

ANNUAL REPORT

2020



Farmer Brothers®



Dear Fellow Stockholders,

When I joined Farmer Brothers as Chief Executive Officer a little over a year ago, I knew we had great material to work with: broad capabilities, a strong, competitive platform and an enduring focus on customer service that is often lost elsewhere in our industry. I was also attracted to the strong team and their deep commitment to Farmer Brothers and its rich tradition with a deep commitment to the Farmer Brothers family. We knew it was critical to unlock the human potential of every Farmer Brothers team member by clarifying our purpose for being. Through lots of efforts on the part of many team members, we arrived at “Cultivating connections through the love of coffee.” The purpose truly expresses what we enable in everyone we serve.

With these foundational attributes, we immediately set about strengthening the Company’s operating and service platform to drive improved financial performance, under our “Five E’s” operating strategy. Of course, we, like everyone else, had no idea what was coming in the late Winter and Spring of 2020. The COVID-19 pandemic posed immediate and severe disruptions to our business and redirected our foremost priorities to protecting our people; preserving liquidity and the long-term sustainability of the business; and accelerating implementation of our key strategic initiatives while supporting customers.

Now, as we near the end of a transformative year, I’m amazed at what our team has accomplished in a most difficult time. Our people are safe, and we are following through on efforts to return furloughed team members to work as appropriate. While our DSD business naturally remains challenged as the economy slowly reopens, our broader business is showing resiliency and signs of improvement. This past year we’ve accelerated operating initiatives and pivoted to support our customers during this time, which we believe has strengthened our position as we enter the new year. From a liquidity standpoint, our cost reduction efforts combined with our amended credit facility will enable us to continue to execute on our business and turnaround plans while remaining in compliance with our covenants.

Moving forward, our focus is on resuming normalized business activity and continuing to drive our turnaround strategy. We’re pleased with the progress we’ve made thus far and expect that to accelerate as the effects of the pandemic recede. Our supply chain optimization efforts including the buildout of our DFW facility and restarting distribution from our West Coast facility are moving forward. Further, we’re enhancing systems and processes, including the rollout of our HighJump handheld technology, and we’re introducing new technologies to improve fulfillment and inventory management, develop better online shopping capabilities and grow our subscription model.

These actions, among others, will set a baseline for improved efficiency and stronger financial performance in the future. But none of them are possible without the first of our five E’s, which is about empowering our people. In addition to driving the success of our team members, we also must take appropriate steps to retain and incentivize our people, especially at a time when we are executing on multiple operating priorities during a challenged business environment.

That is the purpose of this year’s request for an allocation of new shares for use in our Amended and Restated 2017 Long Term Incentive Plan. Equity compensation will be a crucial enabler of our turnaround plan in today’s business environment where cash resources are at a premium, thus the request is vital to our execution strategy and aligning all our stakeholders. As we rebuild a stronger Farmer Brothers, our Board and executive leadership are especially attuned to being disciplined both in managing expenses, allocating capital, and driving long-term value creation.

We remain excited about the opportunities ahead for the Farmer Brothers family and believe that our approach to the events of 2020 has made us a stronger team and has positioned us to execute on our turnaround plan and deliver value to stockholders. Finally, I want to personally thank you for your support and investment as we execute on our plans.

A handwritten signature in black ink, appearing to read "Deverl Maserang".

Deverl Maserang
President and Chief Executive Officer



Dear Fellow Stockholder:

You are cordially invited to attend the 2020 Annual Meeting of Stockholders (the "Annual Meeting") of Farmer Bros. Co. (the "Company"), which will be held on Wednesday, December 9, 2020, at 11:00 a.m., Central Standard Time.

In light of public health concerns regarding the coronavirus outbreak, **the Annual Meeting will be held in a virtual meeting format only**. You will not be able to attend the annual meeting physically. The Annual Meeting will be accessible virtually by visiting www.proxydocs.com/FARM

The formal Notice of Annual Meeting of Stockholders ("Notice") and Proxy Statement ("Proxy"), which are contained in the following pages, outline the actions that will, or may, if properly presented, be taken by the stockholders at the meeting. You should also have received a proxy card or voting instruction form and postage-paid return envelope, which are being solicited on behalf of the Farmer Bros. Co. Board of Directors (the "Board"). Participants in the Farmer Bros. Co. Employee Stock Ownership Plan should follow the instructions provided by the plan trustee, GreatBanc Trust Company.

Among the items for which we are asking for your vote this year is the election of the Board's director nominees. The Board is pleased to nominate Allison M. Boersma and Alfred Poe for election as directors. We believe our two director nominees have the breadth of relevant and diverse experiences, integrity and commitment necessary to guide the Company for the benefit of all of the Company's stockholders. If elected, Mr. Poe would be a new addition to the Board. As such, we invite you to learn more about his experience and why the Board has nominated him for election by reviewing information in Proposal No. 1 in the Proxy Statement.

It is important that your shares be represented at the Annual Meeting whether or not you are personally able to attend. Accordingly, after reading the attached Notice of Annual Meeting of Stockholders and Proxy Statement, please promptly submit your proxy as described on your proxy card or voting instruction form. If you choose to submit your proxy to vote your shares by the proxy card or voting instruction form, please sign, date and mail the proxy card or voting instruction form in the enclosed postage-paid return envelope. You may also submit a proxy to vote by telephone or Internet. Instructions for submitting a proxy over the Internet or by telephone are provided on the enclosed proxy card. Your cooperation is greatly appreciated.

Sincerely yours,

D. Deverl Maserang II
President and Chief Executive Officer

Christopher P. Mottern
Chairman of the Board of Directors

If you have any questions or require any assistance with respect to voting your shares, please contact Morrow Sodali, the Company's proxy solicitor, at the contact listed below:

470 West Avenue
Stamford, Connecticut 06902
Stockholders Call Toll Free: (800) 662-5200 (within the U.S.)
Banks and Brokers Call Collect: (203) 658-9400
FARM@morrowsodali.com

The attached Proxy Statement is dated October 27, 2020 and is first being mailed on or about October 28, 2020.

FARMER BROS. CO.
1912 Farmer Brothers Drive
Northlake, Texas 76262

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 9, 2020

TO THE STOCKHOLDERS OF FARMER BROS. CO.:

NOTICE IS HEREBY GIVEN that the 2020 Annual Meeting of Stockholders (the “Annual Meeting”) of Farmer Bros. Co., a Delaware corporation (the “Company” or “Farmer Bros.”), will be held on December 9, 2020 at 11:00 a.m., Central Time, for the following purposes:

1. To elect two directors to the Board of Directors (the “Board”) of the Company for a one-year term of office expiring at the Company’s 2021 Annual Meeting of Stockholders and until their successors are elected and duly qualified;
2. To ratify the selection of Deloitte & Touche LLP (“Deloitte”) as the Company’s independent registered public accounting firm for the fiscal year ending June 30, 2021;
3. To hold an advisory (non-binding) vote to approve the compensation paid to the Company’s Named Executive Officers;
4. To approve the Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan (the “Amended and Restated 2017 Plan”); and
5. To transact such other business as may properly come before the Annual Meeting or any continuation, postponement or adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice of Annual Meeting of Stockholders. The Board recommends: a vote “FOR” each of the two nominees for director named in the accompanying Proxy Statement, and a vote “FOR” proposals 2, 3 and 4 on the enclosed proxy card.

In light of ongoing public health concerns regarding the coronavirus outbreak, the Annual Meeting will be held in a virtual meeting format only. You will not be able to attend the Annual Meeting physically. The decision to have a virtual Annual Meeting this year does not represent a change in our stockholder engagement philosophy, and we currently expect to return to an in-person meeting next year.

The virtual Annual Meeting can be accessed by visiting www.proxydocs.com/FARM, where you will be able to listen to the meeting live, submit questions and vote online. It is important that your shares be represented. Whether or not you plan to attend the virtual Annual Meeting, please vote using the procedures described on the notice of internet availability of proxy materials or on the proxy card. Your vote will mean that you are represented at the virtual Annual Meeting regardless of whether or not you attend the virtual Annual Meeting. Returning the proxy does not deprive you of your right to attend the meeting and to vote your shares virtually at the Annual Meeting.

The Board has fixed the close of business on October 13, 2020 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.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE 2020 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 9, 2020

This Notice of Annual Meeting of Stockholders, the accompanying Proxy Statement, the Company’s 2020 Annual Report, which includes its Annual Report on Form 10-K for the fiscal year ended June 30, 2020, and form proxy card are available at: <http://www.proxydocs.com/FARM>.

Please submit a proxy as soon as possible so that your shares can be represented and voted at the Annual Meeting in accordance with your instructions. By submitting your proxy promptly, you will save the Company the expense of further proxy solicitation. For specific instructions on submitting a proxy to have your shares voted, please refer to the instructions on the proxy card or the information forwarded by your bank, broker or other nominee. Even if you have submitted a proxy, you may still vote virtually if you attend the virtual Annual Meeting. Please note, however, that if your shares are held of record by a bank, broker or other nominee and you wish to vote virtually at the virtual Annual Meeting, you must obtain a legal proxy

issued in your name from such bank, broker or other nominee. If you are a beneficial holder of shares held in “street name,” you should follow the voting instructions provided by your bank, broker or other nominee to ensure that your shares are represented and voted at the Annual Meeting.

If you are a participant in the Farmer Bros. Co. Employee Stock Ownership Plan (the “ESOP”), you should follow the instructions provided by the ESOP trustee, GreatBanc Trust Company (the “ESOP Trustee”), with respect to having the shares allocated to you in the ESOP voted at the Annual Meeting. If you are an ESOP participant, although you may attend the virtual Annual Meeting, you will not be able to cast a vote at the virtual Annual Meeting with respect to any shares you hold through the ESOP.

If you are a participant in the Farmer Bros. Co. 401(k) Plan (the “401(k)”), you should follow the instructions provided by the 401(k) trustee, Principal Financial Group (the “401(k) Trustee”), with respect to having the shares owned by you in the 401(k) voted at the Annual Meeting. If you are a 401(k) participant, although you may attend the virtual Annual Meeting, you will not be able to cast a vote at the virtual Annual Meeting with respect to any shares you hold through the 401(k).

Your vote is very important. Please submit your proxy even if you plan to attend the virtual Annual Meeting. To submit a proxy to vote your shares over the Internet or by telephone, please follow the instructions on the enclosed proxy card.

By Order of the Board of Directors

Jennifer H. Brown
General Counsel and Secretary

Northlake, Texas
October 27, 2020

The accompanying Proxy Statement provides a detailed description of the business to be conducted at the Annual Meeting. We urge you to read the accompanying Proxy Statement, including the appendices and any documents incorporated by reference, carefully and in its entirety.

If you have any questions concerning the business to be conducted at the Annual Meeting, would like additional copies of the Proxy Statement or need help submitting a proxy for your shares, please contact the Company’s proxy solicitor:

470 West Avenue
Stamford, Connecticut 06902
Stockholders Call Toll Free: (800) 662-5200 (within the U.S.)
Banks and Brokers Call Collect: (203) 658-9400
FARM@morrowsodali.com

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FARMER BROS. CO.
1912 Farmer Brothers Drive
Northlake, Texas 76262

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

What are the date, time and place of the Annual Meeting?

The enclosed proxy card is being delivered with this Proxy Statement 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.”), in connection with the 2020 Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Wednesday, December 9, 2020, at 11:00 a.m., Central Standard Time, or at any continuation, postponement or adjournment thereof, for the purposes described in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders, and to transact such other business as may properly come 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.

In light of ongoing public health concerns regarding the coronavirus outbreak, **the Annual Meeting will be held in a virtual meeting format only**. You will not be able to attend the Annual Meeting physically. The decision to have a virtual Annual Meeting this year does not represent a change in our stockholder engagement philosophy, and we currently expect to return to an in-person meeting next year.

The Annual Meeting is to be held live via the internet - please visit www.proxydocs.com/FARM for more details. If you plan to attend the Annual Meeting virtually, you should review the details below under the section captioned “Who can attend the Annual Meeting?”

Pre-registration to attend is **required** by all stockholders in order to gain access and attend and/or vote at the meeting. Visit www.proxydocs.com/FARM to pre-register. The registration **deadline** is **5:00 p.m. ET on Monday, December 7, 2020**. You will need your Control Number which is provided in your proxy card, notice or voting instruction form in order to pre-register for the meeting. Upon completing registration, you will immediately receive a confirmation email, which will include information about when you should expect to receive a unique link gaining access to the Annual Meeting.

Notice of Electronic Availability of Proxy Statement and Annual Report

We are pleased to take advantage of the Securities and Exchange Commission rules allowing companies to furnish proxy materials to their stockholders over the Internet. We believe that this e-proxy process will expedite stockholders’ receipt of proxy materials, lower the costs and reduce the environmental impact of our Annual Meeting. The Company intends to mail a full set of proxy materials including this Proxy Statement, a proxy card and the Company’s 2020 Annual Report, which includes its Annual Report on Form 10-K for the fiscal year ended June 30, 2020 (“2020 Form 10-K”) or a Notice of Internet Availability of Proxy Materials (the “Notice of Internet Availability”) on or about October 28, 2020 to all stockholders entitled to notice of and to vote at the Annual Meeting. The Notice of Internet Availability instructs you on how to access and review the Proxy Statement and our annual report. The Notice of Internet Availability also instructs you on how you may authorize a proxy to vote your shares over the Internet.

What am I voting on?

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

Proposal No. 1: The election of two directors to serve on our Board for a one-year term of office expiring at the Company’s 2021 Annual Meeting of Stockholders and until their successors are elected and duly qualified;

Proposal No. 2: The ratification of the selection of Deloitte as our independent registered public accounting firm for the fiscal year ending June 30, 2021;

Proposal No. 3: The approval, on an advisory (non-binding) basis, of the compensation paid to the Company’s Named Executive Officers; and

Proposal No. 4: The approval of the Amended and Restated 2017 Plan, which includes an increase in the number of shares of stock authorized for issuance under the plan and certain technical and administrative updates.

How does the Board recommend that I vote?

The Board recommends that you vote using the enclosed proxy card:

“FOR” the election of each of the two nominees named herein to serve on our Board as directors for a one-year term of office expiring at the Company’s 2021 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, 2020;

“FOR” the approval of, in an advisory (non-binding) vote, the compensation paid to our Named Executive Officers; and

“FOR” the approval of the Amended and Restated 2017 Plan.

Who can vote?

The Board has set October 13, 2020 as the record date (the “Record Date”) for the Annual Meeting. You are entitled to notice of and to vote at the Annual Meeting any shares of common stock, par value \$1.00 per share, of the Company (“Common Stock”), and any shares of Series A Convertible Participating Cumulative Perpetual Preferred Stock, par value \$1.00 per share, of the Company (“Series A Preferred Stock”), on an as-converted basis, in each case, of which you are the holder of record as of the close of business on the Record Date. Each share of Series A Preferred Stock entitles the holder(s) thereof to vote on an as-converted basis together with the holders of Common Stock as a single class. Your shares may be voted at the virtual Annual Meeting only if you are present virtually or your shares are represented by a valid proxy.

Inspection of Stockholder List

A list of registered stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder for any purpose germane to the Annual Meeting. In order to protect our team members and stockholders from COVID-19, we ask that stockholders wishing to inspect the list of registered stockholders send an e-mail to legaldepartment@farmerbros.com. Please include (1) your name and (2) if you hold your shares through a broker, bank or other intermediary, an image of your stock ownership statement. Upon verification of your status as a stockholder, you will be provided access to view and inspect the list of registered stockholders as of the record date. Stockholders will not be able to download or print the list.

Stockholders will also have the opportunity to inspect the list of registered stockholders during the virtual annual meeting on December 9, 2020. Please visit www.proxydocs.com/FARM for more details.

How many shares are outstanding and how many shares are needed for a quorum?

At the close of business on the Record Date, 17,540,241 shares of Common Stock entitled to 17,540,241 votes, and 14,700 shares of Series A Preferred Stock entitled to 425,887 votes, for a total of 17,966,128 votes, were outstanding and entitled to vote at the Annual Meeting. Each share of Series A Preferred Stock entitles the holder(s) thereof to vote on an as-converted basis together with the holders of the Common Stock as a single class. The Company has no other class of securities outstanding.

A majority of the issued and outstanding shares of Common Stock and Series A Preferred Stock (on an as-converted basis voting together with the Common Stock as a single class) present in person (virtually) or represented by proxy and entitled to vote at the Annual Meeting will constitute a quorum at the Annual Meeting, which quorum is required to hold the Annual Meeting and conduct business. If you are a record holder of shares of Common Stock or Series A Preferred Stock as of the Record Date 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 bank, broker 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 and Series A Preferred Stock (on an as-converted basis voting together with the Common Stock as a single class) represented and entitled to vote at the Annual Meeting.

What is the difference between a record holder and a beneficial owner?

If at the close of business on the Record Date your shares were registered directly in your name, you are considered the “record holder” of your shares. If, on the other hand, at the close of business on the Record Date your shares were held in an account at a brokerage firm, bank, dealer, or other similar organization or other nominee, then you are the beneficial owner of shares held in “street

name” and the proxy materials, as applicable, are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares in your account. **If you hold your shares in “street name,” please instruct your bank, broker or other nominee how to vote your shares using the voting instruction form provided by your bank, broker or other nominee so that your vote can be counted.** The voting instruction form provided by your bank, broker or other nominee may also include information about how to submit your voting instructions over the Internet or telephonically, if such options are available.

How can I vote my shares?

You may vote your shares at the Annual Meeting using one of the following methods (please also see the information provided above concerning the difference between holding shares as a record holder and holding shares beneficially through a bank, broker or other nominee-beneficial holders should follow the voting instructions provided by such bank, broker or other nominee):

By mail. You may vote your shares by completing, signing and mailing the proxy card included with these proxy materials (or voting instruction form in the case of beneficial holders). Please refer to your proxy card or voting instruction form for instructions on either submitting your proxy or voting by mail.

Over the Internet. If you have access to the Internet, you may submit your proxy over the Internet by following the instructions included on the enclosed proxy card (or voting instruction form in the case of beneficial holders for whom Internet voting is available). Please refer to your proxy card or voting instruction form for instructions on either submitting a proxy or voting over the Internet.

By telephone. You may submit a proxy to have your shares voted by calling a toll-free telephone number listed on the enclosed proxy card (or voting instruction form in the case of beneficial holders for whom telephone voting is available). Please refer to your proxy card or voting instruction form for instructions on submitting a proxy by phone.

At the virtual Annual Meeting. Stockholders are invited to attend the virtual Annual Meeting and vote at the virtual Annual Meeting. If you are a beneficial owner of shares you must obtain a legal proxy from the bank, broker or other nominee of your shares to be entitled to vote those shares at the virtual Annual Meeting. If you are a record holder, you are encouraged to complete, sign and date the enclosed proxy card and mail it in the enclosed postage-paid envelope regardless of whether or not you plan to attend the virtual Annual Meeting. If you hold your shares in “street name,” you are encouraged to follow the voting instructions provided by your bank, broker or other nominee to ensure that your shares are represented and voted at the Annual Meeting.

A control number, located on the instructions included with the proxy card, is designated to verify your identity and allow you to vote your shares and confirm that your voting instructions have been recorded properly. If you submit your proxy over the Internet or by telephone, there is no need to return a signed proxy card. However, you may change your voting instructions by subsequently completing, signing and delivering the proxy card.

As noted above, if you hold shares beneficially in street name through a bank, broker or other nominee, you may vote your shares by following the voting instructions provided by your bank, broker or other nominee. Telephone and Internet voting may be also available-please refer to the voting instruction form provided by your bank, broker or other nominee for more information.

If you have any questions or require assistance in submitting a proxy for your shares, please call the Company’s proxy solicitor, Morrow Sodali, toll free at (800) 662-5200 (within the U.S.).

How do I vote if I am an ESOP participant?

The ESOP owns approximately 6.6% of the Company’s outstanding voting securities, based on 17,540,241 shares of Common Stock entitled to 17,540,241 votes, and 14,700 shares of Series A Preferred Stock representing 425,887 shares of Common Stock on an as-converted basis, outstanding as of October 13, 2020. 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 its independent fiduciary discretion. If you are an ESOP participant and want to revoke any prior voting instructions you provided to the ESOP Trustee in respect of the Annual Meeting, you must contact the ESOP Trustee.

If you are a participant in the ESOP, although you may attend the virtual Annual Meeting, you will not be able to cast a vote at the meeting with respect to any shares you hold through the ESOP.

How do I vote if I am a 401(k) participant?

Each 401(k) participant has the right to direct the 401(k) Trustee on how to vote the shares of Common Stock held in his or her account under the 401(k). The 401(k) Trustee will vote all of the shares for which no voting directions are timely received by the 401(k) Trustee, in its independent fiduciary discretion. If you are a 401(k) participant and want to revoke any prior voting instructions you provided to the 401(k) Trustee in respect of the Annual Meeting, you must contact the 401(k) Trustee.

If you are a participant in the 401(k), although you may attend the virtual Annual Meeting, you will not be able to cast a vote at the meeting with respect to any shares you hold through the 401(k).

Who can attend the Annual Meeting?

Admission to the Annual Meeting website is limited to stockholders and their duly-appointed proxy holders as of the close of business on the Record Date with proof of ownership of the Company's Common Stock or Series A Preferred Stock. If your shares are held in the name of a bank, broker or other nominee and you plan to attend the Annual Meeting, you must present proof of your ownership of Common Stock or Series A Preferred Stock, such as a bank or brokerage account statement, to be admitted to the Annual Meeting website. If you are a participant in the ESOP, although you may attend the virtual Annual Meeting if you can provide proof that you are an ESOP participant, you will not be able to cast a vote at the meeting with respect to any shares you hold through the ESOP. Any holder of a proxy from a stockholder must present the proxy card, properly executed, and a copy of proof of ownership. If you are a participant in the 401(k), although you may attend the virtual Annual Meeting if you can provide proof that you are a 401(k) participant, you will not be able to cast a vote at the meeting with respect to any shares you hold through the 401(k). Any holder of a proxy from a stockholder must present the proxy card, properly executed, and a copy of proof of ownership.

Your vote is very important. Please submit your proxy card even if you plan to attend the virtual Annual Meeting.

How will votes be tabulated?

All votes will be tabulated by the inspector of election appointed by the Company for the Annual Meeting, who will separately tabulate affirmative and negative votes and abstentions in accordance with Delaware law.

What is a "broker non-vote"?

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. Brokers generally do not have discretionary voting power (i.e., they cannot vote) on non-routine matters without specific instructions from their customers. Proposals are determined to be routine or non-routine matters based on the rules of the various regional and national exchanges of which the brokerage firm is a member. Shares that constitute broker non-votes will be counted as present at the Annual Meeting for the purpose of determining a quorum, but will not be considered entitled to vote on the proposal in question. Brokers generally have discretionary authority to vote on the ratification of the selection of Deloitte as our independent registered public accounting firm. Brokers, however, do not have discretionary authority to vote on the election of directors to serve on our Board, the advisory vote to approve the compensation paid to our named executive officers, and the approval of the Company's forum selection by-law, because they are considered non-routine matters. Consequently, without your voting instructions, the bank, broker or other nominee that holds your shares cannot vote your share on these proposals.

What vote is required to approve each proposal?

Election of Directors. Directors are elected by a plurality of the votes of the shares of Common Stock and Series A Preferred Stock (on an as-converted basis voting together with the Common Stock as a single class) present in person (virtually) or represented by proxy at the Annual Meeting and entitled to vote on the election of directors.

This means that the two individuals nominated for election to the Board at the Annual Meeting who receive the highest number of properly cast "FOR" votes (among votes properly cast in person (virtually) 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 any or all 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. Broker non-votes will also not affect the outcome of 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, 2021 requires the affirmative vote of a majority of the shares of Common Stock and Series A Preferred

Stock (on an as-converted basis voting together with the Common Stock as a single class) present or represented by proxy at the Annual Meeting and entitled to vote thereat. 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 (Non-Binding) Vote to Approve the Compensation Paid to our Named Executive Officers. The advisory (non-binding) vote to approve the compensation paid to the Company’s Named Executive Officers requires the affirmative vote of a majority of the shares of Common Stock and Series A Preferred Stock (on an as-converted basis voting together with the Common Stock as a single class) present or represented by proxy at the Annual Meeting and entitled to vote thereat. Abstentions will have the same effect as votes “against” the proposal. Broker non-votes will not affect the outcome of the vote to approve the compensation paid to the Company’s Named Executive Officers because shares held by a bank, broker or other nominee who has not received instructions from the beneficial owner of the shares as to how the shares are to be voted are not entitled to vote on this proposal.

Approval of the Amended and Restated 2017 Plan. The vote to approve the Amended and Restated 2017 Plan requires the affirmative vote of a majority of the shares of Common Stock and Series A Preferred Stock (on an as-converted basis voting together with the Common Stock as a single class) present or represented by proxy at the Annual Meeting and entitled to vote thereat. Abstentions will have the same effect as votes “against” the proposal. Broker non-votes will not affect the outcome of the vote to approve the Amended and Restated 2017 Plan because shares held by a bank, broker or other nominee who has not received instructions from the beneficial owner of the shares as to how the shares are to be voted are not entitled to vote at the Annual Meeting.

What do I do if I receive more than one proxy card or voting instruction form?

If you receive more than one proxy card or voting instruction form from your bank, broker or other nominee, it means you hold shares that are registered in more than one name or account. To ensure that all of your shares are voted, sign, date and return each proxy card or voting instruction form. To vote by telephone or over the Internet, follow the instructions for voting over the Internet or by telephone provided on the enclosed proxy card or provided on the voting instruction form provided by your bank, broker or other nominee.

How will my shares be voted if I sign, date and return the proxy card but do not specify how I want my shares to be voted?

As a stockholder of record, if you sign, date and return 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 each of the two Board nominees named herein to serve on our Board as directors for a one-year term of office expiring at the Company’s 2021 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, 2020;

“FOR” the approval of, in an advisory (non-binding) vote, the compensation paid to our Named Executive Officers; and

“FOR” the approval of the Amended and Restated 2017 Plan.

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.

How can I revoke a proxy?

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 1912 Farmer Brothers Drive, Northlake, Texas 76262, a written notice of revocation or a duly executed proxy bearing a later date, by attending the virtual Annual Meeting and voting, or by submitting a proxy over the Internet or by telephone by following the instructions on the proxy card. Please note that 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 a new voting instruction form 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 virtual Annual Meeting, your vote at the virtual 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. 401(k) participants must contact the 401(k) Trustee directly to revoke any prior voting instructions.

When will the voting results be announced?

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 (the "SEC") within four business days after the Annual Meeting. If our final voting results are not available within four business days after the Annual 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.

\Are there interests 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 the 2020 fiscal year, 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.

With regard to Proposal No. 4 to approve the Amended and Restated 2017 Plan, key employees and directors of the Company will be eligible to receive equity and equity-linked long-term incentive compensation awards and performance-based cash incentive awards under the plan, if it is approved. Accordingly, certain employees and directors of the Company have a substantial interest in the approval of the Amended and Restated 2017 Plan proposal.

Who will solicit proxies on behalf of the Board?

The Company has retained Morrow Sodali, a proxy solicitation firm, who may solicit proxies on the Board's behalf. Proxies may also be solicited on behalf of the Board, without additional compensation, by the Company's directors, certain executive officers and other employees of the Company.

The original solicitation of proxies by mail may be supplemented by telephone, telegram, facsimile, electronic mail, Internet and personal solicitation by our directors, director nominees and certain of our executive officers and other employees (who will receive no additional compensation for such solicitation activities), or by Morrow Sodali. You may also be solicited by advertisements in periodicals, press releases issued by us and postings on our corporate website or other websites. Unless expressly indicated otherwise, information contained on our corporate website is not part of this Proxy Statement. In addition, none of the information on the other websites listed in this Proxy Statement is part of this Proxy Statement. These website addresses are intended to be inactive textual references only.

