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 2015 Annual Report to Stockholders (which includes the Company's 2015 Form 10-K) accompanies this Proxy Statement. The 2015 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 2015 Form 10-K, filed with the SEC, including the financial statements included therein, without the accompanying exhibits, by writing to: Farmer Bros. Co., 13601 North Freeway, Suite 200, Fort Worth, Texas 76177, Attention: Chief Financial Officer. The Company's 2015 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 2015 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. To the Company's knowledge, 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, 2015, the Reporting Persons complied with all applicable Section 16(a) filing requirements, except that, one Form 4 for Thomas W. Mortensen reporting the withholding of 337 shares of Common Stock to pay taxes on restricted stock that vested on December 8, 2014 was filed late due to an inadvertent administrative error. The Form 4 was filed on December 11, 2014 and subsequently amended on December 15, 2014.

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 2016 Annual Meeting of Stockholders. To be eligible for inclusion in the Company's 2016 proxy statement, stockholder proposals must be received by the Company at its principal executive offices no later than July 6, 2016 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 2016 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 5, 2016, and no later than September 4, 2016, and must comply with the other provisions of the Company's By-Laws summarized below; provided, however, that in the event that the 2016 Annual Meeting is called for a date that is not within thirty (30) days of the anniversary date of the 2015 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 2016 Annual Meeting was mailed or such public disclosure of the date of the 2016 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, 13601 North Freeway, Suite 200, Fort Worth, Texas 76177, 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., 13601 North Freeway, Suite 200, Fort Worth, Texas 76177, Attention: Chief Financial Officer, or contact the Company's Chief Financial Officer by telephone at (888) 998-2468, 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 2015 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 timing and success of implementation of the Company's Corporate Relocation Plan, 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 success of the Company to retain and/or attract qualified employees, the effect of the capital markets as well as other external factors on stockholder value, fluctuations in availability and cost of green coffee, competition, organizational changes, changes in the strength of the economy, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, 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 2015 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, 2015

TERI L. WITTEMAN
Secretary

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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, 2015

OR

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

For the transition period from to

Commission file number: 001-34249

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 ☐

10-K

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 Exchange 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 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, 2014 was $247.4 million.

As of September 11, 2015 the registrant had 16,655,868 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 2015 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, 2015.

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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 timing and success of implementation of our corporate relocation plan, the relative effectiveness of compensation-based employee incentives in causing improvements in Company performance, the capacity to meet the demands of our large national account customers, the extent of execution of plans for the growth of Company business and achievement of financial metrics related to those plans, the success of the Company to retain and/or attract qualified employees, the effect of the capital markets as well as other external factors on stockholder value, fluctuations in availability and cost of green coffee, competition, organizational changes, changes in the strength of the economy, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, 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.

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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. Our customers include restaurants, hotels, casinos, offices, quick service restaurants ("QSRs"), 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." Our products reach our customers primarily in two ways: through our nationwide Direct-Store-Delivery ("DSD") network of approximately 470 delivery routes, 111 branch warehouses and five 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 installation and 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 Route Sales Representatives ("RSRs"), who develop personal relationships with chefs, restaurant owners and food buyers at their delivery locations. We also provide comprehensive coffee programs to our national account customers, including private brand development, green coffee procurement, category management, and supply chain management.

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"). Further, on January 12, 2015, we completed the acquisition of substantially all of the assets of Rae' Launo Corporation ("RLC") relating to its direct-store-delivery and in-room distribution business in the Southeastern United States (the "RLC Acquisition").

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 2,700 Stock Keeping Units ("SKUs") (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 roast and ground coffee represented approximately 61%, 60% and 59% of our net sales in the fiscal years ended June 30, 2015, 2014 and 2013, respectively, and no class of similar products other than roast and ground coffee, culinary and other beverages accounted for more than 10% of our net sales. For more information, including the amount of net sales attributed to each of our product categories in fiscal 2015, 2014 and 2013, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" of this report.

We are focused on distributing our owned brands through our DSD network, while continuing to support and grow our private label national account business. We are focused on the following strategies:

- *Reduce costs to compete more effectively*: In fiscal 2015, we commenced work on a corporate relocation plan to replace our aging production facility in Torrance, California with a more efficient, state-of-the-art facility to be located in Northlake, Texas. We undertook this endeavor, in part, to pursue improved production efficiency to allow us to provide a more cost-competitive offering of high-quality products. We believe the expected improvements in production efficiency, combined with the wind-down and sale of our Torrance facility, should allow us to operate at a lower cost, generally.

- *Optimize sales and portfolio of products:* In fiscal 2015, we continued our efforts to improve efficiencies in our sales and product offerings. During fiscal 2015, we added sales capabilities and undertook targeted selling efforts in untapped markets, and continued sales and marketing training for all of our RSRs. We also continued to optimize and simplify our product portfolio by discontinuing over 300 SKUs (excluding the addition of SKUs from the RLC Acquisition) and by consolidating our coffee blends while maintaining original roasting profiles, resulting in a reduction in the number of coffee blends by nine.

- *Strategic investment in assets and evaluation of cost structure:* Apart from our corporation relocation plan, we continue to look for ways to deploy our personnel, systems, assets and infrastructure to create or enhance shareholder value. Areas of focus have included corporate staffing and structure, methods of procurement, logistics, inventory management, supporting technology, and real estate assets.

- *Corporate capabilities and alignment to create shareholder value*: In 2015, we made several hires that we believe will bring experience and capabilities to enhance our ability to create shareholder value. These new hires include Chief Information Officer Gary Nordlund, as well as, executive officers Barry Fischetto as Senior Vice President of Operations and Scott Bixby as Senior Vice President and General Manager of DSD. Each of these individuals brings a track record at both large consumer packaged goods operations as well as experience in dealing with smaller and more entrepreneurial companies. In addition, in fiscal 2015 we continued to emphasize greater alignment of employee individual goals with Company goals under our compensation plans in order to focus the entire organization on the effort to create value for our shareholders.

- *Drive high growth product categories and address broader customer needs*: In fiscal 2015, we continued to expand our product portfolio by investing resources in what we believe to be key growth categories. We launched our Metropolitan™ single cup coffee, expanded our seasonal coffee and specialty beverage portfolio, developed new shelf-stable coffee products, and introduced new hot tea product lines. In July 2015 we were recognized at the North American Iced Tea Championship with first place awards for the best unflavored black iced tea and the best flavored black iced tea (raspberry) in the foodservice category, further bolstering our efforts to provide a useful array of high-quality products and enhance our reputation within the industry. In addition, we made marked progress in expanding our Direct Trade Verified Sustainable coffee portfolio to support future growth opportunities. We also developed an in-room, single-serve brewer program for our hospitality customers and, through the RLC Acquisition, we expanded our reach into in-room coffee distribution.

- *Sustainability leadership:* We believe that our collective efforts in measuring our social and environmental impact, creating programs for waste, water and energy reduction, promoting partnerships in our supply chain that aim at supply chain stability and food security, and focusing on employee engagement place us in a unique position to help retailers and foodservice operators create differentiated coffee programs that can include sustainable supply chains, direct trade purchasing, training and technical assistance, recycling and composting networks, and packaging material reductions. During fiscal 2015, we submitted our first third-party verified Carbon Disclosure Project survey for Scope 1, 2 and 3 emissions (direct emissions, indirect emissions from consumption of purchased electricity, heat or steam and other indirect emissions). Further, we published a sustainability report based on the Global Reporting Initiative's core compliance standard. Our Portland roasting and distribution facility was one of the first in the Northwest to achieve LEED® Silver Certification. We anticipate the new facility in Northlake, Texas will also be LEED® certified.

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 participation and/or leadership positions with Alliance for Coffee Excellence, Coffee Quality Institute, Coalition for

Coffee Communities, International Society for Sustainability Professionals, International Women's Coffee Alliance, International Foodservice Manufacturers Association, Pacific Coast Coffee Association, Roasters Guild, Specialty Coffee Association of America ("SCAA") and World Coffee Research, we work to help shape the future of the coffee industry. We believe that due to our commitment to the industry, large retail and foodservice operators are drawn to working with us. We were among the first coffee roasters in the nation to receive SCAA certification of a state-of-the-art coffee lab and operate Public Domain®, a specialty coffeehouse in Portland, Oregon.

- *Market insight and consumer research:* We have developed a market insight capability internally that reinforces our business-to-business positioning as a thought leader in the coffee industry. We provide trend insights that help our customers create winning products and integrated marketing strategies for their own coffee brands.

Recent Developments

On February 5, 2015, we announced a corporate relocation plan, pursuant to which we will close our Torrance, California facility and relocate its operations to a new state-of-the-art facility housing our manufacturing, distribution, coffee lab and corporate headquarters (the "Corporate Relocation Plan"). The new facility will be located in Northlake, Texas in the Dallas/Fort Worth area.

We expect to close the Torrance facility in phases, and we began the process in the spring of 2015. Through April 2015, coffee purchasing, roasting, grinding, packaging and product development took place at our Torrance, California, Portland, Oregon and Houston, Texas production facilities. In May 2015, we moved the coffee roasting, grinding and packaging functions that had been conducted in Torrance to our Houston and Portland production facilities and in conjunction relocated our Houston distribution operations to our Oklahoma City distribution center. Spice blending, grinding, packaging and product development continue to take place at our Torrance production facility, and we are considering options for this division of our business. As of June 30, 2015, distribution continued to take place out of our Torrance and Portland production facilities, as well as separate distribution centers in Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey. We are in the process of transferring our primary administrative offices from Torrance to Fort Worth, Texas, where we have leased 32,000 square feet of temporary office space. The transfer of our primary administrative offices to this temporary office space is expected to be completed by the end of the second quarter of fiscal 2016. Construction of and relocation to the new facility are expected to be completed by the end of the second quarter of fiscal 2017. Our Torrance facility is expected to be sold as part of the Corporate Relocation Plan.

On July 17, 2015, we entered into a lease agreement ("Lease Agreement") with WF-FB NLTX, LLC ("Landlord"), to lease a 538,000 square foot facility to be constructed on 28.2 acres of land located in Northlake, Texas. The new facility is expected to include approximately 85,000 square feet for corporate offices, more than 100,000 square feet for manufacturing, and more than 300,000 square feet for distribution. The facility will also house a coffee lab. The Lease Agreement contains a purchase option exercisable at any time by us on or before ninety days prior to the scheduled completion date with an option purchase price equal to 103% of the total project cost as of the date of the option closing if the option closing occurs on or before July 17, 2016. The option purchase price will increase by 0.35% per month thereafter up to and including the date which is the earlier of (A) ninety days after the scheduled completion date and (B) December 31, 2016. The obligation to pay rent will commence on December 31, 2016 if the option remains unexercised. On July 17, 2015, we also entered into a Development Management Agreement ("DMA") with Stream Realty Partners-DFW, L.P., a Texas limited partnership ("Developer"). Pursuant to the DMA, we retained the services of Developer to manage, coordinate, represent, assist and advise us on matters concerning the pre-development, development, design, entitlement, infrastructure, site preparation and construction of the new facility. The term of the DMA is from July 17, 2015 until final completion of the project. For more information, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Corporate Relocation Plan" of this report.

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, agricultural diseases and pests, 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, specialty green coffees sell at a premium to other green coffees because they generally 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. 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.

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 cinnamon, 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. We are also subject to cost fluctuations in our packaging materials.

Trademarks and Licenses

We own 153 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 RSRs who are responsible for soliciting, selling and collecting from and otherwise maintaining our customer accounts. We serve our customers from five 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 also 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 QSRs. Within our DSD network, 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 10% or more of our net 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 KraftHeinz (Maxwell House Coffee), wholesale foodservice distributors such as Sysco Corporation and U.S. Foods, regional institutional coffee roasters such as S&D Coffee & Tea and Boyd Coffee Company, and specialty coffee suppliers such as

Keurig Green Mountain, Inc., Rogers Family Company, Distant Lands Coffee, Mother Parkers Tea & Coffee, Inc., Starbucks Coffee Company and Peet's Coffee & Tea. As many of our customers are small foodservice operators, we also compete with cash and carry and club stores such as Costco, Sam's Club and Restaurant Depot.

Competition is robust and is based primarily 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 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. 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 senior secured revolving credit facility ("Revolving Facility") of up to $75.0 million ("Revolving Commitment") which is administered by JP Morgan Chase Bank ("Chase"). The Revolving Facility, which expires on March 2, 2020, includes an accordion feature whereby we may increase the Revolving Commitment by an aggregate amount not to exceed $50.0 million, subject to certain conditions. Our working capital needs are greater in the months leading up to our peak sales period during the winter months, which we typically finance with cash flow provided by operations. In anticipation of our peak sales period, we typically increase inventory in the first quarter of the fiscal year. We use various techniques including demand forecasting and planning to determine appropriate inventory levels for seasonal demand.

We believe the Revolving Facility, to the extent available, in addition to our cash flows from operations and other liquid assets, and the expected proceeds from the sale of our Torrance facility, collectively, will be sufficient to fund our working capital and capital expenditure requirements for the next 12 to 18 months including the expected capital expenditures associated with the Corporate Relocation Plan and other costs under the Lease Agreement and DMA for the new facility.

Foreign Operations

We have no material revenues from foreign operations.

Regulatory Environment

The conduct of our businesses, including, among other things, the production, storage, distribution, sale, labeling, quality and safety of our products, occupational safety and health practices, and distribution of many of our products, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States. It is our policy to abide by the laws and regulations around the world that apply to our businesses.

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.

Other

On June 30, 2015 we employed 1,784 employees, 608 of whom are subject to collective bargaining agreements. 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.

WE EXPECT TO INCUR SIGNIFICANT COSTS ASSOCIATED WITH THE EXIT FROM OUR TORRANCE, CALIFORNIA FACILITY AND RELOCATION TO A NEW FACILITY. THE CORPORATE RELOCATION PLAN MAY BE UNSUCCESSFUL OR LESS SUCCESSFUL THAN WE PRESENTLY ANTICIPATE AND MAY ADVERSELY AFFECT OUR BUSINESS, OPERATING RESULTS AND FINANCIAL CONDITION.

On February 5, 2015, we announced the Corporate Relocation Plan to close and relocate our Torrance operations to a facility in Northlake, Texas, which is expected to affect approximately 350 positions as a result of the Torrance facility closure. We cannot guarantee that we will be successful in implementing the Corporate Relocation Plan in a timely manner or at all, or that such efforts will not interfere with our ability to achieve our business objectives. For example, our restructuring activities could disrupt our ongoing operations, which could adversely affect our ability to deliver products both on a timely basis and in accordance with customer requirements, the effect of which could delay revenues or result in lost business opportunities. Moreover, reductions in force can be difficult to manage, may cause concerns from current and potential customers, suppliers and other third parties with whom we do business which may cause them to delay or curtail doing business with us, may increase the likelihood of key employees leaving the Company or make it more difficult to recruit new employees, and may have an adverse impact on our business. Our success depends, in large part, on our ability to attract and retain skilled people. Competition for the best people in many of our key positions may be intense, and we may not be able to hire sufficiently skilled people or to retain them. Restructuring efforts have caused and will continue to cause us to incur significant expenses and other costs, including potential impairment losses on our long-lived assets, write-offs of inventory, losses on the disposal of fixed assets and certain pension-related costs. The timing and costs to implement the Corporate Relocation Plan, including completion of the new facility, may exceed our expectations which will interfere with our ability to achieve our business objectives or could cause us to incur indebtedness in amounts in excess of expectations. In addition, we have obtained approval from governmental entities in Texas for certain incentives, primarily tax abatements, related to the relocation to Northlake, Texas, subject to satisfying conditions required by those governmental entities. If we are unsuccessful in satisfying the conditions of any of these incentives, tax expenditures related to the new facility and ongoing tax obligations for the new facility may be higher than expected. If we fail to achieve our objectives of the Corporate Relocation Plan, further restructuring may be necessary. The inability to successfully complete the Corporate Relocation Plan could have a material adverse impact on our business, operating results and financial condition.

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, agricultural diseases and pests, 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. Although Arabica “C” market prices are currently relatively low compared to their recent historical levels, there can be no assurance that green coffee prices will remain at these levels in the future. Additionally, specialty green coffees sell at a premium to other green coffees because they generally 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 or contractual restrictions, 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. These derivative instruments also may be entered into at the direction of the customer under commodity-based pricing arrangements to effectively lock in the purchase price of green coffee under such customer arrangements, in certain cases up to 18 months or longer in the future. 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. Further, if our derivative counterparty determines that its exposure to us exceeds its exposure threshold, it may initiate a margin call and require us to post collateral. If we are unable to satisfy a margin call, we would be in default of our agreement, which could result in termination of that facility, limit our ability to manage our commodity price risk and have a material adverse effect on our business, financial condition and 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 or 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. A portion of our products is also distributed by third parties or is direct shipped via common carrier. 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 EFFECT ON OUR OPERATIONS.

In fiscal 2015 and 2014, we derived an increasing percentage of sales from national account customers. Although no single customer represents 10% or more of our consolidated net 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.

FUTURE ASSET IMPAIRMENT CHARGES COULD ADVERSELY AFFECT OUR FUTURE OPERATING RESULTS.

We perform an asset impairment analysis on an annual basis or whenever events occur that may indicate possible existence of impairment. 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 impairment of our intangible assets and goodwill and adversely affect our operating results.

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;
- create, incur, assume or permit any lien on property that is owned or acquired in the future;
- pay dividends if, among other things, certain Excess Availability requirements are not met, and an event of default exists or has occurred and is continuing as of the date of any such payment and after giving effect thereto; and
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

Our credit facility also contains financial covenants relating to the maintenance of a fixed charge coverage ratio in certain circumstances. Our ability to meet those covenants may be affected by events beyond our control, and there can be no assurance that we will meet those covenants. The breach of any of these covenants 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 input costs or product sales accurately or at all, an impaired understanding of our operations and results 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 all of this 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 DISTRIBUTION AND PRODUCTION OF OUR PRODUCT LINE.

A significant interruption in operations at any of our facilities in Torrance, California, 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. Following the completion of the Corporation Relocation Plan, we anticipate that we will be subject to similar risks at our Northlake, Texas facility. During the execution of the Corporate Relocation Plan, we anticipate that our existing production facilities in Portland and Houston will operate at much higher utilization rates than they have historically, upwards of 90% or higher depending on product demand and the number of production shifts. In the event of significant increases in demand that precede the completion of our Northlake facility, we may be required to increase staffing, including through temporary labor and overtime, use third-party manufacturers, lease additional production facilities, or some combination of those alternatives or others to satisfy demand. There can be no assurance that we would be able to identify appropriate third-party providers on a timely basis or at all. 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 the areas where we operate or obtain products or inventory could restrict our ability to manufacture and distribute our products for sale and would adversely impact our business. Further, any inability to satisfy increases in demand through our current facilities or identifying appropriate third-party providers could restrict our ability to manufacture our products for sale, adversely impact our business and damage our reputation.

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 the 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, in the recent past related to both winter storms as well as heavy rainfall and flooding. Increased frequency or duration of extreme weather conditions could 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 KraftHeinz (Maxwell House Coffee), wholesale foodservice distributors such as Sysco Corporation and U.S. Foods, regional institutional coffee roasters such as S&D Coffee & Tea and Boyd Coffee Company, and specialty coffee suppliers such as Keurig Green Mountain, Inc., Rogers Family Company, Distant Lands Coffee, Mother Parkers Tea & Coffee, Inc., Starbucks Coffee Company and Peet’s Coffee & Tea. As many of our customers are small foodservice operators, we also compete with cash and carry and club stores such as Costco, Sam's Club 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 attract market share. Competition and customer pressures as well as contractual restrictions may also restrict our ability to increase prices in response to commodity and other cost increases resulting in lower profit margins. 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, 2015, the projected benefit obligation under our single employer defined benefit pension plans was $144.2 million and the fair value of plan assets was $100.2 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, mix of plan asset investments, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic benefit cost, increase our future funding requirements and require payments to the Pension Benefit Guaranty Corporation.