Who is paying for the cost of this proxy solicitation?

The entire cost of soliciting proxies on behalf of the Board, including the costs of preparing, assembling, printing and mailing this Proxy Statement, the proxy card and any additional soliciting materials furnished to stockholders by, or on behalf of, the Company, will be borne by the Company. Copies of the Company's solicitation material will be furnished to banks, brokerage houses, dealers, the ESOP Trustee, the 401(k) Trustee, voting trustees, their respective nominees and other agents holding shares in their names, which are beneficially owned by others, so that they may forward such solicitation material, together with our 2020 Annual Report, which includes our 2020 Form 10-K, to beneficial owners. In addition, if asked, the Company will reimburse these persons for their reasonable expenses in forwarding these materials to the beneficial owners.

Who can answer my questions?

Your vote at this year's Annual Meeting is especially important, no matter how many or how few shares you own. Please sign and date the enclosed proxy card or voting instruction form and return it in the enclosed postage-paid envelope promptly or vote by Internet or telephone. If you have any questions or require assistance in submitting a proxy for your shares, please call Morrow Sodali, the firm assisting us in the solicitation of proxies:

470 West Avenue
Stamford, Connecticut 06902
Stockholders Call Toll Free: (800) 662-5200 (within the U.S.)
Banks and Brokers Call Collect: (203) 658-9400
FARM@morrrowsodali.com

How can I obtain additional copies of these materials or copies of other documents?

Complete copies of this Proxy Statement and the 2020 Annual Report, which includes our 2020 Form 10-K, and directions to the Annual Meeting are also available at www.proxydocs.com/FARM. You may also contact Morrow Sodali for additional copies. You are encouraged to access and review all of the important information contained in the proxy materials before voting.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

General

At the 2019 Annual Meeting of Stockholders, stockholders approved the proposal to amend and restate the Company's Certificate of Incorporation to provide for the phased-in declassification of the Board of Directors. Prior to that time, the Board of Directors was 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 was subject to a stockholder vote. Class I consisted of three directors whose term of office will expire at the 2022 Annual Meeting, class II consisted of two directors whose term of office expires at the 2020 Annual Meeting of Stockholders, and Class III consisted of one director, whose term of office will expire at the 2021 Annual Meeting of Stockholders (such former Class I directors and Class III directors, the "Continuing Classified Directors"). Beginning at the 2020 Annual Meeting, any director elected to the Board shall be for a one-year term. Continuing Classified Directors will continue to serve for the duration of the term for which their class was originally elected.

The authorized number of directors is set forth in the Company's Certificate of Incorporation and shall consist of not less than five nor more than nine 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 six. If the number of directors is increased or decreased, each Continuing Classified Director then serving shall continue as a Continuing Classified Director until the expiration of his or her term or his or her death, resignation, retirement, disqualification or removal from office. In no event shall a decrease in the number of directors remove or shorten the term of any incumbent director. 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 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 directors then in office, even if less than a quorum, or by the sole remaining director. 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 Allison M. Boersma and Alfred Poe for election to the Board. If elected at the Annual Meeting, each would serve until the 2021 Annual Meeting of Stockholders and until his successor is elected and duly qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

As part of the Company's ongoing consideration of the appropriate mix of skills and expertise on the Board as well as Board refreshment, the Nominating and Corporate Governance Committee established a Director Search Committee (the "Search Committee") to assist with identifying potential director nominees. The functions performed by the Search Committee included identifying qualified candidates, conducting interviews and monitoring background checks, and presenting qualified candidates to the Nominating and Corporate Governance Committee for consideration.

The Search Committee identified Alfred Poe as a possible director nominee and brought Mr. Poe to the Nominating and Corporate Governance Committee's attention in August 2020. The Nominating and Corporate Governance Committee viewed Mr. Poe as an exceptional candidate. Mr. Poe is currently the Chief Executive Officer of AJA Restaurant Corp. and has served in various executive-level roles with companies such as Superior Nutrition Corporation, MenuDirect Corporation, Campbell Soup Company and Mars, Inc. The Nominating and Corporate Governance Committee was particularly impressed with Mr. Poe's significant industry experience, as well as financial and strategic planning, corporate governance and public company executive compensation experience. In addition, if elected, Mr. Poe would be an independent director under the NASDAQ standards and qualified to serve on the Company's standing committees. Mr. Poe has been nominated for election to the seat currently held by David W. Ritterbush whose term expires at the Annual Meeting and who is not standing for re-election.

Ms. Boersma currently serves as a director of the Company and Chair of the Audit Committee. Each of Ms. Boersma and Mr. Poe has agreed to be named in this Proxy Statement and to serve on our Board of Directors if elected. We have no reason to believe that either such nominee will be unable to serve on our Board of Directors 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 seats to be filled at the Annual Meeting. Each share of Series A Preferred Stock is entitled to vote on an as-converted basis together with the Common Stock as a single class for each of the two director seats to be filled at the Annual Meeting. Each stockholder 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 director nominees named herein unless the proxies direct otherwise. If either of the director nominees should be unable to serve or for good cause will not serve, your proxy will be voted for such substitute nominee(s) as the holders of your proxy, acting in their discretion, may determine.

Directors are elected by a plurality of the votes of the shares of Common Stock and Series A Preferred Stock (on an as-converted basis voting together with the Common Stock as a single class) present in person (virtually) or represented by proxy at the Annual Meeting and entitled to vote on the election of directors. 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 (virtually) 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 two 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 of the Board’s nominees for election as a 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.

Allison M. Boersma, age 55, has served on our Board since 2017 and is currently the Chief Financial Officer and Chief Operating Officer of BRG Sports Inc., a corporate holding company of leading brands that design, develop and market innovative sports equipment, protective products, apparel and related accessories. The company’s core football brand, Riddell, is the industry leader in football helmet technology and innovation. Ms. Boersma has served as the finance and operations leader for BRG Sports since April 2016, responsible for financial oversight, including planning, treasury and risk management; leadership of global sourcing, manufacturing and distribution; strategic planning and acquisitions; and manufacturing strategy. Ms. Boersma has also served as Chief Financial Officer and Chief Operating Officer of Riddell Inc., since May 2014, and Senior Vice President Finance and Chief Financial Officer of Riddell, from February 2009 to May 2014. Previously, Ms. Boersma was a finance executive with Kraft Foods, a multinational confectionery, food and beverage conglomerate, for over 17 years, with various positions of increasing responsibility, including serving as Senior Director Finance, Global Procurement, from May 2007 to February 2009, with leadership and oversight of commodity hedging and risk management, including for coffee; execution of global strategies to improve supplier performance; commodity tracking and derivative accounting. Other positions with Kraft included Controller, Grocery Sector; Controller, Meals Division; Director, Sales Finance, Kraft Food Services Division; and Senior Manager, Corporate Financial Business Analysis. Ms. Boersma began her career as a Senior Auditor with Coopers & Lybrand. Ms. Boersma received her undergraduate degree in Accountancy from the University of Illinois Champaign-Urbana, and her Masters of Management, Marketing and Finance, from J.L. Kellogg Graduate School of Management.

We believe Ms. Boersma’s qualifications to serve on our Board include her CFO and COO leadership, coffee industry knowledge and foodservice experience, supply chain and manufacturing experience, accounting and financial expertise, as well as her experience in IT, risk assessment, strategy formation and execution, mergers and acquisitions, and global sourcing.

Alfred Poe, age 71, is currently the Chief Executive Officer of AJA Restaurant Corp., serving as such since 1999. From 1997 to 2002, he was the Chief Executive Officer of Superior Nutrition Corporation, a provider of nutrition products. He was Chairman of the Board and Chief Executive Officer of MenuDirect Corporation from 1997 to 1999. Mr. Poe was a Corporate Vice President of Campbell Soup Company from 1991 through 1996. From 1993 through 1996, he was the President of the Campbell's Meal Enhancement Group. From 1982 to 1991, Mr. Poe held various positions, including Vice President, Brands Director and Commercial Director with Mars, Inc. Mr. Poe currently serves on the Board of Directors of B&G, Foods, Inc., 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 1997. Mr. Poe has previously served on the boards of directors of Centerplate, Inc. and State Street Bank.

We believe Mr. Poe’s qualifications to serve on our Board include his many years of experience as a chief executive officer and senior executive officer in the packaged foods and food service industries. He has also served on the boards of directors of

other public companies. In addition to bringing industry experience, Mr. Poe brings key senior management, leadership, financial and strategic planning, corporate governance and public company executive compensation experience.

**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	Term Expiration	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Stacy Loretz-Congdon	61	2018	2021	X		X
Charles F. Marcy	70	2013	2022		Chair	X
D. Deverl Maserang	57	2019	2022			
Christopher P. Mottern	76	2013	2022	X		

Stacy Loretz-Congdon, age 61, retired at the end of 2016 after 26 years of service at Core-Mark Holding Company, Inc. ("Core-Mark"), one of the largest marketers of fresh and broad-line supply solutions to the convenience retail industry in North America, where she served in various capacities, including as Senior Vice President, Chief Financial Officer and Assistant Secretary from December 2006 to May 2016 and Executive Advisor from May 2016 through December 2016. From January 2003 to December 2006, Ms. Loretz-Congdon served as Core-Mark’s Vice President of Finance and Treasurer and from November 1999 to January 2003 served as Core-Mark’s Corporate Treasurer. Ms. Loretz-Congdon joined Core-Mark in 1990. Ms. Loretz-Congdon’s experience at Core-Mark included oversight of all finance functions, including all corporate finance disciplines, strategy execution, risk mitigation, investor relations, as well as involvement with benefits, executive compensation and technology initiatives. During her tenure as Senior Vice President and Chief Financial Officer, Ms. Loretz-Congdon served on the Information Technology Steering Committee and the Investment Committee at Core-Mark, as well as a board member of all Core-Mark subsidiaries. Core-Mark is a Fortune 500, publicly traded company listed on the NASDAQ Global Market. In 2015, Ms. Loretz-Congdon was named as one of the Top 50 female CFOs in the Fortune 500 by Business Insider and Woman of the Year by Convenience Store News. Ms. Loretz-Congdon is an NACD Board Leadership Fellow. Prior to joining Core-Mark, Ms. Loretz-Congdon was an auditor for Coopers & Lybrand. Ms. Loretz-Congdon received her Bachelor of Science degree in Accounting from California State University, San Francisco.

We believe Ms. Loretz-Congdon’s qualifications to serve on our Board include her leadership as a former public company CFO, including accounting and financial expertise and regulatory compliance, as well as her financial planning and analysis, capital markets, corporate finance, M&A, IT, distribution and foodservice logistics, risk assessment, strategy formation and execution, compensation, and corporate governance experience, including her qualifications for service on the Company’s Audit Committee and Nominating and Corporate Governance Committee.

Charles F. Marcy, age 70, is a food industry consultant. He served as Chief Executive Officer 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 currently serves as First Vice Chair on the Board of Trustees of Washington and Jefferson College 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 served on the Strategy Committee and currently serves as a member of the Audit Committee, a member of the Compensation Committee and a member of the Risk 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. Mr. Marcy is an NACD Board Leadership Fellow and has demonstrated his commitment to boardroom excellence by completing NACD’s advanced corporate governance program for directors. Mr. Marcy has served on the Company’s Board of Directors since 2014 and is currently a member of the Nominating and Corporate Governance Committee and Chair of the Compensation Committee.

We believe Mr. Marcy’s qualifications to serve 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.

D. Deverl Maserang II, age 57, is President and Chief Executive Officer of the Company, since September 2019. Prior to joining the Company, from 2017 to 2019, Mr. Maserang served as President and Chief Executive Officer of Earthbound Farm Organic, a global leader in organic food and farming. From 2016 to 2017, Mr. Maserang served as Managing Partner of TADD Holdings, a business advisory firm. From 2013 to 2016, Mr. Maserang was Executive Vice President Global Supply Chain for Starbucks Corporation, a global coffee roaster and retailer, where he was responsible for end-to-end supply chain operations globally spanning manufacturing, engineering, procurement, distribution, planning, transportation, inventory management and worldwide sourcing. Prior to that, he held leadership roles at Chiquita Brands International, Peak Management Group, FreedomPay, Installation Included, Pepsi Bottling Group and United Parcel Service. Mr. Maserang received his Bachelor of Science degree from Texas Tech University.

We believe Mr. Maserang’s qualifications to serve on our Board include his leadership as CEO, coffee industry, foodservice, manufacturing, engineering, procurement, distribution, planning, transportation, inventory management, worldwide sourcing, turnaround, and supply chain expertise.

Christopher P. Mottern, age 76, has served as Chairman of the Board of the Company, since January 2020. He acted as interim President and Chief Executive Officer of Farmer Bros. Co. from May through October 2019. Prior to joining Farmer Bros. Co. in his interim role, Mr. Mottern was 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.

We believe Mr. Mottern’s qualifications to serve on our Board include his leadership as a former CEO, coffee industry, foodservice, manufacturing, supply chain and consumer branding experience, risk oversight experience, and financial and accounting expertise.

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, 2021, and has further directed that management submit this selection for ratification by the stockholders at the Annual Meeting. Deloitte has served as the Company’s independent registered public accounting firm since fiscal 2014. A representative of Deloitte is expected to be present at the virtual 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.

Vote Required

The affirmative vote of a majority of the shares of Common Stock and Series A Preferred Stock (on an as-converted basis voting together with the Common Stock as a single class) present in person (virtually) or represented by proxy at the Annual Meeting and entitled to vote thereat is required to ratify the selection of Deloitte. 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.

**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 the Company’s voting securities as of October 13, 2020, 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 5% of any class of the Company’s voting securities as of such date, based on 17,540,241 shares of Common Stock and 14,700 shares of Series A Preferred Stock, representing 425,887 shares of Common Stock on an as-converted basis, outstanding as of October 13, 2020. Each share of Series A Preferred Stock entitles the holder(s) thereof to vote on an as-converted basis together with the holders of Common Stock as a single class. As of October 13, 2020, 100% of the shares of Series A Preferred Stock were owned by Boyd Coffee Company. For purposes of this table we have treated the Series A Preferred Stock as converted into Common Stock.

The amounts and percentages of shares beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a “beneficial” owner of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are not deemed to be outstanding for purposes of computing any other person’s percentage. Under these rules, more than one person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Russell Investments Group, Ltd.(2)	2,639,756	15.0
Trigran Investments, Inc., Douglas Granat, Lawrence A. Oberman, Steven G. Simon, Bradley F. Simon, Steven R. Monieson(3)	2,237,553	12.5
Richard F. Farmer(4)	1,169,891	6.5
Farmer Bros. Co. Employee Stock Ownership Plan(5)	1,156,283	6.4
Dimensional Fund Advisors LP(6)	901,427	5.0

- (1) Percent of class is calculated based on total outstanding voting securities of 17,966,128, including 17,540,241 shares of Common Stock and 14,700 shares of Series A Preferred Stock, representing 425,887 shares of Common Stock on an as-converted basis, outstanding as of October 13, 2020, and may differ from the percent of class reported in statements of beneficial ownership filed with the SEC.
- (2) This information is based on a Schedule 13G/A filed with the SEC on October 10, 2019 (the “Russell Schedule 13G”) by Russell Investments Group, Ltd. (“Russell Investments”). The Russell Schedule 13G/A reports that Russell Investments has sole voting and shared dispositive power over 2,639,756 shares of Common Stock. As indicated in the Russell Schedule 13G, the address of Russell Investments is 1301 Second Avenue, Suite 1800, Seattle, Washington 98101.
- (3) This information is based on a Schedule 13G filed with the SEC on June 1, 2020 (the “Trigran Schedule 13G”) by Trigran Investments, Inc., Douglas Granat, Lawrence A. Oberman, Steven G. Simon, Bradley F. Simon and Steven R. Monieson (collectively, the “Trigran Filing Group”). The Trigran Schedule 13G reports that the Trigran Filing Group shares voting and dispositive power over 2,237,553 shares of Common Stock. Pursuant to the Trigran Schedule 13G, Douglas Granat, Lawrence A. Oberman, Steven G. Simon, Bradley F. Simon and Steven R. Monieson are the controlling shareholders and/or sole directors of Trigran Investments, Inc. and may be considered the beneficial owners of the shares of Common Stock beneficially owned by Trigran Investments, Inc. As indicated in the Trigran Schedule 13D, the address of the Trigran Filing Group is 630 Dundee Road, Suite 230, Northbrook, Illinois 60062.
- (4) This information is based on a Schedule 13D/A filed with the SEC on February 10, 2020 (the “Farmer Schedule 13D/A”). The Farmer Schedule 13D/A reported that Richard F. Farmer is the beneficial owner, with sole voting and dispositive power, of 1,169,891 shares of Common Stock through certain trusts. As stated in the Farmer Schedule 13D/A, the address for Richard F. Farmer is P.O. Box 50725, Eugene, Oregon 97405.
- (5) This information is based on the Company’s records and includes 1,156,283 shares of Common Stock that are held in the ESOP and allocated to a participant’s account (“allocated shares”) as of October 13, 2020. The ESOP Trustee votes allocated shares as directed by such participant or beneficiary of the ESOP. 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 Ronald J. Friedman, Jennifer H. Brown, Scott R. Lyon and Ronald Lynch. 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. The address of the ESOP is c/o Farmer Bros. Co., 1912 Farmer Brothers Drive, Northlake, Texas 76262.

- (6) This information is based on a Schedule 13G/A filed with the SEC on February 12, 2020 (the “Dimensional Schedule 13G/A”) by Dimensional Fund Advisors LP (“Dimensional Advisors”). The Dimensional Schedule 13G/A reports that Dimensional Advisors has sole voting power over 849,616 shares of Common Stock and sole dispositive power over 901,427 shares of Common Stock. Dimensional Advisors is an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, and furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the “Funds”). In certain cases, subsidiaries of Dimensional Advisors may act as an adviser or sub-adviser to certain Funds. In its role as investment advisor, sub-adviser and/or manager, Dimensional Advisors or its subsidiaries may possess voting and/or investment power over the securities of the Issuer that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Issuer held by the Funds. However, all securities reported in the Dimensional Schedule 13G/A are owned by the Funds. Dimensional Advisors disclaims beneficial ownership of such securities. As indicated in the Dimensional Schedule 13G/A, the address of Dimensional Advisors is Building One, 6300 Bee Cave Road, Austin, Texas 78746.

Security Ownership of Directors and Executive Officers

The following table sets forth certain information regarding the beneficial ownership of the Company’s voting securities as of October 13, 2020, by each of our current directors and director nominees, each of our executive officers required to be listed pursuant to Item 402 of Regulation S-K, and all of our current directors and executive officers as a group, based on 17,540,241 shares of Common Stock and 14,700 shares of Series A Preferred Stock, representing 425,887 shares of Common Stock on an as-converted basis, outstanding as of October 13, 2020. Each share of Series A Preferred Stock entitles the holder(s) thereof to vote on an as-converted basis together with the holders of Common Stock as a single class. For purposes of this table we have treated the Series A Preferred Stock as converted into Common Stock.

The amounts and percentages of shares beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a “beneficial” owner of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are not deemed to be outstanding for purposes of computing any other person’s percentage. Under these rules, more than one person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

Except as otherwise indicated in these footnotes, each of the directors, director nominee and executive officers listed has, to our knowledge, sole voting and investment power with respect to the shares of Common Stock.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Non-Employee Directors:		
Allison M. Boersma (2)	16,149	*
Stacy Loretz-Congdon (3)	15,877	*
Charles F. Marcy (4)	28,519	*
Alfred Poe (director nominee)	—	*
Named Executive Officers:		
D. Deverl Maserang II (5)	87,571	*
Christopher P. Mottern (6)	72,115	*
Scott R. Drake (7)	440	*
David Robson	—	*
Scott R. Lyon (8)	3,578	*
Ronald J. Friedman (9)	10,994	*
Ruben E. Inofuentes (10)	9,526	*
J. Michael Walsh (11)	15,854	*
All directors and executive officers as a group(12)(13 individuals)	261,223	1.4

* Less than 1%

- (1) Percent of class is calculated based on total outstanding voting securities of 17,933,128, including 17,540,241 shares of Common Stock and 14,700 shares of Series A Preferred Stock, representing 425,887 shares of Common Stock on an as-converted basis, plus securities deemed outstanding pursuant to Rule 13d-3(d)(1) under the Exchange Act, as of October 13, 2020, and may differ from the percent of class reported in statements of beneficial ownership filed with the SEC.
- (2) Includes 11,537 unvested shares of restricted stock.
- (3) Includes 10,666 unvested shares of restricted stock.
- (4) Includes 11,330 unvested shares of restricted stock.
- (5) Includes 73,825 shares of Common Stock issuable upon exercise of options which will become exercisable within 60 days and 1,346 shares of Common Stock beneficially owned by Mr. Maserang through the Company's 401(k) plan, rounded to the nearest whole share.
- (6) Includes 25,002 unvested shares of restricted stock.
- (7) Consists of 440 shares of Common Stock beneficially owned by Mr. Drake through the Company's 401(k) plan, rounded to the nearest whole share.
- (8) Consists of 2,455 shares of Common Stock issuable upon exercise of options which will become exercisable within 60 days and 1,123 shares of Common Stock beneficially owned by Mr. Lyon through the Company's 401(k) plan, rounded to the nearest whole share.
- (9) Consists of 9,660 shares of Common Stock issuable upon exercise of options which will become exercisable within 60 days, 196 shares of Common Stock beneficially owned by Mr. Friedman through the ESOP, rounded to the nearest whole share and 1,138 shares of Common Stock beneficially owned by Mr. Friedman through the Company's 401(k) plan, rounded to the nearest whole share.
- (10) Consists of 8,986 shares of Common Stock issuable upon exercise of options which will become exercisable within 60 days and 540 shares of Common Stock beneficially owned by Mr. Inofuentes through the Company's 401(k) plan, rounded to the nearest whole share.
- (11) Consists of 13,772 shares of Common Stock issuable upon exercise of options which will become exercisable within 60 days, 550 shares of Common Stock beneficially owned by Mr. Walsh through the ESOP, rounded to the nearest whole share and 1,532 shares of Common Stock beneficially owned by Mr. Walsh through the Company's 401(k) plan, rounded to the nearest whole share.
- (12) Includes 108,698 shares of Common Stock issuable upon exercise of options which will become exercisable within 60 days, 746 shares of Common Stock beneficially owned through the ESOP, rounded to the nearest whole share and 6,119 shares of Common Stock beneficially owned through the Company's 401(k) plan, rounded to the nearest whole share.

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 respect to 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, behavior 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
Allison M. Boersma	Independent
Randy E. Clark (1)	Independent
Charles F. Marcy	Independent
D. Deverl Maserang	Not Independent(2)
Stacy Loretz-Congdon	Independent(3)
Christopher P. Mottern	Independent(4)
David W. Ritterbush (5)	Independent
Alfred Poe (6)	Independent

- (1) Mr. Clark retired from the Board effective October 12, 2020.
- (2) Mr. Maserang is the Company’s President and Chief Executive Officer.
- (3) Core-Mark was a customer of the Company in fiscal 2020 and is expected to be a customer of the Company in fiscal 2021. Ms. Loretz-Congdon retired at the end of 2016 after 26 years of service at Core-Mark, including as Senior Vice President, Chief Financial Officer and Assistant Secretary from December 2006 to May 2016 and Executive Advisor from May 2016 to December 2016. Ms. Loretz-Congdon also serves as a Board Director and Treasurer of the Core-Mark Families Foundation, an independent non-profit foundation that provides scholarships to children of Core-Mark employees, since 2015. Ms. Loretz-Congdon owns less than 1% of the outstanding publicly traded stock of Core-Mark. The Board has determined that these relationships do not create a conflict of interest under the Company’s Code of Conduct and Ethics, do not require disclosure under Item 404(a) of Regulation S-K, and do not interfere with Ms. Loretz-Congdon’s exercise of independent judgment in carrying out the responsibilities of a director of the Company.
- (4) Mr. Mottern is currently Chairman of the Board. He served as interim President and Chief Executive Officer from May 5, 2019 through October 31, 2019 during which time he was determined to be not independent. After his interim role, the Board determined that Mr. Mottern was independent.
- (5) Mr. Ritterbush’s term expires at the Annual Meeting and he is not standing for re-election.
- (6) Mr. Poe is a nominee for election to the Board at the Annual Meeting.

Board Meetings and Attendance

The Board held nineteen meetings during fiscal 2020, including three regular meetings and sixteen special meetings. During fiscal 2020, 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 2019 Annual Meeting of Stockholders held on December 10, 2019 (the "2019 Annual Meeting").

Charters; Code of Conduct and Ethics; Corporate Governance Guidelines

The Board maintains charters for its committees, including 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. The Board maintains 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 standing 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 of these committees is set forth below.

Additionally, from time to time, the Board has established ad hoc or other 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 July 2020, the Board established the Director Search Committee.

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. As described in its charter, available on the Company's website under Corporate Governance - Committee Charters, 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, internal control over financial reporting that management has established, and compliance with ethical standards adopted by the Company; 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 2020, the Audit Committee held seven meetings. Allison M. Boersma currently serves as Chair, and Stacy Loretz-Congdon and Christopher P. Mottern currently serve as members of the Audit Committee. All directors who currently serve on the Audit Committee meet the NASDAQ composition requirements, including the requirements regarding financial literacy and financial sophistication, and the Board has determined that all such directors are independent under the NASDAQ listing standards and the rules of the SEC regarding audit committee membership. The Board has determined that all current members of the Audit Committee are "audit committee financial experts" as defined in Item 407(d) of Regulation S-K under the Exchange Act. Hamideh Assadi served as a member of the Audit Committee until her resignation from the Board and Audit Committee in January 2020. Upon Ms. Assadi's resignation, Randy E. Clark joined the Audit Committee and served as a member of the Audit Committee from January 2020 through October 2020. Christopher P. Mottern who previously served as a member of the Audit Committee rejoined the Audit Committee upon Mr. Clark's resignation from the Board and Audit Committee in October 2020.

Compensation Committee

The Compensation Committee is a standing committee of the Board. As described in its charter, available on the Company's website under Corporate Governance - Committee Charters, 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's objectives and philosophy with respect to the fiscal 2020 executive compensation program, and the actions taken by the Compensation Committee in fiscal 2020 with respect to the compensation of our Named Executive Officers, are described below under the heading "Compensation Discussion and Analysis."

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 2020, the Compensation Committee held six meetings. Charles F. Marcy currently serves as Chair and Allison M. Boersma and David W. Ritterbush currently serve as members of the Compensation Committee. The Board has determined that all current Compensation Committee members are independent under the NASDAQ listing standards.

Compensation Committee Interlocks and Insider Participation

Ms. Boersma, Mr. Marcy, and Mr. Ritterbush were members of the Compensation Committee during fiscal 2020. None of the members of the Compensation Committee is or has been an executive officer of the Company, nor did any of them have any relationships requiring disclosure by the Company under Item 404 of Regulation S-K. 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, an executive officer of which served as a director of the Company or member of the Compensation Committee during fiscal 2020.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is a standing committee of the Board. As described in its charter, available on the Company's website under Corporate Governance - Committee Charters, 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 membership on Board committees (including committee chairs); (iv) leading the Board in its annual review of the Board's performance; (v) conducting the annual performance review of the Chief Executive Officer and communicating the results to the Board; and (vi) overseeing succession planning for senior management.

During fiscal 2020, the Nominating and Corporate Governance Committee met three times. David W. Ritterbush currently serves as Chair, and Stacy Loretz-Congdon and Charles F. Marcy currently serve as members of the Nominating and Corporate Governance Committee. The Board has determined that all current Nominating and Corporate Governance Committee members are independent under the NASDAQ listing standards. Mr. Ritterbush intends to serve as Chair of the Nominating and Corporate Governance Committee through the end of his term as a director at the Annual Meeting.

Executive Committee

The Board used to maintain an Executive Committee in order to assist the Board in effectively handling responsibilities between regular Board meetings. The Board determined, in July 2019, that the Committee is no longer necessary and it was disbanded.

Other Committees

In July 2020, the Board created an ad hoc Director Search Committee to assist the Board in identifying and evaluating potential candidates for future director positions. Stacy Loretz-Congdon is the sole member of the Director Search Committee.

Director Qualifications and Board Diversity

The Nominating and Corporate Governance Committee is responsible for recommending to the Board criteria for membership on the Board (including criteria for consideration of candidates recommended by the Company's stockholders); identifying qualified individuals for Board membership; recommending to the Board nominees to stand for election at the annual meeting of stockholders, including consideration of recommendations from stockholders; recommending to the Board director nominees to fill vacancies on the Board as they arise; and recommending to the Board membership on Board committees (including committee chairs). The Corporate

Governance Guidelines maintained by the Board include guidelines for selecting nominees to serve on the Board and considering stockholder recommendations for nominees. The Board seeks to be composed of individuals who have the highest personal and professional integrity, who have demonstrated exceptional ability and judgment and who are effective, in connection with the other members of the Board, in providing the diversity of skills, expertise and perspectives appropriate for the business and operations of the Company and serving the long-term interests of the Company's stockholders. All nominees should contribute substantially to the Board's oversight responsibilities and reflect the needs of the Company's business. 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 formal policy concerning diversity in Board composition.

In evaluating director candidates, the Nominating and Corporate Governance Committee and the Board may also consider the following criteria as well as any other factor that they deem to be relevant:

- The candidate's experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- The candidate's experience as a board member of another publicly held company;
- The candidate's professional and academic experience relevant to the Company's industry;
- The strength of the candidate's leadership skills;
- The candidate's senior level experience in food manufacturing and distribution, with an emphasis on direct-store-delivery experience and expertise;
- The candidate's experience in finance and accounting and/or executive compensation practices; and
- Whether the candidate has the time required for preparation, participation and attendance at Board meetings and committee meetings, if applicable.

In addition, the Board will consider whether there are potential conflicts of interest with the candidate's other personal and professional pursuits and relationships.

The Board monitors the mix of specific experience, qualifications, and skills of its directors in order to ensure that the Board, as a whole, has the necessary tools to perform its oversight function effectively in light of the Company's business and structure.

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, among other things, the director's past attendance at, and participation in, meetings of the Board and its committees, the director's formal and informal contributions to the Board and its committees, and the director's adherence to the Corporate Governance Guidelines and other Board approved policies.

The Nominating and Corporate Governance Committee is responsible for evaluating and recommending to the Board any changes regarding the composition, size, structure, and practices of the Board and its committees. 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. The Nominating and Corporate Governance Committee periodically undertakes a skills and experience evaluation to assist the committee in planning director education programs and to identify desired skills and experience for future director nominees. The background of each continuing 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 may rely 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, one or more third-party search firms to assist in identifying qualified candidates. 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.

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., 1912 Farmer Brothers Drive, Northlake, Texas 76262, Attention: Secretary. The Nominating and Corporate Governance Committee will evaluate candidates proposed by stockholders in light of the criteria described above.

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. Randy E. Clark served as Chairman of the Board of Directors from December 2015 until January 2020. Christopher P. Mottern was appointed as Chairman of the Board in January 2020. As described above under “Proposal No. 1-Election of Directors,” Mr. Mottern has served on our Board of Directors since 2013.

Notwithstanding the current separation of Chairman of the Board and Chief Executive Officer, our Chairman of the Board is generally responsible for soliciting and collecting agenda items from other members of the Board and the Chief Executive Officer, and the Chief Executive Officer is generally responsible for 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. Maserang, all members of the Board are independent and each of the Audit, Compensation, and Nominating and Corporate Governance Committees of the Board 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, non-employee director and executive sessions of the Board, which are attended solely by non-employee directors or independent directors, as applicable, 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. The Nominating and Corporate Governance Committee will evaluate and recommend to the Board any changes in the Board’s 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 commodity risk and risks relating to hedging programs. The Compensation Committee has oversight responsibility of risks relating to the Company’s compensation policies and practices. 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.

Compensation-Related Risk

As part of its risk oversight role, our Compensation Committee annually considers whether our compensation policies and practices for all employees, including our executive officers, create risks that are reasonably likely to have a material adverse effect on our Company. In fiscal 2020, the Compensation Committee noted several design features of our compensation programs that reduce the likelihood of excessive risk-taking, including, but not limited to, the following:

- A good balance of fixed and at-risk compensation, as well as an appropriate balance of cash and equity-based compensation.
- Management incentive programs are based on multiple metrics, including strategic, individual and operational measures.
- The Compensation Committee is directly involved in setting short- and long-term incentive performance targets and payout intervals, assessing performance against targets, and reviewing/approving the performance goals for the CEO and other executives.
- Executive annual short-term incentive awards are capped at 200% of the target opportunity and the performance-based restricted stock units in the long-term incentive plan are capped at 150% of target opportunity.

- Long-term equity awards are generally made on an annual basis which creates overlapping vesting periods and ensures that management remains exposed to the risks of their decision-making through their unvested equity-based awards for the period during which the business risks are likely to materialize.
- Long-term compensation for senior executives is comprised of stock options that vest ratably over three years and performance-based restricted stock units that are earned based on three-year performance goals. Company shares are inherently subject to the risks of the business, and the combination of options and performance-based restricted stock units ensure that management participates in these risks.
- Performance-based restricted stock units are earned based on cumulative coffee pound sales and cumulative adjusted EBITDA performance goals over a full three-year performance period. Using a sales metric coupled with an earnings metric helps minimize the potential for increasing sales in an unprofitable or value-destructive manner.
- The Company has significant share ownership requirements for executives and non-employee directors. Executive officers are required to hold share-based compensation awards until meeting their ownership requirements. Company shares held by management are inherently subject to the risks of the business.
- Executive compensation is benchmarked annually relative to pay levels and practices at peer companies.
- The Company has a clawback policy in place that allows for recovery of incentive compensation if there is a material restatement of financial results caused by the fraud or misconduct of an individual which resulted in an over payment of incentives.
- The Company prohibits employees and directors from hedging or pledging its securities.
- The Compensation Committee is composed solely of independent directors and retains an independent compensation consultant to provide a balanced perspective on compensation programs and practices. The Compensation Committee approves all pay decisions for executive officers.

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. 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, 1912 Farmer Brothers Drive, Northlake, Texas 76262. The envelope must contain a clear notation indicating that the enclosed letter is a "Stockholder-Board Communication" or "Stockholder-Director Communication." All such letters must identify the author as a stockholder of the Company and clearly state whether the intended recipient is a particular director, a committee of the Board, or the directors as a group.

Copies of written communications received at such address will be collected, organized and reviewed regularly by the Secretary and provided to the Board or the relevant director unless such 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 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 the Company's stockholders will be forwarded to the members of the Nominating and Corporate Governance Committee.

EXECUTIVE OFFICERS

The following table sets forth the executive officers of the Company as of the date hereof. At each annual meeting of the Board, the Board formally re-appoints the executive officers, and all executive officers 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(1)	Age	Title	Executive Officer Since
D. Deverl Maserang II	57	President and Chief Executive Officer	2019
Scott R. Drake	51	Chief Financial Officer	2020
Ronald J. Friedman	50	Chief Human Resources Officer	2019
Ruben E. Inofuentes	53	Chief Supply Chain Officer	2019
Maurice S.J. Moragne	56	Chief Sales Officer	2020
J. Michael Walsh	54	Senior Vice President and General Manager - DSD	2019

D. Deverl Maserang II joined the Company as President and Chief Executive Officer in September 2019. Prior to joining the Company, from 2017 to 2019, Mr. Maserang served as President and Chief Executive Officer of Earthbound Farm Organic, a global leader in organic food and farming. From 2016 to 2017, Mr. Maserang served as Managing Partner of TADD Holdings, a business advisory firm. From 2013 to 2016, Mr. Maserang was Executive Vice President Global Supply Chain for Starbucks Corporation, a global coffee roaster and retailer, where he was responsible for end-to-end supply chain operations globally spanning manufacturing, engineering, procurement, distribution, planning, transportation, inventory management and worldwide sourcing. Prior to that, he held leadership roles at Chiquita Brands International, Peak Management Group, FreedomPay, Installation Included, Pepsi Bottling Group and United Parcel Service. Mr. Maserang received his Bachelor of Science degree from Texas Tech University.

Scott R. Drake joined the Company as Chief Financial Officer in March 2020. As Chief Financial Officer, Mr. Drake's current responsibilities include overseeing the Finance and Accounting functions. Prior to joining the Company, Mr. Drake served as Senior Vice President of Finance and Treasurer of GameStop Corp., an omnichannel video game retailer, from July 2015 to March 2020, where he was responsible for financial planning and analysis, treasury, risk management and events/travel functions. From 2001 through 2015, Mr. Drake held various senior management positions with 7-Eleven, Inc., an international convenience store chain, most recently as their Vice President of Finance, Strategy and Communications. Prior to 2001, he held finance and accounting positions with Arthur Andersen, La Madeleine French Bakery and Café, Coca-Cola Enterprises and Coopers & Lybrand. Mr. Drake received a B.B.A. in Finance and Accounting and an M.B.A. in Corporate Finance from Texas A&M University. He is a Certified Public Accountant.

Ronald J. Friedman was promoted to Chief Human Resources Officer in January 2019 after having served as Senior Vice President, Human Resources from June 2018 to December 2018. As Chief Human Resources Officer, Mr. Friedman is responsible for all aspects of Human Resources including HR Management, HRIS, Payroll, Total Rewards, Labor Relations, Employee Relations, Performance Management, Learning and Development, Strategic Business and Workforce Planning. Prior to joining the Company, Mr. Friedman was Senior Vice President, Human Resources for Saputo Dairy Foods, USA, a beverage company, from January 2013 to June 2018, where he lead all aspects of HR for an operating division comprised of over 2,000 employees and 11 manufacturing facilities. Prior to that, Mr. Friedman held Human Resources leadership positions for Dean Foods, SABMiller/ MillerCoors and Coca-Cola Enterprises. Mr. Friedman received his Bachelors degree in Communications from the University of Pittsburgh.

Ruben E. Inofuentes joined the Company as Chief Supply Chain Officer in November 2019. As Chief Supply Officer, Mr. Inofuentes' current responsibilities include overseeing the operations, manufacturing, logistics, procurement, coffee brewing equipment, research and development, green coffee buying, sustainability, supply and demand planning and quality functions. Prior to joining the Company, Mr. Inofuentes served as the Chief Operations Officer of JR286, Inc. ("JR286"), a sports equipment and accessories company from 2005 to 2019, where he was responsible for developing platforms to enable aggressive growth plans and market strategies. Prior to joining JR286, from 2003 to 2005, Mr. Inofuentes was the Vice President of Supply Chain Services for Advocare International, LP, a dietary supplement company. He was responsible for procurement, inventory planning, manufacturing, transportation, logistics, and information technology. Mr. Inofuentes received his undergraduate degree in Industrial Engineering from Iowa State University.

Maurice S. J. Moragne joined the Company as Chief Sales Officer in June 2020. As Chief Sales Officer, Mr. Moragne's current responsibilities include oversight of the company's sales and marketing organizations. Prior to joining the Company, Mr. Moragne served as Chief Executive Office, Chief Sales Officer and Co-Founder of International Agriculture Group LLC, an ingredient technology company, from August 2015 to June 2020, where he was responsible for managing investor financing, as well as

assembling sales, marketing and technical teams. From July 2011 to July 2015, Mr. Moragne served as General Manager of the Chiquita Fruit Solutions business division of Chiquita Brands International, Inc., an agriculture production company, where he directed the daily operations, including oversight of Accounting, Finance, IT, Sales, Logistics, Quality, Operations, R&D, Marketing, Innovation, and Customer Service operations. Prior to 2011, he held various management positions with Naturipe Foods, LLC, Chiquita Brands International, Inc., L'Oreal and British American Tobacco. Mr. Moragne received a B.A. in Political Science and Government from Edinboro University of Pennsylvania.

J. Michael Walsh was promoted to Senior Vice President and General Manager in January 2019 after serving as Vice President and General Manager (Sales) - DSD from February 2017 to January 2019. As Senior Vice President and General Manager, Mr. Walsh's current responsibilities include leading the Commercial Operations team for the company. He brings over 25 years of experience with leading CPG and DSD companies. Prior to joining the Company, from July 2012 to October 2015, Mr. Walsh was an executive with Aramark, a food and beverage supply services company, most recently as President of its Refreshment Services division, which focused on office coffee sales and service across North America. Prior to Aramark, Mr. Walsh held progressive sales leadership and general management roles at Dean Foods, Pepsi Bottling Group and Nestle Food Company. Mr. Walsh received his Bachelor of Arts degree in Economics from the University of Washington and a Masters in Business Administration with an emphasis in Marketing from Seattle University.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes our executive compensation philosophy, objectives, and programs, the decisions made under those programs and factors considered by our Compensation Committee in fiscal 2020 with respect to the compensation of our Named Executive Officers.

Fiscal 2020 Named Executive Officers

Name	Title (as of June 30, 2020)
D. Deverl Maserang II	President and Chief Executive Officer
Christopher P. Mottern	Former Interim President and Chief Executive Officer
Scott R. Drake	Chief Financial Officer
Scott R. Lyon	Former Interim Principal Financial and Accounting Officer
David G. Robson	Former Chief Financial Officer
Ronald J. Friedman	Chief Human Resources Officer
Ruben E. Inofuentes	Chief Supply Chain Officer
J. Michael Walsh	Senior Vice President and General Manager-DSD

Executive Summary

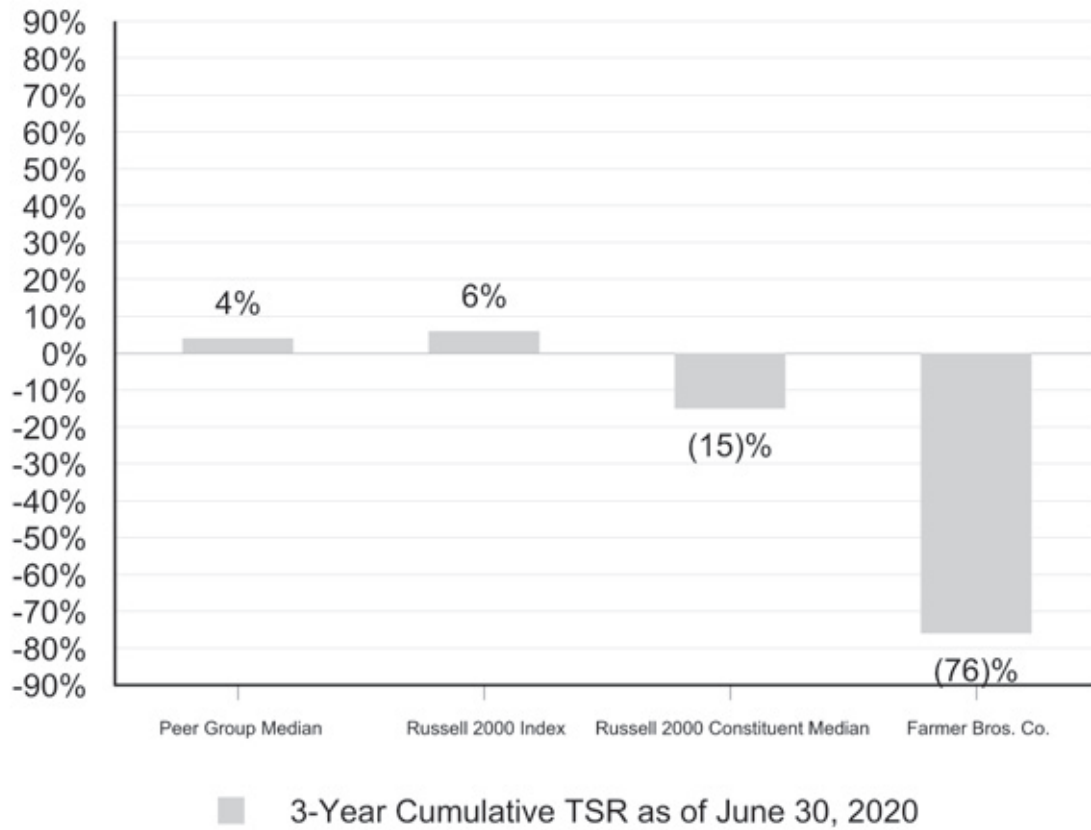
Our executive compensation programs are designed to:

- attract, retain, and motivate talented executives with competitive pay and incentives;
- reward positive results for the Company and our stockholders;
- motivate executive officers to achieve our short-term and long-term goals by providing “at risk” compensation, the value of which is ultimately based on our future performance, without creating undue risk-taking behavior nor unduly emphasizing short-term performance over long-term value creation; and
- maintain total compensation and relative amounts of base salary, annual, and long-term incentive compensation competitive with those amounts paid by peer companies to remain competitive in the market for talent.

We believe that this design appropriately focuses our executive officers on the creation of long-term value without creating undue risk-taking behavior.

As shown in the following chart, our 3-year cumulative total stockholder return ("TSR") has not kept pace with the general market or with our peer group. As a result, several of our former Named Executive Officers have left the organization. We believe that the lack of payouts under our incentive plans has reflected the poor performance we have achieved.

3-Year Cumulative TSR as of June 30, 2020



* The Russell 2000 index median TSR is based on the 2019 constituent companies.

Compensation Policies and Practices—Good Governance

Consistent with our commitment to strong corporate governance, in fiscal 2020, our Board followed the compensation policies and practices described below to drive performance and serve our stockholders' long-term interests:

What We Do

- ✓ Our Compensation Committee is composed solely of independent directors, and regularly meets in executive session without members of management present.
- ✓ Our Compensation Committee retains an independent compensation consultant to provide it with advice on matters related to executive compensation.
- ✓ Our Compensation Committee periodically reviews and assesses the potential risks of our compensation policies and practices.
- ✓ The structure of our executive compensation program includes a mix of cash and equity-based compensation, with an emphasis on performance-based compensation.
- ✓ The competitiveness of our executive compensation program is assessed by comparison to the compensation programs of peer group companies that are similar to us in terms of industry, annual revenue, and/or other business characteristics.
- ✓ Our claw-back policy requires the Board to recoup certain incentive compensation in the event of a material restatement of the Company's financial results due to fraud or misconduct.
- ✓ We maintain meaningful stock ownership guidelines for directors and executive officers that promote a long-term stockholder perspective.

What We Do Not Do

- ✗ We do not provide for excise tax gross-ups in connection with severance or other payments or benefits arising in connection with a change in control.
- ✗ We do not provide for "single trigger" change in control payments or benefits.
- ✗ We do not provide guaranteed base salary increases or guaranteed bonuses.
- ✗ We do not provide supplemental pension benefits to our Named Executive Officers.
- ✗ We do not provide excessive perquisites.
- ✗ We do not permit (absent stockholder approval in the case of repricing/exchanging), and have not engaged in, the practice of backdating or re-pricing/exchanging stock options.
- ✗ We do not allow directors or executive officers to hedge or short sell Company stock.
- ✗ We do not allow directors or executive officers to pledge shares as collateral for a loan or in a margin account.

Stockholder Advisory Vote on Executive Compensation and Key Compensation Program Enhancements

In December 2019, 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 86% of the shares present or represented by proxy at the 2019 Annual Meeting and entitled to vote thereat, voting in favor of the say-on-pay proposal, compared to an approval rate of approximately 87% in fiscal 2018 and 78% in fiscal 2017.

The Compensation Committee reviews the results of the annual vote on the say-on-pay proposal, and determines whether to make any adjustments to the Company’s executive compensation policies and practices. In light of the fact that the Company’s executive compensation programs and practices in fiscal 2018 and fiscal 2019 were viewed by stockholders as effective in aligning the Company with stockholders in its executive compensation practices, the Compensation Committee did not make any substantial changes to our policies and practices for fiscal 2020. 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.

Oversight of the Executive Compensation Program

Compensation Committee

Under its charter, the Compensation Committee has the duty, among other things, to assess the overall executive compensation structure of the Company, including the compensation for our President and Chief Executive Officer and each of our other executive officers. In exercising this authority, the Compensation Committee determines the forms and amount of executive compensation appropriate to achieve the Compensation Committee’s strategic objectives, including base salary, bonus, incentive or performance-based compensation, equity awards and other benefits.

Compensation Consultant

The Compensation Committee has the authority to retain the services of outside consultants to assist it in performing its responsibilities. In fiscal 2020, the Compensation Committee engaged Meridian Compensation Partners, LLC, an independent compensation consultant (“Meridian”) to provide advisory and consulting services relating to the Company’s executive officer and director compensation programs, consultation regarding short-term and long-term incentive plan design, consultation regarding CEO pay ratio disclosure, and consultation regarding corporate governance practices and general Compensation Committee matters and processes. In fiscal 2020, the Compensation Committee also engaged Meridian to help determine the compensation of our President and Chief Executive Officer, Chief Supply Chain Officer, Chief Financial Officer and Chief Sales Officer.

Meridian provided no other services to the Company or its affiliates during fiscal 2020 other than as described above. The Compensation Committee has determined that Meridian is “independent” according to the criteria required by the SEC in Rule 10C-1 of the Exchange Act.

Management’s Role in Establishing Compensation

The compensation of the Named Executive Officers is determined by the Compensation Committee, taking into account the input and recommendations of our President and Chief Executive Officer regarding compensation for those executive officers, and taking into account the input of the Nominating and Corporate Governance Committee regarding performance of our President and Chief Executive Officer. The Compensation Committee has sole authority for all final compensation determinations regarding our President and Chief Executive Officer. In fiscal 2020, our President and Chief Executive Officer, Chief Human Resources Officer and General Counsel routinely attended 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; however, no executive officer has any role in approving his or her own compensation, and neither our President and Chief Executive Officer nor any other executive officer is present during the portion of the meeting at which the Compensation Committee considers the executive officer’s own compensation. The Compensation Committee regularly meets in executive session, without members of the management team present, when discussing and approving executive compensation.

Benchmarking and Peer Group Companies

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 but also considers competitive compensation practices and other relevant factors based on the members’ collective experience in setting pay. Accordingly, the Compensation Committee does not generally establish compensation at specific benchmark percentiles.

When setting compensation, the Compensation Committee considers other factors in addition to market data, including:

- individual performance;
- impact on long-term stockholder value creation;
- impact on development and execution of Company strategy;
- experience and tenure in role;
- retention;
- internal alignment; and
- scope of responsibility.

The Compensation Committee, with the assistance of Meridian, developed and approved the following peer group for purposes of benchmarking the compensation levels of our Named Executive Officers relative to our peers and informing fiscal 2020 pay levels for our Named Executive Officers:

B&G Foods, Inc.	John B. Sanfilippo & Son, Inc.
The Boston Beer Company, Inc.	Lancaster Colony Corporation
Calavo Growers, Inc.	Medifast, Inc.
Cal-Maine Foods, Inc.	MGP Ingredients Inc.
Craft Brew Alliance	Primo Water Corporation
The Chef’s Warehouse Inc.	Seneca Foods Corp.
Hostess Brands, Inc.	The Simply Good Foods Company
J & J Snack Foods Corp.	SunOpta Inc.

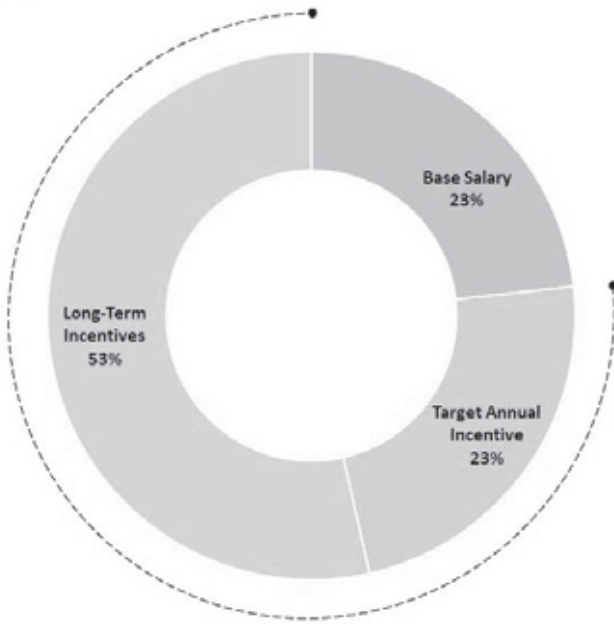
The Compensation Committee evaluates our peer group annually and makes adjustments to this peer group when appropriate to reflect changes in relative size or operations of the Company or its peers, or to address changes resulting from mergers, acquisitions or other structural changes. The Compensation Committee found this peer group to be appropriate because it represented a meaningful sample of comparable companies in terms of, as applicable, industry, annual revenue, and other business characteristics. In 2020, for fiscal 2021 compensation, the Compensation Committee has decided to remove Craft Brew Alliance from the peer group due to its pending acquisition, and to add Beyond Meat, Inc., Bridgford Foods Corporation and New Age Beverage Corporation.

Fiscal 2020 Named Executive Officer Compensation Mix

In fiscal 2020, the Compensation Committee’s compensation decisions with respect to our Named Executive Officers once again reflected strong alignment between pay and performance. We believe that our fiscal 2020 compensation programs were therefore also strongly aligned with the long-term interests of our stockholders.

The following charts illustrate, with respect to our President and Chief Executive Officer and our other Named Executive Officers as a group, the unreduced base salary, target short-term cash incentive compensation, and target long-term equity incentive compensation as a percentage of target total direct compensation for fiscal 2020. Mr. Robson is excluded from this chart since he is no longer with the company and Mr. Lyon is excluded because his role as the Principal Financial and Accounting Officer was temporary. As shown below, a significant portion of Named Executive Officer target direct compensation is “at risk” variable compensation rather than fixed compensation, reflecting our philosophy of aligning Named Executive Officer compensation with performance generally and stockholder value creation specifically.

CEO



Other



Key Elements of Fiscal 2020 Executive Compensation Program

Below are the key elements of the Company's fiscal 2020 executive compensation program applicable to our Named Executive Officers.

What We Pay	Why and How We Pay It
Base Salary	<ul style="list-style-type: none"> • Base salary comprises fixed cash compensation that is designed to provide a reasonable level of fixed income based on role, individual performance, scope of responsibility, leadership skills and experience. • Base salaries are reviewed annually and adjusted when appropriate (increases are neither fixed nor guaranteed). • Competitive base salaries are a key component of attracting and retaining executive talent.
Short-Term Cash Incentives	<ul style="list-style-type: none"> • Annual cash incentives constitute variable "at risk" compensation, payable in cash based on Company-wide and individual performance. These awards are designed to reward achievement of annual financial objectives as well as near-term strategic objectives that create momentum that is expected to foster the long-term success of the Company's business. • Company-wide metrics and targets are derived from, and intended to promote, our near-term business strategy. • Individual targets are consistent with our focus on both quantitative and qualitative priorities and thereby reward both attainment of objective metrics and individual contributions.
Long-Term Incentives	<ul style="list-style-type: none"> • Stock options subject to time-based vesting conditions are designed to create direct alignment with stockholder objectives and retain critical talent over extended timeframes. • Stock options and Performance-based Restricted Stock Units ("PBRsUs") subject to both performance- and time-based vesting conditions are designed to create direct alignment with stockholder objectives, provide a focus on long-term value creation, retain critical talent over extended timeframes and enable key employees to share in value creation. • Performance-based award metrics and targets align with long-term business strategy as well as stock price appreciation.
Severance Benefits	<ul style="list-style-type: none"> • Severance benefits provide income and health insurance protection to our Named Executive Officers in connection with certain involuntary terminations of employment. These severance benefits are designed to enable the Named Executive Officers to focus on the best interests of the Company and its stockholders, including in circumstances that may jeopardize the individual's job security. • Enhanced severance benefits are available if the termination of employment occurs in connection with a change in control to ensure continued focus on the best alternatives for the Company and its stockholders, free from distractions caused by personal uncertainties associated with the heightened risk to job security that arises for senior executives in the transactional context. • Severance benefits are also key to attracting and retaining key talent.
Retirement and Welfare Benefits	<ul style="list-style-type: none"> • A standard complement of retirement, health, welfare and insurance benefits, offered to our Named Executive Officers on terms generally similar to those available to other employees, provides important protections and stability for our Named Executive Officers and their families that help enable our Named Executive Officers to remain focused on their work responsibilities. • These are generally low-cost benefits with a higher perceived value that are intended to help keep our overall compensation package competitive.
Perquisites	<ul style="list-style-type: none"> • We provide limited perquisites such as an automobile allowance or use of a Company car and fuel card, as well as relocation assistance, each intended to facilitate the operation of the Company's business and to assist the Company in recruiting and retaining key executives. • These are also low-cost benefits with a higher perceived value that are intended to help keep our overall compensation package competitive.