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 RSRs. 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, and our Corporate Relocation Plan could have the effect of encouraging labor disputes. 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. Due to the Company's failure to meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers for workers' compensation liability, the Company has posted a $7.0 million and $6.5 million letter of credit at June 30, 2015 and 2014, respectively, as a security deposit with the State of California Department of Industrial Relations Self-Insurance Plans.

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, our ability to manage inventory and fulfillment operations and maintain gross margin, and period and year-end LIFO inventory adjustments. 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 an operating loss in fiscal 2012 and a net loss in fiscal 2013 and 2012. 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 fund the expenditures associated with our Corporate Relocation Plan, satisfy our 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 leased facilities, we would need to fund the costs of terminating those leases. If we are unable to generate sufficient cash flows from operations in the future to satisfy these financial obligations, we may be required to, among other things:

- seek additional financing in the debt or equity markets;
- refinance or restructure all or a portion of our indebtedness;
- sell 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.

CUSTOMER 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 businesses, including, among other things, the production, storage, distribution, sale, labeling, quality and safety of our products, occupational safety and health practices, and distribution of many of our products, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States. 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. We are subject to additional and changing requirements under the Food Safety Modernization Act of 2011 ("FSMA"), which requires among other things, that food facilities conduct contamination hazard analyses, implement risk-based preventive controls and develop track-and-trace capabilities. While some of the FSMA rule-making has been completed, there are still portions of the law for which final rule-making has not yet concluded. We currently have "hazard analysis and critical control points" processes and procedures in place that may appropriately address many of the existing or future concerns arising out of FSMA; however, any new Food and Drug Administration ("FDA") rules and regulations could require us to change certain of our operational processes and procedures, or implement new ones, and there could also be unforeseen issues, requirements and costs that arise as the FDA promulgates its new rules and regulations. The implementation of the final regulations may change our operating procedures for the production, handling and sale of our products, and may increase our operating and compliance costs.

In addition, 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 11, 2015, 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 36.5% 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.

Our Board of Directors has the authority to issue up to 500,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by stockholders. 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

We currently have three production facilities in Torrance, California, Portland, Oregon and Houston, Texas. Pursuant to the Corporate Relocation Plan, we will close our Torrance facility and relocate its operations to a new state-of-the-art facility housing our manufacturing, distribution, coffee lab and corporate headquarters in Northlake, Texas in the Dallas/Fort Worth area.

We expect to close the Torrance facility in phases, and we began the process in the spring of 2015. Through April 2015, coffee purchasing, roasting, grinding, packaging and product development took place at our Torrance, Portland and Houston production facilities. In May 2015, we moved the coffee roasting, grinding and packaging functions that had been conducted in Torrance to our Houston and Portland production facilities and in conjunction relocated our Houston distribution operations to our Oklahoma City distribution center. Spice blending, grinding, packaging and product development continues to take place at our Torrance production facility, and we are considering options for this division of our business. We are in the process of transferring our primary administrative offices from Torrance to Fort Worth, Texas, where we have leased 32,000 square feet of temporary office space. The transfer of our primary administrative offices to this temporary office space is expected to be completed by the end of the second quarter of fiscal 2016. Construction of and relocation to the new facility are expected to be completed by the end of the first half of fiscal 2017. Our Torrance facility is expected to be sold as part of the Corporate Relocation Plan.

On July 17, 2015, we entered into a lease agreement ("Lease Agreement") with WF-FB NLTX, LLC ("Landlord"), to lease a 538,000 square foot facility to be constructed on 28.2 acres of land located in Northlake, Texas. The new facility is expected to include approximately 85,000 square feet for corporate offices, more than 100,000 square feet for manufacturing, and more than 300,000 square feet for distribution. The facility will also house a coffee lab. The Lease Agreement contains a purchase option exercisable at any time by us on or before ninety days prior to the scheduled completion date with an option purchase price equal to 103% of the total project cost as of the date of the option closing if the option closing occurs on or before July 17, 2016. The option purchase price will increase by 0.35% per month thereafter up to and including the date which is the earlier of (A) ninety days after the scheduled completion date and (B) December

31, 2016. The obligation to pay rent will commence on December 31, 2016 if the option remains unexercised. On July 17, 2015, we also entered into a Development Management Agreement ("DMA") with Stream Realty Partners-DFW, L.P., a Texas limited partnership ("Developer"). Pursuant to the DMA, we retained the services of Developer to manage, coordinate, represent, assist and advise the Company on matters concerning the pre-development, development, design, entitlement, infrastructure, site preparation and construction of the new facility. The term of the DMA is from July 17, 2015 until final completion of the project. For more information, see Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Corporate Relocation Plan" of this report.

As of June 30, 2015, distribution continued to take place out of our Torrance and Portland production facilities, as well as separate 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. Our five distribution centers and these branch warehouses, 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 55% 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. The new facility in Northlake, Texas will be leased subject to the purchase option described above.

During the execution of the Corporate Relocation Plan, we anticipate that our existing production facilities in Portland and Houston will operate at much higher utilization rates than they have historically, upwards of 90% or higher depending on product demand and the number of production shifts. We believe our existing Portland and Houston production facilities, together with our existing distribution centers and branch warehouses will provide adequate capacity for our current operations. In the event of significant increases in demand that precede the completion of construction of our Northlake facility, we may be required to increase staffing, including through temporary labor and overtime, use third-party manufacturers, lease production facilities or use some combination of those alternatives or others to satisfy the additional demand. We believe the temporary office space for our administrative offices in Fort Worth, Texas is adequate to meet the needs of our administrative staff until our new facility is complete. 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

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

On August 31, 2012, CERT filed an amendment to a private enforcement action adding a number of companies as defendants, including 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 the 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 "Phase 1" defenses have been completed, and the parties filed trial briefs. Trial commenced on September 8, 2014, and testimony completed on November 4, 2014, for the three Phase 1 defenses. Following two continuances, the court heard on April 9, 2015 final arguments on the Phase 1 issues. On July 25, 2015, the court issued its Proposed Statement of Decision with respect to Phase 1 defenses against the defendants, which was confirmed, on September 2, 2015 in the Final Statement of Decision. At this time, we are not able to predict the probability of the outcome or estimate of loss, if any, related to this matter.

Steve Hernandez vs. Farmer Bros. Co., Superior Court of State of California, County of Los Angeles

On July 24, 2015, former Company employee Hernandez filed a putative class action complaint for damages alleging a single cause of action for unfair competition under the California Business & Professions Code. The claim purports to seek disgorgement of profits for alleged violations of various provisions of the California Labor Code relating to: failing to pay overtime, failing to provide meal breaks, failing to pay minimum wage, failing to pay wages timely during employment and upon termination, failing to provide accurate and complete wage statements, and failing to reimburse business-related expenses. Hernandez's complaint seeks restitution in an unspecified amount and injunctive relief, in addition to attorneys' fees and expenses. Hernandez alleges that the putative class is all "current and former hourly-paid or non-exempt individuals" for the four (4) years preceding the filing of the complaint through final judgment, and Hernandez also purports to reserve the right to establish sub-classes as appropriate. The court to which the case was initially assigned issued an order on September 4, 2015 staying this case until the initial status conference on November 17, 2015 on the basis that the case will be re-assigned as a "complex" action to the Central Civil West Courthouse in Los Angeles. We intend to timely respond to the complaint once the stay has been lifted. At this time, we are 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 Select 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 Select Market.

	Year Ended June 30, 2015			Year Ended June 30, 2014		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	$ 29.10	$ 20.29	$ —	$ 16.44	$ 13.07	$ —
2nd Quarter	$ 31.86	$ 26.01	$ —	$ 24.33	$ 14.73	$ —
3rd Quarter	$ 32.50	$ 22.72	$ —	$ 24.28	$ 19.45	$ —
4th Quarter	$ 25.96	$ 23.39	$ —	$ 21.92	$ 18.05	$ —

Holders

As of September 11, 2015, there were approximately 2,300 holders of record and the closing price of our common stock on NASDAQ was $25.86. 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 12, "Bank Loan," of the Notes to 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.

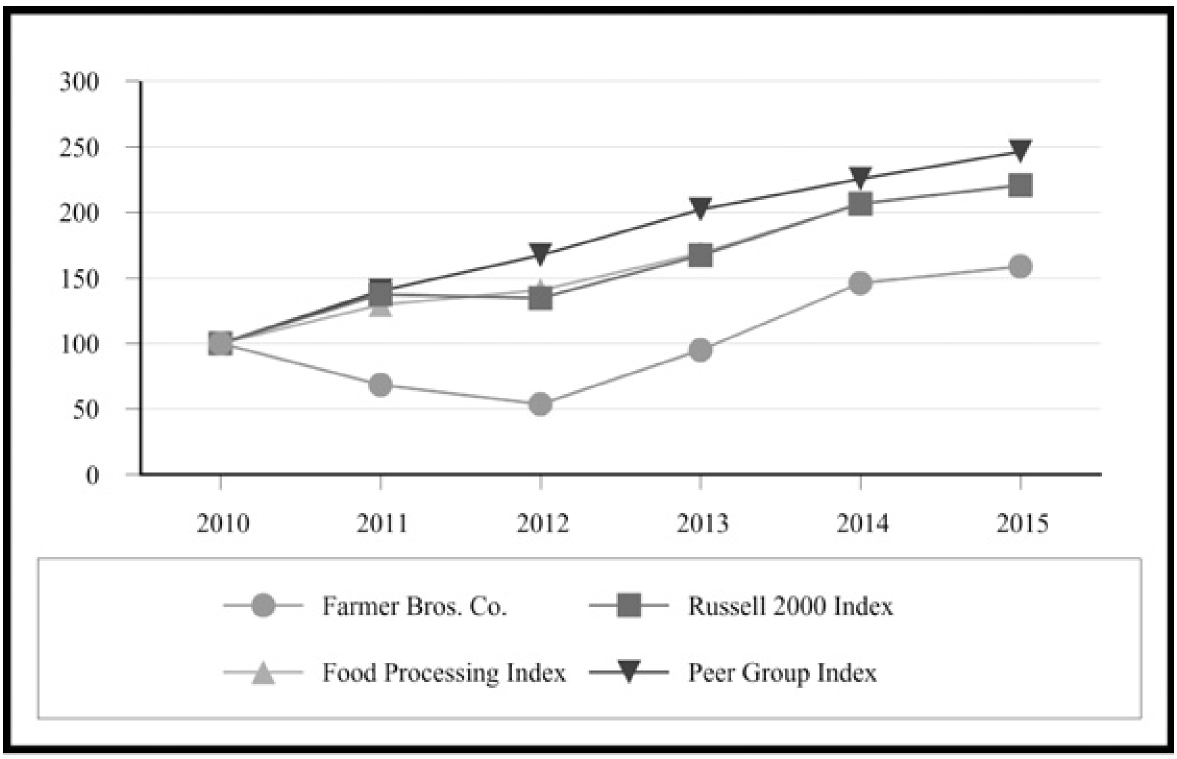
Performance Graph

The chart set forth below shows the value of an investment of $100.00 at the close of trading on June 30, 2010 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, 2015)



	2010	2011	2012	2013	2014	2015
Farmer Bros. Co.	$ 100.00	$ 68.50	$ 53.78	$ 94.99	$ 145.99	$ 158.76
Russell 2000 Index	$ 100.00	$ 137.41	$ 134.55	$ 167.12	$ 206.63	$ 220.69
Value Line Food Processing Index	$ 100.00	$ 129.52	$ 140.73	$ 168.82	$ 206.60	$ 220.89
Peer Group Index	$ 100.00	$ 140.22	$ 167.29	$ 202.21	$ 225.56	$ 246.30

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, 2015	2014	2013	2012	2011
Consolidated Statement of Operations Data:					
Net sales	$ 545,882	$ 528,380	$ 513,869	$ 498,701	$ 464,346
Cost of goods sold	$ 348,846	$ 332,466	$ 328,693	$ 332,309	$ 316,109
Restructuring and other transition expenses(1)	$ 10,432	$ —	$ —	$ —	$ —
Income (loss) from operations	$ 3,284	$ 8,916	$ 372	$ (21,846)	$ (70,725)
Income (loss) from operations per common share—diluted	$ 0.20	$ 0.56	$ 0.02	$ (1.41)	$ (4.69)
Net income (loss)(2)	$ 652	$ 12,132	$ (8,462)	$ (26,576)	$ (52,033)
Net income (loss) per common share—basic	$ 0.04	$ 0.76	$ (0.54)	$ (1.72)	$ (3.45)
Net income (loss) per common share—diluted	$ 0.04	$ 0.76	$ (0.54)	$ (1.72)	$ (3.45)
Cash dividends declared per common share	$ —	$ —	$ —	$ —	$ 0.18

(In thousands)	June 30, 2015	2014	2013	2012	2011
Consolidated Balance Sheet Data:					
Total assets	$ 240,943	$ 266,177	$ 244,136	$ 257,916	$ 292,050
Capital lease obligations(3)	$ 5,848	$ 9,703	$ 12,168	$ 15,867	$ 8,636
Long-term borrowings under revolving credit facility	$ —	$ —	$ 10,000	$ —	$ —
Earn-out payable-RLC acquisition(4)	$ 200	$ —	$ —	$ —	$ —
Long-term derivative liabilities	$ 25	$ —	$ 1,129	$ —	$ —
Total liabilities(5)	$ 150,932	$ 151,313	$ 162,298	$ 174,364	$ 158,635

(1) See Note 3 “Corporate Relocation Plan” of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.

(2) Includes: (a) $(0.4) million in net losses from sales of assets, primarily vehicles, $10.4 million in restructuring and other transition expenses and $4.9 million in beneficial effect of liquidation of LIFO inventory quantities in fiscal 2015; (b) $3.8 million in net gains from sales of assets, primarily real estate, in fiscal 2014; (c) $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; (d) $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; and (e) $(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.

(3) Excludes imputed interest.

(4) See Note 2 “Acquisition” of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.

(5) Excludes the Lease Agreement for the Northlake, Texas facility that the Company entered into subsequent to the fiscal year ended June 30, 2015 (see Note 21 “Subsequent Event” of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report).

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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, 2015, 2014 and 2013 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. Our customers include restaurants, hotels, casinos, offices, QSRs, 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. Further, in fiscal 2015, we completed the RLC Acquisition to expand our DSD and in-room distribution business in the Southeastern United States.

Corporate Relocation Plan

On February 5, 2015, we announced the Corporate Relocation Plan, pursuant to which we will close our Torrance facility and relocate these operations to a new state-of-the-art facility housing our manufacturing, distribution, coffee lab and corporate headquarters. Our decision resulted from a comprehensive review of alternatives designed to make the Company more competitive and better positioned to capitalize on growth opportunities. The new facility will be located in Northlake, Texas in the Dallas/Fort Worth area.

We expect to close our Torrance facility in phases and we began the process in the spring of 2015. Through April 2015, coffee purchasing, roasting, grinding, packaging and product development took place at our Torrance, Portland and Houston production facilities. In May 2015, we moved the coffee roasting, grinding and packaging functions that had been conducted in Torrance to our Houston and Portland production facilities and in conjunction relocated our Houston distribution operations to our Oklahoma City distribution center. Spice blending, grinding, packaging and product development continues to take place at our Torrance production facility, and we are considering options for this division of our business. As of June 30, 2015, distribution continued to take place out of our Torrance and Portland production facilities, as well as separate distribution centers in Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey. We are in the process of transferring our primary administrative offices from Torrance to Fort Worth, Texas, where we have leased 32,000 square feet of temporary office space. The transfer of our primary administrative offices to this temporary office space is expected to be completed by the end of the second quarter of fiscal 2016. Construction of and relocation to the new facility are expected to be completed by the end of the second quarter of fiscal 2017. Our Torrance facility is expected to be sold as part of the Corporate Relocation Plan.

Expenses related to the Corporate Relocation Plan included in "Relocation and other transition expenses" in our consolidated statements of operations include employee retention and separation benefits, facility-related costs, and other related costs such as travel, legal, consulting and other professional services. In order to receive the retention and/or separation benefits, impacted employees are required to provide service through their retention dates which vary from May 2015 through March 2016 or separation dates which vary from May 2015 through June 2016. A liability for such retention and separation benefits was recorded at the communication date in "Accrued payroll expenses" on our consolidated balance sheets. Facility-related costs and other related costs are recognized in the period when the liability is incurred.

Expenses related to our Corporate Relocation Plan in fiscal 2015 consisted of \$6.5 million in employee retention and separation benefits, \$0.6 million in facility-related costs including the relocation of certain distribution operations, and \$3.3 million in other related costs including travel, legal, consulting and other professional services. Facility-related costs included $0.3 million in non-cash depreciation expense associated with the idled Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities.

The following table sets forth the activity in liabilities associated with our Corporate Relocation Plan for the fiscal year ended June 30, 2015:

(In thousands)	Balances, July 1, 2014	Additions	Payments	Non-Cash Settled	Adjustments	Balances, June 30, 2015
Employee-related costs(1)	$ —	$ 6,513	$ 357	$ —	$ —	$ 6,156
Facility-related costs(2)	—	625	373	252	—	—
Other(3)	—	3,294	3,094	—	—	200
Total	$ —	$ 10,432	$ 3,824	$ 252	$ —	$ 6,356
Current portion	—					6,356
Non-current portion	—					—
Total	$ —					$ 6,356

(1) Included in "Accrued payroll expenses" on the consolidated balance sheets.

(2) Non-cash settled facility-related cost represents depreciation expense associated with the idled Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities.

(3) Included in "Accounts payable" on the consolidated balance sheets.

Based on current assumptions and subject to continued implementation of the Corporate Relocation Plan as planned, we estimate that we will incur approximately $25 million in cash costs in connection with the exit of the Torrance facility consisting of $14 million in employee retention and separation benefits, $4 million in facility-related costs and $7 million in other related costs. We may incur certain other non-cash asset impairment costs, pension-related costs and postretirement benefit costs in connection with the Corporate Relocation Plan which we have not yet determined. We recognized approximately 41% of the aggregate cash costs in fiscal 2015. The remainder is expected to be recognized in fiscal 2016 and the first quarter of fiscal 2017.

On July 17, 2015, we entered into a lease agreement ("Lease Agreement") with WF-FB NLTX, LLC ("Landlord"), to lease a 538,000 square foot facility to be constructed on 28.2 acres of land located in Northlake, Texas. The new facility is expected to include approximately 85,000 square feet for corporate offices, more than 100,000 square feet for manufacturing, and more than 300,000 square feet for distribution. The facility will also house a coffee lab. The Lease Agreement contains a purchase option exercisable at any time by us on or before ninety days prior to the scheduled completion date with an option purchase price equal to 103% of the total project cost as of the date of the option closing if the option closing occurs on or before July 17, 2016. The option purchase price will increase by 0.35% per month thereafter up to and including the date which is the earlier of (A) ninety days after the scheduled completion date and (B) December 31, 2016. The obligation to pay rent will commence on December 31, 2016, if the option remains unexercised.

The initial term of the lease is for 15 years from the rent commencement date with six options to renew, each with a renewal term of 5 years. The annual base rent for the new facility will be an amount equal to:

- the product of 7.50% and (a) the total estimated budget for the project, or (b) all construction costs outlined in the final budget on or prior to the scheduled completion date; or
- the product of 7.50% and the total project costs, to the extent that all components of the document delivery and completion requirement are fully satisfied on or prior to the scheduled completion date.

Annual base rent will increase by 2% during each year of the lease term.