Base Salary

Consistent with the established executive compensation philosophy and objectives described above, and informed by the peer comparisons provided by Meridian, the Compensation Committee approved fiscal 2020 annual base salaries for the Named Executive Officers as shown in the table below. In March 2020, in response to the potential effect of the COVID-19 pandemic on revenue, the Company's Board approved the implementation of a temporary 15-percent salary reduction for all of the Company's Named Executive Officers, effective April 1, 2020. On August 31, 2020, the Compensation Committee approved the reinstatement of five-percent of the pre-reduction salary. The reinstatement of the remainder of the salary reduction will be reviewed periodically.

Name	Original Fiscal 2020 Annual Base Salary(1)	Fiscal 2020 Reduced Annual Base Salary(2)	Fiscal 2019 Annual Base Salary	Annual Base Salary Percentage Change (3)
Named Executive Officers:				
D. Deverl Maserang II	\$ 660,000	\$ 561,000	—	N/A
Christopher P. Mottern (4)	\$ 400,000	\$ 0	—	N/A
Scott R. Drake	\$ 375,000	\$ 318,750	—	N/A
Scott R. Lyon (5)	\$ 225,000	\$ 191,250	\$ 185,000	21.6%
David G. Robson	—	—	\$ 359,570	N/A
Ronald J. Friedman	\$ 324,450	\$ 275,782	\$ 315,000	3%
Ruben E. Inofuentes	\$ 340,000	\$ 289,000	—	N/A
J. Michael Walsh (6)	\$ 315,000	\$ 267,750	\$ 280,000	12.5%

- (1) Annual base salary as of the end of the applicable fiscal year. The Fiscal 2020 Annual Base Salary numbers reflect any increase in Fiscal 2020 base salaries approved by the Compensation Committee and were effective September 1, 2019.
- (2) The Fiscal 2020 Reduced Annual Salary reflects the temporary 15% reduction in base salary taken by the Named Executive Officers effective April 1, 2020.
- (3) The base salary percentage change was calculated using the fiscal 2020 annual base salary and the fiscal 2019 annual base salary, disregarding the fiscal 2020 temporary salary reduction.
- (4) In connection with his agreement to serve as the Interim CEO, the Compensation Committee entered into an agreement with Mr. Mottern which included a monthly base salary of \$33,333 (or \$400,000 annualized). Mr. Mottern's base salary was paid in the form of monthly restricted stock unit grants with a grant date value equal to his monthly salary with such grants being made on the last business day of each month and pro-rated any partial months.
- (5) Mr. Lyon's salary increase was associated with his promotion to Vice President, Controller and Treasurer and his interim role as Principal Financial and Accounting Officer.
- (6) Mr. Walsh's salary increase was associated with the expansion of his role due to changes in the Company's senior leadership.

Short-Term Cash Incentives for Fiscal 2020

Fiscal 2020 awards were designed to place a significant portion of each Named Executive Officer's annual cash compensation "at risk" and were designed to align the near-term focus of our Named Executive Officers with our business goals for the relevant period. The performance objectives for the Short-Term Cash Incentive Program are a combination of Company-Wide and individual performance goals.

*Company-Wide Performance Goals
(weighted 75% of the Short-Term Cash Incentive Program at target)*

For the fiscal 2020 Short-Term Cash Incentive Program, the Compensation Committee used adjusted EBITDA and free cash flow as the relevant performance metrics and set goals relating to such metrics (described below) which, if achieved, the Compensation Committee believed would reflect a meaningful improvement in Company profitability and value accretion to our stockholders.

For this purpose:

- "adjusted EBITDA" was defined as net (loss) income excluding the impact of: (i) income taxes; (ii) interest expense; (iii) income from short-term investments; (iv) depreciation and amortization expense; (v) ESOP and share-based compensation expense; (vi) non-cash impairment losses; (vii) non-cash pension withdrawal expense; (viii) other similar non-cash expenses; (ix) restructuring and other transition expenses; (x) non-recurring stockholder-related expenses; (xi) acquisition costs (and related revenues only during the same fiscal year); (xii) capital issuance expenses; (xiii) out of period external legal expenses; (xiv) business segment disposition expenses (and exclusion of related gain on sales); (xv)

net gain or loss on sale of assets other than M&A or business segment disposition; and (xvi) non-recurring and/or extraordinary expenses; and

- “free cash flow” was defined as adjusted EBITDA less maintenance capital expenditures;

In fiscal 2020, our Named Executive Officers were eligible to earn annual cash incentive awards under the Short-Term Cash Incentive Program ranging from 50% of the applicable Named Executive Officer’s target annual bonus for threshold performance (for performance of 80% of target performance) and increasing to 200% of the applicable Named Executive Officer’s target annual bonus for maximum performance achievement (defined as performance at 120% of target performance), with payouts for performance between threshold and target, and between target and maximum determined by linear interpolation. Each metric was evaluated separately and performance below threshold for either the adjusted EBITDA or free cash flow component would result in not payout for that component.

As a result of our failure to achieve threshold level of adjusted EBITDA and free cash flow, as determined by the Compensation Committee, our Named Executive Officers did not receive any cash payout under the Short-Term Cash Incentive Program in fiscal 2020 with respect to Company-wide performance goals.

The following table shows such achievement compared to Company-wide performance goals for fiscal 2020.

Metric	Weighting	Threshold Goal (80% of Target Performance)	Target Goal	Maximum Goal (120% of Target Performance)	Actual Achievement	Actual Achievement Compared to Target Performance	Earned Payout for Fiscal 2019 Company- wide Performance
Adjusted EBITDA	75%	\$ 22,389,600	\$27,987,000	\$33,584,400	\$11,531,000	41.2%	\$ 0
Free Cash Flow	25%	\$ 8,714,400	\$10,893,000	\$13,071,600	\$ (314,000)	(2.9)%	\$ 0

Individual Performance Goals

(weighed 25% of the Short-Term Cash Incentive Program at target)

As a component of the Short-Term Cash Incentive Plan, individual performance is used by the Compensation Committee to reward individual goals achieved. For fiscal year 2020, the individual performance component consisted of certain strategic initiatives in each Named Executive Officer's area of responsibility. These goals are rigorous, but attainable, thereby incentivizing performance. Payout for this component relied on the company achieving the minimum payout threshold on at least one of the two company financial metrics (adjusted EBITDA or free cash flow). Since the minimum threshold on each of these metrics was not attained, there was no payout on the strategic initiatives component.

The Compensation Committee used the following process to establish individual performance goals and assessed individual performance at the end of the performance year:

- Each Named Executive Officer's objectives were discussed with the Chief Executive Officer based on the strategy and priorities established for their respective function.
- Mr. Maserang presented a summary document to the Compensation Committee for review and alignment
- Each Named Executive Officer's objectives, as set forth below, were finalized and metrics for each were established.

D. Deverl Maserang II

FY2020 Performance
Results

- Improve capital structure
- Evaluate and hire key leaders
- Develop purpose, vision, mission and values
- Develop strategic growth plan
- Design and execute long-term supply chain strategy

Scott R. Drake

FY2020 Performance
Results

- Mr. Drake joined the Company in March 2020, as a result he did not have established goals

Scott R. Lyon

FY2020 Performance
Results

- Restructure Finance organization
- Improve capital structure
- Improve financial flexibility

Ronald J. Friedman

FY2020 Performance
Results

- Execute successful labor strategy and negotiations
- Improve team member experience
- Reduce recruitment costs
- Launch new human resource systems on-time and on-budget

Ruben E. Inofuentes

FY2020 Performance
Results

- Process mapping
- Establish new key performance indicators
- Build organization to improve quality, service and costs

J. Michael Walsh

FY2020 Performance
Results

- Implement monthly sales training
- Improve customer retention
- Achieve incremental sales target
- Improve profitability
- Reduce idle equipment

Long-Term Incentive Compensation

Awards

The fiscal 2020 long-term incentives were designed to be competitive with market and directly align our incentives with our long-term business priorities and compensation outcomes to Company performance. The Compensation Committee believes that the fiscal 2020 long-term incentive program facilitates strong pay for performance alignment in that the stock options only realize value to the extent that the stock price appreciates above the exercise price, and the PBRsUs only vest to the extent that the performance goals are achieved, placing the emphasis on stock price and stockholder alignment with alignment on internal company performance and business strategy.

Our practice historically has been to grant annual normal-cycle long-term incentive awards generally in the first quarter of the fiscal year, with interim grants for new hires and promotions after the annual grant date being made on the first day of the calendar month following the hire or promotion, as applicable. Our grants have historically taken the form of 50% performance based restricted stock units (PBRsUs) vesting over a three-year performance period and 50% in stock options.

In light of the turnover in our executive ranks we made long term incentive awards upon the hiring of Messrs. Maserang, Drake and Inofuentes. Mr. Maserang's awards took the form of one-third in PBRsUs, with performance based on aggregate adjusted EBITDA and free cash flow over a full three-year performance period, and two-thirds in non-qualified stock options. Mr. Maserang's equity award was weighted more towards stock options than PBRsUs in order to induce Mr. Maserang to join the Company and to place strong emphasis on stock price growth. At his request, and in order to place strong emphasis on stock price growth, Mr. Drake's award took the form of only stock options. In subsequent years, both Messrs. Maserang and Drake are expected to receive the same mix of long-term incentive awards as other officers.

Mr. Lyon received a normal course stock option grant, but was awarded the other 50% of his long-term incentive as a three-year vesting cash award (the "Cash Award") which was consistent with awards given to employees at his level prior to his taking on his interim role. Also, following the end of his interim position, and consistent with other employees at his level, in May 2020, Mr. Lyon received an award of restricted stock units which vest over three-years as a retention inducement.

Fiscal 2020 Awards

Stock Options

In fiscal 2020, the stock options granted to our Named Executive Officers vest ratably over three years, with one-third of the total number of shares subject to each such stock option vesting on each of the first three anniversaries of the grant date, contingent on continued employment. The stock options granted in fiscal 2020 have an exercise price of ranging from \$6.72 to \$15.94 per share, the closing price of our Common Stock as reported on the NASDAQ Global Select Market on the date of each grant and expire seven years from the grant date.

Performance-Based Restricted Stock Units

In fiscal 2020, the PBRsUs granted to our Named Executive Officers under the 2017 Plan cliff vest at the end of the three-year performance period based upon achievement of free cash flow and cumulative adjusted EBITDA (as defined above for purposes of fiscal 2020 cash incentive) performance goals for the performance period July 1, 2019 through June 30, 2022. At the end of the three-year performance period, the number of PBRsUs that actually vest will be 0% to 200% of the target amount, depending on the extent to which the Company meets or exceeds the achievement of the performance goals, with payouts for performance between threshold and target, and between target and maximum determined by reference to performance on each metric independently, with 75% being weighted toward adjusted EBITDA and 25% toward free cash flow.

Our three-year performance goals for cumulative adjusted EBITDA and free cash flow are based on business forecasts and relevant expectations reflecting our strategic plans and aspirations to grow our business. The Compensation Committee has historically established aggressive, yet achievable performance goals intended to motivate the Company's executive officers to achieve internal goals and results that will benefit the Company's stockholders, while maintaining strong alignment between pay and performance. For example, in fiscal 2018 and 2017, the Company failed to achieve threshold levels of performance, resulting in the absence of any payout for short-term incentives based on Company performance, and, in fiscal 2017, the Company's failure to achieve performance targets resulted in the forfeiture of 20% of the shares subject to fiscal 2017 stock option awards. Actual achievement of the three-year performance goals for the fiscal 2020 PBRsU awards will be reflected in our proxy statement that reports the payouts at the end of the three-year performance period.

Employment Agreements

Mr. Maserang was appointed as our Chief Executive Officer on September 13, 2019 and entered into an employment agreement with the Company. Under the terms of that agreement Mr. Maserang, is entitled to an annual base salary of \$660,000 and a bonus opportunity of 100% of his base salary, with payout ranging from 50% to 200% of target based on satisfaction of performance goals set by the Compensation Committee. Mr. Maserang also received non-qualified stock options with a Black-Scholes value equal to \$1,000,000 and PBRsU having a value of \$500,000 based on the closing stock price on September 13, 2019, each with terms similar to those described above for the Company's annual long-term incentive awards.

Under his employment agreement, Mr. Maserang is entitled to receive termination benefits in case of a termination in certain situations not in connection with a change in control, or if such termination is in connection with a change in control the benefits provided under a Severance Agreement similar to that provided to other Named Executive Officers. A detailed description of the all severance benefits Mr. Maserang is due to receive is included under the heading "Change in Control and Termination Arrangements."

Mr. Maserang's compensation arrangements under his employment agreement were determined following a review of the relevant peer benchmark data in consultation with Meridian.

Change in Control Severance Agreements

The Company has entered into a Change in Control Severance Agreement with each of the Named Executive Officers. A detailed description of the severance benefits each Named Executive Officer is due to receive based on their Change in Control Severance Agreement is set forth below under the heading “Named Executive Officer Compensation-Potential Payments Upon Termination or Change in Control.”

These agreements were entered into, and continue in effect, to achieve the following objectives: (a) assure the Named Executive Officers’ 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; (b) assure the Named Executive Officers’ objectivity with respect to stockholders’ interests in a change in control scenario; (c) assure the fair treatment of the Named Executive Officer in case of involuntary termination following a change in control or in connection with a threatened change in control; and (d) 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 qualifying termination of employment (“double trigger”), either by us (other than for “Cause,” “Disability” or death), or by the Named Executive Officer for “Good Reason” (as each is defined in the change in control severance agreements).

Retirement and Welfare Benefits

The Named Executive Officers receive the same welfare benefits as those received by our employees generally, including medical, dental, life, disability and accident insurance.

The Named Executive Officers are eligible on the same basis as our employees generally to participate in the Company’s 401(k) plan. The value of the Named Executive Officers’ 401(k) plan balances depends solely on the performance of investment alternatives selected by the applicable Named 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 the beginning of fiscal 2020, the Company offered a discretionary match of the employees’ annual contributions under the 401(k) plan equal to 50% of an employee’s annual contribution, up to 6% of the employee’s eligible income. As a result of the COVID-19 crisis and the corresponding impact on our business, the match was suspended effective April 1, 2020. The Company continues to make a contribution equal to 4% of non-union employee’s earnings quarterly in company stock. All company contributions are fully vested at the time they are received by the employee.

Subject to applicable plan provisions, upon certain events of retirement, Named Executive Officers are eligible to receive retiree medical insurance benefits on the same terms as other retiring Company employees. However, we have announced that the retiree medical plan will terminate as of December 31, 2020.

Perquisites

We believe that offering certain limited perquisites facilitates the operation of our business, allows our Named 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 Named Executive Officers are generally consistent with practices among companies in our peer group.

Currently, two of our Named Executive Officers receive an automobile allowance or use of a Company car and fuel card. None of our Named Executive Officers hired in fiscal year 2020 or later receive an automobile allowance. In fiscal 2020, we provided relocation benefits to newly hired Named Executive Officers.

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

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 with the interests of the Company’s stockholders. Under the stock ownership guidelines, an executive officer is not permitted to sell any shares of Common Stock received as a result of grants under the Company’s long-term incentive plans unless the executive officer achieves and maintains the applicable threshold share ownership level set forth in the table below. Further, under the stock ownership guidelines, a non-employee director is expected to own and hold during his or her service as a Board member a number of shares of Common Stock with a value of at least four times his or her annual cash retainer for service on the Board, and is not permitted to sell

any shares of Common Stock received as grants under the Company’s long-term incentive plans unless and until the non-employee director achieves and maintains this threshold share ownership level.

Shares of Common Stock that count toward satisfaction of these guidelines include: (i) shares of Common Stock owned outright by the executive 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 (with respect to executive officers only); (iv) shares of Common Stock held in trust for the benefit of the executive officer or non-employee director or his or her family; and (v) shares of Common Stock issuable under vested options held by the executive officer or non-employee director.

Position	Value of Shares Owned
Chief Executive Officer	3x base salary
Other Executive Officers	1x base salary
Non-Employee Directors	4x Annual Cash Retainer

Insider Trading Policy (Including Anti-Hedging and Anti-Pledging Policies)

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 fourteenth 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 business day following the date of the public release containing the Company’s quarterly (including annual) results of operations.

Clawback Policy on Executive Compensation in Restatement Situations

In the event of a material restatement of the financial results of the Company, the Board, 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, or the appropriate committee thereof, may, 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, or the appropriate committee thereof.

Accounting Standards

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 requires us to recognize an expense for the fair value of share-based compensation awards. Grants of stock options, restricted stock and PBRsUs under the Company’s long-term incentive plans 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 long-term incentive program. As accounting standards change, the Company may revise certain programs to appropriately align accounting expenses of our share-based compensation awards with our overall executive compensation philosophy and objectives.

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 2020 Form 10-K.

Compensation Committee of the Board of Directors

Charles F. Marcy, Chair

Allison M. Boersma

David W. Ritterbush

NAMED EXECUTIVE OFFICER COMPENSATION

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.

A	B	C	D	E	F	G	H	I
Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)(1)	Total (\$)
D. Deverl Maserang II (2) President and Chief Executive Officer	2020	487,385	—	499,990	999,997		13,200	2,000,572
Christopher P. Mottern (3) Former Interim President and CEO	2020	133,301	—	214,982	—	—	30,000	378,283
	2019	62,311	—	215,002	—	—	88,750	366,063
Scott R. Drake (4) Chief Financial Officer	2020	80,769	—	—	199,999	—	—	280,768
David G. Robson (5) Former Chief Financial Officer and Treasurer	2020	165,788	—	—	—	—	246,366	412,154
	2019	372,033	—	134,839	134,839	—	23,060	664,771
	2018	351,938	—	162,241	192,256	123,382	69,266	899,083
Scott R. Lyon Vice President, Controller and Treasurer (Former Interim Principal Financial and Accounting Officer)	2020	202,288	—	74,996	37,498	9,288	11,115	335,185
Ronald J. Friedman Chief Human Resources Officer	2020	310,717	—	74,998	74,995	—	18,352	479,062
Ruben E. Inofuentes (6) Chief Supply Chain Officer	2020	192,231	—	125,000	124,999	—	96,368	538,598
J. Michael Walsh Senior Vice President, GM - DVD	2020	314,014	—	100,008	99,999	—	22,974	536,995

- (1) For a detailed summary of the amounts shown in this column see discussion under the heading “All Other Compensation (Column H),” below. For Mr. Mottern, this amount reflects the amount paid in cash retainers in connection with his service on the Board of Directors and its committees, after his tenure as Interim President and Chief Executive Officer ended.
- (2) Mr. Maserang joined the Company as President and Chief Executive Officer effective September 13, 2019.
- (3) Mr. Mottern served the Company as Interim President and Chief Executive Officer from May 2019 to October 2019, after having served as an independent director. The amounts shown in the table for fiscal 2020 include 9,968 restricted stock units, with a grant-day value of \$133,301, in lieu of salary (Salary); 9,927 restricted stock units, with a grant day value of \$149,990 representing bonus compensation to Mr. Mottern in the amount of \$100,000, to be paid in the Company’s common stock, and a grant of restricted stock units with a grant date fair value of \$50,000 payable upon the termination of his services as Interim President and Chief Executive Officer (Stock Awards); a restricted stock award of 2,711 shares with a grant-date value of \$64.992 granted to Mr. Mottern in his capacity as a director after his tenure as Interim President and Chief Executive Officer (Stock Awards) and \$30,000 in cash retainers in connection with his service on the Board of Directors and its committees, after his tenure as Interim President and Chief Executive Officer ended (Other).
- (4) Mr. Drake joined the Company as Chief Financial Officer effective March 23, 2020.
- (5) Mr. Robson separated from employment with the Company on November 4, 2019. The amount paid to him in fiscal year 2020 in connection his separation of employment pursuant to a severance agreement is included in the "Other" column.
- (6) Mr. Inofuentes joined the Company as Chief Supply Chain Officer effective November 15, 2019..

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 dates during the fiscal year or the dates of resignation or termination. The amounts shown include amounts contributed by the employee to the Company’s 401(k) plan and reflects the temporary 15-percent salary reduction in response to the potential effect of the COVID-19 pandemic for amounts paid during the fourth quarter.

Bonus (Column D)

This column reflects that no cash-based bonus payments outside of an incentive plan were made during the fiscal years set forth. All non-equity incentive plan compensation for services performed during the fiscal year by the Named Executive Officers under the 2017 Plan is shown in column G.

Stock Awards (Column E)

The amounts reported in column E for fiscal 2020 represent the PBRSU award received by each of Mr. Maserang and Mr. Inofuentes in connection with the commencement of their respective employment, the aggregate grant date fair value of annual PBRSU awards received by each of Messrs. Friedman and Walsh, and a restricted stock award received by Mr. Lyon. The amounts reported in column E for each of fiscal 2019 and 2018 represent the aggregate grant date fair value of annual PBRSU awards received by each of the Named Executive Officers. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 16 to our audited consolidated financial statements for the fiscal year ended June 30, 2020 included in our 2020 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.

For annual PBRSU awards in each of fiscal 2020, fiscal 2019 and fiscal 2018, we have reported the fair value of the award based upon the probable satisfaction of the performance conditions as of the grant date. The maximum aggregate grant date fair value that would have been received if the highest level of performance was achieved in fiscal 2020 would have been \$999,981 for Mr. Maserang and \$250,000 for Mr. Inofuentes. The maximum aggregate grant date fair value that would have been received if the highest level of performance was achieved in fiscal 2020 and fiscal 2019, respectively, would have been \$149,995 and \$83,984 for Mr. Friedman. The maximum aggregate grant date fair value that would have been received if the highest level of performance was achieved in fiscal 2020, fiscal 2019 and fiscal 2018, respectively, would have been \$79,250, \$60,471 and \$59,438 for Mr. Walsh. These amounts do not reflect the Company’s expense for accounting purposes for these awards, and do not represent the actual value that may be realized by the Named Executive Officers. For further information on these awards, see the Grants of Plan-Based Awards Table and Outstanding Equity Awards at Fiscal Year-End Table in this Proxy Statement.

Option Awards (Column F)

The amounts reported in column F represent the aggregate grant date fair value of stock option awards computed in accordance with FASB ASC Topic 718. Stock option awards granted in fiscal 2020, fiscal 2019 and fiscal 2018 include annual stock option awards received by each of the Named Executive Officers, and for fiscal 2020, stock option awards received by Mr. Maserang, Mr.

Drake and Mr. Inofuentes in connection with commencement of their employment. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 16 to our audited consolidated financial statements for the fiscal year ended June 30, 2020 included in our 2020 Form 10-K, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any risk of forfeiture relating to service-based (time-based) vesting conditions. For further information on these awards, see the Grants of Plan-Based Awards Table and Outstanding Equity Awards at Fiscal Year-End Table in this Proxy Statement.

Non-Equity Incentive Plan Compensation (Column G)

The amounts reported in column G represent the aggregate dollar value of the annual incentives earned by the Named Executive Officers under the 2017 Plan for fiscal 2020, 2019 and 2018 and under the STIP for the relevant fiscal year. In accordance with SEC rules, the actual annual incentive amounts earned by the Named Executive Officers are reflected in the Summary Compensation Table in the fiscal year earned, even though these annual incentive amounts are paid in the subsequent fiscal year.

As a result of the Company’s failure to achieve threshold levels of performance in each of fiscal years 2018, 2019 and 2020, no payouts are reported for any of the Named Executive Officers with the exception of Mr. Lyon who earned an individual performance bonus prior to becoming a Named Executive Officer and Mr. Robson who earned a bonus in fiscal year 2018 related to the acquisition and integration of Boyd Coffee Company.

All Other Compensation (Column H)

The amounts reported in column H for fiscal 2020 include the following:

All Other Compensation (1)

	Company Contributions to 401(k) Plan (2)	Relocation Expense (3)	Relocation Tax Gross- Up (3)	Automobile Allowance	Director Fees (4)
	(\$)	(\$)	(\$)		(\$)
D. Deverl Maserang II	13,200	—	—	—	—
Christopher P. Mottern	—	—	—	—	30,000
Scott R. Drake	—	—	—	—	—
David G. Robson	9,517	—	—	—	—
Scott R. Lyon	11,115	—	—	—	—
Ronald J. Friedman	18,352	—	—	4,750	—
Ruben E. Inofuentes	7,637	70,550	18,181	—	—
J. Michael Walsh	18,174	—	—	4,800	—

(1) Except as set forth in the table, the total value of all perquisites and other personal benefits received by each of our Named Executive Officers did not exceed \$10,000 in fiscal 2020 and has been excluded from the table.

(2) Represents the Company’s contribution under the 401(k) plan including the company matching contribution and the Qualified Non-elective Contribution (QNEC). Company contributions (and any earnings thereon) are 100% vested. The QNEC contributions are given in Company common stock.

(3) Mr. Inofuentes received assistance for relocation expenses. A portion of this amount was grossed-up to offset the tax expense.

(4) Mr. Mottern received director fees during the time after his service as Interim President and Chief Executive Officer was completed.

Total Compensation (Column I)

The amounts reported in column I are the sum of columns C through H for each of the Named Executive Officers.

Fiscal Year 2020 Grants of Plan-Based Awards

The following table sets forth, for each of our Named Executive Officers, the plan-based awards granted to him during fiscal year 2020.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#) (5)	Exercise or Base Price of Option Awards (\$/ Sh)(2)	Grant Date Fair Value of Stock and Option Awards \$(3)
		Threshold \$(4)	Target \$(4)	Maximum \$(4)	Threshold #(5)	Target #(5)	Maximum #(5)				
D. Deverl Maserang II	-	330,000	660,000	1,320,000	-	-	-	-	-	-	-
	9/13/19	-	-	-	0	38,080	57,120	-	-	-	499,990
	9/13/19	-	-	-	-	-	-	-	223,713	13.13	999,997
Christopher P. Mottern	7/31/19 (6)	-	-	-	-	-	-	2,052	-	-	33,325
	8/30/19 (6)	-	-	-	-	-	-	2,745	-	-	33,324
	9/30/19 (6)	-	-	-	-	-	-	2,573	-	-	33,320
	10/31/19 (6)	-	-	-	-	-	-	2,598	-	-	33,332
	11/12/19 (7)	-	-	-	-	-	-	6,485	-	-	99,999
	11/12/19 (7)	-	-	-	-	-	-	3,242	-	-	49,992
	12/10/19 (8)	-	-	-	-	-	-	4,137	-	-	64,992
											-
Scott R. Drake	4/1/20	-	-	-	-	-	-	-	88,495	6.72	199,999
Scott R. Lyon	-	39,375	78,750	157,500	-	-	-	-	-	-	-
	11/11/19	18,750	37,500	75,000	-	-	-	-	-	-	-
	11/11/19	-	-	-	-	-	-	-	7,440	15.94	37,498
David G. Robson	-	127,500	255,000	510,000	-	-	-	-	-	-	-
Ronald J. Friedman	-	89,224	178,448	356,896	-	-	-	-	-	-	-
	11/11/19	-	-	-	0	4,705	7,058	-	-	-	74,998
	11/11/19	-	-	-	-	-	-	-	14,880	15.94	74,995
Ruben E. Inofuentes	-	102,000	204,000	408,000	-	-	-	-	-	-	-
	11/11/19	-	-	-	0	8,378	12,567	-	-	-	125,000
	11/11/19	-	-	-	-	-	-	-	27,233	14.92	124,999
J. Michael Walsh	-	86,625	173,250	346,500	-	-	-	-	-	-	-
	11/11/19	-	-	-	0	6,274	9,411	-	-	-	100,008
	11/11/19	-	-	-	-	-	-	-	19,841	15.94	99,999

- (1) Represents PBRUS awards granted to our Named Executive Officers in fiscal 2020 which cliff vest based upon achievement of free cash flow and cumulative adjusted EBITDA performance goals for the performance period July 1, 2019 through June 30, 2022. At the end of the three-year performance period, the number of PBRUSs that actually vest will be 0% to 150% of the target amount, depending on the extent to which the Company meets or exceeds the achievement of the performance goals, with payouts for performance between threshold and target, and between target and maximum determined by reference to a matrix established by the Compensation Committee.
- (2) Exercise price of stock option awards is equal to the closing price of the Company's Common Stock as reported on the NASDAQ Global Select Market on the date of grant.

- (3) Reflects the grant date fair value of stock options, restricted stock and PBRUSU 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 16 to our audited consolidated financial statements for the fiscal year ended June 30, 2020, included in our 2020 Form 10-K, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any risk of forfeiture relating to service-based (time-based) vesting conditions. The amount reported for PBRUSU awards is based upon the probable satisfaction of the performance conditions as of the grant date.
- (4) Represents annual cash incentive opportunities under the Short-Term Cash Incentive Program based on the Company's achievement of adjusted EBITDA and free cash flow targets (collectively weighted at 90%) along with the relative achievement of individual executive officer objectives approved by the Compensation Committee (weighted at 10%) as discussed in this Proxy Statement under the heading "Compensation Discussion and Analysis-Short-Term Cash Incentives." As a result of our failure to achieve a threshold level of adjusted EBITDA and free cash flow, as determined by the Compensation Committee, our Named Executive Officers did not receive any cash payout under the Short-Term Cash Incentive Program in fiscal 2020. Annual cash incentive awards earned by our Named Executive Officers for performance in respect of a fiscal year are paid during the subsequent fiscal year. Such earned awards are included in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table. For Mr. Lyon, it represents a three-year vesting cash incentive award in lieu of a PBRUSU award.
- (5) Represents non-qualified stock option (NQSOU) awards granted to our Named Executive Officers in fiscal 2020 under the 2017 Plan as part of the Named Executive Officers' annual long-term incentive awards. For Mr. Drake, it represents an inducement award under the 2020 Plan upon joining the Company. The NQSOU awards vest one-third of the total number of shares subject to each such stock option vest ratably on each of the first three anniversaries of the grant date, contingent on continued employment, and subject to accelerated vesting in certain circumstances.
- (6) Represents restricted stock granted to Mr. Mottern, in lieu of cash salary, in fiscal 2020 under the 2017 Plan in connection with his employment as Interim President and Chief Executive Officer under the terms of his offer letter. The restricted stock cliff vests on the first anniversary of the grant date, subject to the acceleration provisions of the 2017 Plan and restricted stock award agreement.
- (7) Represents restricted stock granted to Mr. Mottern in fiscal 2020 under the 2017 Plan in connection with the termination of his employment as Interim President and Chief Executive Officer under the terms of his offer letter. The restricted stock cliff vests on the first anniversary of the grant date, subject to the acceleration provisions of the 2017 Plan and restricted stock award agreement.
- (8) Represents restricted stock granted to Mr. Mottern in fiscal 2020 under the 2017 Plan in connection with his continued service as a director of the Company.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth summary information regarding the outstanding equity awards at June 30, 2020 granted to each of our Named Executive Officers.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#) (1)	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 (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(3)
D. Deverl Maserang II	-	227,713	-	13.13	9/13/2026	-	-	-	-
	-	-	-	-	-	-	-	38,080	279,507
Christopher P. Mottern	-	-	-	-	-	4,137	30,366	-	-
	-	-	-	-	-	2,052	15,062	-	-
	-	-	-	-	-	2,745	20,148	-	-
	-	-	-	-	-	3,242	23,796	-	-
	-	-	-	-	-	6,485	47,600	-	-
	-	-	-	-	-	2,598	19,069	-	-
	-	-	-	-	-	2,573	18,886	-	-
Scott R. Drake	-	88,495	-	6.72	04/01/2027	-	-	-	-
Scott R. Lyon	-	7,440	-	15.94	11/11/2026	-	-	-	-
	-	-	-	-	-	-	-	8,650 (5)	63,491
Ronald J. Friedman	-	14,880	-	15.94	11/11/2026	-	-	-	-
	2,375	4,823	-	25.04	11/12/2025	-	-	-	-
	-	-	-	-	-	-	-	2,236	16,412
	-	-	-	-	-	-	-	4,705	34,535
Ruben E. Inofuentes	-	27,233	-	14.92	11/15/2026	-	-	-	-
	-	-	-	-	-	-	-	8,378	61,495
J. Michael Walsh	-	19,841	-	15.94	11/11/2026	-	-	-	-
	1,710	3,472	-	25.04	11/12/2025	-	-	-	-
	2,511	1,294	-	31.70	11/10/2024	-	-	-	-
	-	-	-	-	-	-	-	6,274	46,051
	-	-	-	-	-	-	-	1,610	11,817
	-	-	-	-	-	-	-	1,250	9,175

- (1) Stock options vest in equal ratable installments on each of the first three anniversaries of the date of grant, contingent on continued employment through the applicable vesting date, and subject to accelerated vesting in certain circumstances.
- (2) Restricted stock cliff vests on the first anniversary of the date of grant, subject to accelerated vesting in certain circumstances.
- (3) The market value was calculated by multiplying the closing price of our Common Stock on June 30, 2020 (\$7.34) by the number of shares of common stock underlying the unvested restricted stock or PBRsUs.
- (4) PBRsU awards cliff vest following the expiration of the three-year performance period upon the certification by the Compensation Committee of the Company's achievement of performance goals for the three-year performance, subject to certain continued employment conditions and subject to the acceleration provisions of the 2017 Plan and restricted stock unit award agreement. At the end of the three-year performance period, the number of PBRsUs that actually vest will be 0% to 150% of the target amount, depending on the extent to which the Company meets or exceeds the achievement of those financial performance goals measured over the full three-year performance period, with payouts for performance between threshold and target, and between target and maximum determined by reference to a matrix established by the Compensation Committee. The target number of PBRsUs is presented in the table.
- (5) Restricted stock units vest in equal ratable installments on each of the first three anniversaries of the date of grant, contingent on continued employment through the applicable vesting date, and subject to accelerated vesting in certain circumstances.

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, 2020.

Name	Stock Awards	
	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting(\$)
Named Executive Officers:		
D. Deverl Maserang II	—	—
Christopher P. Mottern	14,765	141,820
Scott R. Drake	—	—
Scott R. Lyon	—	—
David G. Robson	—	—
Ronald J. Friedman	—	—
Ruben E. Inofuentes	—	—
J. Michael Walsh	—	—

Change in Control and Termination Arrangements

Change in Control Agreements

The Company has entered into change in control severance agreement ("Severance Agreement") with each of the Named Executive Officers, except for Mr. Mottern. The Severance Agreements provide certain severance benefits in the event of a termination of employment in connection with a Change in Control (as defined below).

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 who were members of the Board at the effective time of the Severance Agreement (or whose election, or nomination for election, was approved by a vote of at least a majority of the members of the Board at the effective time of the Severance Agreement, but excluding any such individual whose initial election or assumption of office occurs as a result of either an actual or threatened election contest) (the "Incumbent Board") 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 hold shares of Common Stock representing at least 50% of the outstanding Common Stock of the Company or such surviving entity or parent or affiliate thereof immediately after such transaction). Further, a "Threatened Change in Control" generally will be deemed to have occurred upon the first day that any bona fide pending tender offer for any class of the Company's outstanding shares of Common Stock, any pending bona fide offer to acquire the Company by merger or consolidation, or any other pending action or plan to effect, or which would lead to, a Change in Control, as determined by the Incumbent Board, becomes manifest, and will continue in effect when such action is abandoned or a Change in Control occurs.

In the event of a Named Executive Officer's termination of employment other than for "Cause" or due to death or "Disability", or in the event of a Named Executive Officer's resignation for "Good Reason" (each, as defined in the Severance Agreements), in each case, in connection with a Change in Control or Threatened Change in Control, each of the Named Executive Officers will be entitled to the 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 Named Executive Officer breaches this provision, all compensation and benefits under the Severance Agreement will immediately cease.

Employment Agreements

Under Mr. Maserang's Employment Agreement, he is eligible for severance payments in the event of termination without cause or for resignation with Good Reason that are not in conjunction with a change in control. In the aforementioned events, he would receive the following severance payments:

- the sum of his base salary and target annual bonus payable over twelve months,
- partially Company paid COBRA coverage under the Company's health plan for a period of 12 months
- a pro rata bonus, if earned for the year of termination and
- if such termination occurs after the end of the fiscal year but before any bonus for the fiscal year is paid, then the payment of any such earned bonus

The potential amount of these payments are reflected in the table 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 to which the Named Executive Officers would be entitled. 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 may 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. However, Mr. Robson's payment listed in the table below shows the total severance amount that has been paid or will be paid to him in connection with his termination from the Company on November 4, 2019.

Mr. Mottern was not entitled to any severance benefits upon a termination of his employment. He is eligible for accelerated vesting of his RSUs on a change in control.

The estimated amount of compensation payable to each Named Executive Officer in each situation is listed in the tables below and, with respect to each Named Executive Officer, assumes that the termination and/or change in control of the Company occurred on June 30, 2020. The "base salary continuation" and "annual incentive payments" are calculated using the base salary in effect immediately prior to the implementation of a temporary 15-percent salary reduction for all of the Company's Named Executive Officers, effective April 1, 2020.

D. Deverl Maserang II	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	\$1,320,000	\$1,320,000	\$660,000
Annual Incentive Payments	\$660,000	\$660,000	\$660,000
Value of Accelerated Stock Options	-	-	-
Value of Accelerated Restricted Stock	-	-	-
Value of Accelerated PBRsUs	\$279,507	\$279,507	\$279,507
Health and Dental Insurance	\$23,858	\$23,858	\$11,929
Outplacement Services	\$25,000	\$25,000	\$25,000
Total Pre-Tax Benefit	\$2,308,365	\$2,308,365	\$1,636,436

Scott R. Drake	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	\$750,000	\$750,000	-
Annual Incentive Payments	\$281,250	\$281,250	-
Value of Accelerated Stock Options	\$54,867	\$54,867	-
Value of Accelerated Restricted Stock	-	-	-
Value of Accelerated PBRsUs	-	-	-
Health and Dental Insurance	\$34,088	\$34,088	-
Outplacement Services	\$25,000	\$25,000	-
Total Pre-Tax Benefit	\$1,145,205	\$1,145,205	-

Scott R. Lyon	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	\$112,500	\$112,500	-
Annual Incentive Payments	\$78,750	\$78,750	-
Value of Accelerated Stock Options	-	-	-
Value of Accelerated Restricted Stock	\$63,491	\$63,491	-
Value of Accelerated PBRsUs	-	-	-
Health and Dental Insurance	\$8,404	\$8,404	-
Outplacement Services	-	-	-
Total Pre-Tax Benefit	\$263,145	\$263,145	-

David G. Robson	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	-	-	\$304,252
Annual Incentive Payments	-	-	\$21,205
Value of Accelerated Stock Options	-	-	-
Value of Accelerated Restricted Stock	-	-	-
Value of Accelerated PBRsUs	-	-	-
Health and Dental Insurance	-	-	\$11,499
Outplacement Services	-	-	-
Total Pre-Tax Benefit	-	-	\$336,956

Ronald J. Friedman	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	\$324,450	\$324,450	-
Annual Incentive Payments	\$178,448	\$178,448	-
Value of Accelerated Stock Options	-	-	-
Value of Accelerated Restricted Stock	-	-	-
Value of Accelerated PBRsUs	\$50,947	\$50,947	-
Health and Dental Insurance	\$16,983	\$16,983	-
Outplacement Services	\$15,000	\$15,000	-
Total Pre-Tax Benefit	\$585,828	\$585,828	-

Ruben E. Inofuentes	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	\$680,000	\$680,000	-
Annual Incentive Payments	\$204,000	\$204,000	-
Value of Accelerated Stock Options	-	-	-
Value of Accelerated Restricted Stock	-	-	-
Value of Accelerated PBRsUs	\$61,495	\$61,495	-
Health and Dental Insurance	\$34,004	\$34,004	-
Outplacement Services	\$25,000	\$25,000	-
Total Pre-Tax Benefit	\$1,004,499	\$1,004,499	-

J. Michael Walsh	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	\$315,000	\$315,000	-
Annual Incentive Payments	\$173,250	\$173,250	-
Value of Accelerated Stock Options	-	-	-
Value of Accelerated Restricted Stock	-	-	-
Value of Accelerated PBRsUs	\$67,044	\$67,044	-
Health and Dental Insurance	\$16,971	\$16,971	-
Outplacement Services	\$15,000	\$15,000	-
Total Pre-Tax Benefit	\$587,265	\$587,265	-

Base Salary Continuation

Severance Agreements

Under each Severance Agreement, if (i) a Change in Control occurs and a Named 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 or death, or is terminated due to the Named Executive Officer's resignation for Good Reason, or (ii) a Threatened Change in Control 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 is terminated due to the Named Executive Officer's Resignation for Good Reason (each, a "Change in Control Qualifying Termination"), such Named Executive Officer will be entitled to base salary continuation for a period of 6-month, 12-month or 24-months depending upon the terms of their individual agreement, with such payment to be made in installments in accordance with the Company's standard payroll practices over such period.

Bonus and Annual Incentive Payments

Severance Agreements

Under each Severance Agreement, if a Change in Control Qualifying Termination occurs, the Named Executive Officer will receive a lump sum payment equal to 100% of the executive officer's target annual cash bonus for the fiscal year in which the date of termination occurs (or, if no target annual cash bonus has been assigned as of the date of termination, the average annual cash bonus paid to such Named Executive Officer for the last three 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).

Value of Accelerated Vesting of Stock Options and Restricted Stock

Under the terms of the Named Executive Officers' outstanding awards, in the event of death or "Disability" (as defined in the applicable plan):

- 100% of any unvested stock options will vest;
- a pro rata portion of any unvested restricted stock will vest; and
- outstanding PBRSU awards will remain outstanding and the participant will be eligible to earn a pro-rata portion of the number of PBRSU awards that would have been earned based on actual performance through the end of the performance period (amounts shown in the tables above assume 100% of the target PBRSU awards were earned at the end of the performance period).

Under the applicable award agreement, if a Change in Control (as defined in the applicable plan) 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 applicable 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. In the case of PBRSU awards, the vested shares will be a prorated number of the target PBRSU awards. The amounts in the tables above assume all awards were continued, converted, assumed, or replaced in connection with a Change in Control.

If there is a Change in Control and the Named Executive Officer's employment is terminated by the Company without Cause or by the participant for Good Reason, in either case, within twenty-four months following the Change in Control:

- 100% of any unvested stock options will vest;
- 100% of any unvested restricted stock or restricted stock units will vest; and
- the target number of PBRSU awards will be deemed to have immediately vested as of the date of termination of service.

The value of accelerated awards shown in the tables above was calculated using the closing price of our Common Stock on June 30, 2020 (\$7.34), except for Mr. Robson, which table does not show any value, since his employment was terminated prior to the end of the fiscal year at which time he forfeited all unvested awards. The value of accelerated stock options is based on the difference between the exercise price and such closing price for all accelerated stock options that were in-the-money as of such date.

Under the applicable plan, the plan administrator also has discretionary authority regarding accelerated vesting of awards in certain circumstances. The amounts in the tables above assume such discretionary authority was not exercised.

Health and Dental Insurance

Severance Agreements

Under each Severance Agreement, if a Change in Control Qualifying Termination occurs, the health, dental, and life insurance benefits coverage provided to the Named Executive Officer at his or her date of termination will be continued by the Company during the 6-month, 12-month or 24-month period following the Named Executive Officer's date of termination, based on the terms of their individual agreement unless he or she commences employment prior to the end of the relevant period and qualifies for substantially equivalent insurance benefits with his or her new employer, in which case such insurance coverage will end on the date of qualification. The Company will generally provide for such insurance coverage at its expense at the same level and in the same manner as in effect at the applicable date of termination. Any additional coverage the Named Executive Officer had at the time of 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. If the terms of any benefit plan do not permit such continued coverage, 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 Named Executive Officer's participation in the Company's health and/or dental insurance program offered to all non-union employees.

Company Benefit Plans

The tables and discussion above do not reflect the value of accrued and unused paid days off, disability benefits under the Company's group health plan, the value of retiree medical, vision and dental insurance benefits, and group life insurance, if any, that would be paid and/or provided to each Named Executive Officer following 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 the Named Executive Officers.

Outplacement Services

Under each of the 12-month or 24-month Severance Agreements, if a Change in Control Qualifying Termination occurs, the Company will provide the Named Executive Officer with outplacement services at the expense of the Company, in an amount of \$15,000 or \$25,000, respectively.

CEO to Median Employee Pay Ratio

In accordance with applicable SEC rules, we are providing the ratio of the annual total compensation of our CEO to the median of the annual total compensation of our other employees, excluding our CEO. For fiscal 2020, as calculated in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, the annual total compensation of our CEO and interim CEO was \$2,378,855 (a combination of the total compensation paid to each in fiscal year 2020) as disclosed in the “Summary Compensation Table”, the median of the annual total compensation of our employees other than the CEO was \$54,647, and the ratio of our CEO’s annual total compensation to the median of the annual total compensation of our other employees was 44 to 1. Note that the ratio for 2020 is higher than previous years due to the size of Mr. Maserang’s initial long-term incentive award which was made in connection with his hiring, which accounts for \$1,499,897 of the \$2,378,855 used for our CEO’s annual total compensation calculation.

We believe the ratio presented above is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K. We determined our median employee based on total direct compensation paid to all of our employees (consisting of approximately 1,200 individuals active as of June 30, 2020) for the fiscal year ended June 30, 2020. Total direct compensation was calculated using internal human resources records and included base salary (wages earned based on our payroll records), cash incentive awards earned for the period, and the annual grant date fair value of long-term incentive awards during fiscal 2020.

Because the SEC rules for identifying the median employee and calculating the pay ratio based on that employee’s annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

PROPOSAL NO. 3

ADVISORY VOTE TO APPROVE THE COMPENSATION PAID TO OUR NAMED EXECUTIVE OFFICERS

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, we are seeking your vote, on an advisory (non-binding) basis, on the compensation paid to our Named Executive Officers as described in the Compensation Discussion and Analysis and the compensation tables and accompanying narrative disclosure. 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. Consistent with our compensation philosophy and objectives, our executive compensation program for our Named Executive Officers has been designed to align the interest of our Named Executive Officers with those of our stockholders, and to reward our leadership for, and incentivize them towards, increasing stockholder value.

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.

Vote Required

The approval of the advisory (non-binding) vote to approve the compensation paid to our Named Executive Officers requires the affirmative vote of a majority of the shares of Common Stock and Series A Preferred Stock (on an as-converted basis voting together with the Common Stock as a single class) present or represented by proxy at the Annual Meeting and entitled to vote thereat. Abstentions will have the same effect as votes “against” the proposal. Broker non-votes will not affect the outcome of the vote to approve the compensation paid to the Company’s Named Executive Officers because shares held by a bank, broker or other nominee who has not received instructions from the beneficial owner of the shares as to how the shares are to be voted on the proposal are not entitled to vote on such proposal at the Annual Meeting.

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. Unless the Board modifies this policy, the next advisory vote on executive compensation will be held at our 2021 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 aligns our executives’ interests 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 TO APPROVE
THE COMPENSATION PAID TO THE COMPANY’S NAMED EXECUTIVE OFFICERS.**

PROPOSAL NO. 4

APPROVAL OF THE COMPANY'S AMENDED AND RESTATED 2017 PLAN

Introduction

On June 20, 2017 at a Special Meeting of Stockholders, stockholders approved the Farmer Bros. Co. 2017 Long-Term Incentive Compensation Plan (the "2017 Plan"). On October 26, 2020, upon recommendation of the Compensation Committee, the Board adopted an amendment and restatement of the 2017 Plan in the form of the Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan (the "Amended and Restated 2017 Plan"), subject to approval by the Company's stockholders at the Annual Meeting.

We are asking our stockholders to approve the Amended and Restated 2017 Plan to ensure that we are able to continue granting equity and equity-linked long-term incentive compensation awards to our key employees and directors. Our Board believes that the effective use of equity and equity-linked long-term incentive compensation awards is vital to our ability to attract, retain, reward, and motivate our key employees and directors. Our Board believes that this, in turn, may help us achieve our growth objectives and enhance stockholder value. Stockholder approval of the Amended and Restated 2017 Plan will allow us to continue to provide these incentives.

If approved by stockholders, the Amended and Restated 2017 Plan will (i) increase the number of shares available for grant by 1,150,000 additional shares, which will maintain our ability to grant equity-linked long term compensation awards to our key employees and directors; (ii) extend the term until 2030, as the 2017 plan would otherwise expire on June 20, 2027; and (iii) reflect changes in the tax laws and other administrative changes.

Stockholder approval of the Amended and Restated 2017 Plan is necessary because the share reserve under the 2017 Plan has nearly been exhausted. If we do not obtain approval of the Amended and Restated 2017 Plan, then once we exhaust the share reserve under the 2017 Plan or once the 2017 Plan expires (if earlier), we will lose access to an important compensation tool that is key to our ability to attract, motivate, reward, and retain our key employees and directors.

Key Reasons Why You Should Vote to Approve the Amended and Restated 2017 Plan

Our Board recommends that you approve the Amended and Restated 2017 Plan for the following reasons:

- *Recruitment and Retention.* The Amended and Restated 2017 Plan will allow us to continue to attract, retain, motivate and reward our key employees consistent with market practice.
- *Alignment with Stockholder Interests and Pay-for-Performance.* Equity and equity-linked awards serve to align the interests of our key employees with those of our stockholders, focus our key employees on driving stockholder value accretion, and further link pay with performance.
- *Competitive Advantage.* We view equity and equity-linked awards as a crucial component of our compensation program, which we believe helps us to remain competitive within our industry in attracting and retaining key talent, as equity-based compensation for executives is customary among public companies.
- *Reasonable Share Reserve.* We are seeking to reserve an additional 1,150,000 shares for issuance pursuant to the 2017 Plan that we believe is reasonable and that we estimate would be sufficient to accommodate approximately three to four annual grant cycles based on our historical grant practices and our share price projections.

Key Features of the 2017 Plan

We believe that the 2017 Plan reflects a broad range of compensation and governance best practices, with some of the key features of the 2017 Plan as follows:

- *No Liberal Share Recycling.* The share pool under the 2017 Plan is not subject to liberal share "recycling" provisions, meaning (among other things) that shares used to pay the exercise price of stock options, and shares tendered or withheld to satisfy tax withholding obligations with respect to an award, do not again become available for grant.
- *No "Reload" Stock Options.* The 2017 Plan does not permit grants of stock options with a "reload" feature that would provide for additional stock options to be granted automatically to a participant upon the participant's exercise of previously-granted stock options.
- *Minimum Vesting Requirements.* No award may vest prior to the first anniversary of the applicable grant date, subject to limited exceptions.
- *No Dividend Payments on Unvested Awards.* Dividends and dividend equivalents in respect of unvested awards are not paid unless and until such awards vest.

- *Director Grant Limit.* A grant-date fair value limit of \$300,000 per year will apply to awards to non-employee directors. Additional annual award limits will also apply for other participants. For additional information, see the discussion below under “Description of the Amended and Restated 2017 Plan-Limitation on Awards and Shares Available.”
- *No Repricing or Replacement of Options or Stock Appreciation Rights (“SARs”).* Awards under the Amended and Restated 2017 Plan may not be repriced, replaced or re-granted through cancellation or modification without stockholder approval if the effect would be to reduce the exercise price for the shares under the award. Cash buyouts of underwater awards are not permitted.
- *No In-the-Money Option or SAR Grants.* The 2017 Plan prohibits the grant of options or SARs with an exercise or base price less than 100% of the fair market value of our Common Stock on the date of grant.
- *No “Evergreen” Provision.* The total number of shares of Common Stock that may be issued under the Amended and Restated 2017 Plan is limited to the share reserve that is subject to stockholder approval. That is, the Amended and Restated 2017 Plan does not include an automatic share replenishment provision (also known as an “evergreen” provision)
- *No Increase to Shares Available for Issuance without Stockholder Approval.* The Amended and Restated 2017 Plan prohibits any increase in the total number of shares of Common Stock that may be issued under the Amended and Restated 2017 Plan without stockholder approval, other than adjustments in connection with certain corporate reorganizations, changes in capitalization and other events, as described below.
- *No Single-Trigger Accelerated Vesting; No Gross-Ups.* Under the Amended and Restated 2017 Plan, there is no single-trigger accelerated vesting in connection with a change in control in which the acquirer assumes, continues, converts or replaces outstanding awards. Further, the Amended and Restated 2017 Plan does not provide for excise tax gross-ups.
- *Clawback Policies.* Awards made under the Amended and Restated 2017 Plan will be subject to recoupment or clawback to the extent required to comply with applicable laws or any applicable Company clawback policy.

Share Reserve

In its determination to approve the Amended and Restated 2017 Plan, the Board sought to ensure that the Company would have an available pool of shares from which to grant long-term equity and equity-linked incentive awards for a reasonable period of time into the future. The Board believes these awards serve a key incentive and retention mechanism for the Company’s key employees and directors. However, the Board is mindful of its responsibility to our stockholders to exercise judgment in granting equity and equity-linked awards and seeks to proactively manage dilution.

In determining the share reserve increase under the Amended and Restated 2017 Plan, the Board reviewed the Compensation Committee’s recommendations, which were made in consideration of information and analysis prepared by Meridian. Specifically, the Compensation Committee considered the following

- *Overhang.* The Compensation Committee considered the potential dilution from outstanding and future potential equity awards (“overhang”) both in absolute terms and relative to industry peers. At the end of fiscal 2020, approximately 994,377 shares were subject to outstanding awards under the 2017 Plan or remained available for future grants of awards under the 2017 Plan, which represented approximately 5.5% of our fully diluted common shares outstanding, or our overhang percentage. If our stockholders approve the Amended and Restated 2017 Plan, the 1,150,000 additional shares proposed to be reserved for issuance under the 2017 Plan, as amended by the Amended and Restated 2017 Plan, would increase our overhang percentage by 6.4% to approximately 11.9% total.
- *Burn Rate.* The Company’s three-year average burn rate for 2018 through 2020 is 2.1%, which is in line with what is customary levels for our industry.
- *Share Usage.* If the Amended and Restated 2017 Plan is approved, we estimate that the shares reserved for issuance thereunder would be sufficient for approximately three to four years of awards, assuming we grant awards consistent with our current projections. Of course, we cannot predict future share usage with certainty, and circumstances may change and require us to reevaluate and modify our equity grant practices. However, based on the foregoing, we expect that we would not require an additional increase to the share reserve under the 2017 Plan until 2023 or 2024 (primarily dependent on award levels and hiring activity during the next few years, as well as terminations and forfeitures), noting again that this timeline is an estimate and the share reserve under the 2017 Plan, as amended by the Amended and Restated 2017 Plan, could actually last for a longer or shorter period of time, depending on future circumstances, which we cannot predict with certainty at this time.