On July 17, 2015, we also entered into a Development Management Agreement (“DMA”) with Stream Realty Partners-DFW, L.P., a Texas limited partnership (“Developer”). Pursuant to the DMA, we retained the services of Developer to manage, coordinate, represent, assist and advise us on matters concerning the pre-development, development, design, entitlement, infrastructure, site preparation and construction of the new facility. The term of the DMA is from July 17, 2015 until final completion of the project. Pursuant to the DMA, we will pay Developer:

- a development fee of 3.25% of all development costs;
- an oversight fee of 2% of any amounts paid to the Company-contracted parties for any oversight by the Developer of Company-contracted work;
- an incentive fee, the amount of which will be determined by the parties, if final completion occurs prior to the scheduled completion date; and
- an amount equal to $2.6 million as additional fee in respect of development services.

Subject to the finalization of the optimal utilization, automation and build-out of the facility, the new facility construction costs are currently expected to be approximately $35 million to $40 million. Pursuant to the Lease Agreement, Landlord owns the premises, and is obligated to finance the overall construction and to reimburse us for substantially all expenditures we incur with respect to the construction of the premises. In addition to Landlord's expenditures for the construction of the new facility, we expect to incur and pay for approximately $20 million to $25 million in anticipated capital expenditures for machinery and equipment, furniture and fixtures, and related expenditures. No such capital expenditures were incurred in the fiscal years ended June 30, 2015 and 2014. The majority of the capital expenditures associated with the new facility are expected to be incurred in early fiscal 2017. The expenditures associated with the new facility are expected to be partially offset by the net proceeds from the planned sale of our Torrance facility.

Acquisition

On January 12, 2015, we completed the RLC Acquisition. The purchase price was $1.5 million, consisting of $1.2 million in cash paid at closing and earnout payments of up to $0.1 million that we expect to pay each year over a three-year period based on achievement of certain milestones.

The accompanying consolidated financial statements include RLC's results since the date of acquisition. At closing, we received substantially all of the fixed assets of RLC. We did not assume any liabilities of RLC. Disclosure of the impact of the RLC Acquisition on a pro forma basis as if the results of RLC had been included from the beginning of the periods presented has not been included in the accompanying consolidated financial statements as the impact was not material.

The acquisition has been accounted for as a business combination. The total purchase price has been allocated to tangible and intangible assets based on their estimated fair values as of January 12, 2015 as determined by management based upon a third-party valuation.

The following table summarizes the estimated fair values of the assets acquired at the date of acquisition, based on the final purchase price allocation:

Fair Values of Assets Acquired		Estimated Useful Life (years)
(In thousands)		
Property, plant and equipment	$ 338	
Intangible assets:		
Non-compete agreement	20	3.0
Customer relationships	870	4.5
Goodwill	272	
Total assets acquired	$ 1,500	

The excess of the purchase price over the total fair value of assets acquired is included as goodwill. Intangible assets consist of a non-compete agreement and customer relationships with a total net carrying value and accumulated amortization as of June 30, 2015 of $0.8 million and $0.1 million, respectively. Estimated aggregate amortization of acquired intangible assets, calculated on straight-line basis and based on the estimated fair values is $0.2 million in each of the next four fiscal years commencing with fiscal 2016.

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. In the fiscal year ended June 30, 2015, "C" market prices rose in the first quarter but declined during the remaining three quarters. In the fiscal year ended June 30, 2014, the "C" market experienced a significant drop during the first two quarters and then increased sharply in the third quarter. In the fiscal year ended June 30, 2013, average "C" market prices declined approximately 30.1% from the prior fiscal year. Average "C" market prices in fiscal 2015, 2014 and 2013 were $1.66, $1.42 and $1.51, respectively. 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 36% and 40%, respectively, of our roast and ground coffee volumes for the fiscal years ended June 30, 2015 and 2014 were based on a price schedule. Approximately 64% and 60%, respectively, of our roast and ground coffee volumes for the fiscal years ended June 30, 2015 and 2014 were 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. These derivative instruments may be entered into at the direction of the customer under commodity-based pricing arrangements to effectively lock in the purchase price of green coffee under such customer arrangements, in certain cases up to 18 months or longer in the future. Notwithstanding this customer direction, pursuant to Accounting Standards Codification 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, 2015 and 2014, we had 34.2 million and 19.8 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 minimize 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, the effective portion of the gains and losses from re-valuing the coffee-related derivative instruments to their market prices is being recorded in accumulated other comprehensive income (loss) ("AOCI") on our consolidated balance sheet and subsequently reclassified into cost of goods sold in the period or periods when the hedged transaction affects earnings. At June 30, 2015, approximately 94% of our outstanding coffee-related derivative instruments, representing 32.3 million pounds of forecasted green coffee purchases, were designated as cash flow hedges. 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. 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 counterparty may require that we post cash collateral if the fair value of our derivative liabilities exceed the amount of credit granted by such counterparty, thereby reducing our liquidity. At June 30, 2015, we had $1.0 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, because we had a net gain position in our 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 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. Due to improved collection of our outstanding receivables in fiscal 2015, we decreased the allowance for doubtful accounts by $8,000. 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 reduced our 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 decreased at the end of fiscal 2015 compared to fiscal 2014, primarily due to the consolidation of our Torrance coffee production with our coffee production in Houston as part of our Corporate Relocation Plan. As a result, we recorded $4.9 million in beneficial effect of liquidation of LIFO inventory quantities in cost of goods sold in the fiscal year ended June 30, 2015, which reduced net loss for the fiscal year ended June 30, 2015 by $4.9 million. 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 in beneficial effect of liquidation of LIFO inventory quantities in cost of goods sold in the fiscal year ended June 30, 2013, which reduced net loss for the fiscal year ended June 30, 2013 by $1.1 million.

Capacity Utilization

We calculate our utilization for all of our production 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 production facilities were approximately 66%, 65% and 58% during the fiscal years ended June 30, 2015, 2014 and 2013, respectively. Through April 2015, coffee purchasing, roasting, grinding, packaging and product development took place at our Torrance, Portland and Houston production facilities. In connection with the Corporate Relocation Plan, in May 2015, we moved the coffee roasting, grinding and packaging functions that had been conducted in Torrance to our Houston and Portland production facilities and in conjunction relocated our Houston distribution operations to our Oklahoma City distribution center. Spice blending, grinding, packaging and product development continues to take place at our Torrance production facility, and we are considering options for this division of our business. As of June 30, 2015, distribution continued to take place out of our Torrance and Portland production facilities, as well as separate distribution centers in Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey.

During the execution of the Corporate Relocation Plan, we anticipate that our existing production facilities in Portland and Houston will operate at much higher utilization rates than they have historically, upwards of 90% or higher depending on product demand and the number of production shifts. We believe our existing Portland and Houston production facilities, together with our existing distribution centers and branch warehouses, will provide adequate capacity for our current operations. 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 production facility capacity utilization generally remains less than 100%. In the event of significant increases in demand that precede the completion of construction of our Northlake facility, we may be required to increase staffing, including through temporary labor and overtime, use third-party manufacturers, lease production facilities or use some combination of those alternatives or others to satisfy the additional demand.

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 fiscal 2015, we recorded $0.3 million in goodwill in connection with the RLC Acquisition. In our annual goodwill impairment test in the fourth quarter of fiscal 2015, we determined that there were no events or circumstances that indicated impairment and, therefore, no goodwill impairment charges were recorded for the fiscal year ended June 30, 2015. There was no goodwill on our balance sheet as of June 30, 2014.

Indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values. An impairment charge is recorded if the estimated fair values of such assets has decreased below their carrying values. In our annual test of impairment in the fourth quarter of fiscal 2015 and 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, 2015, 2014 and 2013. In our annual test of impairment in the fourth quarter of fiscal 2015, we determined that the book values of the definite-lived customer relationships and the non-compete agreement acquired in connection with the RLC Acquisition were lower than the present value of the estimated future cash flows from each of these intangible assets and concluded that these assets were not impaired. We may incur certain other non-cash asset impairment costs in connection with the Corporate Relocation Plan which we have not yet determined.

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 $13.4 million and $9.6 million, respectively, and the estimated recovery from reinsurance was $2.5 million and $1.2 million, respectively, as of June 30, 2015 and 2014. 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.

Management believes that the amount recorded at June 30, 2015 is adequate to cover all known workers' compensation claims at June 30, 2015. 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 $1.4 million as of June 30, 2015.

Due to our failure to meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers for workers' compensation liability, we posted a $7.0 million and $6.5 million letter of credit at June 30, 2015 and 2014, respectively. as a security deposit with the State of California Department of Industrial Relations Self-Insurance Plans.

The estimated liability related to our self-insured group medical insurance at June 30, 2015 and 2014 was $1.0 million and $0.8 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 $0.8 million and $0.4 million as of June 30, 2015 and 2014, respectively.

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."

Employee Benefit Plan

We provide benefit plans for most full-time employees, including 401(k), health and other welfare benefit plans and, in certain circumstances, pension benefits. Generally the plans provide benefits based on years of service and/or a combination of years of service and earnings. In addition, we contribute to two multiemployer defined benefit pension plans, one multiemployer defined contribution pension plan and ten 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, we sponsor 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. We also provide a postretirement death benefit to certain of our employees and retirees.

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.

Single Employer Pension Plans

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. 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 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.

We also have two defined benefit pension plans for certain hourly employees covered under collective bargaining agreements (the "Brewmatic Plan" and the "Hourly Employees' Plan"). We actuarially determined that no adjustments were required to be made to fiscal 2015 net periodic benefit cost for the defined benefit pension plans as a result of the Corporate Relocation Plan.

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 obtain actuarial valuations for our single employer defined benefit pension plans. In fiscal 2015 we discounted the pension obligations using a 4.15% discount rate and estimated an 7.5% long-term rate of 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, 2015, the projected benefit obligation under our single employer defined benefit pension plans was $144.2 million and the fair value of plan assets was $100.2 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, mix of plan asset investments, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic benefit cost, increase our future funding requirements and require premium payments to the Pension Benefit Guaranty Corporation. For the fiscal year ended June 30, 2015, we made $1.4 million in contributions to our single employer defined benefit pension plans and recorded a credit to pension expense of $(34,000). We expect to make approximately $1.6 million in contributions to our single employer defined benefit pension plans in fiscal 2016 and accrue pension expense of approximately $1.2 million per year beginning in fiscal 2016. 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 2016:

($ in thousands)			
Farmer Bros. Plan Discount Rate	**3.9%**	**Actual 4.40%**	**4.9%**
Net periodic benefit cost	$ 810	$ 816	$ 805
Projected benefit obligation	$ 145,997	$ 136,962	$ 128,817
Farmer Bros. Plan Rate of Return	**7.0%**	**Actual 7.50%**	**8.0%**
Net periodic benefit cost	$ 1,276	$ 816	$ 355
Brewmatic Plan Discount Rate	**3.9%**	**Actual 4.40%**	**4.9%**
Net periodic benefit cost	$ 20	$ 21	$ 22
Projected benefit obligation	$ 4,300	$ 4,064	$ 3,852
Brewmatic Plan Rate of Return	**7.0%**	**Actual 7.50%**	**8.0%**
Net periodic benefit cost	$ 37	$ 21	$ 6
Hourly Employees’ Plan Discount Rate	**3.9%**	**Actual 4.40%**	**4.9%**
Net periodic benefit cost	$ 426	$ 377	$ 349
Projected benefit obligation	$ 3,414	$ 3,145	$ 2,907
Hourly Employees' Plan Rate of Return	**7.0%**	**Actual 7.50%**	**8.0%**
Net periodic benefit cost	$ 388	$ 377	$ 366

Multiemployer Pension Plans

We participate 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. We make 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 we stop participating in the multiemployer plan, we may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

In fiscal 2012, we withdrew from the Local 807 Labor-Management Pension Fund ("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. The short-term and long-term portions of this estimated withdrawal charge are reflected in current and long-term liabilities, respectively, on our consolidated balance sheets at June 30, 2015 and June 30, 2014. On November 18, 2014, the Pension Fund sent us a notice of assessment of withdrawal liability in the amount of $4.35 million, which the Pension Fund adjusted to $4.86 million on January 5, 2015. We are in the process of negotiating a reduced liability amount. We have commenced quarterly installment payments to the Pension Fund of $91,000 pending the final settlement of the liability.

We may incur certain pension-related costs in connection with the Corporate Relocation Plan which we have not yet determined. 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.

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 4.7% at June 30, 2015. We project an initial medical trend rate of 7.7% in fiscal 2016, 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 using a discount rate of 4.7%. 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.

We may incur certain postretirement-related costs in connection with the Corporate Relocation Plan which we have not yet determined

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 2015 and 2014, we used an estimated annual forfeiture rate of 4.8% and 6.5%, respectively, 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 evaluate our deferred tax assets quarterly to determine if a valuation allowance is required. We consider whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets will or will not ultimately be realized in future periods. In making this assessment, significant weight is given to evidence that can be objectively verified, such as recent operating results, and less consideration is given to less objective indicators, such as future 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 net deferred tax assets as of June 30, 2015. Accordingly, we are maintaining a valuation allowance against our net deferred tax assets. We increased our valuation allowance by $12.3 million in the fiscal year ended June 30, 2015 to $84.9 million. The valuation allowance at June 30, 2014 was $72.6 million. Deferred tax assets were $90.1 million as of June 30, 2015 compared to $74.6 million as of June 30, 2014. In fiscal 2015, deferred tax assets increased primarily due to losses recorded in OCI related to coffee-related derivative instruments, the Company's defined benefit pension plans and the retiree medical plan. 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 fiscal 2014 which lowered the total net deferred tax assets as of June 30, 2014.

Liquidity and Capital Resources

Credit Facility

On March 2, 2015, we, as Borrower, together with our wholly owned subsidiaries, CBI, FBC Finance Company, a California corporation, and CBH, as additional Loan Parties and as Guarantors, entered into a Credit Agreement (the "Credit Agreement") and a related Pledge and Security Agreement (the "Security Agreement") with JPMorgan Chase Bank, N.A. ("Chase"), as Administrative Agent, and SunTrust Bank ("SunTrust"), as Syndication Agent (collectively, the "Lenders") (capitalized terms used below are defined in the Credit Agreement). The Credit Agreement replaced our September 12, 2011 Amended and Restated Loan and Security Agreement with Wells Fargo Bank, N.A. that expired on March 2, 2015 (the "Wells Fargo Credit Facility").

The Credit Agreement provides for a senior secured revolving credit facility ("Revolving Facility") of up to $75.0 million ("Revolving Commitment") consisting of Revolving Loans, Letters of Credit and Swingline Loans provided by the Lenders, with a sublimit on Letters of Credit outstanding at any time of $30.0 million and a sublimit for Swingline Loans of $15.0 million. Chase agreed to provide $45.0 million of the Revolving Commitment and SunTrust agreed to provide $30.0 million of the Revolving Commitment. The Credit Agreement also includes an accordion feature whereby we may increase the Revolving Commitment by an aggregate amount not to exceed $50.0 million, subject to certain conditions.

The Credit Agreement provides for advances of up to: (a) 85% of the Borrowers' eligible accounts receivable, plus (b) 75% of the Borrowers' eligible inventory (not to exceed 85% of the product of the most recent Net Orderly Liquidation Value percentage multiplied by the Borrowers' eligible inventory), plus (c) the lesser of $25.0 million and 75% of the fair market value of the Borrowers' Eligible Real Property, subject to certain limitations, plus (d) the lesser of $10.0 million and the Net Orderly Liquidation Value of certain trademarks, less (e) reserves established by the Administrative Agent.

The Credit Agreement has a commitment fee ranging from 0.25% to 0.375% per annum based on Average Revolver Usage. Outstanding obligations under the Credit Agreement are collateralized by all of the Borrowers' and the Guarantors' assets, excluding, among other things, real property not included in the Borrowing Base, machinery and equipment (other than inventory), and the Company's preferred stock portfolio. The Credit Agreement expires on March 2, 2020.

The Credit Agreement provides for interest rates based on Average Historical Excess Availability levels with a range of PRIME - 0.25% to PRIME + 0.50% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 2.00%.

The Credit Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including financial covenants relating to the maintenance of a fixed charge coverage ratio in certain circumstances. The Credit Agreement allows us to pay dividends, provided, among other things, certain Excess Availability requirements are met, 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 Credit Agreement also allows the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to us, and provides for customary events of default.

On June 30, 2015, we were eligible to borrow up to a total of $55.1 million under the Revolving Facility. As of June 30, 2015, we had outstanding borrowings of $0.1 million, utilized $11.5 million of the letters of credit sublimit, and had excess availability under the Revolving Facility of $43.5 million. At June 30, 2015, the weighted average interest rate on our outstanding borrowings under the Revolving Facility was 1.26%. At June 30, 2015, we were in compliance with all of the restrictive covenants under the Credit Agreement.

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 Wells Fargo Credit Facility. The swap transaction was intended to manage our interest rate risk related to the Wells Fargo 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, 2015 and 2014, we had no interest rate swap transactions in place.

We did not designate our interest rate swap as an accounting hedge. In the fiscal years ended June 30, 2014 and 2013, respectively, we recorded in "Other, net" in our consolidated statements of operations a loss of $5,000 and $25,000 for the change in fair value of our interest rate swap. No such gain or loss was recorded in fiscal 2015 (see Note 4 of the Notes to Consolidated Financial Statements).

Liquidity

We generally finance our operations through cash flows from operations and borrowings under our Revolving Facility described above. As of June 30, 2015, we had $15.2 million in cash and cash equivalents, $1.0 million in restricted cash in our margin accounts for coffee-related derivative instruments and $23.7 million in short-term investments. We believe our Revolving Facility, to the extent available, in addition to our cash flows from operations and other liquid assets, and the expected proceeds from the sale of our Torrance facility, collectively, will be sufficient to fund our working capital and capital expenditure requirements for the next 12 to 18 months including the expected capital expenditures associated with the Corporate Relocation Plan and other costs under the Lease Agreement and DMA for the new facility.

We generate cash from operating activities primarily from cash collections related to the sale of our products. Net cash provided by operating activities was $26.9 million in fiscal 2015 compared to $52.9 million in fiscal 2014 and $21.9 million in fiscal 2013. The lower level of net cash provided by operating activities in fiscal 2015 compared to the prior fiscal year was due to lower net income and a higher level of cash outflows from operating activities. Cash outflows were primarily from payments of accounts payable balances including the payment of expenses associated with the Corporate Relocation Plan, payroll expenses including accrued bonuses and restriction of cash held in margin accounts for coffee-related derivative instruments. Cash outflows were partially offset by cash inflows from a decrease in inventory balances. Inventory balances decreased in fiscal 2015 compared to fiscal 2014 primarily due to the consolidation of coffee production from the Torrance production facility with the Houston and Portland production facilities pursuant to our Corporate Relocation Plan. At June 30, 2015, we had a net loss position in our margin accounts for coffee-related derivative instruments resulting in restriction of the use of $1.0 million of cash in these accounts, which contributed to lower cash inflows in fiscal 2015. In fiscal 2014, net cash provided by operating activities resulted from a higher net income along with lower cash outflows from operating activities. Cash outflows were primarily for payments of accounts payable balances, payroll expenses and from an increase in inventory. Cash outflows were partially offset by cash inflows from release of restriction on cash held in margin accounts for coffee-related derivative instruments. At June 30, 2014, we had a gain position in our margin accounts for coffee-related derivative instruments, resulting in the release of previously restricted $8.1 million of cash. In addition, timing differences between the receipt or payment of cash and recognition of the related net gains (losses) from derivative instruments contributed to the differences in cash from operations in the fiscal years ended June 30, 2015 and 2014.