In light of the factors described above, and the fact that our ability to continue to grant equity and equity-based compensation is vital to our ability to continue to attract and retain key personnel in the labor markets in which we compete, the Board has determined that the size of the share reserve increase under the Amended and Restated 2017 Plan is reasonable and appropriate at this time.

Stockholder Approval Requirement

Stockholder approval of the Amended and Restated 2017 Plan is necessary in order for us to (1) meet the stockholder approval requirements of NASDAQ, and (2) retain the ability to grant incentive stock options (“ISOs”) beyond June 20, 2027 when the 2017 Plan would otherwise expire. If the Amended and Restated 2017 Plan is not approved, then the 2017 Plan will continue on its current terms until June 20, 2027 or, if earlier, when all shares previously approved for issuance under such plan are exhausted.

Description of the Amended and Restated 2017 Plan

The following sets forth a description of the material terms of the Amended and Restated 2017 Plan. The following summary is qualified in its entirety by reference to the full text of the Amended and Restated 2017 Plan attached hereto as Appendix A.

Share Reserve

If approved by stockholders the maximum number of shares that may be issued as Awards will be increased by 1,150,000 shares so that an aggregate number of shares of our common stock available for issuance pursuant to awards granted under the Amended and Restated 2017 Plan would be the sum of (i) 2,050,000 shares (which includes the shares previously granted under the Amended and Restated 2017 Plan), plus (ii) the number of shares of our common stock subject to awards under either of our Amended and Restated 2007 Long-Term Incentive Plan, and its predecessor plan, the Farmer Bros. Co. 2007 Omnibus Incentive Plan (together, the “Prior Plans”) that expire or are forfeited, cancelled or similarly lapse after June 20, 2017. Shares granted under the Amended and Restated 2017 Plan may be authorized but unissued shares, shares purchased in the open market or treasury shares. If an award under the Amended and Restated 2017 Plan is forfeited, expires, lapses, is terminated, surrendered, repurchased, canceled without having being fully exercised or is settled for cash (including shares of restricted stock that are repurchased by the Company during the restricted period applicable to such shares at or below the price paid by the holder), any shares subject to such award may, to the extent of such forfeiture, expiration or cash settlement, be used again for new grants under the Amended and Restated 2017 Plan. The following shares will not be added back to the shares available for grant under the Amended and Restated 2017 Plan:

- shares tendered by a holder or withheld by the Company in payment of the exercise price of an option or SAR granted under the Amended and Restated 2017 Plan, 2017 Plan or the Prior Plans;
- shares tendered by the holder or withheld by the Company to satisfy any tax withholding obligation with respect to an award granted under the Amended and Restated 2017 Plan, 2017 Plan or the Prior Plans;
- shares subject to a SAR granted under the Amended and Restated 2017 Plan, 2017 Plan or under the Prior Plans that are not issued in connection with the settlement of the SAR on exercise of the SAR with respect to such shares; and
- shares purchased on the open market with the cash proceeds from the exercise of options granted under the Amended and Restated 2017 Plan, 2017 Plan or under the Prior Plans.

Awards granted under the Amended and Restated 2017 Plan upon the assumption of awards authorized or outstanding under a qualifying equity plan maintained by an entity with which we enter into a merger or similar corporate transaction will not reduce the shares available for grant under the Amended and Restated 2017 Plan to the extent that grants of Awards using such authorized shares are (i) permitted without stockholder approval under the rules of the principal securities exchange on which our common stock is then listed and (ii) made to individuals who were not employed by or providing services to the Company or its subsidiaries immediately prior to such transaction. Notwithstanding the foregoing, shares acquired by the exercise of substitute ISOs will count against the shares available for issuance, pursuant to the exercise of ISOs under the Amended and Restated 2017 Plan.

Administration

The Amended and Restated 2017 Plan will be administered by our Board, which may delegate its duties and responsibilities to committees of our directors and/or officers (our Board and such committees, the “plan administrator”), subject to certain limitations that may be imposed under Section 16 of the Exchange Act, and/or stock exchange rules, as applicable. The plan administrator will have the authority to take all actions and make all determinations under the Amended and Restated 2017 Plan, to interpret the Amended and Restated 2017 Plan and to adopt, amend and repeal administrative rules, guidelines and practices as it deems advisable. The Board may correct defects and ambiguities, supply omissions and reconcile inconsistencies in the Amended and Restated 2017 Plan or any award granted thereunder. The Board’s determinations under the Amended and Restated 2017 Plan are in its sole discretion and will be final and binding on all persons having or claiming any interest in the Amended and Restated 2017 Plan or any award granted thereunder.

Eligibility

The Amended and Restated 2017 Plan provides that awards other than ISOs may be granted to any of our officers, employees or directors or to any officers, employees or directors of our subsidiaries, and that ISOs may only be granted to our officers and employees or to officers or employees of our subsidiaries. As such all of our employees, approximately 1,210, are eligible to receive grants, as well as five non-employee directors. However, based on historic compensation practices, we have generally granted equity- or equity-linked awards only to our non-employee directors, to certain employees and officers at or above the level of Vice President and to a very limited number of employees below the level of Vice President. Based on these grant practices, approximately 45 employees and five non-employee directors would currently be selected as persons eligible to receive awards under the Amended and Restated 2017 Plan; however, these numbers are subject to change based on our organizational structure and operational requirements.

Minimum Vesting

Under the Amended and Restated 2017 Plan awards may generally not vest earlier than the date that is one year following the grant date of the award. However, the issuance of awards in an aggregate of up to 5% of the shares available for grant under the Amended and Restated 2017 Plan may be granted without respect to the minimum vesting provisions, as well as any awards made in exchange for fully vested cash payments, or awards to non-employee directors that vest based on continuous service from one annual meeting to the next, which may be less than a full one year period. Further, the plan administrator may elect to waive the vesting restrictions upon the participant's termination of service due to death, disability, termination of service other than for cause, or upon a change in control.

Awards

The Amended and Restated 2017 Plan provides that the plan administrator may grant or issue options, including ISOs and non-qualified stock options ("NSOs"), SARs, restricted stock, RSUs, dividend equivalents and other stock-based and cash-based awards to eligible participants. Awards other than cash awards generally will be settled in shares of our common stock, but the plan administrator may provide for cash settlement of any award. Each award will be evidenced by an award agreement, which will detail all terms and conditions of the awards, including any applicable vesting and payment terms and post-termination exercise limitations, and in the case of an option, will be designated as either an ISO or NSO. A brief description of each award type follows.

Stock Options

Stock options provide for the purchase of shares of our common stock in the future at an exercise price set on the grant date. The Amended and Restated 2017 Plan provides for the grant of ISOs under the federal tax laws or NSOs. ISOs may be granted only to employees, and NSOs may be granted to employees or directors. The term of a stock option may not be longer than ten years. The exercise price of options will be determined by the plan administrator, provided that the exercise price of a stock option may not be less than 100% of the fair market value of the underlying share on the date of grant, except with respect to certain substitute options granted in connection with a corporate transaction. Vesting conditions determined by the plan administrator may apply to stock options and may include continued service, performance and/or other conditions.

Stock Appreciation Rights

SARs entitle their holder, upon exercise, to receive from us an amount equal to the difference between the fair market value of the shares subject to the SAR on the exercise date and the exercise price of the SAR. Each SAR will be governed by a stock appreciation right agreement and may be granted in connection with stock options or other awards, or separately. The exercise price of a SAR may not be less than 100% of the fair market value of the underlying share on the date of grant and the term of a SAR may not be longer than ten years. Vesting conditions determined by the plan administrator may apply to SARs and may include continued service, performance and/or other conditions.

Restricted Stock and Restricted Stock Units

Restricted stock is an award of nontransferable shares of our common stock that remain forfeitable unless and until specified conditions are met, and which may be subject to a purchase price. RSUs are contractual promises to deliver shares of our common stock in the future, which may also remain forfeitable unless and until specified conditions are met. Delivery of the shares underlying RSUs may be deferred under the terms of the award or at the election of the participant, if the plan administrator permits such a deferral. Vesting conditions applicable to restricted stock and RSUs may be based on continuing service, the attainment of performance goals and/or such other conditions as the plan administrator may determine. Holders of restricted stock, unlike recipients of other equity awards, will have the right to receive accumulated dividends, if any, with respect to the period prior to the time when the restrictions lapse. However, such dividends will not be paid until and to the extent that the underlying awards vest.

Dividend Equivalents

Dividend equivalents represent the right to receive the equivalent value of the dividends, if any, per share paid by us on shares of common stock, and may be granted alone or in tandem with awards other than stock options or SARs, except that dividend equivalents with respect to awards that are not vested at the time the underlying dividend is paid shall be accumulated subject to vesting to the same extent as the related award, and will be paid at the same time as the applicable award vests.

Other Stock or Cash-Based Awards

Subject to the provisions of the Amended and Restated 2017 Plan, the plan administrator shall determine the terms and conditions of each other stock or cash-based award, including the term of the award, any exercise or purchase price, performance goals, transfer restrictions, vesting conditions and other terms and conditions. Other stock or cash-based awards may be paid in cash, shares of our common stock, or a combination of cash and shares of our common stock, as determined by the plan administrator, and may be available as a form of payment in the settlement of other awards granted under the Amended and Restated 2017 Plan, as stand-alone payments, as a part of a bonus, deferred bonus, deferred compensation or other arrangement, and/or as payment in lieu of compensation to which an individual is otherwise entitled.

Performance-Based Compensation

Under the Amended and Restated 2017 Plan the plan administrator may grant Awards that are performance based, including performance bonus and performance share vesting awards. In doing so the administrator may establish one or more performance criteria on which such award will be earned or vested, including but not limited to: (i) net earnings or losses (either before or after one or more of the following: interest, taxes, depreciation, amortization and non-cash equity-based compensation expense), (ii) gross or net sales revenue or sales or revenue growth, (iii) gross or net organic sales volume or organic sales volume growth, (iv) net income (either before or after taxes) or adjusted net income, (v) sales related goals, (vi) sales from one or more products (or categories of products) as a percentage of total sales or revenue, (vii) profits (including but not limited to gross profits, net profits, profit growth, net operation profit or economic profit), profit return ratios or operating profit margin, (viii) operating earnings (either before or after taxes or before or after allocation of corporate overhead and bonus), (ix) cash on hand, (x) cash flow (including operating cash flow and free cash flow or cash flow return on capital), (xi) return on assets, asset growth or asset turnover, (xii) return on capital or invested capital, (xiii) cost of capital, (xiv) return on stockholders' equity, (xv) total stockholder return, (xvi) costs, reductions in costs and cost control measures, (xvii) expense management, (xviii) working capital, (xix) net earnings per share, (xx) adjusted net earnings per share, (xxi) price per share or dividends per share (or appreciation in or maintenance of such price or dividends), (xxii) regulatory achievements or compliance (xxiii) implementation, completion or attainment of objectives relating to systems, research, development, regulatory, commercial or strategic milestones or developments, (xxiv) market share), (xxv) economic value or economic value added models, (xxvi) division, group or corporate financial goals, (xxvii) customer satisfaction/growth, (xxviii) customer service, (xxix) employee satisfaction, (xxx) effective recruitment and retention of personnel, (xxxi) succession plan development and implementation, (xxxii) human resources management, (xxxiii) supervision of litigation and other legal matters, (xxxiv) strategic partnerships and transactions, (xxxv) financial ratios (including those measuring liquidity, activity, profitability or leverage), (xxxvi) debt levels or reductions and financial risk management, (xxxvii) financing and other capital raising transactions, (xxxviii) acquisition activity, (xxxix) investment sourcing activity, (xl) marketing initiatives, (xli) safety enhancement, (xlii) improved product quality, (xliii) expansion of product lines, (xliv) creation of operating efficiencies and/or (xlv) geographic expansion, any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices. The Amended and Restated 2017 Plan also permits the plan administrator to make adjustments to the applicable performance criteria, with any such adjustments to reflect the inclusion or exclusion of the impact of an event or occurrence which the plan administrator determines should appropriately be included or excluded, including but not limited to (a) restructurings, discontinued operations, special items, and other unusual, infrequently occurring or non-recurring charges, events or items; (b) asset sales or write-downs; (c) litigation or claim judgments or settlements; (d) acquisitions or divestitures; (e) reorganization or change in the corporate structure or capital structure of the Company; (f) an event either not directly related to the operations of the Company, subsidiary, division, business segment or business unit or not within the reasonable control of management; (g) foreign exchange gains and losses; (h) a change in the fiscal year of the Company; (i) the refinancing or repurchase of bank loans or debt securities; (j) unbudgeted capital expenditures; (k) the issuance or repurchase of equity securities and other changes in the number of outstanding shares; (l) conversion of some or all of convertible securities to common stock; (m) any business interruption event; (n) changes in pricing; (o) changes in foreign currency exchange rates; (p) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles; (q) gains and losses that are treated as unusual in nature or that occur infrequently under Accounting Standards Codification Topic 225; or (r) the effect of changes in other laws or regulatory rules affecting reported results.

Transferability of Awards

Awards are transferable only by will and the laws of descent and distribution, or to the extent authorized by the plan administrator, to certain permitted transferees, including members of the participant's immediate family. The participant may also designate one or more beneficiaries in the event of death on a designated form provided by the plan administrator.

Changes in Capitalization; Corporate Transactions

In the event of certain transactions and events affecting our common stock, such as stock dividends, stock splits, mergers, acquisitions, consolidations, other corporate transactions, other unusual or nonrecurring transactions or events affecting the Company or its financial statements, or any change in applicable law or accounting principles, the plan administrator has broad discretion to take action under the Amended and Restated 2017 Plan, as well as make adjustments to the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits, to facilitate such transactions or events, including providing for the cash-out, assumption, substitution, accelerated vesting or termination of awards, or to give effect to such changes in applicable law or accounting principles. In addition, in the event of certain non-reciprocal transactions with our stockholders known as "equity restructurings," the plan administrator shall make equitable adjustments to the Amended and Restated 2017 Plan and outstanding awards.

Change in Control

In the event of a change in control of the Company (as defined in the Amended and Restated 2017 Plan), outstanding awards under the Amended and Restated 2017 Plan may be continued, converted, assumed or replaced by the acquirer. If the acquirer declines to provide for any of the foregoing alternatives, then awards which would otherwise lapse as a result will instead become fully vested and, as applicable, exercisable, and all forfeiture, repurchase and other restrictions on such awards will lapse immediately prior to such change in control. However, any such awards that are subject to performance-based vesting shall vest based on the greater of (i) target performance pro-rated based on the number of days elapsed in the applicable performance period through the date of the change in control over the total number of days in the applicable performance period or (ii) actual performance through the date of the change in control with the applicable performance goals, to the extent possible, adjusted to reflect the truncated performance period.

Foreign Participants, Claw-Back Provisions Withholding

The plan administrator may modify award terms or establish sub-plans or procedures under the Amended and Restated 2017 Plan to address differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters. All awards will be subject to the provisions of any claw-back policy implemented by the Company to the extent set forth in such claw-back policy and/or in the applicable award agreement and/or to the extent required to comply with applicable law. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the Amended and Restated 2017 Plan, the plan administrator may, in its discretion, accept cash, wire or check, shares of our common stock that meet specified conditions, a "market sell order" or such other consideration as it deems suitable.

Amendment; Termination

Our Board may amend, suspend or terminate the Amended and Restated 2017 Plan at any time, provided that, subject to certain exceptions set forth in the Amended and Restated 2017 Plan, no amendment, suspension or termination will, without the consent of the holder, materially and adversely affect any rights or obligations under any Award previously granted, unless the Award itself otherwise expressly so provides. In addition, except in connection with certain changes in our capital structure, stockholder approval will be required for any amendment that increases the number of shares available under the Amended and Restated 2017 Plan or the award limits or director limits under the Amended and Restated 2017 Plan, "reprices" any stock option or SAR, or cancels any stock option or SAR in exchange for cash or another award when the option or SAR price per share exceeds the fair market value of the underlying shares. The Amended and Restated 2017 Plan will terminate and no further awards will be granted after December 9, 2030, the tenth anniversary of its approval by stockholders.

Material U.S. Federal Income Tax Consequences

The following is a general summary under current law of the principal United States federal income tax consequences related to awards under the Amended and Restated 2017 Plan. This summary deals with the general federal income tax principles that apply and is provided only for general information. Some kinds of taxes, such as state, local and foreign income taxes and federal employment taxes, are not discussed. This summary is not intended as tax advice to participants, who should consult their own tax advisors.

Non-Qualified Stock Options

A participant receiving NSOs under the Amended and Restated 2017 Plan should not recognize income for federal income tax purposes on the grant of the option. Generally, the participant should recognize ordinary income at the time of exercise in an amount equal to the fair market value of the shares acquired on the date of exercise, less the exercise price paid for the shares. The participant's basis in the Common Stock for purposes of determining gain or loss on a subsequent sale or disposition of such shares generally will be the fair market value of our Common Stock on the date the participant exercises such option. Any subsequent gain or loss will be taxable as a long-term or short-term capital gain or loss. The employer generally should be entitled to a federal income tax deduction at the time and for the same amount as the participant recognizes ordinary income.

Incentive Stock Options

A participant receiving ISOs under the Amended and Restated 2017 Plan should not recognize taxable income upon grant. Additionally, if applicable holding period requirements are met, the participant should not recognize taxable income at the time of exercise. However, the excess of the fair market value of the shares of our Common Stock received over the option exercise price may constitute an item of tax preference income potentially subject to the alternative minimum tax. If stock acquired upon exercise of an ISO is held for a minimum of two years from the date of grant and one year from the date of exercise and otherwise satisfies the ISO requirements, the gain or loss (in an amount equal to the difference between the fair market value on the date of disposition and the exercise price) upon disposition of the stock will be treated as a long-term capital gain or loss, and we will not be entitled to any deduction in respect of the ISO. If the holding period requirements are not met, the ISO will be treated as one that does not meet the requirements of the Code for ISOs and the participant will recognize ordinary income at the time of the disposition equal to the excess of the amount realized over the exercise price, but not more than the excess of the fair market value of the shares on the date the ISO is exercised over the exercise price, with any remaining gain or loss being treated as capital gain or capital loss. The employer is not entitled to a tax deduction upon either the exercise of an ISO or upon disposition of the shares acquired pursuant to such exercise, except to the extent that the participant recognizes ordinary income on disposition of the shares.

Restricted Stock

If the restrictions on an award of shares of restricted stock are sufficient to constitute a substantial risk of forfeiture and cause the shares not to be freely transferable (each within the meaning of Section 83 of the Code), the participant will not recognize income for federal income tax purposes at the time of the award unless the participant affirmatively elects to include the fair market value of the shares of restricted stock on the date of the award, less any amount paid for the shares, in gross income for the year of the award pursuant to Section 83(b) of the Code. In the absence of this election, the participant will be required to include in income for federal income tax purposes on the date the shares either become freely transferable or are no longer subject to a substantial risk of forfeiture (each within the meaning of Section 83 of the Code), the fair market value of the shares of restricted stock on such date, less any amount paid for the shares. The employer will be entitled to a deduction at the time of income recognition to the participant in an amount equal to the amount the participant is required to include in income with respect to the shares, subject to the deduction limitations described below. If a Section 83(b) election is timely made within 30 days after the date the restricted stock is received, the participant will recognize ordinary income at the time of the receipt of the restricted stock, and the employer will be entitled to a corresponding deduction, equal to the fair market value of the shares at the time, less any amount paid, if any, by the participant for the restricted stock. If a Section 83(b) election is made, no additional income will be recognized by the participant upon the lapse of restrictions on the restricted stock, but, if the restricted stock is subsequently forfeited, the participant may not deduct the income that was recognized pursuant to the Section 83(b) election at the time of the receipt of the restricted stock.

If the restrictions on an award of restricted stock do not cause the shares to be both subject to a substantial risk of forfeiture and not freely transferable (each within the meaning of Section 83 of the Code), the participant will recognize ordinary income for federal income tax purposes at the time of the transfer of the shares in an amount equal to the fair market value of the shares of restricted stock on the date of the transfer, less any amount paid therefor. The employer will be entitled to a deduction at that time in an amount equal to the amount the participant is required to include in income with respect to the shares, subject to the deduction limitations described below.

Restricted Stock Units

There are no federal income tax consequences to either the participant or the employer upon the grant of RSUs. Generally, the participant will recognize ordinary income subject to withholding upon the receipt of cash and/or transfer of shares of Common Stock in payment of the RSUs in an amount equal to the aggregate of the cash received and the fair market value of the common stock to be transferred. Subject to the deduction limitations described below, the employer generally will be entitled to a corresponding tax deduction equal to the amount includible in the participant's income. If RSUs are structured in a manner that constitutes "deferred compensation" for federal income tax purposes, then applicable employment taxes will become due and will be withheld in the year that the RSUs vest, while income tax withholding will still occur in the year in which cash or shares are paid to the participant in satisfaction of the RSUs.

Dividend Equivalents

Generally, a participant will recognize ordinary income subject to withholding upon the payment of any dividend equivalents paid with respect to an award in an amount equal to the cash the participant receives. Subject to the deduction limitations described below, the employer generally will be entitled to a corresponding tax deduction equal to the amount includible in the participant's income.

Other Stock or Cash-Based Awards

Generally, cash awards and other stock awards are subject to tax at the time of payment. Subject to the deduction limitations described below, the employer generally will be entitled to a corresponding tax deduction equal to the amount includible in the participant's income.

Excess Parachute Payments

Section 280G of the Code limits the deduction that an employer may take for otherwise deductible compensation payable to certain individuals if the compensation constitutes an "excess parachute payment." Excess parachute payments arise from payments made to disqualified individuals that are in the nature of compensation and are contingent on changes in ownership or control of the employer or certain affiliates. Grants of awards in relative proximity to a change in ownership or control of the Company or its affiliates and/or accelerated vesting or payment of awards in connection with such a change in ownership or control could result in excess parachute payments. In addition to the deduction limitation applicable to the employer, a disqualified individual receiving an excess parachute payment is subject to a 20% excise tax on the amount thereof. The Amended and Restated 2017 Plan does not provide for any excise tax gross-ups.

Section 409A of the Code

Certain types of awards under the Amended and Restated 2017 Plan may constitute, or provide for, a deferral of compensation subject to Section 409A of the Code. Unless certain requirements set forth in Section 409A of the Code are met, holders of awards subject to Section 409A of the Code may be taxed earlier than would otherwise be the case (e.g., at the time of vesting instead of the time of payment or exercise) and may be subject to an additional 20% penalty tax (and, potentially, certain interest penalties and additional state taxes). To the extent applicable, the Amended and Restated 2017 Plan and awards granted under the Amended and Restated 2017 Plan are intended to be structured and interpreted in a manner that either complies with or is exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance that may be issued under Section 409A of the Code. To the extent determined necessary or appropriate by the plan administrator, the Amended and Restated 2017 Plan and applicable award agreements may be amended to further comply with Section 409A of the Code or to exempt the applicable awards from Section 409A of the Code.

Removal of Section 162(m) Provisions.

Section 162(m) of the Internal Revenue Code, or the Code, prior to the Tax Cuts and Jobs Act of 2017 (the "TCJA"), allowed performance based compensation that met certain requirements to be tax deductible regardless of amount. This qualified performance based compensation exception was repealed as part of the TCJA. We have removed certain provisions from the Restated Plan which were otherwise required for awards to qualify as performance-based compensation under the Section 162(m) exception prior to its repeal, including, without limitation, a limit on the number of awards that may be granted to an individual in any calendar year. Awards granted prior to November 2, 2017 may be grandfathered under the old law subject to certain limited transition relief.

New Plan Benefits

No awards will be granted pursuant to the Amended and Restated 2017 Plan unless and until it is approved by the Company's stockholders. In addition, awards under the Amended and Restated 2017 Plan, are subject to the discretion of the plan administrator, and the amount of awards or benefits to be received by any individual under the Amended and Restated 2017 Plan is therefore not determinable.

Equity Compensation Plan Information

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

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

- (1) Includes shares issued under the Prior Plans and the 2017 Plan. The 2017 Plan succeeded the Prior Plans. On the Effective Date of the 2017 Plan, the Company ceased granting awards under the Prior Plans; however, awards outstanding under the Prior Plans will remain subject to the terms of the applicable Prior Plan.
- (2) Includes shares that may be issued upon the achievement of certain financial and other performance criteria as a condition to vesting in addition to time-based vesting pursuant to PBRsUs granted under the 2017 Plan. The PBRsUs included in the table include the maximum number of shares that may be issued under the awards. Under the terms of the awards, the recipient may earn between 0% and 150% of the target number of PBRsUs depending on the extent to which the Company meets or exceeds the achievement of the applicable financial performance goals.
- (3) Does not include outstanding PBRsUs.
- (4) The 2017 Plan authorizes the issuance of (i) 900,000 shares of common stock plus (ii) the number of shares of common stock subject to awards under the Company's Prior Plans that are outstanding as of the Effective Date and that expire or are forfeited, cancelled or similarly lapse following the Effective Date. Subject to certain limitations, shares of common stock covered by awards granted under the 2017 Plan that are forfeited, expire or lapse, or are repurchased for or paid in cash, may be used again for new grants under the 2017 Plan. Shares of common stock granted under the 2017 Plan may be authorized but unissued shares, shares purchased on the open market or treasury shares. In no event will more than 900,000 shares of common stock be issuable pursuant to the exercise of incentive stock options under the 2017 Plan. The 2017 Plan provides for the grant of stock options (including incentive stock options and non-qualified stock options), stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance shares and other stock- or cash-based awards to eligible participants. Non-employee directors of the Company and employees of the Company or any of its subsidiaries are eligible to receive awards under the 2017 Plan.
- (5) Consists of grants made under the Farmer Bros. Co. 2020 Inducement Incentive Award Plan (the "Inducement Award Plan"), which in accordance with Rule 5635(c)(4) of the Nasdaq Stock Market LLC listing rules ("Rule 5635(c)(4)") permits grants of up to 300,000 shares of common stock to newly hired employees who have not previously been a member of the Board, or to an employee who is being rehired following a bona fide period of non-employment by the Company or a subsidiary, as a material inducement to the employee's entering into employment with the Company or its subsidiary. Subject to certain limitations, shares of common stock covered by awards granted under the Inducement Award Plan that are forfeited, expire or lapse, or are repurchased for or paid in cash, may be used again for new grants under the 2017 Plan. The Inducement Award Plan allows for the grant of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, and dividend equivalents

Required Vote for Approval and Recommendation of the Board of Directors

You may vote for or against this proposal or you may abstain from voting. Assuming the presence of a quorum, the affirmative vote of a majority of the shares present or represented by proxy and entitled to vote at the Annual Meeting is required to approve the Amended and Restated 2017 Plan. Abstentions will have the same effect as votes "against" the proposal. Broker non-votes will have no effect on the vote outcome.

The Board believes that approving the Amended and Restated 2017 Plan is in the best interest of our stockholders. In particular, approving the Amended and Restated 2017 Plan will ensure the Company is able to continue providing equity incentives to directors, executive officers and other employees beyond the limited share reserve remaining under the 2017 Plan. The Board believes that the effective use of equity-based long-term incentive compensation will be integral to the Company's success in the past, and that a continued link between participants' pay and stockholder returns will be vital to its future performance.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" APPROVAL OF THE FARMER BROS. CO. AMENDED AND RESTATED 2017 LONG TERM INCENTIVE PLAN

DIRECTOR COMPENSATION

Non-Employee Director Compensation

The compensation program for our non-employee directors is intended to fairly compensate our non-employee directors 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. Directors who are Company employees are not paid any additional fees for serving on the Board or for attending Board meetings.