Net cash used in investing activities was $20.1 million in fiscal 2015 as compared to $20.7 million in fiscal 2014, and $10.2 million in fiscal 2013. In fiscal 2015, net cash used in investing activities included $1.2 million in payments in connection with the RLC Acquisition and $19.2 million for purchases of property, plant and equipment, partially offset by proceeds from sales of assets, primarily vehicles, of $0.3 million. In fiscal 2014, net cash used in investing activities included $25.3 million for purchases of property, plant and equipment offset by proceeds from sales of assets, primarily real estate, of $4.5 million. In fiscal 2013, net cash used in investment activities included $15.9 million for purchases of property, plant and equipment offset by proceeds from sales of assets, primarily real estate, of $5.7 million.

Net cash used in financing activities in fiscal 2015 was $3.6 million compared to $22.8 million in fiscal 2014 and $12.9 million in fiscal 2013. Net cash used in financing activities in fiscal 2015 included net repayments on our credit facility of $0.6 million, $0.6 million in deferred financing costs for the Revolving Facility and $0.1 million in tax withholding payments related to net share settlement of equity awards offset by $1.5 million in proceeds from stock option exercises. 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. Net repayments on our credit facility in fiscal 2013 were $10.8 million.

In fiscal 2015, we capitalized $19.2 million in property, plant and equipment purchases which included $10.7 million in expenditures to replace normal wear and tear of coffee brewing equipment, $1.5 million in building and facility improvements, $6.1 million in expenditures for vehicles, and machinery and equipment, and $0.9 million in information technology related expenditures. The decrease in cash outflows for property, plant and equipment compared to the prior fiscal year was primarily due to decreases in the purchase of coffee brewing equipment, machinery and equipment and replacement vehicles.

Based on current assumptions and subject to continued implementation of the Corporate Relocation Plan as planned, we estimate that we will incur approximately $25 million in cash costs in connection with the exit of the Torrance facility consisting of $14 million in employee retention and separation benefits, $4 million in facility-related costs and $7 million in other related costs. We may incur certain other non-cash asset impairment costs, pension-related costs and postretirement benefit costs in connection with the Corporate Relocation Plan which we have not yet determined. We recognized approximately 41% of the aggregate cash costs in fiscal 2015, including $6.5 million in employee retention and separation benefits, $0.3 million in facility-related costs related to the relocation of certain distribution operations and $3.3 million in other related costs including travel, legal, consulting and other professional services. The remainder is expected to be recognized in fiscal 2016 and the first quarter of fiscal 2017.

Subject to the finalization of the optimal utilization, automation and build-out of the facility, the new facility construction costs are currently expected to be approximately $35 million to $40 million. Pursuant to the Lease Agreement, Landlord owns the premises and is obligated to finance the overall construction and to reimburse us for substantially all expenditures we incur with respect to the construction of the premises.

In addition to Landlord's expenditures for the construction of the new facility, we expect to incur and pay for approximately $20 million to $25 million in anticipated capital expenditures for machinery and equipment, furniture and fixtures, and related expenditures. No such capital expenditures were incurred in the fiscal years ended June 30, 2015 and 2014. The majority of the capital expenditures associated with the new facility are expected to be incurred in early fiscal 2017. The expenditures associated with the new facility are expected to be partially offset by the net proceeds from the planned sale of our Torrance facility.

Our expected capital expenditures unrelated to the Corporate Relocation Plan for fiscal 2016 include expenditures to replace normal wear and tear of coffee brewing equipment, vehicles, machinery and equipment and mobile sales solution hardware, and are expected to be flat with fiscal 2015 levels.

At June 30, 2015 and 2014, our working capital was composed of the following:

(In thousands)	June 30, 2015	June 30, 2014
Current assets(1)	$ 135,685	$ 157,460
Current liabilities(2)	64,874	76,870
Working capital	$ 70,811	$ 80,590

(1) Includes $1.0 million in restricted cash at June 30, 2015 and $5.2 million in coffee-related short-term derivative assets at June 30, 2014.
(2) Includes $4.0 million in coffee-related short-term derivative liabilities at June 30, 2015.

For the fiscal years ended June 30, 2015, 2014 and 2013, our capital expenditures were as follows:

(In thousands)	June 30, 2015	June 30, 2014	June 30, 2013
Capital expenditures	$ 19,216	$ 25,267	$ 15,894

Results of Operations

Fiscal Years Ended June 30, 2015 and 2014

Overview

In fiscal 2015, green coffee commodity prices rose in the first quarter and fell during the remaining three quarters. Average "C" market prices increased to $1.66 per pound in fiscal 2015 from $1.42 per pound in fiscal 2014. In fiscal 2015, 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. In fiscal 2015, a lower percentage of our roast and ground coffee volume was based on a price schedule and a higher percentage was sold to customers under commodity-based pricing arrangements as compared to fiscal 2014.

On February 5, 2015, we announced the Corporate Relocation Plan pursuant to which we will close our Torrance, facility and relocate its operations to a new state-of-the-art facility housing our manufacturing, distribution, coffee lab and corporate headquarters. Our decision resulted from a comprehensive review of alternatives designed to make us more competitive and better positioned to capitalize on growth opportunities. The new facility will be located in Northlake, Texas in the Dallas/Fort Worth area.

On January 12, 2015, we completed the acquisition of substantially all of the assets of Rae' Launo Corporation ("RLC") relating to its direct-store-delivery and in-room distribution business in the Southeastern United States.

In fiscal 2015, we continued our efforts to improve efficiencies in our sales and product offerings. These efforts included targeted selling efforts in untapped markets, sales and marketing training for all of our RSRs, and the discontinuation over 300 SKUs, excluding the SKUs added from the RLC Acquisition. We also continued to expand our product portfolio by investing resources in what we believe to be key growth categories, including the launch of our Metropolitan™ single cup coffee, expanded seasonal coffee and specialty beverages, new shelf-stable coffee products, and new hot teas.

Net sales in fiscal 2015 increased $17.5 million, or 3.3%, to $545.9 million from $528.4 million in fiscal 2014. The increase in net sales in fiscal 2015 included $8.8 million in price increases to customers utilizing commodity-based pricing arrangements, where the changes in the green coffee commodity costs are passed on to the customer.

The change in net sales in fiscal 2015 compared to fiscal 2014 was due to the following:

(In millions)	Year Ended June 30, 2015 vs. 2014
Effect of change in unit sales	$ (2.0)
Effect of pricing and product mix changes	19.5
Total increase in net sales	$ 17.5

Unit sales decreased (0.2)% in fiscal 2015 as compared to fiscal 2014, fully offset by a 3.5% increase in average unit price resulting in an increase in net sales of 3.3%. The decrease in unit sales was primarily due to a (0.7)% decrease in unit sales of roast and ground coffee products, which accounted for approximately 61% of our total net sales, while the increase in average unit price was primarily due to the higher average unit price of roast and ground coffee products primarily driven by the pass-through of higher green coffee commodity purchase costs to our customers. In fiscal 2015, we processed and sold approximately 87.7 million pounds of green coffee as compared to approximately 88.3 million pounds of green coffee processed and sold in fiscal 2014. There were no new product category introductions in fiscal 2015 or 2014 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, 2015 $	2015 % of total	2014 $	2014 % of total
Net Sales by Product Category:				
Coffee (Roast & Ground)	$ 336,129	61%	$ 319,251	60%
Coffee (Frozen)	37,428	7%	37,840	7%
Tea (Iced & Hot)	27,172	5%	28,452	5%
Culinary	54,208	10%	56,567	11%
Spice	32,336	6%	31,876	6%
Other beverages(1)	54,933	10%	50,572	10%
Net sales by product category	542,206	99%	524,558	99%
Fuel surcharge	3,676	1%	3,822	1%
Net sales	$ 545,882	100%	$ 528,380	100%

(1) Includes all beverages other than coffee and tea.

Cost of goods sold in fiscal 2015 increased $16.4 million, or 4.9%, to $348.8 million, or 63.9% of net sales, from $332.5 million, or 62.9% of net sales in fiscal 2014. The increase in cost of goods sold as a percentage of net sales in fiscal 2015 was primarily due to a 16.9% increase in the average "Arabica C" market price of green coffee. Inventories decreased at the end of fiscal 2015 compared to fiscal 2014 and, therefore, a beneficial effect of liquidation of LIFO inventory quantities in the amount of $4.9 million was recorded in cost of goods sold in fiscal 2015 reducing cost of goods sold by the same amount. No beneficial effect of liquidation of LIFO inventory quantities was recorded in the prior fiscal year.

Gross profit in fiscal 2015 increased $1.1 million, or 0.6%, to $197.0 million from $195.9 million in fiscal 2014 but gross margin decreased to 36.1% in fiscal 2015 from 37.1% in the prior fiscal year. The increase in gross profit was primarily due to the increase in net sales from higher prices of roast and ground coffee, frozen coffee, tea products, spice and other beverages. The decrease in gross margin was primarily due to a 16.9% increase in the average "C" market price of green coffee as compared to the prior fiscal year. Gross profit in fiscal 2015 included the beneficial effect of the liquidation of LIFO inventory quantities in the amount of $4.9 million.

In fiscal 2015, operating expenses increased $6.8 million, or 3.6%, to $193.8 million, or 35.5% of net sales, from $187.0 million, or 35.4% of net sales, in fiscal 2014, primarily due to $10.4 million in restructuring and other transition expenses associated with the Corporate Relocation Plan. In fiscal 2015 selling expenses decreased $3.3 million and general and administrative expenses decreased $4.6 million as compared to fiscal 2014. The decrease in selling expenses in fiscal 2015 as compared to fiscal 2014 was primarily due to lower depreciation and amortization expense, bonus expense and salaries-related expense offset by an increase in worker's compensation expense. The decrease in general and administrative expenses in fiscal 2015 as compared to fiscal 2014 was primarily due to lower depreciation and amortization expense, bonus expense, consulting expense and the absence of 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. This decrease in general and administrative expenses was partially offset by an increase in salaries-related expense, employee and retiree medical expense, ESOP compensation expense and worker's compensation expense. Operating expenses in fiscal 2015 also reflected $(0.4) million in net losses from sales of assets, primarily vehicles, as compared to $3.8 million in net gains from sales of assets, primarily real estate, in fiscal 2014.

Income from operations in fiscal 2015 was $3.3 million compared to $8.9 million in fiscal 2014 primarily due to restructuring and other transition expenses associated with the Corporate Relocation Plan and lower gross profit partially offset by the decrease in selling expenses and general administrative expenses.

Total other income (expense)

Total other expense in fiscal 2015 was $(2.2) million compared to total other income of $3.9 million in fiscal 2014, primarily due to net losses on derivative instruments and investments of $(3.3) million compared to net gains on derivative instruments and investments of $3.1 million in fiscal 2014. The net losses and net gains on derivative instruments and investments in fiscal 2015 and fiscal 2014, respectively, were primarily due to mark-to-market net losses and net gains, respectively, on coffee-related derivative instruments not designated as accounting hedges. Net losses on such coffee-related derivative instruments in fiscal 2015 were $(3.0) million compared to net gains on such coffee-related derivative instruments in fiscal 2014 of $2.7 million. In each of the fiscal years ended June 30, 2015 and 2014, we recognized $(0.3) million in losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness.

Income taxes

In fiscal 2015, we recorded income tax expense of $0.4 million compared to $0.7 million in fiscal 2014. Income tax expense in fiscal 2015 was primarily attributable to cash taxes paid.

As of June 30, 2015, the Company has generated approximately $0.6 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 Internal Revenue Service is currently auditing the Company's tax year ended June 30, 2013.

Net income

As a result of the foregoing factors, net income was $0.7 million, or $0.04 per diluted common share, in fiscal 2015 compared to $12.1 million, or $0.76 per diluted common share, in fiscal 2014.

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 SKUs. 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 88.3 million pounds of green coffee as compared to approximately 76.2 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:

	Year Ended June 30,				
	2014		2013		
(In thousands)	$	% of total	$		% 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) Re-categorized to be 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 6.0% 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 $0.6 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.

Non-GAAP Financial Measures

In addition to net income (loss) determined in accordance with GAAP, we use the following non-GAAP financial measures in assessing our operating performance:

“Non-GAAP net income” is defined as net income (loss) excluding the impact of:

- restructuring and other transition expenses, net of tax; and
- net gains and losses from sales of assets, net of tax.

"Non-GAAP net income per diluted common share" is defined as Non-GAAP net income divided by the weighted-average number of common shares outstanding, inclusive of the dilutive effect of common equivalent shares outstanding during the period.

"Adjusted EBITDA" is 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;
- other similar non-cash expenses;
- restructuring and other transition expenses; and
- net gains and losses from sales of assets.

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

Restructuring and other transition expenses are expenses that are directly attributable to the Corporate Relocation Plan, consisting primarily of employee retention and separation benefits, facility-related costs and other related costs such as travel, legal, consulting and other professional services.

We believe these non-GAAP financial measures provide a useful measure of the Company's operating results, a meaningful comparison with historical results and with the results of other companies, and insight into the Company's ongoing operating performance. Further, management utilizes these measures, in addition to GAAP measures, when evaluating and comparing the Company's operating performance against internal financial forecasts and budgets. In the fourth quarter of fiscal 2015, we modified previously reported non-GAAP financial measures to exclude net gains and losses on sales of assets because we believe these gains and losses are not reflective of our ongoing operating results. As a result, we began referring to the measures previously titled "Net income excluding restructuring and other transition expenses" and "Net income excluding restructuring and other transition expenses per common share-diluted" as "Non-GAAP net income" and "Non-GAAP net income per diluted common share." In addition, we redefined "Adjusted EBITDA" to also exclude net gains and losses from sales of assets. The historical presentation of these measures has been recast to conform to the revised definitions and the current year presentation. Non-GAAP net income, Non-GAAP net income per diluted common share, 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 Non-GAAP net income (loss) and reported net income (loss) per common share-diluted to Non-GAAP net income (loss) per diluted common share:

(In thousands)	Year Ended June 30, 2015	2014	2013
Net income (loss), as reported(1)	$ 652	$ 12,132	$ (8,462)
Restructuring and other transition expenses, net of tax of zero	10,432	—	—
Net losses (gains) from sales of assets, net of tax of zero	394	(3,814)	(4,467)
Non-GAAP net income (loss)	$ 11,478	$ 8,318	$ (12,929)
Net income (loss) per common share—diluted, as reported	$ 0.04	$ 0.76	$ (0.54)
Impact of restructuring and other transition expenses, net of tax of zero	$ 0.64	$ —	$ —
Impact of net losses (gains) from sales of assets, net of tax of zero	$ 0.03	$ (0.24)	$ (0.29)
Non-GAAP net income (loss) per diluted common share	$ 0.71	$ 0.52	$ (0.83)

(1) Includes: (a) $4.9 million in beneficial effect of liquidation of LIFO inventory quantities in fiscal 2015; and (b) $1.1 million in beneficial effect of liquidation of LIFO inventory quantities in fiscal 2013.

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

(In thousands)	Year Ended June 30, 2015	2014	2013
Net income (loss), as reported(1)	$ 652	$ 12,132	$ (8,462)
Income tax expense (benefit)	402	705	(825)
Interest expense	769	1,258	1,782
Depreciation and amortization expense	24,179	27,334	32,542
ESOP and share-based compensation expense	5,691	4,692	3,563
Restructuring and other transition expenses	10,432	—	—
Net losses (gains) from sales of assets	394	(3,814)	(4,467)
Impairment losses on goodwill and intangible assets	—	—	92
Adjusted EBITDA	$ 42,519	$ 42,307	$ 24,225
Adjusted EBITDA Margin	7.8%	8.0%	4.7%

(1) Includes: (a) $4.9 million in beneficial effect of liquidation of LIFO inventory quantities in fiscal 2015; and (b) $1.1 million in beneficial effect of liquidation of LIFO inventory quantities in fiscal 2013.

Contractual Obligations

The following table contains information regarding total contractual obligations as of June 30, 2015, including capital leases:

(In thousands)	Payment due by period(1) Total	Less Than One Year	1-3 Years	3-5 Years	More Than 5 Years
Contractual obligations:					
Operating lease obligations	$ 10,658	$ 3,991	$ 4,532	$ 2,104	$ 31
Capital lease obligations(2)	6,162	3,464	2,499	195	4
Pension plan obligations	87,682	7,590	15,965	17,094	47,033
Postretirement benefits other than pension plans	15,538	1,076	2,477	3,035	8,950
Revolving credit facility	78	78	—	—	—
Purchase commitments(3)	45,324	45,324	—	—	—
Total contractual obligations	$ 165,442	$ 61,523	$ 25,473	$ 22,428	$ 56,018

(1) Excludes the Lease Agreement for the Northlake, Texas facility that the Company entered into subsequent to the fiscal year ended June 30, 2015 (see Note 21 of the Notes to Consolidated Financial Statements).

(2) Includes imputed interest of $0.3 million.

(3) 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, 2015. 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.

As of June 30, 2015, we had committed to purchasing green coffee inventory totaling $41.0 million under fixed-price contracts and other inventory totaling $4.3 million under non-cancelable purchase orders.

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, 2015. 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, 2015, 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, 2015	Change in Market Value
Interest Rate Changes		
–150 basis points	$ 24,529	$ 863
–100 basis points	$ 24,303	$ 637
Unchanged	$ 23,666	$ —
+100 basis points	$ 22,866	$ (800)
+150 basis points	$ 22,461	$ (1,205)

The Credit Agreement for our Revolving Facility provides for interest rates based on Average Historical Excess Availability levels with a range of PRIME - 0.25% to PRIME + 0.50% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 2.00%.

As of June 30, 2015, we had outstanding borrowings of $0.1 million, utilized $11.5 million of the letters of credit sublimit, and had excess availability under the Revolving Facility of $43.5 million. The weighted average interest rate on our outstanding borrowings under the Revolving Facility at June 30, 2015 was 1.26%.

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 Wells Fargo Credit Facility. The swap transaction was intended to manage our interest rate risk related to our borrowings under the Wells Fargo 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, 2015 and 2014, we had no interest rate swap transactions in place.

We did not designate our interest rate swap as an accounting hedge. In the fiscal years ended June 30, 2014 and 2013, respectively, we recorded in "Other, net" in our consolidated statements of operations a loss of $5,000 and $25,000, respectively, for the change in fair value of our interest rate swap. No such gain or loss was recorded in fiscal 2015.

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. These derivative instruments also may be entered into at the direction of the customer under commodity-based pricing arrangements to effectively lock in the purchase price of green coffee under such customer arrangements, in certain cases up to 18 months or longer in the future. 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 minimize the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods.

When we designate coffee-related derivative instruments as cash flow hedges, we formally document the hedging instruments and hedged items, and measure at each balance sheet date the effectiveness of our hedges. Beginning in the fourth quarter of fiscal 2013, the effective portion of the gains and losses from re-valuing the coffee-related derivative instruments to their market prices is being recorded 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, 2015, 2014 and 2013 we reclassified \$4.2 million, \$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 instruments that cease to be highly effective hedges, derivative instruments for which the forecasted transaction is reasonably possible but no longer probable of occurring, and cash flow hedges that have been otherwise discontinued remain in AOCI until the hedged item affects earnings. If it becomes probable that the forecasted transaction designated as the hedged item in a cash flow hedge will not occur, we recognize any gain or loss deferred in AOCI in “Other, net” at that time. For the fiscal years ended June 30, 2015, 2014 and 2013, we recognized in “Other, net” \$(0.3) million, \$(0.3) million and \$(0.4) million, respectively, in net 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, and for which the normal purchases and normal sales exception has not been elected, the changes in fair value are reported in “Other, net.”

For the fiscal years ended June 30, 2015, 2014 and 2013, we recorded in “Other, net” (losses) gains from coffee-related derivative instruments not designated as accounting hedges in the amounts of \$(3.0) million, \$2.7 million and \$(11.3) million, respectively.

The following table summarizes the potential impact as of June 30, 2015 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)	$ 53	$ (53)	$ 4,488	$ (4,488)

(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, 2015. 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 sheets of Farmer Bros. Co. and subsidiaries (the "Company") as of June 30, 2014 and 2015 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the years ended June 30, 2014 and 2015. 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 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, 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 2015, and the results of their operations and their cash flows for the years ended June 30, 2014 and 2015, 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, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 14, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California

September 14, 2015

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 statements of operations, comprehensive income (loss), stockholders' equity and cash flows of Farmer Bros. Co. and Subsidiaries for the year 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 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, the financial statements referred to above present fairly, in all material respects, the consolidated results of Farmer Bros. Co. and Subsidiaries' operations and their cash flows for the year 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, 2015	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,160	$ 11,993
Restricted cash	1,002	—
Short-term investments	23,665	22,632
Accounts and notes receivable, net of allowance for doubtful accounts of $643 and $651, respectively	40,161	42,230
Inventories	50,522	71,044
Income tax receivable	535	228
Short-term derivative assets	—	5,153
Prepaid expenses	4,640	4,180
Total current assets	135,685	157,460
Property, plant and equipment, net	90,201	95,641
Goodwill and intangible assets, net (Note 10)	6,691	5,628
Other assets	7,615	7,034
Deferred income taxes	751	414
Total assets	$ 240,943	$ 266,177
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	27,023	$ 44,336
Accrued payroll expenses	23,005	22,190
Short-term borrowings under revolving credit facility	78	78
Short-term obligations under capital leases	3,249	3,779
Short-term derivative liabilities	3,977	—
Deferred income taxes	1,390	1,169
Other current liabilities	6,152	5,318
Total current liabilities	64,874	76,870
Accrued pension liabilities	47,871	40,256
Accrued postretirement benefits	23,471	19,970
Accrued workers' compensation liabilities	10,964	7,604
Other long-term liabilities-capital leases	2,599	5,924
Other long-term liabilities (Note 16)	225	—
Deferred income taxes	928	689
Total liabilities	$ 150,932	$ 151,313
Commitments and contingencies (Note 19)		
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; 16,658,148 and 16,562,450 issued and outstanding at June 30, 2015 and 2014, respectively	16,658	16,562
Additional paid-in capital	38,143	35,917
Retained earnings	106,864	106,212
Unearned ESOP shares	(11,234)	(16,035)
Accumulated other comprehensive loss	(60,420)	(27,792)
Total stockholders' equity	$ 90,011	$ 114,864
Total liabilities and stockholders' equity	$ 240,943	$ 266,177

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,		
	2015	2014	2013
Net sales	$ 545,882	$ 528,380	$ 513,869
Cost of goods sold	348,846	332,466	328,693
Gross profit	197,036	195,914	185,176
Selling expenses	151,753	155,088	157,033
General and administrative expenses	31,173	35,724	32,146
Restructuring and other transition expenses	10,432	—	—
Net losses (gains) from sales of assets	394	(3,814)	(4,467)
Impairment losses on goodwill and intangible assets	—	—	92
Operating expenses	193,752	186,998	184,804
Income from operations	3,284	8,916	372
Other income (expense):			
Dividend income	1,172	1,073	1,103
Interest income	381	429	452
Interest expense	(769)	(1,258)	(1,782)
Other, net	(3,014)	3,677	(9,432)
Total other (expense) income	(2,230)	3,921	(9,659)
Income (loss) before taxes	1,054	12,837	(9,287)
Income tax expense (benefit)	402	705	(825)
Net income (loss)	$ 652	$ 12,132	$ (8,462)
Net income (loss) per common share—basic	$ 0.04	$ 0.76	$ (0.54)
Net income (loss) per common share—diluted	$ 0.04	$ 0.76	$ (0.54)
Weighted average common shares outstanding—basic	16,127,610	15,909,631	15,604,452
Weighted average common shares outstanding—diluted	16,267,134	16,014,587	15,604,452

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, 2015	Year Ended June 30, 2014	Year Ended June 30, 2013
Net income (loss)	$ 652	$ 12,132	$ (8,462)
Other comprehensive (loss) income, net of tax:			
Unrealized (losses) gains on derivative instruments designated as cash flow hedges	(14,295)	18,685	(7,866)
(Gains) losses on derivative instruments designated as cash flow hedges reclassified to cost of goods sold	(4,211)	(1,161)	(55)
Change in the funded status of retiree benefit obligations	(14,122)	(2,802)	10,969
Income tax expense	—	—	(1,066)
Total comprehensive (loss) income, net of tax	$ (31,976)	$ 26,854	$ (6,480)

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,		
	2015	2014	2013
Cash flows from operating activities:			
Net income (loss)	$ 652	$ 12,132	$ (8,462)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	24,179	27,334	32,542
(Recovery of) provision for doubtful accounts	(8)	80	(757)
Restructuring and other transition expenses, net of payments	6,608	—	—
Deferred income taxes	123	137	74
Impairment losses on goodwill and intangible assets	—	—	92
Net losses (gains) from sales of assets	394	(3,814)	(4,467)
ESOP and share-based compensation expense	5,691	4,692	3,563
Net (gains) losses on derivative instruments and investments	(950)	(4,276)	11,132
Change in operating assets and liabilities:			
Restricted cash	(1,002)	8,084	(6,472)
Purchases of trading securities held for investment	(3,661)	(5,915)	(9,049)
Proceeds from sales of trading securities held for investment	2,358	4,290	7,633
Accounts and notes receivable	2,078	2,248	(2,429)
Inventories	20,470	(14,439)	5,115
Income tax receivable	(307)	181	353
Derivative (liabilities) assets, net	(7,269)	3,932	—
Prepaid expenses and other assets	(1,332)	(661)	(156)
Accounts payable	(16,841)	17,526	1,773
Accrued payroll expenses and other current liabilities	(4,606)	2,574	(8,785)
Accrued postretirement benefits	(1,507)	(1,905)	(6,451)
Other long-term liabilities	1,860	695	6,678
Net cash provided by operating activities	$ 26,930	$ 52,895	$ 21,927
Cash flows from investing activities:			
Payment to acquire business	(1,200)	—	—
Purchases of property, plant and equipment	(19,216)	(25,267)	(15,894)
Proceeds from sales of property, plant and equipment	273	4,536	5,666
Net cash used in investing activities	$ (20,143)	$ (20,731)	$ (10,228)
Cash flows from financing activities:			
Proceeds from revolving credit facility	63,376	44,806	43,990
Repayments on revolving credit facility	(63,947)	(65,454)	(54,761)
Payments of capital lease obligations	(3,910)	(3,681)	(3,359)
Payment of financing costs	(571)	—	—
Proceeds from stock option exercises	1,548	1,480	1,203
Tax withholding payment related to net share settlement of equity awards	(116)	—	—
Net cash used in financing activities	$ (3,620)	$ (22,849)	$ (12,927)
Net increase (decrease) in cash and cash equivalents	$ 3,167	$ 9,315	$ (1,228)
Cash and cash equivalents at beginning of year	11,993	2,678	3,906
Cash and cash equivalents at end of year	$ 15,160	$ 11,993	$ 2,678

(continued on next page)

FARMER BROS. CO.

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

	Year Ended June 30,		
	2015	2014	2013
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 769	$ 1,258	$ 1,783
Cash paid for income taxes	$ 858	$ 361	$ 370
Supplemental disclosure of non-cash investing activities:			
Equipment acquired under capital leases	$ 55	$ 1,217	$ 626
Net change in derivative assets and liabilities included in other comprehensive income	$ (18,506)	$ 17,524	$ (7,921)
Non-cash additions to equipment	$ 51	$ 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, 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**
Net income	—	—	—	652	—	—	652
Unrealized losses on derivative instruments designated as cash flow hedges, net of reclassifications to cost of goods sold	—	—	—	—	—	(18,506)	(18,506)
Change in the funded status of retiree benefit obligations, net of tax of $0	—	—	—	—	—	(14,122)	(14,122)
ESOP compensation expense, including reclassifications	—	—	(377)	—	4,801	—	4,424
Share-based compensation	4,272	4	1,263	—	—	—	1,267
Stock option exercises	95,723	96	1,452	—	—	—	1,548
Shares withheld to cover taxes	(4,297)	(4)	(112)	—	—	—	(116)
Balance at June 30, 2015	**16,658,148**	**$ 16,658**	**$ 38,143**	**$ 106,864**	**$ (11,234)**	**$ (60,420)**	**$ 90,011**

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's customers include restaurants, hotels, casinos, offices, quick service restaurants (“QSRs”), 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 five 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”). Further, on January 12, 2015, the Company completed the acquisition of substantially all of the assets of Rae' Launo Corporation (“RLC”) relating to its direct-store-delivery and in-room distribution business in the Southeastern United States (the “RLC Acquisition”).

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.

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.

Corporate Relocation Plan

On February 5, 2015, the Company announced a plan approved by the Board of Directors of the Company on February 3, 2015, pursuant to which the Company will close its Torrance, California facility and relocate its operations to a new facility housing its manufacturing, distribution, coffee lab and corporate headquarters (the “Corporate Relocation Plan”). The new facility will be located in Northlake, Texas, in the Dallas/Fort Worth area.

The Company expects to close its Torrance facility in phases, and the Company began the process in the spring of 2015. Through April 2015, coffee purchasing, roasting, grinding, packaging and product development took place at the Company’s Torrance, California, Portland, Oregon and Houston, Texas production facilities. In May 2015, the Company moved the coffee roasting, grinding and packaging functions that had been conducted in Torrance to its Houston and Portland production facilities and in conjunction relocated its Houston distribution operations to its Oklahoma City distribution center. Spice blending, grinding, packaging and product development continues to take place at the Company’s Torrance production facility. As of June 30, 2015, distribution continued to take place out of the Company’s Torrance and Portland production facilities, as well as separate distribution centers in Northlake, Illinois, Oklahoma City, Oklahoma, and Moonachie, New Jersey. The Company is in the process of transferring its primary administrative offices from Torrance to Fort Worth, Texas, where the Company has leased 32,000 square feet of temporary office space. The transfer of the Company’s primary administrative offices to this temporary office space is expected to be completed by the end of the second quarter of fiscal 2016. Construction of and relocation to the new facility are expected to be completed by the end of the second quarter of fiscal 2017. The Company’s Torrance facility is expected to be sold as part of the Corporate Relocation Plan.

Expenses related to the Corporate Relocation Plan included in “Relocation and other transition expenses” in the Company's consolidated statements of operations include employee retention and separation benefits, facility-related costs, and other related costs such as travel, legal, consulting and other professional services. In order to receive the retention and/or separation benefits, impacted employees are required to provide service through their retention dates which vary from May 2015 through March 2016 or separation dates which vary from May 2015 through June 2016. A liability for such retention and separation benefits was recorded at the communication date in “Accrued payroll expenses” on the Company's consolidated balance sheets. Facility-related costs and other related costs are recognized in the period when the liability is incurred.

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 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” if restricted from withdrawal due to a net loss position in such margin accounts.

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 coffee-related derivative instruments designated as cash flow hedges, the effective portion of the change in fair value of the derivative is reported as accumulated other comprehensive income (loss) (“AOCI”) and subsequently reclassified into cost of goods sold in the period or periods when the hedged transaction affects earnings. Any ineffective portion of the derivative instrument'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, 2015 approximately 94% of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges (see Note 4). At June 30, 2014, approximately 98% of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges (see Note 4).

Concentration of Credit Risk

At June 30, 2015, 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, 2015, the Company had $1.0 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, because 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.

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 collection of outstanding receivables, in fiscal 2015 and 2013, the Company decreased the allowance for doubtful accounts by $8,000 and $0.8 million, respectively. 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, 2015, 2014 and 2013 are $26.6 million, $25.9 million and $25.6 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, 2015, 2014 and 2013 was $10.4 million, $10.9 million and $12.8 million, respectively. The Company capitalized coffee brewing equipment (included in machinery and equipment) in the amounts of $10.7 million and $13.6 million in fiscal 2015 and 2014, 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.

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 13). Diluted EPS represents net income 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 years ended June 30, 2015 and 2014 includes the dilutive effect of 139,524 and 104,956 shares, respectively, but excludes the dilutive effect of 10,455 and 22,441 shares, respectively, issuable under stock options because their inclusion would be anti-dilutive. Computation of EPS for the year ended June 30, 2013 does not include the dilutive effect of 557,427 shares issuable under stock options because the Company incurred a net loss and including them would be anti-dilutive. Accordingly, the consolidated financial statements present only basic net loss per common share for the year ended June 30, 2013 (see Note 14).

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, credit 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. An impairment charge is recorded if the estimated fair value of such assets has decreased below their carrying values.

There was no goodwill on the Company's balance sheet as of June 30, 2014. In fiscal 2015, the Company recorded $0.3 million in goodwill in connection with the RLC Acquisition In its annual test of impairment in the fourth quarter of fiscal 2015, the Company determined that there were no events or circumstances that indicated impairment and, therefore, no goodwill impairment charges were recorded in the fiscal year ended June 30, 2015.

In its annual test of impairment in the fourth quarter of fiscal 2015 and 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.

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, 2015 and 2014. In its annual test of impairment in the fourth quarter of fiscal 2015, the Company determined that the book values of the definite-lived customer relationships and the non-compete agreement acquired in connection with the RLC Acquisition were lower than the present value of the estimated future cash flows from each of these intangible assets and concluded that these assets were not impaired. The Company may incur certain other non-cash asset impairment costs in connection with the Corporate Relocation Plan which the Company has not yet determined.

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 $8.3 million, $8.4 million and $7.3 million, respectively, in the fiscal years ended June 30, 2015, 2014 and 2013.

Collective Bargaining Agreements

Certain Company employees are subject to collective bargaining agreements. The duration of these agreements extend to 2020. At June 30, 2015, approximately 34% 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 $13.4 million and $9.6 million, respectively, and the estimated recovery from reinsurance was $2.5 million and $1.2 million, respectively, as of June 30, 2015 and 2014. 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.

Due to the Company's failure to meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers for workers' compensation liability, the Company posted a $7.0 million. and $6.5 million letter of credit at June 30, 2015 and 2014, respectively. as a security deposit with the State of California Department of Industrial Relations Self-Insurance Plans.

The estimated liability related to the Company's self-insured group medical insurance at June 30, 2015 and 2014 was $1.0 million and $0.8 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 $0.8 million and $0.4 million at June 30, 2015 and 2014, 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 2015, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)” (“ASU 2015-07”). ASU 2015-07 removes the requirement to categorize investments for which the fair values are measured using the net asset value per share (“NAV”) practical expedient within the fair value hierarchy. It also limits certain disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. ASU 2015-07 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The Company is in the process of assessing the impact of the adoption of ASU 2015-07 on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30); Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). ASU 2015-03 changes the presentation of debt issuance costs in financial statements. Under ASU 2015-03, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. ASU 2015-03 is effective for annual periods beginning after December 15, 2015, and interim periods within those annual periods. Early adoption is allowed for all entities for financial statements that have not been previously issued. Entities would apply the new guidance retrospectively to all prior periods (i.e., the balance sheet for each period is adjusted). ASU 2015-03 is effective for the Company beginning July 1, 2016. Adoption of ASU 2015-03 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In January 2015, the FASB issued ASU No. 2015-01, “Income Statement-Extraordinary and Unusual Items (Subtopic 225-20); Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.” ASU 2015-01 eliminates from U.S. GAAP the concept of an extraordinary item, which is an event or transaction that is both unusual in nature and infrequently occurring. Under ASU 2015-01, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; or (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. ASU 2015-01 is effective for annual periods beginning after December 15, 2015, and interim periods within those annual periods. Early adoption permitted, but adoption must occur at the beginning of a fiscal year. Entities may apply the guidance prospectively or retrospectively to all prior periods presented in the financial statements. ASU 2015-01 is effective for the Company beginning July 1, 2016. Adoption of ASU 2015-01 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In May 2014, the FASB issued accounting guidance which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers under ASU 2014-09 “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. On July 9, 2015, the FASB decided to delay the effective date of ASU 2014-09 by one year allowing early adoption as of the original effective date January 1, 2017. The deferral results in the new revenue standard being effective January 1, 2018. The Company is currently evaluating the impact of ASU 2014-09 on its consolidated financial position, results of operations and cash flows.

Note 2. Acquisition

On January 12, 2015, the Company completed the RLC Acquisition. The purchase price was $1.5 million, consisting of $1.2 million in cash paid at closing and earnout payments of up to $0.1 million that the Company expects to pay each year over a three-year period based on achievement of certain milestones.

The accompanying consolidated financial statements include RLC's results since the date of acquisition. At closing, the Company received substantially all of the fixed assets of RLC. The Company did not assume any liabilities of RLC. Disclosure of the impact of the acquisition on a pro forma basis as if the results of RLC had been included from the beginning of the periods presented has not been included in the accompanying consolidated financial statements as the impact was not material.

The acquisition has been accounted for as a business combination. The total purchase price has been allocated to tangible and intangible assets based on their estimated fair values as of January 12, 2015 as determined by management based upon a third-party valuation. The excess of the purchase price over the total fair value of assets acquired is included as goodwill.

The following table summarizes the estimated fair values of the assets acquired at the date of acquisition, based on the final purchase price allocation:

Fair Values of Assets Acquired			Estimated Useful Life (years)
(In thousands)			
Property, plant and equipment	$	338	
Intangible assets:			
Non-compete agreement		20	3.0
Customer relationships		870	4.5
Goodwill		272	
Total assets acquired	$	1,500	

The excess of the purchase price over the total fair value of assets acquired is included as goodwill. Intangible assets consist of a non-compete agreement and customer relationships with a total net carrying value and accumulated amortization as of June 30, 2015 of $0.8 million and $0.1 million, respectively. Estimated aggregate amortization of acquired intangible assets, calculated on a straight-line basis and based on estimated fair values is 0.2 million in each of the next four fiscal years commencing with fiscal 2016.

Note 3. Corporate Relocation Plan

On February 5, 2015, the Company announced the Corporate Relocation Plan pursuant to which the Company will close its Torrance facility and relocate its operations to a new facility housing its manufacturing, distribution, coffee lab and corporate headquarters. Approximately 350 positions are impacted as a result of the Torrance facility closure. The new facility will be located in Northlake, Texas in the Dallas/Fort Worth area.

The Company expects to close its Torrance facility in phases, and the Company began the process in the spring of 2015. Through April 2015, coffee purchasing, roasting, grinding, packaging and product development took place at the Company's Torrance, California, Portland, Oregon and Houston, Texas production facilities. In May 2015, the Company moved the coffee roasting, grinding and packaging functions that had been conducted in Torrance to its Houston and Portland production facilities and in conjunction relocated its Houston distribution operations to its Oklahoma City distribution center. Spice blending, grinding, packaging and product development continues to take place at the Company's Torrance production facility. As of June 30, 2015, distribution continued to take place out of the Company's Torrance and Portland production facilities, as well as separate distribution centers in Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey. The Company is in the process of transferring its primary administrative offices from Torrance to Fort Worth, Texas, where the Company has leased 32,000 square feet of temporary office space. The transfer of the Company's primary administrative offices to this temporary office space is expected to be completed by the end of the second quarter of fiscal 2016. Construction of and relocation to the new facility are expected to be completed by the end of the second quarter of fiscal 2017. The Company's Torrance facility is expected to be sold as part of the Corporate Relocation Plan.

Expenses related to the Corporate Relocation Plan in fiscal 2015 consisted of $6.5 million in employee retention and separation benefits, $0.6 million in facility-related costs including the relocation of certain distribution operations and $3.3 million in other related costs including travel, legal, consulting and other professional services. Facility-related costs also included $0.3 million in non-cash depreciation expense associated with the idled Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities.