During fiscal 2020 Mr. Mottern served both as a director and as our Interim President and Chief Executive Officer and as a non-employee director. His compensation received as a director is included in and discussed above under items captioned "Compensation Discussion and Analysis" and "Named Executive Officer Compensation".

The Company's non-employee director compensation program is as follows:

Form of Non-Employee Director Compensation	Director Compensation Program
Annual Board Cash Retainer	\$60,000
Committee Chair Cash Retainer	\$10,000 for Compensation Committee and Nominating and Corporate Governance Committee \$15,000 for Audit Committee
Non-Chair Committee Cash Retainer	\$7,500 for Compensation Committee and Nominating and Corporate Governance Committee \$10,000 for Audit Committee
Chairman of the Board Cash Retainer	\$50,000, with no additional fees for committee service
Meeting Fees	\$2,000, only paid for Board or committee meetings in excess of seven in a fiscal year
Annual Equity Award Value	\$65,000
Expense Reimbursement	Payment or reimbursement of reasonable travel expenses from outside the greater Dallas-Fort Worth 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
Other	Ad hoc committee fees are determined from time to time by the Board, as needed.

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, in each case, subject to any blackout period under the Company's insider trading policy. In fiscal 2020, the annual grant of restricted stock was made on December 10, 2019. Each non-employee director received a grant of 4,137 shares of restricted stock based on the closing price per share of our Common Stock on December 10, 2019 (\$15.71). Such grants cliff vest on the one-year anniversary of the grant date, subject to continued service to the Company through the vesting date and the acceleration provisions of the 2017 Plan and the restricted stock award agreement.

Stock Ownership Guidelines

Under the Company's stock ownership guidelines, a non-employee director is expected to own and hold during his or her service as a Board member a number of shares of Common Stock with a value of at least four (4) times their annual retainer, and is not permitted to sell any shares of Common Stock received as grants under the Company's long-term incentive plans unless and until the non-employee director achieves and maintains this threshold share ownership level.

Shares of Common Stock that count toward satisfaction of these guidelines include (to the extent applicable): (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) shares of Common Stock held in trust for the benefit of the non-employee director or his or her family; and (iv) shares of Common Stock issuable under vested options held by the non-employee director.

Director Compensation Table

The following table shows fiscal 2020 non-employee director compensation:

Director	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Change in Pension Value \$(2)	All Other Compensation \$(3)	Total (\$)
Hamideh Assadi	35,000	—	2,075	2,457	39,532
Allison M. Boersma	61,875	64,992	—	—	126,867
Randy E. Clark	82,500	64,992	—	—	147,492
Stacy Loretz-Congdon	73,125	64,992	—	—	138,117
Charles F. Marcy	63,125	64,992	—	—	128,117
David W. Ritterbush	56,250	64,992	—	—	121,242

- (1) Represents the full grant date fair value of restricted stock granted to each non-employee director in fiscal 2020, 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 16 to our audited consolidated financial statements for the fiscal year ended June 30, 2020, included in our 2020 Form 10-K, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any risk of forfeiture relating to service-based (time-based) vesting conditions. The aggregate number of shares of restricted stock outstanding at June 30, 2020 for each non-employee director were as follows: Ms. Boersma, 4,137 shares; Mr. Clark, 4,137 shares; Ms. Loretz-Congdon, 4,137; Mr. Marcy, 4,137 shares; and Mr. Ritterbush, 4,137 shares. Ms. Assadi stepped down as a director in January 2020 and did not own any shares of restricted stock as of June 30, 2020.
- (2) 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, 2019 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, 2020. The aggregate change in the actuarial present value of the accumulated benefit under the Company's defined benefit pension plan for Ms. Assadi was \$2,075 due to a lower discount rate and payment of benefits to Ms. Assadi under the plan in fiscal 2020.
- (3) 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 (\$427).

Director Indemnification

Under the Company's Certificate of Incorporation and By-Laws, the current and former directors are entitled to indemnification and advancement of expenses 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 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

The Company did not have any related person transactions in fiscal year 2020.

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, 2020.

The Audit Committee has discussed with Deloitte the matters required to be discussed by the Statement on Auditing Standards No. 16, "Communications with Audit Committees," as adopted by the Public Company Accounting Oversight Board.

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 2020 Form 10-K for filing with the SEC.

Audit Committee of the Board of Directors

Allison M. Boersma, Chair
Stacy Loretz-Congdon
Christopher P. Mottern

Independent Registered Public Accounting Firm Fees

The following table sets forth the aggregate fees billed by Deloitte for fiscal 2020 and 2019 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. The Audit Committee approved all audit and permissible non-audit services provided by Deloitte in accordance with the pre-approval policies and procedures described below.

Type of Fees	Fiscal 2020	Fiscal 2019
Audit Fees	\$ 1,129,472	\$ 1,154,000
Audit-Related Fees	—	—
Tax Fees	23,100	55,093
All Other Fees	—	2,051
Total Fees	<u>\$ 1,152,572</u>	<u>\$ 1,211,144</u>

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 2020 consisted of fees associated with the audit of the Company's fiscal 2020 annual financial statements, the audit of internal control over financial reporting in fiscal 2020, the review of the Company's quarterly reports on Form 10-Q, and accounting advisory services in connection with the impact of new accounting standards. Audit fees for fiscal 2019 consisted of fees associated with the audit of the Company's fiscal 2019 annual financial statements, the audit of internal control over financial reporting in fiscal 2019, the review of the Company's quarterly reports on Form 10-Q, services associated with an SEC registration statement, issuance of a preferability letter in connection with the Company's changes in accounting principles, and accounting advisory services in connection with the impact of new accounting standards.

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." In fiscal 2020 and 2019, the Company paid no fees to Deloitte in this category.

Tax Fees

“Tax Fees” are fees for tax compliance, planning, advice and consultation services, including state tax representation and miscellaneous consulting on federal and state taxation matters. Tax fees for fiscal 2020 consisted of fees associated with tax due diligence services, tax compliance and advisory services, certain tax services in connection with the Company’s 2019 federal and state tax returns, and tax compliance services related to the change in tax method of accounting. Tax fees for fiscal 2019 consisted of fees for tax due diligence services, tax compliance and advisory services, and certain tax services in connection with the Company’s 2018 federal and state income tax returns.

All Other Fees

“All Other Fees” are fees for any services not included in the first three categories. All other fees in fiscal 2019 consisted of subscription fees paid to Deloitte for an online accounting research tool.

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 2020, there were no fees paid to Deloitte 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 2020 Annual Report to Stockholders (which includes the Company's 2020 Form 10-K) accompanies this Proxy Statement. The 2020 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 2020 Form 10-K, filed with the SEC, including the financial statements included therein, without the accompanying exhibits, by writing to: Farmer Bros. Co., 1912 Farmer Brothers Drive, Northlake, Texas 76262, Attention: Chief Financial Officer. The Company's 2020 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 2020 Form 10-K and exhibits are available from the Company upon the payment of the Company's reasonable expenses in furnishing them.**

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 2021 annual meeting of stockholders. To be eligible for inclusion in the Company's 2021 Proxy Statement, stockholder proposals must be received by the Company at its principal executive offices no later than June 29, 2021 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 2021 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 11, 2021, and no later than September 10, 2021, and must comply with the other provisions of the Company's By-Laws summarized below; provided, however, that in the event that the 2021 annual meeting is called for a date that is not within 30 days before or after the anniversary date of the 2021 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 10th day following the day on which notice of the date of the 2021 annual meeting was mailed or public disclosure of the date of the 2021 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 the rules and regulations promulgated thereunder; 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 (virtually) 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 and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

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 (virtually) 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, 1912 Farmer Brothers Drive, Northlake, Texas 76262, 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., 1912 Farmer Brothers Drive, Northlake, Texas 76262, Attention: Chief Financial Officer, or contact the Company's Chief Financial Officer by telephone at (682) 549-6600, 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 2020 Form 10-K. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "could," "assumes" and other words of similar meaning. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. We intend these forward-looking statements to speak only at the time of this 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, duration of the COVID-19 pandemic's disruption to the Company's business and customers, levels of consumer confidence in national and local economic business conditions, the duration and magnitude of the pandemic's impact on unemployment rates, the success of the Company's strategy to recover from the effects of the pandemic, the success of the Company's turnaround strategy, the five key initiatives, the impact of capital improvement projects, the adequacy and availability of capital resources to fund the Company's existing and planned business operations and the Company's capital expenditure requirements, the relative effectiveness of compensation-based employee incentives in causing improvements in Company performance, the capacity to meet the demands of our large national account customers, the extent of execution of plans for the growth of Company business and achievement of financial metrics related to those plans, the success of the Company to retain and/or attract qualified employees, the success of the Company's adaptation to technology and new commerce channels, the effect of the capital markets as well as other external factors on stockholder value, fluctuations in availability and cost of green coffee, competition, organizational changes, the effectiveness of our hedging strategies in reducing price and interest rate risk, changes in consumer preferences, our ability to provide sustainability in ways that do not materially impair profitability, changes in the strength of the economy, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, as well as other risks described in Part I, Item 1A of our 2020 Form 10-K, and other factors described from time to time in our filings with the SEC.

October 27, 2020

By Order of the Board of Directors
JENNIFER H. BROWN
General Counsel and Secretary

**FARMER BROS. CO.
AMENDED AND RESTATED
2017 LONG-TERM INCENTIVE PLAN**

**ARTICLE I.
PURPOSE**

The Plan's purpose is to enhance the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing these individuals with equity ownership opportunities. The Plan succeeds the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan and the Farmer Bros. Co. 2007 Omnibus Plan. This Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan is an amendment and restatement and continuation of the Farmer Bros. Co. 2017 Long-Term Incentive Plan effective as provided in Section 11.3 below.

**ARTICLE II.
DEFINITIONS**

As used in the Plan, the following words and phrases will have the meanings specified below, unless the context clearly indicates otherwise:

Section 2.1 “*Administrator*” means the Board or a Committee to the extent that the Board's powers or authority under the Plan have been delegated to such Committee. With reference to the Board's or a Committee's powers or authority under the Plan that have been delegated to one or more officers pursuant to Section 4.2, the term “Administrator” shall refer to such person(s) unless and until such delegation has been revoked.

Section 2.2 “*Applicable Law*” means any applicable law, including without limitation: (a) provisions of the Code, the Securities Act, the Exchange Act and any rules or regulations thereunder; (b) corporate, securities, tax or other laws, statutes, rules, requirements or regulations, whether federal, state, local or foreign; and (c) rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded.

Section 2.3 “*Award*” means an Option, Stock Appreciation Right, Restricted Stock award, Restricted Stock Unit award, Performance Bonus Award, Performance Share award or Other Stock or Cash Based Award granted to a Participant under the Plan.

Section 2.4 “*Award Agreement*” means a written agreement or statement evidencing an Award, which may be electronic, that contains such terms and conditions as the Administrator determines, consistent with and subject to the terms and conditions of the Plan.

Section 2.5 “*Board*” means the Board of Directors of the Company.

Section 2.6 “*Cause*” unless otherwise defined in an employment or services agreement between a Participant and the Company or any of its Subsidiaries, means (a) the Company's determination that the Participant willfully failed to substantially perform the Participant's duties

(other than a failure resulting from the Participant's Disability); (b) the Company's determination that the Participant willfully failed to carry out, or comply with any lawful and reasonable directive of the Board or Participant's immediate supervisor; (c) the occurrence of any act or omission by the Participant that could reasonably be expected to result in (or has resulted in) the Participant's conviction, plea of no contest, plea of *nolo contendere*, or imposition of unadjudicated probation for any felony or indictable offense or crime involving moral turpitude; (d) the Participant's unlawful use (including being under the influence or using prescription drugs for non-medical purposes) or possession of illegal drugs (including possession of a prescription drug without a lawful prescription) on the premises of the Company or any of its Subsidiaries or while performing the Participant's duties and responsibilities for the Company or any of its Subsidiaries; (e) the Participant's commission of an act of fraud, embezzlement, misappropriation, misconduct, or breach of fiduciary duty against the Company or any of its Subsidiaries or affiliates; (f) the Participant's unauthorized use or disclosure of confidential information or trade secrets of the Company or any Subsidiary; (g) the Company's determination that the Participant materially violated any policy of the Company or any of its Subsidiaries; or (h) any other intentional misconduct by the Participant adversely affecting the business or affairs of the Company or any Subsidiary) in a material manner. The Company, in its sole discretion, shall determine conclusively whether Cause exists pursuant to the above definition, the date of the occurrence of the conduct constituting Cause and any incidental matters relating thereto, including, without limitation, the question of whether a termination of employment or service occurred by reason of Cause. The foregoing definition shall not in any way preclude or restrict the right of the Company or any Subsidiary to discharge or dismiss any Participant or other person in the service of the Company or any Subsidiary for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan, to constitute grounds for termination for Cause.

Section 2.7 "***Change in Control***" means and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company or any of its Subsidiaries; (ii) any acquisition by an employee benefit plan maintained by the Company or any of its Subsidiaries, (iii) any acquisition which complies with Sections 2.7(c)(i), 2.7(c)(ii), or 2.7(c)(iii); or (iv) in respect of an Award held by a particular Participant, any acquisition by the Participant or any group of persons including the Participant (or any entity controlled by the Participant or any group of persons including the Participant); or

(b) The individuals who, as of the Effective Date, constitute the Board, together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 2.7(a) or Section 2.7(c)), whose election or nomination for election to the Board was approved by a vote of at least two-thirds (2/3) (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for Director without objection to such nomination) of the Directors

then still in office, who either were Directors as of the Effective Date or whose election or nomination for election was previously so approved (the “*Incumbent Directors*”) cease for any reason to constitute a majority of the Board. No individual initially elected or nominated as a Director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any Person other than the Board shall be an Incumbent Director hereunder.

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination, (y) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such person, the “*Successor Entity*”)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 2.7(c)(ii) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; and

(iii) after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were Board members at the time of the Board’s approval of the execution of the initial agreement providing for such transaction; or

(d) The approval of a plan of liquidation or dissolution of the Company.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a “change in control event,” as defined in Treasury Regulation Section 1.409A-3(i)(5).

Section 2.8 “*Code*” means the Internal Revenue Code of 1986, as amended, and all regulations, guidance, compliance programs and other interpretative authority issued thereunder.

Section 2.9 “*Committee*” means one or more committees or subcommittees of the Board, which may include one or more Company directors or executive officers, to the extent Applicable Laws permit. To the extent required to comply with the provisions of Rule 16b-3, it is intended that each member of the Committee will be, at the time the Committee takes any action with respect to an Award that is subject to Rule 16b-3, a “non-employee director” within the meaning of Rule 16b-3; provided, however, that a Committee member’s failure to qualify as a “non-employee director” within the meaning of Rule 16b-3 will not invalidate any Award granted by the Committee that is otherwise validly granted under the Plan.

Section 2.10 “*Common Stock*” means the common stock of the Company.

Section 2.11 “*Company*” means Farmer Bros. Co., a Delaware corporation, or any successor.

Section 2.12 “*Designated Beneficiary*” means the beneficiary or beneficiaries the Participant designates, in a manner the Company determines, to receive amounts due or exercise the Participant’s rights if the Participant dies. Without a Participant’s effective designation, “Designated Beneficiary” will mean the Participant’s estate.

Section 2.13 “*Director*” means a Board member.

Section 2.14 “*Disability*” means a permanent and total disability under Section 22(e)(3) of the Code, without regard to the final sentence thereof.

Section 2.15 “*Dividend Equivalents*” means a right granted to a Participant to receive the equivalent value (in cash or Shares) of dividends paid on a specified number of Shares. Such Dividend Equivalents shall be converted to cash or additional Shares, or a combination of cash and Shares, by such formula and at such time and subject to such limitations as may be determined by the Administrator.

Section 2.16 “*Effective Date*” and “*Original Effective Date*” have the meaning set forth in Section 11.3.

Section 2.17 “*Employee*” means any employee of the Company or any of its Subsidiaries.

Section 2.18 “*Equity Restructuring*” means a nonreciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split (including a reverse stock split), spin-off or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of Shares (or other Company securities) or the share price of Common Stock (or other Company securities) and causes a change in the per share value of the Common Stock underlying outstanding Awards.

Section 2.19 “*Exchange Act*” means the Securities Exchange Act of 1934, as amended, and all regulations, guidance and other interpretative authority issued thereunder.

Section 2.20 “*Fair Market Value*” means, as of any date, the value of a Share determined as follows: (i) if the Common Stock is listed on any established stock exchange, the value of a Share will be the closing sales price for a Share as quoted on such exchange for such date, or if

no sale occurred on such date, the last day preceding such date during which a sale occurred, as reported in *The Wall Street Journal* or another source the Company deems reliable; (ii) if the Common Stock is not listed on an established stock exchange but is quoted on a national market or other quotation system, the value of a Share will be the closing sales price for a Share on such date, or if no sales occurred on such date, then on the last date preceding such date during which a sale occurred, as reported in *The Wall Street Journal* or another source the Administrator deems reliable; or (iii) if the Common Stock is not listed on any established stock exchange or quoted on a national market or other quotation system, the value of a Share will be established by the Administrator in its sole discretion.

Section 2.21 “*Full Value Award*” shall mean any Award that is settled in Shares other than: (a) an Option, (b) a Stock Appreciation Right or (c) any other Award for which the Participant pays the intrinsic value existing as of the date of grant (whether directly or by forgoing a right to receive a payment from the Company or any Subsidiary).

Section 2.22 “*Greater Than 10% Stockholder*” means an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any parent corporation or subsidiary corporation of the Company, as determined in accordance with in Section 424(e) and (f) of the Code, respectively.

Section 2.23 “*Incentive Stock Option*” means an Option that meets the requirements to qualify as an “incentive stock option” as defined in Section 422 of the Code.

Section 2.24 “*Nonqualified Stock Option*” means an Option that is not an Incentive Stock Option.

Section 2.25 “*Option*” means a right granted under Article 6 to purchase a specified number of Shares at a specified price per Share during a specified time period. An Option may be either an Incentive Stock Option or a Nonqualified Stock Option.

Section 2.26 “*Other Stock or Cash Based Awards*” means cash awards, awards of Shares, and other awards valued wholly or partially by referring to, or are otherwise based on, Shares or other property.

Section 2.27 “*Overall Share Limit*” means the sum of (i) 2,050,000 Shares (including Shares already issued under the Original Plan); and (ii) the number of Shares that are subject to Prior Plan Awards that become available for issuance under the Plan pursuant to Article 5.

Section 2.28 “*Participant*” means a Service Provider who has been granted an Award.

Section 2.29 “*Performance-Based Award*” means an Award (other than an Option or SAR) granted pursuant to Article 7 or 8, but which is subject to the terms and conditions set forth in Section 11.18. All Performance-Based Awards are intended to qualify as Performance-Based Compensation.

Section 2.30 “*Performance Bonus Award*” has the meaning set forth in Section 8.3.

Section 2.31 “*Performance Criteria*” mean the criteria (and adjustments) that the Administrator, in its sole discretion, may select to establish one or more performance goals for an Award for a specified Performance Period; provided, that:

(a) The Performance Criteria that may be used to establish performance goals for Performance-Based Awards may include but are not limited to the following: (i) net earnings (either before or after one or more of (A) interest, (B) taxes, (C) depreciation, (D) amortization, and (E) non-cash equity-based compensation expense); (ii) gross or net sales or revenue or sales or revenue growth; (iii) gross or net organic sales volume or organic sales volume growth, (iv) net income (either before or after taxes) or adjusted net income; (v) sales related goals; (vi) sales from one or more products (or categories of products) as a percentage of total sales or revenue; (vii) profits (including but not limited to gross profits, net profits, profit growth, net operation profit or economic profit), profit return ratios or operating profit margin; (viii) operating earnings (either before or after taxes or before or after allocation of corporate overhead and bonus); (ix) cash on hand; (x) cash flow (including operating cash flow and free cash flow or cash flow return on capital); (xi) return on assets, asset growth or asset turnover; (xii) return on capital or invested capital; (xiii) cost of capital; (xiv) return on stockholders’ equity; (xv) total stockholder return; (xvi) costs, reductions in costs and cost control measures; (xvii) expense management; (xviii) working capital; (xix) net earnings per share; (xx) adjusted net earnings per share; (xxi) price per share or dividends per share (or appreciation in or maintenance of such price or dividends); (xxii) regulatory achievements or compliance; (xxiii) implementation, completion or attainment of objectives relating to systems, research, development, regulatory, commercial, or strategic milestones or developments; (xxiv) market share; (xxv) economic value or economic value added models; (xxvi) division, group or corporate financial goals; (xxvii) customer satisfaction/growth; (xxviii) customer service; (xxix) employee satisfaction; (xxx) effective recruitment and retention of personnel; (xxxii) succession plan development and implementation; (xxxiii) human resources management; (xxxiv) supervision of litigation and other legal matters; (xxxv) strategic partnerships and transactions; (xxxvi) financial ratios (including those measuring liquidity, activity, profitability or leverage); (xxxvii) debt levels or reductions and financial risk management; (xxxviii) financing and other capital raising transactions; (xxxix) investment sourcing activity; (xl) marketing initiatives; (xli) safety enhancement; (xlii) improved product quality; (xliii) expansion of product lines; (xliv) creation of operating efficiencies; and/or (xlv) geographic expansion, any of which may be measured in absolute terms or as compared to any incremental increase or decrease. Such performance goals also may be expressed in terms of the Company’s performance or the performance of a Subsidiary, division, business segment or business unit of the Company or a Subsidiary, or an individual, or may be expressed in terms of performance relative to performance of one or more other companies or by comparisons of any of the indicators of performance relative to performance of other companies. Any performance goals that are financial metrics may be determined in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”), in accordance with accounting principles established by the International Accounting Standards Board (“IASB Principles”), or may be adjusted when established to include or exclude any items otherwise includable or excludable under GAAP or under IASB Principles.

(b) The Committee, in its sole discretion, may provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Criteria, with any such adjustment to reflect the inclusion or exclusion of the impact of an event or occurrence which the

Committee determines should appropriately be included or excluded, including but not limited to (i) restructurings, discontinued operations, special items, and other unusual, infrequently occurring or non-recurring charges, events or items; (ii) asset sales or write-downs; (iii) litigation or claim judgments or settlements; (iv) acquisitions or divestitures; (v) reorganization or change in the corporate structure or capital structure of the Company; (vi) an event either not directly related to the operations of the Company, Subsidiary, division, business segment or business unit or not within the reasonable control of management; (vii) foreign exchange gains and losses; (viii) a change in the fiscal year of the Company; (ix) the refinancing or repurchase of bank loans or debt securities; (x) unbudgeted capital expenditures; (xi) the issuance or repurchase of equity securities and other changes in the number of outstanding shares; (xii) conversion of some or all of convertible securities to Common Stock; (xiii) any business interruption event; (xiv) changes in pricing; (xv) changes in foreign currency exchange rates; (xvi) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles; (xvii) gains and losses that are treated as unusual in nature or that occur infrequently under Accounting Standards Codification Topic 225; or (xviii) the effect of changes in other laws or regulatory rules affecting reported results.

Section 2.32 “*Performance Period*” means one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more performance goals will be measured for the purpose of determining a Participant’s right to, and the payment of, a Performance-Based Award.

Section 2.33 “*Performance Share*” means a right granted to a Participant pursuant to Section 8.1 and subject to Section 8.2, to receive Shares, the payment of which is contingent upon achieving certain performance goals or other performance-based targets established by the Administrator.

Section 2.34 “*Plan*” means this Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan and “*Original Plan*” means the Farmer Bros. Co. 2017 Long-Term Incentive Plan prior to its restatement.

Section 2.35 “*Prior Plans*” means, collectively, the Farmer Bros. Co. 2007 Omnibus Plan, the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan, and any prior equity incentive plans of the Company or its predecessor (in each case, as such plan(s) may be amended or restated from time to time).

Section 2.36 “*Prior Plan Award*” means an award outstanding under the Prior Plans as of the Effective Date.

Section 2.37 “*Restricted Stock*” means Shares awarded to a Participant under Article 7, subject to certain vesting conditions and other restrictions.

Section 2.38 “*Restricted Stock Unit*” means an unfunded, unsecured right to receive, on the applicable settlement date, one Share or an amount in cash or other consideration determined by the Administrator to be of equal value as of such settlement date, subject to certain vesting conditions and other restrictions.

Section 2.39 “*Rule 16b-3*” means Rule 16b-3 promulgated under the Exchange Act.

Section 2.40 “*Section 409A*” means Section 409A of the Code.

Section 2.41 “*Securities Act*” means the Securities Act of 1933, as amended, and all regulations, guidance and other interpretative authority issued thereunder.

Section 2.42 “*Service Provider*” means an Employee or Director.

Section 2.43 “*Shares*” means shares of Common Stock.

Section 2.44 “*Stock Appreciation Right*” or “*SAR*” means a right granted under Article 6 to receive a payment equal to the excess of the Fair Market Value of a specified number of Shares on the date the right is exercised over the exercise price set forth in the applicable Award Agreement.

Section 2.45 “*Subsidiary*” means any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing at least 50% of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

Section 2.46 “*Substitute Awards*” means Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company or other entity acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

Section 2.47 “*Termination of Service*” means:

(a) As to a Director, the time when a Participant who is a Director ceases to be a Director for any reason, including, without limitation, a termination by resignation, failure to be elected, death or retirement, but excluding terminations where the Participant simultaneously commences or remains in employment or service as a consultant with the Company or any Subsidiary.

(b) As to an Employee, the time when the employee-employer relationship between a Participant and the Company or any Subsidiary is terminated for any reason, including, without limitation, a termination by resignation, discharge, death, disability or retirement; but excluding terminations where the Participant simultaneously commences or remains in employment or service as a consultant or director with the Company or any Subsidiary.

The Company, in its sole discretion, shall determine the effect of all matters and questions relating to any Termination of Service, including, without limitation, whether a Termination of Service has occurred, the circumstances under which the Termination of Service has occurred and all questions of whether particular leaves of absence constitute a Termination of Service. For purposes of the Plan, a Participant’s employee-employer relationship or consultancy relations shall be deemed to be terminated in the event that the Subsidiary employing or contracting with such Participant ceases to remain a Subsidiary following any merger, sale of stock or other corporate transaction or event (including, without limitation, a spin-off), even though the Participant may subsequently continue to perform services for that entity.

ARTICLE III. ELIGIBILITY

Service Providers are eligible to be granted Awards under the Plan, subject to the limitations described herein. No Service Provider shall have any right to be granted an Award pursuant to the Plan.

ARTICLE IV. ADMINISTRATION AND DELEGATION

Section 4.1 Administration. The Plan is administered by the Administrator. The Administrator has authority to determine which Service Providers receive Awards, grant Awards and set Award terms and conditions, subject to the conditions and limitations in the Plan. The Administrator also has the authority to take all actions and make all determinations under the Plan, to interpret the Plan and Award Agreements and to adopt, amend and repeal Plan administrative rules, guidelines and practices as it deems advisable. The Administrator may correct defects and ambiguities, supply omissions, reconcile inconsistencies in the Plan or any Award and make all other determinations that it deems necessary or appropriate to administer the Plan and any Awards. The Administrator's determinations under the Plan are in its sole discretion and will be final and binding on all persons having or claiming any interest in the Plan or any Award.

Section 4.2 Appointment of Committees. To the extent Applicable Laws permit, the Board or any Committee may delegate any or all of its powers under the Plan to one or more Committees or officers of the Company or any of its Subsidiaries. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation or that are otherwise included in the applicable organizational documents of the Company, and the Board or Committee, as applicable, may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 4.2 shall serve in such capacity at the pleasure of the Board or the Committee, as applicable, and the Board or the Committee may abolish any Committee to which authority has been delegated at any time and re-vest in itself any previously delegated authority.