The following table sets forth the activity in liabilities associated with the Corporate Relocation Plan for the fiscal year ended June 30, 2015:

(In thousands)	Balances, July 1, 2014	Additions	Payments	Non-Cash Settled	Adjustments	Balances, June 30, 2015
Employee-related costs(1)	$ —	$ 6,513	$ 357	$ —	$ —	$ 6,156
Facility-related costs(2)	—	625	373	252	—	$ —
Other(3)	—	3,294	3,094	—	—	$ 200
Total(2)	$ —	$ 10,432	$ 3,824	$ 252	$ —	$ 6,356
Current portion	—					6,356
Non-current portion	—					—
Total	$ —					$ 6,356

(1) Included in “Accrued payroll expenses” on the Company's consolidated balance sheets.
(2) Non-cash settled facility-related cost represents depreciation expense associated with the idled Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities.
(3) Included in “Accounts payable” on the Company's consolidated balance sheets.

Based on current assumptions and subject to continued implementation of the Corporate Relocation Plan as planned, the Company estimates that it will incur approximately $25 million in cash costs in connection with the exit of the Torrance facility consisting of $14 million in employee retention and separation benefits, $4 million in facility-related costs and $7 million in other related costs. The Company may incur certain other non-cash asset impairment costs, pension-related costs and postretirement benefit costs in connection with the Corporate Relocation Plan which the Company has not yet determined. The Company recognized approximately 41% of the aggregate cash costs in fiscal 2015. The remainder is expected to be recognized in fiscal 2016 and the first quarter of fiscal 2017.

Subject to the finalization of the optimal utilization, automation and build-out of the facility, the construction costs for the new facility are currently expected to be approximately $35 million to $40 million. Pursuant to the terms of the Lease Agreement (defined below), Landlord (defined below) owns the premises and is obligated to finance the overall construction and to reimburse the Company for substantially all expenditures the Company incurs with respect to the construction of the premises. In addition to Landlord's expenditures for the construction of the new facility, the Company expects to incur and pay for approximately $20 million to $25 million in anticipated capital expenditures for machinery and equipment, furniture and fixtures, and related expenditures. No such capital expenditures were incurred in the fiscal years ended June 30, 2015 and 2014. The majority of the capital expenditures associated with the new facility are expected to be incurred in early fiscal 2017. The expenditures associated with the new facility are expected to be partially offset by the net proceeds from the planned sale of the Company's Torrance facility.

Subsequent to the fiscal year ended June 30, 2015, on July 17, 2015, the Company entered into a lease agreement (“Lease Agreement”) with WF-FB NLTX, LLC (“Landlord”), to lease a 538,000 square foot facility to be constructed on 28.2 acres of land located in Northlake, Texas. On July 17, 2015, the Company also entered into a Development Management Agreement (“DMA”) with Stream Realty Partners-DFW, L.P., a Texas limited partnership (“Developer”).

Pursuant to the DMA, the Company retained the services of Developer to manage, coordinate, represent, assist and advise the Company on matters concerning the pre-development, development, design, entitlement, infrastructure, site preparation and construction of the new facility (see Note 21).

Note 4. 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 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, 2015 and 2014:

	June 30,	
(In thousands)	2015	2014
Derivative instruments designated as cash flow hedges:		
Long coffee pounds	32,288	19,387
Derivative instruments not designated as cash flow hedges:		
Long coffee pounds	1,954	374
Total	34,242	19,761

Cash flow hedge contracts outstanding as of June 30, 2015 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 its prior revolving credit facility with Wells Fargo Bank, N.A. The interest rate swap was not designated as an accounting hedge. The Company terminated the swap transaction on March 5, 2014 and had no interest rate swap transactions in place as of June 30, 2015.

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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)	2015	2014	2015	2014
Financial Statement Location:				
Short-term derivative assets:				
Coffee-related derivative instruments	$ 128	$ 5,474	$ 25	$ —
Long-term derivative assets(1):				
Coffee-related derivative instruments	$ 136	$ 862	$ 2	$ —
Short-term derivative liabilities:				
Coffee-related derivative instruments	$ 4,128	$ 252	$ 2	$ 69
Long-term derivative liabilities(2):				
Coffee-related derivative instruments	$ 163	$ —	$ —	$ —

(1) Included in “Other assets” on the Company's consolidated balance sheets.
(2) Included in “Other long-term liabilities” on the Company’s consolidated balance sheets.

Statements of Operations

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

	Year Ended June 30,			Financial Statement Classification
(In thousands)	2015	2014	2013	
Net (losses) gains recognized in accumulated other comprehensive income (loss) (effective portion)	$ (14,295)	$ 17,524	$ (7,921)	AOCI
Net gains recognized in earnings (effective portion)	$ 4,211	$ 1,161	$ 55	Costs of goods sold
Net losses recognized in earnings (ineffective portion)	$ (325)	$ (259)	$ (447)	Other, net

For the years ended June 30, 2015, 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.

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, 2015	2014	2013
Net (losses) gains on coffee-related derivative instruments	$ (2,992)	$ 2,655	$ (11,337)
Net (losses) gains on investments	(270)	464	230
Net losses on interest rate swap	—	(5)	(25)
Net (losses) gains on derivative instruments and investments(1)	(3,262)	3,114	(11,132)
Other gains, net	248	563	1,700
Other, net	$ (3,014)	$ 3,677	$ (9,432)

(1) Excludes net (losses) gains on coffee-related derivative instruments designated as cash flow hedges recorded in cost of goods sold in the fiscal years ended June 30, 2015, 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 table presents the Company's net exposure from its offsetting derivative asset and liability positions, as well as cash collateral on deposit with its counterparty as of the reporting dates indicated:

(In thousands)		Gross Amount Reported on Balance Sheet	Netting Adjustments	Cash Collateral Posted	Net Exposure
June 30, 2015	Derivative Assets	$ 291	$ (291)	$ —	$ —
	Derivative Liabilities	$ 4,292	$ (291)	$ 1,001	$ 3,000
June 30, 2014	Derivative Assets	$ 6,336	$ (321)	$ —	$ 6,015
	Derivative Liabilities	$ 321	$ (321)	$ —	$ —

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, 2015, the Company had $1.0 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, 2015, $8.9 million of net losses on coffee-related derivative instruments designated as cash flow hedges are expected to be reclassified into cost of goods sold within the next twelve months. These recorded values are based on market prices of the commodities as of June 30, 2015. 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 5. Investments

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

(In thousands)	Year Ended June 30, 2015	2014	2013
Total (losses) gains recognized from trading securities held for investment	$ (270)	$ 464	$ 230
Less: Realized gains from sales of trading securities held for investment	89	116	499
Unrealized (losses) gains from trading securities held for investment	$ (359)	$ 348	$ (269)

Note 6. 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, 2015				
Preferred stock(1)	$ 23,665	$ 19,132	$ 4,533	$ —
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets	$ 264	$ 264	$ —	$ —
Coffee-related derivative liabilities	$ 4,290	$ 4,290	$ —	$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets	$ 27	$ 27	$ —	$ —
Coffee-related derivative liabilities	$ 2	$ 2	$ —	$ —
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	$ —	$ —

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

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

Note 7. Accounts and Notes Receivable, Net

(In thousands)	June 30, 2015	June 30, 2014
Trade receivables	$ 38,783	$ 41,118
Other receivables	2,021	1,763
Allowance for doubtful accounts	(643)	(651)
Accounts and notes receivable, net	$ 40,161	$ 42,230

Due to improved collection of the outstanding receivables, in fiscal 2015 and 2013, the Company decreased the allowance for doubtful accounts by $8,000 and $0.8 million, respectively. 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 and increased the allowance for doubtful accounts by $0.1 million.

Allowance for doubtful accounts:

(In thousands)	
Balance at June 30, 2012	$ (1,872)
Recovery	757
Balance at June 30, 2013	$ (1,115)
Provision	(80)
Reclassification to long-term	544
Balance at June 30, 2014	$ (651)
Recovery	8
Balance at June 30, 2015	$ (643)

Note 8. Inventories

(In thousands)	June 30, 2015	June 30, 2014
Coffee		
Processed	$ 13,837	$ 17,551
Unprocessed	11,968	21,164
Total	$ 25,805	$ 38,715
Tea and culinary products		
Processed	$ 17,022	$ 22,381
Unprocessed	2,764	4,598
Total	$ 19,786	$ 26,979
Coffee brewing equipment parts	$ 4,931	$ 5,350
Total inventories	$ 50,522	$ 71,044

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.

Inventories decreased at the end of fiscal 2015 compared to fiscal 2014, primarily due to the consolidation of the Company's Torrance coffee production with its coffee production in Houston and Portland as part of the Corporate Relocation Plan. As a result, the Company recorded in cost of goods sold $4.9 million in beneficial effect of liquidation of LIFO inventory quantities in the fiscal year ended June 30, 2015 which reduced net loss for the fiscal year ended June 30, 2015 by $4.9 million . Inventories increased at the end of fiscal 2014 compared to fiscal 2013 and, therefore, there was no similar benefit to cost of goods sold in fiscal 2014. The Company recorded $1.1 million in beneficial effect of liquidation of LIFO inventory quantities in cost of goods sold in the fiscal year ended June 30, 2013, which reduced net loss for the fiscal year ended June 30, 2013 by $1.1 million.

Current cost of coffee, tea and culinary product inventories exceeds the LIFO cost by:

(In thousands)	June 30, 2015	June 30, 2014
Coffee	$ 25,541	$ 23,223
Tea and culinary products	8,200	8,235
Total	$ 33,741	$ 31,458

Note 9. Property, Plant and Equipment

(In thousands)	June 30, 2015	June 30, 2014
Buildings and facilities	$ 79,040	$ 77,926
Machinery and equipment	172,432	162,030
Equipment under capital leases	18,562	19,458
Capitalized software	19,703	18,878
Office furniture and equipment	15,005	15,049
	$ 304,742	$ 293,341
Accumulated depreciation	(223,660)	(206,819)
Land	9,119	9,119
Property, plant and equipment, net(1)	$ 90,201	$ 95,641

(1) Includes in the years ended June 30, 2015 and 2014, expenditures for items that have not been placed in service in the amounts of $2.5 million and $2.8 million, respectively.

Capital leases consisted mainly of vehicle leases at June 30, 2015 and 2014.

The Company capitalized coffee brewing equipment (included in machinery and equipment) in the amounts of $10.7 million and $13.6 million in fiscal 2015 and 2014, respectively. Depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold was $10.4 million, $10.9 million and $12.8 million in fiscal 2015, 2014 and 2013, 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, 2015, 2014 and 2013 were $8.2 million, $8.7 million and $7.6 million, respectively.

Note 10. Goodwill and Intangible Assets

On January 12, 2015, the Company completed the RLC Acquisition. The purchase price was $1.5 million, consisting of $1.2 million in cash paid at closing and earnout payments of up to $0.1 million that the Company expects to pay each year over a three-year period based on achievement of certain milestones (see Note 2).

The acquisition has been accounted for as a business combination. The total purchase price has been allocated to tangible and intangible assets based on their estimated fair values as of January 12, 2015 as determined by management based upon a third-party valuation. The excess of the purchase price over the total fair value of assets acquired is included as goodwill.

Following is a summary of changes in the carrying value of goodwill:

(In thousands)	
Balance at June 30, 2014	$ —
Additions—RLC acquisition	272
Balance at June 30, 2015	$ 272

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.

(In thousands)	June 30, 2015 Gross Carrying Amount	June 30, 2015 Accumulated Amortization	June 30, 2014 Gross Carrying Amount	June 30, 2014 Accumulated Amortization
Amortized intangible assets:				
Customer relationships	$ 10,953	$ (10,179)	$ 10,083	$ (10,083)
Covenant not to compete	20	(3)	—	—
Total amortized intangible assets	$ 10,973	$ (10,182)	$ 10,083	$ (10,083)
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	$ 16,601	$ (10,182)	$ 15,711	$ (10,083)

Aggregate amortization expense for the past three fiscal years:

(In thousands):	
For the fiscal year ended June 30, 2015	$ 99
For the fiscal year ended June 30, 2014	$ 649
For the fiscal year ended June 30, 2013	$ 1,246

Estimated amortization expense for the upcoming fiscal years:

(In thousands):	
For the fiscal year ending June 30, 2016	$ 200
For the fiscal year ending June 30, 2017	$ 200
For the fiscal year ending June 30, 2018	$ 198
For the fiscal year ending June 30, 2019	$ 193

Remaining weighted average amortization periods for intangible assets with finite lives are as follows:

Customer relationships (years)	3.0
Covenant not to compete (years)	4.5

Note 11. Employee Benefit Plans

The Company provides benefit plans for most full-time employees, including 401(k), health and other welfare benefit plans and, in certain circumstances, pension benefits. 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 ten multiemployer defined contribution plans other than pension plans that provide medical, vision, dental and disability benefits for active, union-represented employees subject to collective bargaining agreements. In addition, the Company sponsors a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees and provides retiree medical coverage and, depending on the age of the retiree, dental and vision coverage. The Company also provides a postretirement death benefit to certain of its employees and retirees.

The Company is required to recognize the funded status of a benefit plan in its consolidated balance sheets. The Company is also required to recognize in other comprehensive income (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 employees hired prior to January 1, 2010, 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 fiscal 2015, the Company actuarially determined that no adjustments were required to be made to fiscal 2015 net periodic benefit cost for the defined benefit pension plans as a result of the Company's Corporate Relocation 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

($ in thousands)	Farmer Bros. Plan June 30, 2015	Farmer Bros. Plan June 30, 2014	Brewmatic Plan June 30, 2015	Brewmatic Plan June 30, 2014	Hourly Employees' Plan June 30, 2015	Hourly Employees' Plan June 30, 2014
Change in projected benefit obligation						
Benefit obligation at the beginning of the year	$ 133,136	$ 126,205	$ 3,991	$ 3,946	$ 2,619	$ 2,056
Service cost	—	—	—	—	386	401
Interest cost	5,393	5,545	160	171	108	92
Actuarial loss	4,596	7,069	188	153	56	81
Benefits paid	(6,163)	(5,683)	(275)	(279)	(24)	(11)
Projected benefit obligation at the end of the year	$ 136,962	$ 133,136	$ 4,064	$ 3,991	$ 3,145	$ 2,619
Change in plan assets						
Fair value of plan assets at the beginning of the year	$ 98,426	$ 88,097	$ 3,435	$ 3,063	$ 1,629	$ 1,248
Actual return on plan assets	1,731	15,046	66	521	10	207
Employer contributions	821	966	65	130	489	185
Benefits paid	(6,163)	(5,683)	(275)	(279)	(24)	(11)
Fair value of plan assets at the end of the year	$ 94,815	$ 98,426	$ 3,291	$ 3,435	$ 2,104	$ 1,629
Funded status at end of year (underfunded) overfunded	$ (42,147)	$ (34,710)	$ (773)	$ (556)	$ (1,041)	$ (990)
Amounts recognized in consolidated balance sheets						
Non-current liabilities	(42,147)	(34,710)	(773)	(556)	(1,041)	(990)
Total	$ (42,147)	$ (34,710)	$ (773)	$ (556)	$ (1,041)	$ (990)
Amounts recognized in consolidated statements of operations						
Net loss	$ 50,743	$ 42,093	$ 1,965	$ 1,665	$ 237	$ 73
Total accumulated OCI (not adjusted for applicable tax)	$ 50,743	$ 42,093	$ 1,965	$ 1,665	$ 237	$ 73
Weighted average assumptions used to determine benefit obligations						
Discount rate	4.40%	4.15%	4.40%	4.15%	4.40%	4.15%
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, 2015	Farmer Bros. Plan June 30, 2014	Brewmatic Plan June 30, 2015	Brewmatic Plan June 30, 2014	Hourly Employees' Plan June 30, 2015	Hourly Employees' Plan June 30, 2014
Components of net periodic benefit cost						
Service cost	$ —	$ —	$ —	$ —	$ 386	$ 401
Interest cost	5,393	5,545	160	171	108	92
Expected return on plan assets	(6,938)	(6,508)	(234)	(221)	(119)	(90)
Amortization of net loss	1,153	1,279	57	65	—	—
Net periodic benefit (credit) cost	$ (392)	$ 316	$ (17)	$ 15	$ 375	$ 403
Other changes recognized in OCI						
Net loss (gain)	$ 9,803	$ (1,469)	$ 356	$ (147)	$ 165	$ (35)
Amortization of net (loss) gain	(1,153)	(1,279)	(57)	(65)	—	—
Total recognized in OCI	$ 8,650	$ (2,748)	$ 299	$ (212)	$ 165	$ (35)
Total recognized in net periodic benefit cost and OCI	$ 8,258	$ (2,432)	$ 282	$ (197)	$ 540	$ 368
Weighted-average assumptions used to determine net periodic benefit cost						
Discount rate	4.15%	4.50%	4.15%	4.50%	4.15%	4.50%
Expected long-term return on plan assets	7.50%	8.00%	7.50%	8.00%	7.50%	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 (CMA) 2014. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2014 is 20-30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies.

Description of Investment Policy

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

Additional Disclosures

($ in thousands)	Farmer Bros. Plan June 30, 2015	Farmer Bros. Plan June 30, 2014	Brewmatic Plan June 30, 2015	Brewmatic Plan June 30, 2014	Hourly Employees' Plan June 30, 2015	Hourly Employees' Plan June 30, 2014
Comparison of obligations to plan assets						
Projected benefit obligation	$136,962	$133,136	$ 4,064	$ 3,991	$ 3,145	$ 2,619
Accumulated benefit obligation	$136,962	$133,136	$ 4,064	$ 3,991	$ 3,145	$ 2,619
Fair value of plan assets at measurement date	$ 94,815	$ 98,426	$ 3,291	$ 3,435	$ 2,104	$ 1,629
Plan assets by category						
Equity securities	$ 47,340	$ 53,355	$ 1,638	$ 1,861	$ 1,050	$ 884
Debt securities	37,789	35,035	1,322	1,223	839	579
Real estate	9,686	10,036	331	351	215	166
Total	$ 94,815	$ 98,426	$ 3,291	$ 3,435	$ 2,104	$ 1,629
Plan assets by category						
Equity securities	50%	54%	50%	54%	50%	54%
Debt securities	40%	36%	40%	36%	40%	36%
Real estate	10%	10%	10%	10%	10%	10%
Total	100%	100%	100%	100%	100%	100%

Fair values of plan assets were as follows:

(In thousands)	June 30, 2015 Total	Level 1	Level 2	Level 3
Farmer Bros. Plan	$ 94,815	$ —	$ 94,815	$ —
Brewmatic Plan	$ 3,291	$ —	$ 3,291	$ —
Hourly Employees' Plan	$ 2,104	$ —	$ 2,104	$ —

(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	$ —

As of June 30, 2015, approximately 10% of the assets of each 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 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 2016:

	Fiscal 2016
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 2016, the Company expects to recognize as a component of net periodic benefit cost $0.8 million for the Farmer Bros. Plan, $21,000 for the Brewmatic Plan, and $0.4 million for the Hourly Employees' Plan.

Estimated Future Contributions and Refunds

In fiscal 2016, the Company expects to contribute $1.3 million to the Farmer Bros. Plan, none to the Brewmatic Plan, and $0.3 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, 2016	$ 6,890	$ 290	$ 63
June 30, 2017	$ 7,120	$ 280	$ 81
June 30, 2018	$ 7,400	$ 290	$ 100
June 30, 2019	$ 7,650	$ 290	$ 120
June 30, 2020	$ 7,920	$ 280	$ 140
June 30, 2021 to June 30, 2025	$ 42,080	$ 1,300	$ 1,040

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 2015 and fiscal year 2014 is for the plan's year ended December 31, 2014 and December 31, 2013, 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 91.9% and 91.5% funded for its plan year beginning January 1, 2014 and 2013, 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, 2014	PPA Zone Status July 1, 2013	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	January 31, 2020

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 $12.1 million if the withdrawal had occurred in calendar year 2014. 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 2014 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 ending with the plan year in which the withdrawal occurred 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 withdrew from the Local 807 Labor-Management Pension Fund ("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. The $4.3 million estimated withdrawal liability, with the short-term and long-term portions reflected in current and long-term liabilities, respectively, is reflected on the Company's consolidated balance sheets at June 30, 2015 and June 30, 2014. On November 18, 2014, the Pension Fund sent the Company a notice of assessment of withdrawal liability in the amount of $4.4 million, which the Pension Fund adjusted to $4.9 million on January 5, 2015. The Company is in the process of negotiating a reduced liability amount. The Company has commenced quarterly installment payments to the Pension Fund of $91,000 pending the final settlement of the liability.

The Company may incur certain pension-related costs in connection with the Corporate Relocation Plan which the Company has not yet determined. 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, 2015	$ 3,593	$ 41
June 30, 2014	$ 3,153	$ 34
June 30, 2013	$ 3,064	$ 37

(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, 2014.
(3) The Company guarantees that one hundred seventy-three (173) hours will be contributed upon for all employees who are compensated for all available straight time hours for each calendar month. An additional 6.5% of the basic contribution must be paid for PEER or the Program for Enhanced Early Retirement.
(4) Includes one plan that is not individually significant.

The Company expects to contribute an aggregate of $4.1 million towards multiemployer pension plans in fiscal 2016.

Multiemployer Plans Other Than Pension Plans

The Company participates in ten 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 January 31, 2020. The Company's aggregate contributions to multiemployer plans other than pension plans in the fiscal years ended June 30, 2015, 2014 and 2013 were $6.9 million, $6.6 million and $5.8 million, respectively. The Company expects to contribute an aggregate of $7.3 million towards multiemployer plans other than pension plans in fiscal 2016.

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 2015, 2014 and 2013, 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 $1.4 million, $1.3 million and $1.2 million in operating expenses for the fiscal years ended June 30, 2015, 2014 and 2013, 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 4.7% at June 30, 2015. The Company projects an initial medical trend rate of 7.7% in fiscal 2016, 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, 2015, 2014 and 2013. Net periodic postretirement benefit cost for fiscal 2015 was based on employee census information as of July 1, 2014 and asset information as of June 30, 2015.

	Year Ended June 30,		
(In thousands)	**2015**	**2014**	**2013**
Components of Net Periodic Postretirement Benefit Cost:			
Service cost	$ 1,195	$ 936	$ 1,972
Interest cost	943	810	969
Expected return on plan assets	—	—	—
Amortization of net (gains) losses	(500)	(880)	7
Amortization of prior service credit	(1,757)	(1,757)	(1,757)
Net periodic postretirement benefit (credit) cost	$ (119)	$ (891)	$ 1,191

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, 2014**	**Annual Amortization**	**Years Remaining**	**Curtailment**	**Balance at June 30, 2015**
January 1, 2008	$ (1,193)	$ 230	5.2	—	$ (963)
July 1, 2012	(14,527)	1,527	9.5	—	(13,000)
	$ (15,720)	$ 1,757			$ (13,963)

	Year Ended June 30,			
	Retiree Medical Plan		Death Benefit	
($ in thousands)	2015	2014	2015	2014
Amortization of Net (Gain) Loss:				
Net (gain) loss as of July 1	$ (3,655)	$ (8,006)	$ 690	$ 1,791
Net (gain) loss subject to amortization	(3,655)	(8,006)	690	1,791
Corridor (10% of greater of APBO or assets)	1,723	1,262	(729)	(826)
Net (gain) loss in excess of corridor	$ (1,932)	$ (6,744)	$ (39)	$ 965
Amortization years	9.8	10.7	7.7	7.4

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

	Year Ended June 30,	
(In thousands)	2015	2014
Change in Benefit Obligation:		
Projected postretirement benefit obligation at beginning of year	$ 20,889	$ 16,701
Service cost	1,195	936
Interest cost	943	810
Participant contributions	711	708
Actuarial losses	2,751	3,141
Benefits paid	(1,967)	(1,407)
Projected postretirement benefit obligation at end of year	$ 24,522	$ 20,889

	Year Ended June 30,	
(In thousands)	2015	2014
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ —	$ —
Employer contributions	1,256	699
Participant contributions	711	708
Benefits paid	(1,967)	(1,407)
Fair value of plan assets at end of year	—	—
Projected postretirement benefit obligation at end of year	$ 24,522	$ 20,889
Funded status of plan	$ (24,522)	$ (20,889)

	June 30,	
(In thousands)	2015	2014
Amounts Recognized in the Consolidated Balance Sheets Consist of:		
Non-current assets	$ —	$ —
Current liabilities	(1,051)	(919)
Non-current liabilities	(23,471)	(19,970)
Total	$ (24,522)	$ (20,889)

	Year Ended June 30,			
(In thousands)	**2015**		**2014**	
Amounts Recognized in Accumulated OCI Consist of:				
Net gain	$	(2,965)	$	(6,216)
Transition obligation		(13,963)		(15,720)
Prior service cost (credit)		—		—
Total accumulated OCI	$	(16,928)	$	(21,936)

	Year Ended June 30,			
(In thousands)	**2015**		**2014**	
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI:				
Unrecognized actuarial loss	$	2,751	$	3,141
Amortization of net loss		500		880
Amortization of prior service cost		1,757		1,757
Total recognized in OCI		5,008		5,778
Net periodic benefit credit		(119)		(891)
Total recognized in net periodic benefit cost and OCI	$	4,889	$	4,887

The estimated net gain and prior service credit that will be amortized from accumulated OCI into net periodic benefit cost in fiscal 2016 are $0.2 million and $1.8 million, respectively. The Company may incur certain postretirement benefit costs in connection with the Corporate Relocation Plan which the Company has not yet determined.

(In thousands)		
Estimated Future Benefit Payments:		
Year Ending:		
June 30, 2016	$	1,076
June 30, 2017	$	1,171
June 30, 2018	$	1,306
June 30, 2019	$	1,480
June 30, 2020	$	1,555
June 30, 2021 to June 30, 2025	$	8,950
Expected Contributions:		
June 30, 2016	$	1,076

Sensitivity in Fiscal 2016 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 2016:

	1-Percentage Point			
(In thousands)	**Increase**		**Decrease**	
Effect on total of service and interest cost components	$	335	$	(276)
Effect on accumulated postretirement benefit obligation	$	2,324	$	(1,925)

Note 12. Bank Loan

On March 2, 2015, the Company, as Borrower, together with its wholly owned subsidiaries, CBI, FBC Finance Company, a California corporation, and CBH, as additional Loan Parties and as Guarantors, entered into a Credit Agreement (the “Credit Agreement”) and a related Pledge and Security Agreement (the “Security Agreement”) with JPMorgan Chase Bank, N.A. (“Chase”), as Administrative Agent, and SunTrust Bank (“SunTrust”), as Syndication Agent (collectively, the “Lenders”) (capitalized terms used below are defined in the Credit Agreement). The Credit Agreement replaced the Company's September 12, 2011 Amended and Restated Loan and Security Agreement with Wells Fargo Bank, N.A. that expired on March 2, 2015 (the "Wells Fargo Credit Facility").

The Credit Agreement provides for a senior secured revolving credit facility ("Revolving Facility") of up to $75.0 million ("Revolving Commitment") consisting of Revolving Loans, Letters of Credit and Swingline Loans provided by the Lenders, with a sublimit on Letters of Credit outstanding at any time of $30.0 million and a sublimit for Swingline Loans of $15.0 million . Chase agreed to provide $45.0 million of the Revolving Commitment and SunTrust agreed to provide $30.0 million of the Revolving Commitment. The Credit Agreement also includes an accordion feature whereby the Company may increase the Revolving Commitment by an aggregate amount not to exceed $50.0 million, subject to certain conditions.

The Credit Agreement provides for advances of up to: (a) 85% of the Borrowers' eligible accounts receivable, plus (b) 75% of the Borrowers' eligible inventory (not to exceed 85% of the product of the most recent Net Orderly Liquidation Value percentage multiplied by the Borrowers' eligible inventory), plus (c) the lesser of $25.0 million and 75% of the fair market value of the Borrowers' Eligible Real Property, subject to certain limitations, plus (d) the lesser of $10.0 million and the Net Orderly Liquidation Value of certain trademarks, less (e) reserves established by the Administrative Agent.

The Credit Agreement has a commitment fee ranging from 0.25% to 0.375% per annum based on Average Revolver Usage. Outstanding obligations under the Credit Agreement are collateralized by all of the Borrowers' and the Guarantors' assets, excluding, among other things, real property not included in the Borrowing Base, machinery and equipment (other than inventory), and the Company's preferred stock portfolio. The Credit Agreement expires on March 2, 2020.

The Credit Agreement provides for interest rates based on Average Historical Excess Availability levels with a range of PRIME - 0.25% to PRIME + 0.50% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 2.00%.

The Credit Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including financial covenants relating to the maintenance of a fixed charge coverage ratio in certain circumstances. The Credit Agreement allows the Company to pay dividends, provided, among other things, certain Excess Availability requirements are met, 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 Credit Agreement also allows the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to the Company, and provides for customary events of default.

On June 30, 2015, the Company was eligible to borrow up to a total of $55.1 million under the Revolving Facility. As of June 30, 2015, the Company had outstanding borrowings of $0.1 million, utilized $11.5 million of the letters of credit sublimit, and had excess availability under the Revolving Facility of $43.5 million. At June 30, 2015, the weighted average interest rate on the Company's outstanding borrowings under the Revolving Facility was 1.26%. At June 30, 2015, the Company was in compliance with all of the restrictive covenants under the Credit Agreement.

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 Wells Fargo Credit Facility. The swap transaction was intended to manage the Company's interest rate risk related to the Wells Fargo 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, 2015 and 2014, the Company had no interest rate swap transactions in place.

The Company did not designate its interest rate swap as an accounting hedge. In the fiscal years ended June 30, 2014 and 2013, respectively, the Company recorded in "Other, net" in its consolidated statements of operations a loss of $5,000 and $25,000 for the change in fair value of its interest rate swap. No such gain or loss was recorded in fiscal 2015 (see Note 4).

Note 13. 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, 2015, which is updated on a quarterly basis.

	As of and for the years ended June 30,		
	2015	2014	2013
Loan amount (in thousands)	$11,234	$16,035	$20,836

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 2015, 2014 and 2013.

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, 2015, 2014 and 2013, the Company charged $4.4 million, $3.3 million and $2.1 million, respectively, to compensation expense related to the ESOP. The increase in ESOP expense in fiscal 2015 and 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 $1.0 million, $0.3 million and $0.1 million for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, is recorded as additional paid-in capital.

	June 30,	
	2015	2014
Allocated shares	1,970,117	1,943,882
Committed to be released shares	172,398	175,429
Unallocated shares	390,528	562,926
Total ESOP shares	2,533,043	2,682,237
(In thousands)		
Fair value of ESOP shares	$ 59,527	$ 57,963

Note 14. 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"). The principal change to the Amended Equity Plan was to limit awards under the plan to performance-based stock options and to restricted stock under limited circumstances.

Stock Options

The share-based compensation expense recognized in the Company's consolidated statements of operations 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 2015, the Company granted 25,703 shares issuable upon the exercise of NQOs with a weighted average exercise price of $23.91 per share to eligible employees under the Amended Equity Plan 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, 2015, 2014 and 2013:

	Year Ended June 30,		
	2015	2014	2013
Weighted average fair value of NQOs	$ 10.38	$ 9.17	$ 5.69
Risk-free interest rate	1.5%	1.7%	0.9%
Dividend yield	—%	—%	—%
Average expected term	5.1 years	6 years	6 years
Expected stock price volatility	47.9%	50.4%	49.5%

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 4.8% 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, 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
Granted	25,703	23.91	10.38	6.8	—
Exercised	(95,723)	16.17	5.86	—	747
Cancelled/Forfeited	(13,134)	11.26	5.00	—	—
Outstanding at June 30, 2015	329,300	12.30	5.54	3.9	3,700
Vested and exercisable, June 30, 2015	249,105	11.13	5.00	3.5	3,082
Vested and expected to vest, June 30, 2015	326,723	12.22	5.51	3.9	3,684

The aggregate intrinsic values outstanding at the end of each fiscal period in the table above represent the total pretax intrinsic value, based on the Company's closing stock price of $23.50 at June 30, 2015, $21.61 at June 30, 2014 and $14.06 at June 28, 2013, representing the last trading day of the respective fiscal years, which would have been received by NQO holders had all award holders exercised their NQOs that were in-the-money as of those dates. The aggregate intrinsic value of stock option exercises in each fiscal period above represents the difference between the exercise price and the value of the Company's common stock at the time of exercise. NQOs outstanding that are expected to vest are net of estimated forfeitures.

Total fair value of NQOs vested during fiscal 2015, 2014 and 2013 was $0.5 million, $0.7 million and $1.0 million, respectively. The Company received $1.5 million in proceeds from exercises of vested NQOs in each of fiscal 2015 and 2014, respectively, and $1.2 million in fiscal 2013.

Nonvested NQOs:	Number of NQOs	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)
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
Granted	25,703	23.91	10.38	6.8
Vested	(101,172)	9.87	4.72	—
Forfeited	(12,134)	10.31	4.91	—
Outstanding at June 30, 2015	80,195	15.94	7.21	5.2

As of June 30, 2015, 2014 and 2013, there was \$0.4 million, \$0.7 million and \$1.3 million, respectively, of unrecognized compensation cost related to NQOs. Total compensation expense for NQOs was \$0.4 million, \$0.6 million and \$0.9 million in fiscal 2015, 2014 and 2013, respectively.

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

In the fiscal year ended June 30, 2015, the Company granted 121,024 shares issuable upon the exercise of PNQs with an exercise price of \$23.44 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 becoming exercisable each year on the anniversary of the grant date, commencing on February 9, 2016, based on the Company's achievement of modified net income targets for fiscal years within the performance period as approved by the Compensation Committee, subject to catch-up vesting of previously unvested shares in a subsequent year within the three year period in which a cumulative modified net income target as approved by the Compensation Committee is achieved, 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.

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 years ended June 30, 2015 and 2014:

	Year Ended June 30,	
	2015	2014
Weighted average fair value of PNQs	\$ 10.16	\$ 10.49
Risk-free interest rate	1.5%	1.8%
Dividend yield	—%	—%
Average expected term	5 years	6 years
Expected stock price volatility	47.9%	50.5%

The following table summarizes PNQ activity in fiscal 2015 and 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
Granted	121,024	23.44	10.16	6.6	—
Cancelled/Forfeited	(9,399)	21.33	10.52	—	—
Outstanding at June 30, 2015	224,067	22.44	10.31	6.0	237
Vested and exercisable, June 30, 2015	34,959	21.27	10.49	5.0	78
Vested and expected to vest, June 30, 2015	204,669	22.40	10.32	6.0	226

The aggregate intrinsic values outstanding at the end of each fiscal period in the table above represent the total pretax intrinsic values, based on the Company's closing stock price of $23.50 at June 30, 2015 and $21.61 at June 30, 2014 representing the last trading day of the respective fiscal years, which would have been received by PNQ holders had all award holders exercised their PNQs that were in-the-money as of those dates. PNQs outstanding that are expected to vest are net of estimated forfeitures.

Total fair value of PNQs vested during the fiscal year ended June 30, 2015 was $0.4 million. No PNQs vested during the fiscal year ended June 30, 2014, and no PNQs were exercised during the fiscal years ended June 30, 2015 and 2014.

As of June 30, 2015, the Company met the performance target for the first year of the fiscal 2014 awards and expects that it will achieve the cumulative performance targets set forth in the PNQ agreements for the fiscal 2014 awards and the performance targets set forth in the PNQ agreements for the fiscal 2015 awards.

In the fiscal years ended June 30, 2015 and 2014, the Company recognized $0.5 million and $0.3 million, respectively, in compensation expense for PNQs and as of June 30, 2015 and 2014, there was approximately $1.5 million and $0.9 million, respectively, of unrecognized compensation cost related to PNQs.

Nonvested PNQs:	Number of PNQs	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)
Outstanding at June 30, 2014	112,442	21.27	10.49	6.5
Granted	121,024	23.44	10.16	6.6
Vested	(34,959)	21.27	10.49	—
Forfeited	(9,399)	21.33	10.52	—
Outstanding at June 30, 2015	189,108	$ 22.66	$ 10.28	6.2

Restricted Stock

During fiscal 2015, 2014 and 2013 the Company granted a total of 13,256 shares, 9,200 shares and 51,177 shares of restricted stock under the Amended Equity Plan, respectively, with a weighted average grant date fair value of $23.64, $20.48 and $11.67 per share, respectively, to eligible employees and directors. Shares of restricted stock generally vest at the end of three years for eligible employees. Shares of restricted stock generally vest ratably over a period of three years for directors. During the fiscal year ended June 30, 2015, 53,402 shares of restricted stock vested, of which 4,297 shares were withheld to meet the employees' minimum statutory tax withholding and retired.

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 $0.3 million, $0.5 million, and $0.6 million, for the fiscal years ended June 30, 2015, 2014 and 2013, respectively. As of June 30, 2015, 2014 and 2013, there was approximately $0.5 million, $0.6 million and $1.0 million, respectively, of unrecognized compensation cost related to restricted stock.

The following table summarizes restricted stock activity for the three most recent fiscal years:

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 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
Granted	13,256	23.64	—	313
Exercised/Released	(53,402)	8.43	—	1,377
Cancelled/Forfeited(1)	(8,984)	8.36	—	—
Outstanding at June 30, 2015	47,082	16.48	1.2	1,106
Expected to vest, June 30, 2015	44,936	16.32	1.2	1,056

(1) Includes 4,297 shares that were withheld to meet the employees' minimum statutory tax withholding and retired.

The aggregate intrinsic values of shares outstanding at the end of each fiscal period in the table above represent the total pretax intrinsic values, based on the Company's closing stock price of $23.50 at June 30, 2015, $21.61 at June 30, 2014 and $14.06 at June 28, 2013, representing the last trading day of the respective fiscal years. Restricted stock that is expected to vest is net of estimated forfeitures.

Note 15. Other Current Liabilities

Other current liabilities consist of the following:

(In thousands)	June 30, 2015	June 30, 2014
Accrued postretirement benefits	$ 1,051	$ 919
Accrued workers' compensation liabilities	2,382	1,947
Short-term pension liabilities	347	347
Earnout payable—RLC acquisition	100	—
Other (including net taxes payable)	2,272	2,105
Other current liabilities	$ 6,152	$ 5,318

Note 16. Other Long-Term Liabilities

Other long-term liabilities include the following:

(In thousands)	June 30, 2015	June 30, 2014
Earnout payable—RLC acquisition	$ 200	$ —
Derivative liabilities, non-current	25	—
Other long-term liabilities	$ 225	$ —

Note 17. Income Taxes

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

(In thousands)	June 30, 2015	2014	2013
Current:			
Federal	$ (30)	$ 293	$ (24)
State	309	275	191
Total current income tax expense	279	568	167
Deferred:			
Federal	106	99	(819)
State	17	38	(173)
Total deferred income tax expense (benefit)	123	137	(992)
Income tax expense (benefit)	$ 402	$ 705	$ (825)

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, 2015, 2014 and 2013, the Company recorded income tax expense of $0, $0 and $1.1 million, respectively, in OCI related to the gain on postretirement benefits, and recorded a corresponding income tax benefit of $0, $0 and $1.1 million, respectively, in continuing operations.

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

(In thousands)	June 30, 2015	2014	2013
Statutory tax rate	**34%**	**34%**	**34%**
Income tax expense (benefit) at statutory rate	$ 358	$ 4,365	$ (3,158)
State income tax expense (benefit), net of federal tax benefit	260	749	(223)
Dividend income exclusion	(54)	—	—
Valuation allowance	(185)	(4,292)	3,074
Change in contingency reserve (net)	—	(39)	(7)
Other (net)	23	(78)	(511)
Income tax expense (benefit)	$ 402	$ 705	$ (825)

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

	June 30,		
(In thousands)	2015	2014	2013
Deferred tax assets:			
Postretirement benefits	$ 31,100	$ 19,800	$ 26,014
Accrued liabilities	10,091	6,156	4,477
Net operating loss carryforwards	41,544	40,275	44,607
Intangible assets	594	1,126	694
Other	6,794	7,253	8,945
Total deferred tax assets	90,123	74,610	84,737
Deferred tax liabilities:			
Unrealized gain on investments	(2,242)	—	—
Fixed assets	(2,647)	(1,902)	(2,641)
Other	(1,943)	(1,538)	(882)
Total deferred tax liabilities	(6,832)	(3,440)	(3,523)
Valuation allowance	(84,857)	(72,613)	(82,522)
Net deferred tax liabilities	$ (1,566)	$ (1,443)	$ (1,308)

The Company has approximately $107.6 million and $106.0 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. Additionally, the Company has $0.8 million of federal business tax credits that begin to expire in June 30, 2025 and $2.1 million of charitable contribution carryforwards that begin to expire in June 30, 2016.

As of June 30, 2015, the Company has generated approximately $0.6 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, 2015, the Company had total deferred tax assets of $90.1 million and net deferred tax assets before valuation allowance of $83.3 million.

The Company evaluates its deferred tax assets quarterly to determine if a valuation allowance is required. The Company considers whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets will or will not ultimately be realized in future periods. In making such assessment, significant weight is given to evidence that can be objectively verified, such as recent operating results, and less consideration is given to less objective indicators such as future 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, 2015. Accordingly, a valuation allowance of $84.9 million has been recorded to offset this deferred tax asset. The valuation allowance increased by $12.3 million in the fiscal year ended June 30, 2015, decreased by $(9.9) million in the fiscal year ended June 30, 2014, and increased by $3.1 million in the fiscal year ended June 30, 2013.

A tabular reconciliation of the total amounts (in absolute values) of unrecognized tax benefits is as follows:

	Year Ended June 30,		
(In thousands)	2015	2014	2013
Unrecognized tax benefits at beginning of year	$ —	$ 3,211	$ 3,211
Decreases in tax positions for prior years	—	(30)	—
Settlements	—	(3,181)	—
Unrecognized tax benefits at end of year	$ —	$ —	$ 3,211

At June 30, 2015 and 2014, the Company has no unrecognized tax benefits.

The Company made a determination in the quarter ended June 30, 2014 that it would not, at that 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.

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, 2010. The Internal Revenue Service is currently auditing the Company's tax year ended June 30, 2013.

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, 2015 and 2014, the Company recorded $0 in accrued interest and penalties associated with uncertain tax positions. Additionally, the Company recorded income of $0, $0, and $10,000, related to interest and penalties on uncertain tax positions in the fiscal years ended June 30, 2015, 2014 and 2013, respectively.

Note 18. Net Income (Loss) Per Common Share

	Year ended June 30,		
(In thousands, except share and per share amounts)	**2015**	**2014**	**2013**
Net income (loss) attributable to common stockholders—basic	$ 651	$ 12,063	$ (8,401)
Net income (loss) attributable to nonvested restricted stockholders	1	69	(61)
Net income (loss)	$ 652	$ 12,132	$ (8,462)
Weighted average common shares outstanding—basic	16,127,610	15,909,631	15,604,452
Effect of dilutive securities:			
Shares issuable under stock options	139,524	104,956	—
Weighted average common shares outstanding—diluted	16,267,134	16,014,587	15,604,452
Net income (loss) per common share—basic	$ 0.04	$ 0.76	$ (0.54)
Net income (loss) per common share—diluted	$ 0.04	$ 0.76	$ (0.54)

Note 19. Commitments and Contingencies

Leases

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, 2015, 2014 and 2013 was $3.8 million, $3.7 million and $3.6 million, respectively.

Contractual obligations for future fiscal years are as follows:

	Contractual Obligations(1)					
(In thousands)	Capital Lease Obligations	Operating Lease Obligations	Pension Plan Obligations	Postretirement Benefits Other Than Pension Plans	Revolving Credit Facility	Purchase Commitments (2)
Year Ended June 30,						
2016	$ 3,464	$ 3,991	$ 7,590	$ 1,076	$ 78	$ 45,324
2017	1,601	2,442	7,828	1,171	—	—
2018	898	2,090	8,137	1,306	—	—
2019	144	1,541	8,407	1,480	—	—
2020	51	563	8,687	1,555	—	—
Thereafter	4	31	47,033	8,950	—	—
		$ 10,658	$ 87,682	$ 15,538	$ 78	$ 45,324
Total minimum lease payments	$ 6,162					
Less: imputed interest (0.82% to 10.7%)	(314)					
Present value of future minimum lease payments	$ 5,848					
Less: current portion	3,249					
Long-term capital lease obligations	$ 2,599					

(1) Excludes the Lease Agreement for its Northlake, Texas facility that was entered into by the Company subsequent to the year ended June 30, 2015 (see Note 21).
(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, 2015. 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.

Self-Insurance

Due to the Company's failure to meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers for workers' compensation liability, the Company posted a $7.0 million and $6.5 million letter of credit at June 30, 2015 and 2014, respectively, as a security deposit with the State of California Department of Industrial Relations Self-Insurance Plans.

Non-cancelable Purchase Orders

As of June 30, 2015, we had committed to purchasing green coffee inventory totaling 41.0 million under fixed-price contracts and other inventory totaling $4.3 million under non-cancelable purchase orders.

Legal Proceedings

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

On August 31, 2012, CERT filed an amendment to a private enforcement action adding a number of companies as defendants, including 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 the 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 "Phase 1" defenses have been completed, and the parties filed trial briefs. Trial commenced on September 8, 2014, and testimony completed on November 4, 2014, for the three Phase 1 defenses. Following two continuances, the court heard on April 9, 2015 final arguments on the Phase 1 issues. On July 25, 2015, the court issued its Proposed Statement of Decision with respect to Phase 1 defenses against the defendants, which was confirmed, on September 2, 2015 in the Final Statement of Decision. 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.

Steve Hernandez vs. Farmer Bros. Co., Superior Court of State of California, County of Los Angeles

On July 24, 2015, former Company employee Hernandez filed a putative class action complaint for damages alleging a single cause of action for unfair competition under the California Business & Professions Code. The claim purports to seek disgorgement of profits for alleged violations of various provisions of the California Labor Code relating to: failing to pay overtime, failing to provide meal breaks, failing to pay minimum wage, failing to pay wages timely during employment and upon termination, failing to provide accurate and complete wage statements, and failing to reimburse business-related expenses. Hernandez's complaint seeks restitution in an unspecified amount and injunctive relief, in addition to attorneys' fees and expenses. Hernandez alleges that the putative class is all "current and former hourly-paid or non-exempt individuals" for the four (4) years preceding the filing of the complaint through final judgment, and Hernandez also purports to reserve the right to establish sub-classes as appropriate. The court to which the case was initially assigned issued an order on September 4, 2015 staying this case until the initial status conference on November 17, 2015 on the basis that the case will be re-assigned as a "complex" action to the Central Civil West Courthouse in Los Angeles. The Company intends to timely respond to the complaint once the stay has been lifted. 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 20. 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, 2015. 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 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, 2014	December 31, 2014	March 31, 2015	June 30, 2015
Net sales	$ 135,984	$ 144,809	$ 132,507	$ 132,582
Gross profit	$ 48,121	$ 53,142	$ 46,569	$ 49,204
Income (loss) from operations	$ 2,601	$ 3,505	$ (1,405)	$ (1,417)
Net income (loss)	$ 2,515	$ 2,896	$ (2,572)	$ (2,187)
Net income (loss) per common share—basic	$ 0.16	$ 0.18	$ (0.16)	$ (0.13)
Net income (loss) per common share—diluted	$ 0.16	$ 0.18	$ (0.16)	$ (0.13)

(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	$ 0.30	$ 0.16	$ 0.19
Net income per common share—diluted	$ 0.11	$ 0.29	$ 0.16	$ 0.19

Note 21. Subsequent Event

On July 17, 2015, the Company entered into a Lease Agreement (the “Lease Agreement”) with WF-FB NLTX, LLC, a Delaware limited liability company (“Landlord”). Pursuant to the Lease Agreement, the Company will lease a 538,000 square foot facility (“Premises”) to be constructed on 28.2 acres of land located in Northlake, Texas. The new facility is expected to include approximately 85,000 square feet for corporate offices, more than 100,000 square feet for manufacturing, and more than 300,000 square feet for distribution. The facility will also house a coffee lab. The construction of the Premises is estimated to be completed by the end of the second quarter of fiscal 2017. Pursuant to the Lease Agreement, the Lessor owns the Premises, is obligated to finance the overall construction and to reimburse the Company for substantially all expenditures it incurs with respect to the construction of the Premises.

The Lease Agreement contains a purchase option exercisable at any time by the Company on or before ninety days prior to the scheduled completion date with an option purchase price equal to 103% of the total project cost as of the date of the option closing if the option closing occurs on or before July 17, 2016. The option purchase price will increase by 0.35% per month thereafter up to and including the date which is the earlier of (A) ninety days after the scheduled completion date and (B) December 31, 2016. The obligation to pay rent will commence on December 31, 2016, if the option remains unexercised.

The initial term of the lease is for 15 years from the rent commencement date with six options to renew, each with a renewal term of 5 years. The annual base rent for the Premises will be an amount equal to:

i. the product of 7.50% and (a) the total estimated budget for the project, or (b) all construction costs outlined in the final budget on or prior to the scheduled completion date; or
ii. the product of 7.50% and the total project costs, to the extent that all components of the document delivery and completion requirement are fully satisfied on or prior to the scheduled completion date.

Annual base rent will increase by 2% during each year of the lease term.

On July 17, 2015, the Company also entered into a Development Management Agreement (“DMA”) with Stream Realty Partners-DFW, L.P., a Texas limited partnership (“Developer”).

Pursuant to the DMA, the Company retained the services of Developer to manage, coordinate, represent, assist and advise the Company on matters concerning the pre-development, development, design, entitlement, infrastructure, site preparation and construction of the Premises. The term of the DMA is from July 17, 2015 until final completion of the project. Pursuant to the DMA, the Company will pay Developer:

- a development fee of 3.25% of all development costs;
- an oversight fee of 2% of any amounts paid to the Company-contracted parties for any oversight by the Developer of Company-contracted work;
- an incentive fee, the amount of which will be determined by the parties, if final completion occurs prior to the scheduled completion date; and
- an amount equal to $2.6 million as additional fee in respect of development services.

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, 2015, 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, 2015, 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 2013 “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, 2015.

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.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended June 30, 2015, 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, 2015, based on criteria established in Internal Control - Integrated Framework (2013) 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, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) 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, 2015 of the Company and our report dated September 14, 2015 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California

September 14, 2015

Item 9B. Other Information

On September 11, 2015, the Company filed with the Delaware Secretary of State a Certificate of Elimination (the “Certificate of Elimination”), which returned the 200,000 shares of unissued Series A Junior Participating Preferred Stock, par value $1.00 per share, that had been designated in 2005 in connection with a stockholder rights plan that expired on March 28, 2015 (the “Rights Plan”), to the status of authorized but unissued shares of the preferred stock of the Company, without designation as to series or rights, preferences, privileges or limitations. The foregoing summary of the Certificate of Elimination is qualified in its entirety by reference to the full text of the Certificate of Elimination, a copy of which is filed as Exhibit 3.3 to this Form 10-K and incorporated herein by reference. In connection with the expiration of the Rights Plan, the Company will also take routine, voluntary actions to deregister the related preferred stock purchase rights under the Securities Exchange Act of 1934, as amended, and to delist the preferred stock purchase rights. These actions are administrative in nature and will have no effect on the Company’s Common Stock, which continues to be listed on the Nasdaq Global Select Market.

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, 2015, its officers, directors and ten percent stockholders complied with all applicable Section 16(a) filing requirements, except that, Thomas W. Mortensen, the Company's former Senior Vice President of Route Sales, filed a late Form 4 in December 2014 reporting the sale of vested restricted shares to cover tax withholding requirements and 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, 2015.

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, 2015 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)	553,367	$16.41	235,308
Equity compensation plans not approved by stockholders	—	—	—
Total	553,367	$16.41	235,308

(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, 2015 and 2014

Consolidated Statements of Operations for the Years Ended June 30, 2015, 2014 and 2013

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended June 30, 2015, 2014 and 2013

Consolidated Statements of Cash Flows for the Years Ended June 30, 2015, 2014 and 2013

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2015, 2014 and 2013

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 14, 2015

By: /s/MARK J. NELSON

Mark J. Nelson
Treasurer and Chief Financial Officer
(principal financial and accounting officer)
Date: September 14, 2015

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 14, 2015
/s/ HAMIDEH ASSADI Hamideh Assadi	Director	September 14, 2015
/s/ RANDY E. CLARK Randy E. Clark	Director	September 14, 2015
Jeanne Farmer Grossman	Director	September 14, 2015
/s/ CHARLES F. MARCY Charles F. Marcy	Director	September 14, 2015
/s/ CHRISTOPHER P. MOTTERN Christopher P. Mottern	Director	September 14, 2015
/s/ MICHAEL H. KEOWN Michael H. Keown	Director	September 14, 2015

EXHIBIT INDEX

3.1	Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the SEC on September 16, 2014 and incorporated herein by reference).
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).
3.3	Certificate of Elimination (filed herewith).
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	Credit Agreement, dated as of March 2, 2015, by and among Farmer Bros. Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K for the period ended March 6, 2015 and incorporated herein by reference).
10.2	Pledge and Security Agreement, dated as of March 2, 2015, by and among Farmer Bros. Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc. and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K for the period ended March 6, 2015 and incorporated herein by reference).
10.3	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).*
10.4	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).*
10.5	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 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed with the SEC on May 6, 2013 and incorporated herein by reference).*
10.6	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).*
10.7	Amendment to Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on December 10, 2014 and incorporated herein by reference).*
10.8	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).*
10.9	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 Annual Report on Form 10-K for the fiscal year ended June 30, 2012 filed with the SEC on September 7, 2012 and incorporated herein by reference).*

10.10 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).

10.11 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).

10.12 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).

10.13 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).*

10.14 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).*

10.15 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).*

10.16 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).*

10.17 Amendment No. 1 to Employment Agreement, effective as of September 1, 2014, 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 filed with the SEC on October 16, 2014 and incorporated herein by reference).*

10.18 Employment Agreement, dated as of December 2, 2014, by and between Farmer Bros. Co. and Barry C. Fischetto (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 5, 2014 and incorporated herein by reference).*

10.19 Employment Agreement, effective as of May 27, 2015, by and between Farmer Bros. Co. and Scott W. Bixby (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 20, 2015 and incorporated herein by reference).*

10.20 Employment Agreement, effective as of August 6, 2015, by and between Farmer Bros. Co. and Thomas J. Mattei, Jr. (filed herewith).*

10.21 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).*

10.22 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).*

10.23 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).*

10.24	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).*
10.25	Addendum to Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (filed as Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 9, 2015 and incorporated herein by reference).*
10.26	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).*
10.27	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).*
10.28	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).*
10.29	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).*
10.30	Stock Ownership Guidelines for Directors and Executive Officers (filed as Exhibit 10.32 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 10, 2014 and incorporated herein by reference).*
10.31	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).*
10.32	Form of Award Letter (Fiscal 2014) 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 17, 2014 and incorporated herein by reference).*
10.33	Form of Target Award Notification Letter (Fiscal 2015) 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 September 17, 2014 and incorporated herein by reference).*
10.34	Form of Change in Control Severance Agreement for Executive Officers of the Company (with schedule of executive officers attached) (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on May 20, 2015 and incorporated herein by reference).*
10.35	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 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 20, 2015 and incorporated herein by reference).*
10.36	Lease Agreement, dated as of July 17, 2015, by and between Farmer Bros. Co. as Tenant, and WF-FB NLTX, LLC as Landlord (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2015 and incorporated herein by reference).
10.37	Development Management Agreement dated as of July 17, 2015, by and between Farmer Bros. Co., as Tenant and Stream Realty Partners-DFW, L.P., as Developer (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2015 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, 2015, 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 2015 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, but are not limited to, the timing and success of implementation of the Company's Corporate Relocation Plan, 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, the success of the Company to retain and/or attract qualified employees, 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.

13601 North Freeway, Suite 200
Fort Worth, Texas 76177

DIRECTORS

Guenter W. Berger
Chairman of the Board
Farmer Bros. Co. — Retired Chief Executive Officer

Hamideh Assadi
Independent Tax Consultant

Randy E. Clark
Chair, Compensation Committee
Food Industry Consultant

Jeanne Farmer Grossman
Retired Teacher

Michael H. Keown
President, Chief Executive Officer
Farmer Bros. Co.

Charles F. Marcy
Chair, Nominating and Corporate Governance Committee
Business Consultant

Christopher P. Mottern
Chair, Audit Committee
Business Consultant

EXECUTIVE OFFICERS

Michael H. Keown
President, Chief Executive Officer

Isaac N. Johnston, Jr.
Treasurer, Chief Financial Officer

Scott W. Bixby
Senior Vice President, General Manager
Direct Store Delivery

Barry C. Fischetto
Senior Vice President of Operations

Thomas J. Mattei, Jr., Esq.
General Counsel and
Assistant Secretary

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,	2015	2014	2013	2012	2011
Consolidated Statement of Operations Data:					
Net sales	$ 545,882	$ 528,380	$ 513,869	$ 498,701	$ 464,346
Cost of goods sold	$ 348,846	$ 332,466	$ 328,693	$ 332,309	$ 316,109
Restructuring and other transition expenses	$ 10,432	$ —	$ —	$ —	$ —
Income (loss) from operations	$ 3,284	$ 8,916	$ 372	$ (21,846)	$ (70,725)
Income (loss) from operations per common share—diluted	$ 0.20	$ 0.56	$ 0.02	$ (1.41)	$ (4.69)
Net income (loss)	$ 652	$ 12,132	$ (8,462)	$ (26,576)	$ (52,033)
Net income (loss) per common share—basic	$ 0.04	$ 0.76	$ (0.54)	$ (1.72)	$ (3.45)
Net income (loss) per common share—diluted	$ 0.04	$ 0.76	$ (0.54)	$ (1.72)	$ (3.45)
Capital expenditures	$ 19,216	$ 25,267	$ 15,894	$ 17,498	$ 19,416

June 30,	2015	2014	2013	2012	2011
Consolidated Balance Sheet Data:					
Total assets	$ 240,943	$ 266,177	$ 244,136	$ 257,916	$ 292,050
Capital lease obligations	$ 5,848	$ 9,703	$ 12,168	$ 15,867	$ 8,636
Long-term borrowings under revolving credit facility	$ —	$ —	$ 10,000	$ —	$ —
Earn-out payable—RLC acquisition	$ 200	$ —	$ —	$ —	$ —
Long-term derivative liabilities	$ 25	$ —	$ 1,129	$ —	$ —
Total liabilities	$ 150,932	$ 151,313	$ 162,298	$ 174,364	$ 158,635

(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, 2015.

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