ARTICLE V. STOCK AVAILABLE FOR AWARDS

Section 5.1 Number of Shares. Subject to adjustment under Article 9 and the terms of this Article 5, Awards may be made under the Plan covering up to the Overall Share Limit. As of the Original Effective Date, the Company ceased granting awards under the Prior Plans; provided, however, Prior Plan Awards remained subject to the terms of the applicable Prior Plan. Shares issued or delivered under the Plan may consist of authorized but unissued Shares, Shares purchased on the open market or treasury Shares.

Section 5.2 Share Counting. If all or any part of an Award or Prior Plan Award expires, lapses or is terminated, exchanged for cash, surrendered, repurchased, canceled without having been fully exercised or forfeited, in any case, in a manner that results in the Company acquiring Shares covered by the Award or Prior Plan Award at a price not greater than the price (as adjusted to reflect any Equity Restructuring) paid by the Participant for such Shares or not issuing

any Shares covered by the Award or Prior Plan Award, the unused Shares covered by the Award or Prior Plan Award will, as applicable, become or again be available for Awards under the Plan. Notwithstanding anything to the contrary contained herein, the following Shares shall not become or again be available for Awards under the Plan: (i) Shares tendered by a Participant or withheld by the Company in payment of the exercise price of an Option or any stock option granted under a Prior Plan; (ii) Shares tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award or an award granted under a Prior Plan; (iii) Shares subject to a Stock Appreciation Right or a stock appreciation right granted under a Prior Plan that are not issued in connection with the settlement of such Award on exercise thereof; and (iv) Shares purchased on the open market with cash proceeds from the exercise of Options or stock options granted under a Prior Plan. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards or Prior Plan Awards shall not count against the Overall Share Limit. Notwithstanding the provisions of this Section 5.2, no Shares may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

Section 5.3 Incentive Stock Option Limitations. Notwithstanding anything to the contrary herein, no more than 2,050,000 Shares (as adjusted to reflect any Equity Restructuring) may be issued pursuant to the exercise of Incentive Stock Options.

Section 5.4 Substitute Awards. In connection with an entity's merger or consolidation with the Company or any Subsidiary or the Company's or any Subsidiary's acquisition of an entity's property or stock, the Administrator may grant Awards in substitution for any options or other stock or stock-based awards granted before such merger or consolidation by such entity or its affiliate. Substitute Awards may be granted on such terms and conditions as the Administrator deems appropriate, notwithstanding limitations on Awards in the Plan. Substitute Awards will not count against the Overall Share Limit (nor shall Shares subject to a Substitute Award be added to the Shares available for Awards under the Plan as provided above), except that Shares acquired by exercise of substitute Incentive Stock Options will count against the maximum number of Shares that may be issued pursuant to the exercise of Incentive Stock Options under the Plan. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as appropriately adjusted to reflect the transaction) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan (and Shares subject to such Awards (which, for the avoidance of doubt excludes Substitute Awards) may again become available for Awards under the Plan as provided under Section 5.2 above); provided, that Awards using such available shares (or any Shares that again become available for issuance under the Plan under Section 5.2 above) shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or any of its Subsidiaries prior to such acquisition or combination.

Section 5.5 Non-Employee Director Award Limit. Notwithstanding any provision to the contrary in the Plan or in any policy of the Company regarding non-employee Director compensation, the sum of the grant date fair value (determined as of the grant date in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor

thereto) of all equity-based Awards and the maximum amount that may become payable pursuant to all cash-based Awards that may be granted under the Plan to a Director as compensation for services as a non-employee Director during any calendar year shall not exceed \$300,000.

ARTICLE VI. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

Section 6.1 General. The Administrator may grant Options or Stock Appreciation Rights to one or more Service Providers, subject to such terms and conditions not inconsistent with the Plan as the Administrator shall determine. The Administrator will determine the number of Shares covered by each Option and Stock Appreciation Right, the exercise price of each Option and Stock Appreciation Right and the conditions and limitations applicable to the exercise of each Option and Stock Appreciation Right. A Stock Appreciation Right will entitle the Participant (or other person entitled to exercise the Stock Appreciation Right) to receive from the Company upon exercise of the exercisable portion of the Stock Appreciation Right an amount determined by multiplying the excess, if any, of the Fair Market Value of one Share on the date of exercise over the exercise price per Share of the Stock Appreciation Right by the number of Shares with respect to which the Stock Appreciation Right is exercised, subject to any limitations of the Plan or that the Administrator may impose and payable in cash, Shares valued at Fair Market Value on the date of exercise or a combination of the two as the Administrator may determine or provide in the Award Agreement.

Section 6.2 Exercise Price. The Administrator will establish each Option's and Stock Appreciation Right's exercise price and specify the exercise price in the Award Agreement. The exercise price will not be less than 100% of the Fair Market Value on the grant date of the Option or Stock Appreciation Right.

Section 6.3 Duration of Options. Each Option or Stock Appreciation Right will be exercisable at such times and as specified in the Award Agreement, provided that the term of an Option or Stock Appreciation Right will not exceed ten (10) years.

Section 6.4 Exercise. Options and Stock Appreciation Rights may be exercised by delivering to the Company a notice of exercise, in a form and manner the Company approves (which may be electronic or telephonic), signed or authenticated by the person authorized to exercise the Option or Stock Appreciation Right, together with, as applicable, payment in full of (i) the exercise price for the number of Shares for which the Option is exercised in a manner specified in Section 6.5 and (ii) all applicable taxes in a manner specified in Section 10.5. Unless the Company otherwise determines, an Option or Stock Appreciation Right may not be exercised for a fraction of a Share.

Section 6.5 Payment Upon Exercise. The Administrator shall determine the methods (or combination of methods) by which payment of the exercise price of an Option shall be made, including, without limitation:

- (a) cash, check or wire transfer of immediately available funds;

(b) if there is a public market for Shares at the time of exercise, unless the Company otherwise determines, (A) delivery (including telephonically to the extent permitted by the Company) of a notice that the Participant has placed a market sell order with a broker acceptable to the Company with respect to Shares then issuable upon exercise of the Option and that the broker has been directed to deliver promptly to the Company funds sufficient to pay the exercise price, or (B) the Participant's delivery to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company to deliver promptly to the Company an amount sufficient to pay the exercise price by cash, check or wire transfer of immediately available funds; provided, that such amount is paid to the Company at such time as may be required by the Company;

(c) to the extent permitted by the Administrator, delivery (either by actual delivery or attestation) of Shares owned by the Participant valued at their Fair Market Value on the date of delivery (or such other date determined by the Administrator); or

(d) to the extent permitted by the Administrator, surrendering Shares then issuable upon the Option's exercise valued at their Fair Market Value on the exercise date.

Section 6.6 Additional Terms of Incentive Stock Options. The Administrator may grant Incentive Stock Options only to Employees of the Company, any of its present or future parent or Subsidiary corporations, as defined in Sections 424(e) or (f) of the Code, respectively, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code. If an Incentive Stock Option is granted to a Greater Than 10% Stockholder, the exercise price will not be less than 110% of the Fair Market Value on the Option's grant date, and the term of the Option will not exceed five (5) years. All Incentive Stock Options will be subject to and construed consistently with Section 422 of the Code. By accepting an Incentive Stock Option, the Participant agrees to give prompt notice to the Company of dispositions or other transfers (other than in connection with a Change in Control) of Shares acquired under the Option made within (i) two (2) years from the grant date of the Option or (ii) one (1) year after the transfer of such Shares to the Participant, specifying the date of the disposition or other transfer and the amount the Participant realized, in cash, other property, assumption of indebtedness or other consideration, in such disposition or other transfer. Neither the Company nor the Administrator will be liable to a Participant, or any other party, if an Incentive Stock Option fails or ceases to qualify as an "incentive stock option" under Section 422 of the Code. Any Incentive Stock Option or portion thereof that fails to qualify as an "incentive stock option" under Section 422 of the Code for any reason, including becoming exercisable with respect to Shares having a fair market value exceeding the \$100,000 limitation under Treasury Regulation Section 1.422-4, will be a Nonqualified Stock Option.

ARTICLE VII. RESTRICTED STOCK; RESTRICTED STOCK UNITS

Section 7.1 General. The Administrator may grant Restricted Stock, or the right to purchase Restricted Stock, to any Service Provider, subject to forfeiture or the Company's right to repurchase all or part of such Shares at their issue price or other stated or formula price from the Participant if conditions the Administrator specifies in the Award Agreement are not satisfied before the end of the applicable restriction period or periods that the Administrator establishes for such Award. In addition, the Administrator may grant to Service Providers Restricted Stock Units, which

may be subject to vesting and forfeiture conditions during the applicable restriction period or periods, as set forth in an Award Agreement. The Award Agreement for each Restricted Stock and Restricted Stock Unit Award shall set forth the terms and conditions not inconsistent with the Plan as the Administrator shall determine.

Section 7.2 Restricted Stock.

(a) *Dividends.* Subject to any limitations approved by the Administrator and set forth in the Award Agreement, Participants holding shares of Restricted Stock will be entitled to all ordinary cash dividends paid with respect to such Shares; provided, that, notwithstanding anything herein to the contrary, any dividend payable with respect to Shares of Restricted Stock held by a Participant that are not vested at the time that such dividend is paid shall be accumulated and subject to vesting to the same extent as the related Shares of Restricted Stock, with such accumulated dividends paid to the applicable Participant as soon as administratively practicable following the time the applicable Shares of Restricted Stock vest and become non-forfeitable (or such later time as may be set forth in the Award Agreement). In addition, if any dividends or distributions are paid in Shares, or consist of a dividend or distribution to holders of Common Stock of cash or property other than an ordinary cash dividend, the Shares or other cash or property will be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid.

(b) *Stock Certificates.* The Company may require that the Participant deposit in escrow with the Company (or its designee) any stock certificates issued in respect of Shares of Restricted Stock, together with a stock power endorsed in blank.

(c) *Section 83(b) Election.* If a Participant makes an election under Section 83(b) of the Code to be taxed with respect to Restricted Stock as of the date of transfer of the Restricted Stock, rather than as of the date or dates upon which the Participant would otherwise be taxed with respect to the Restricted Stock under Section 83(a) of the Code, the Participant shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service, along with proof of the timely filing thereof with the Internal Revenue Service.

Section 7.3 Restricted Stock Units. The Administrator may provide that settlement of Restricted Stock Units will occur upon or as soon as reasonably practicable after the Restricted Stock Units vest or will instead be deferred, on a mandatory basis or at the Participant's election, in each case, as provided in the applicable Award Agreement and subject to the terms of the Plan.

ARTICLE VIII. OTHER TYPES OF AWARDS

Section 8.1 General. The Administrator may grant Performance Share awards, Performance Bonus Awards, Dividend Equivalents or Other Stock or Cash Based Awards, to one or more Service Providers, in such amounts and subject to such terms and conditions not inconsistent with the Plan as the Administrator shall determine. For the avoidance of doubt, no Participant holding a Performance Share award described in Section 8.2, a Performance Bonus Award described in Section 8.3, or an Other Stock or Cash Based Award described in Section 8.5, in each case, that is eligible to receive dividends (if any) shall be entitled to receive a distribution of dividends with

respect to such award or any Shares covered by such award unless and until such award vests and becomes non-forfeitable.

Section 8.2 Performance Share Awards. Each Performance Share award shall be denominated in a number of Shares or in unit equivalents of Shares and/or units of value (including a dollar value of Shares) and may be linked to any one or more of the Performance Criteria or other specific criteria, including service to the Company or Subsidiaries, determined to be appropriate by the Administrator, in each case on a specified date or dates or over any Performance Period. In making such determinations, the Administrator may consider (among such other factors as it deems relevant in light of the specific type of Award) the contributions, responsibilities and other compensation of the particular Participant.

Section 8.3 Performance Bonus Awards. Each right to receive a bonus granted under this Section 8.3 shall be denominated in the form of cash and shall be initially payable in cash (but may, in the discretion of the Administrator, be payable in Shares or a combination of cash and Shares) (a “*Performance Bonus Award*”) and shall be payable upon the attainment of performance goals that are established by the Administrator and relate to one or more of the Performance Criteria or other specific criteria, including service to the Company or Subsidiaries, in each case on a specified date or dates or over any Performance Period.

Section 8.4 Dividend Equivalents. If the Administrator provides, an Award (other than an Option or Stock Appreciation Right) may provide a Participant with the right to receive Dividend Equivalents. Dividend Equivalents may be paid currently or credited to an account for the Participant, settled in cash or Shares and subject to the same restrictions on transferability and forfeitability as the Award with respect to which the Dividend Equivalents are granted and subject to other terms and conditions as set forth in the Award Agreement; provided, that, notwithstanding anything herein to the contrary, Dividend Equivalents with respect to Awards that are not vested at the time that the underlying dividend is paid shall be accumulated and subject to vesting to the same extent as the related Award, with such accumulated Dividend Equivalents paid to the applicable Participant as soon as administratively practicable following the time the applicable Award vests and becomes non-forfeitable (or such later time as may be set forth in the Award Agreement).

Section 8.5 Other Stock or Cash Based Awards. Other Stock or Cash Based Awards may be granted to Participants, including Awards entitling Participants to receive Shares to be delivered in the future and including annual or other periodic or long-term cash bonus awards (whether based on specified Performance Criteria or otherwise), in each case subject to any conditions and limitations in the Plan. Such Other Stock or Cash Based Awards will also be available as a payment form in the settlement of other Awards, as standalone payments and as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock or Cash Based Awards may be paid in Shares, cash or other property, as the Administrator determines. Subject to the provisions of the Plan, the Administrator will determine the terms and conditions of each Other Stock or Cash Based Award, including any purchase price, performance goal (which may be based on the Performance Criteria), transfer restrictions, and vesting conditions, which will be set forth in the applicable Award Agreement.

ARTICLE IX.
ADJUSTMENTS FOR CHANGES
IN COMMON STOCK AND CERTAIN OTHER EVENTS

Section 9.1 Equity Restructuring. In connection with any Equity Restructuring, notwithstanding anything to the contrary in this Article 9 the Administrator will equitably adjust the terms of the Plan and each outstanding Award as it deems appropriate to reflect the Equity Restructuring, which may include (i) adjusting the number and type of securities subject to each outstanding Award and/or with respect to which Awards may be granted under the Plan (including, but not limited to, adjustments of the limitations in Article 5 hereof on the maximum number and kind of shares that may be issued); (ii) adjusting the terms and conditions of (including the grant or exercise price), and the performance goals or other criteria included in, outstanding Awards; and (iii) granting new Awards or making cash payments to Participants. The adjustments provided under this Section 9.1 will be nondiscretionary and final and binding on all interested parties, including the affected Participant and the Company; provided, that the Administrator will determine whether an adjustment is equitable.

Section 9.2 Corporate Transactions. In the event of any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), reorganization, merger, consolidation, split-up, spin off, combination, amalgamation, repurchase, recapitalization, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, or sale or exchange of Common Stock or other securities of the Company, Change in Control, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, other similar corporate transaction or event, other unusual or nonrecurring transaction or event affecting the Company or its financial statements or any change in any Applicable Laws or accounting principles, the Administrator, on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event (except that action to give effect to a change in Applicable Law or accounting principles may be made within a reasonable period of time after such change) and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to (x) prevent dilution or enlargement of the benefits or potential benefits intended by the Company to be made available under the Plan or with respect to any Award granted or issued under the Plan, (y) to facilitate such transaction or event or (z) give effect to such changes in Applicable Laws or accounting principles:

(a) To provide for the termination of any such Award in exchange for an amount of cash and/or other property with a value equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 9.2 the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment);

(b) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with

appropriate adjustments as to the number and kind of shares and applicable exercise or purchase price, in all cases, as determined by the Administrator;

(c) To make adjustments in the number and type of Shares of the Company's stock (or other securities or property) subject to outstanding Awards, and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards and Awards which may be granted in the future;

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

(e) To replace such Award with other rights or property selected by the Administrator; and/or

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

provided, however, that, unless otherwise provided in an applicable Award Agreement or other written agreement entered into between the Company and a Participant, if a Change in Control occurs and a Participant's Awards are not continued, converted, assumed, or replaced in accordance with subsections (b) or (e) above, such Awards shall become fully vested and exercisable, and all forfeiture, repurchase and other restrictions on such awards shall lapse immediately prior to such Change in Control; provided, further, that, with respect to Awards subject to performance-based vesting, the number of Shares subject to any such Award that becomes vested pursuant to this proviso shall be determined based on (i) target performance prorated based on the number of days elapsed in the applicable performance period through the date of the Change in Control over the total number of days in the applicable performance period or (ii) actual performance through the applicable performance period through the date of the Change in Control with the applicable performance goals, to the extended possible, adjusted to reflect the truncated performance period, whichever results in the greatest number of vested Shares.

Section 9.3 Administrative Stand Still. In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other extraordinary transaction or change affecting the Shares or the share price of Common Stock (including any Equity Restructuring, Change in Control or any securities offering or other similar transaction) or for reasons of administrative convenience or to facilitate compliance with any Applicable Laws, the Company may refuse to permit the exercise or settlement of one or more Awards for such period of time as the Company may determine to be reasonably appropriate under the circumstances.

Section 9.4 General. Except as expressly provided in the Plan or the Administrator's action under the Plan, no Participant will have any rights due to any subdivision or consolidation of Shares of any class, dividend payment, increase or decrease in the number of Shares of any class or dissolution, liquidation, merger, or consolidation of the Company or other corporation. Except as expressly provided with respect to an Equity Restructuring under Section 9.1 above or the Administrator's action under the Plan, no issuance by the Company of Shares of any class, or

securities convertible into Shares of any class, will affect, and no adjustment will be made regarding, the number of Shares subject to an Award or the Award's grant or exercise price. The existence of the Plan, any Award Agreements and the Awards granted hereunder will not affect or restrict in any way the Company's right or power to make or authorize (i) any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, (ii) any merger, consolidation, spinoff, dissolution or liquidation of the Company or sale of Company assets or (iii) any sale or issuance of securities, including securities with rights superior to those of the Shares or securities convertible into or exchangeable for Shares. The Administrator may treat Participants and Awards (or portions thereof) differently under this Article 9.

ARTICLE X. PROVISIONS APPLICABLE TO AWARDS

Section 10.1 Transferability. Except as the Administrator may determine or provide in an Award Agreement or otherwise for Awards other than Incentive Stock Options, Awards may not be sold, assigned, transferred, pledged or otherwise encumbered, either voluntarily or by operation of law, except by will or the laws of descent and distribution, or, subject to the Administrator's consent, pursuant to a domestic relations order, and, during the life of the Participant, will be exercisable only by the Participant. Any permitted transfer of an Award hereunder shall be without consideration, except as required by applicable law. References to a Participant, to the extent relevant in the context, will include references to a transferee approved by the Administrator.

Section 10.2 Documentation. Each Award will be evidenced in an Award Agreement, which may be written or electronic, as the Administrator determines. Each Award may contain such terms and conditions as are not inconsistent with those set forth in the Plan.

Section 10.3 Discretion. Except as the Plan otherwise provides, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award to a Participant need not be identical, and the Administrator need not treat Participants or Awards (or portions thereof) uniformly.

Section 10.4 Changes in Participant's Status. The Company will determine how the disability, death, retirement, authorized leave of absence or any other change or purported change in a Participant's Service Provider status affects an Award and the extent to which, and the period during which, the Participant, the Participant's legal representative, conservator, guardian or Designated Beneficiary may exercise rights under the Award, if applicable. Except to the extent otherwise required by Applicable Law or expressly authorized by the Company or by the Company's written policy on leaves of absence, no service credit shall be given for vesting purposes for any period the Participant is on a leave of absence.

Section 10.5 Withholding. Each Participant must pay the Company, or make provision satisfactory to the Administrator for payment of, any taxes required by law to be withheld in connection with such Participant's Awards by the date of the event creating the tax liability. The Company may deduct an amount sufficient to satisfy such tax obligations based on the applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes (or such other rate as may be determined by the Company after considering any accounting

consequences or costs, but which shall in no event exceed, and may be less than, the maximum statutory withholding rates) from any payment of any kind otherwise due to a Participant. Subject to any Company insider trading policy (including blackout periods) and the terms of the applicable Award Agreement, Participants may satisfy such tax obligations (i) in cash, by wire transfer of immediately available funds, by check made payable to the order of the Company, (ii) to the extent permitted by the Administrator, in whole or in part by delivery of Shares, including Shares delivered by attestation and Shares retained from the Award creating the tax obligation, valued at their Fair Market Value on the date of delivery (or such other date determined by the Administrator), (iii) if there is a public market for Shares at the time the tax obligations are satisfied, unless the Administrator otherwise determines, (A) delivery (including telephonically to the extent permitted by the Administrator) of a notice that the Participant has placed a market sell order with a broker acceptable to the Administrator with respect to Shares then issuable upon exercise of the Award and that the broker has been directed to deliver promptly to the Company funds sufficient to satisfy the tax obligations, or (B) the Participant's delivery to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Administrator to deliver promptly to the Company an amount sufficient to satisfy the tax withholding by cash, check or wire transfer of immediately available funds; provided, that such amount is paid to the Company at such time as may be required by the Administrator, (iv) to the extent permitted by the Administrator, delivery of a promissory note or any other lawful consideration, or (v) any combination of the foregoing payment forms approved by the Administrator. If any tax withholding obligation will be satisfied under clause (ii) of the immediately preceding sentence by the Company's retention of Shares from the Award creating the tax obligation and there is a public market for Shares at the time the tax obligation is satisfied, the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on the applicable Participant's behalf some or all of the Shares retained and to remit the proceeds of the sale to the Company or its designee, and each Participant's acceptance of an Award under the Plan will constitute the Participant's authorization to the Company and instruction and authorization to such brokerage firm to complete the transactions described in this sentence.

Section 10.6 Amendment of Award; Prohibition on Repricing. The Administrator may amend, modify or terminate any outstanding Award, including by substituting another Award of the same or a different type, changing the exercise or settlement date, converting an Incentive Stock Option to a Nonqualified Stock Option and providing for cash settlement of an outstanding Award. The Participant's consent to such action will be required unless (i) the action, taking into account any related action, does not materially and adversely affect the economic benefits to be delivered under the Award as of the date of such amendment, modification or termination, or (ii) the change is permitted under Article 9 or pursuant to Sections 11.5 or 11.6. Other than pursuant to Sections 9.1 and 9.2, the Administrator shall not without the approval of the Company's stockholders (a) lower the exercise price per Share of an Option or Stock Appreciation Right after it is granted, (b) cancel an Option or Stock Appreciation Right when the exercise price per Share exceeds the Fair Market Value of one Share in exchange for cash or another Award, or (c) take any other action with respect to an Option or Stock Appreciation Right that the Company determines would be treated as a repricing under the rules and regulations of the principal U.S. national securities exchange on which the Shares are listed.

Section 10.7 Conditions on Delivery of Stock. The Company will not be obligated to deliver any Shares under the Plan or remove restrictions from Shares previously delivered under the Plan until (i) all Award conditions have been met or removed to the Company's satisfaction, (ii) as determined by the Company, all other legal matters regarding the issuance and delivery of such Shares have been satisfied, including any applicable securities laws and stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company deems necessary or appropriate to satisfy any Applicable Laws. The Company's inability to obtain authority from any regulatory body having jurisdiction, which the Company determines is necessary to the lawful issuance and sale of any securities, will relieve the Company of any liability for failing to issue or sell such Shares as to which such requisite authority has not been obtained.

Section 10.8 Award Vesting Limitations. Notwithstanding any other provision of the Plan to the contrary, but subject to Sections 9.1 and 9.2 of the Plan, an Award (or portion thereof) granted under the Plan shall vest no earlier than the first anniversary of the date the Award is granted; provided, however, that, notwithstanding the foregoing, the minimum vesting requirement of this Section 10.8 shall not apply to: (a) any Substitute Awards, (b) any Awards delivered in lieu of fully-vested cash based awards or payments, (c) any Awards to a non-employee Director for which the vesting period runs from the date of one annual meeting of the Company's stockholders to the next annual meeting of the Company's stockholders (provided that such vesting period may not be less than 50 weeks after grant), or (d) any other Awards granted by the Administrator from time to time that result in the issuance of an aggregate of up to 5% of the shares available for issuance under Section 5.1 as of the Effective Date. Nothing in this Section 10.8 shall preclude the Administrator from taking action, in its sole discretion, to accelerate the vesting of any Award in connection with or following a Participant's death, Disability, Termination of Service (other than for Cause) or, subject to Section 9.2, the consummation of a Change in Control.

Section 10.9 Fractional Shares. No fractional shares of Stock shall be issued and the Company shall determine, in its sole and absolute discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding down.

ARTICLE XI. MISCELLANEOUS

Section 11.1 No Right to Employment or Other Status. No person will have any claim or right to be granted an Award, and the grant of an Award will not be construed as giving a Participant the right to continue employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan or any Award, except as expressly provided in an Award Agreement.

Section 11.2 No Rights as Stockholder; Certificates. Subject to the Award Agreement, no Participant or Designated Beneficiary will have any rights as a stockholder with respect to any Shares to be distributed under an Award until becoming the record holder of such Shares. Notwithstanding any other provision of the Plan, unless the Company otherwise determines or Applicable Laws require, the Company will not be required to deliver to any Participant certificates

evidencing Shares issued in connection with any Award and instead such Shares may be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator). The Company may place legends on any share certificate or book entry to reference restrictions applicable to the Shares (including, without limitation, restrictions applicable to Restricted Stock).

Section 11.3 Effective Date and Term of Plan. Original Plan was effective April 18, 2017. This Plan will become effective on the date it is approved by the Company's stockholders (the "Effective Date"). The Plan will expire on, and no Award may be granted pursuant to the Plan after the tenth (10th) anniversary of the Effective Date, but Awards previously granted may extend beyond that date and shall remain in force according to the terms of the Plan and the applicable Award Agreement. If the Plan, as amended and restated in the form of this Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan is not approved by the Company's stockholders, then it will not become effective and the Original Plan will remain in full force and effect as originally adopted.

Section 11.4 Amendment of Plan. The Board or the Compensation Committee of the Board may amend, suspend or terminate the Plan at any time and from time to time; provided that (a) no amendment requiring stockholder approval to comply with Applicable Laws shall be effective unless approved by the Board and the Company's stockholders, and (b) no amendment, other than an increase to the Overall Share Limit, may materially and adversely affect the economic benefits to be delivered under any outstanding Award as of the date of such amendment without the affected Participant's consent. No Awards may be granted under the Plan during any suspension period or after Plan termination. Awards outstanding at the time of any Plan suspension or termination will continue to be governed by the Plan and the Award Agreement, as in effect before such suspension or termination. The Board will obtain stockholder approval of any Plan amendment to the extent necessary to comply with Applicable Laws.

Section 11.5 Provisions for Foreign Participants. The Administrator may modify Awards granted to Participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the Plan to address differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

Section 11.6 Section 409A.

(a) *General.* The Company intends that all Awards be structured to comply with, or be exempt from, Section 409A, such that no adverse tax consequences, interest, or penalties under Section 409A apply. Notwithstanding anything in the Plan or any Award Agreement to the contrary, the Administrator may, without a Participant's consent, amend the Plan or Awards, adopt policies and procedures, or take any other actions (including amendments, policies, procedures and retroactive actions) as are necessary or appropriate to preserve the intended tax treatment of Awards, including any such actions intended to (A) exempt the Plan or any Award from Section 409A, or (B) comply with Section 409A, including regulations, guidance, compliance programs and other interpretative authority that may be issued after an Award's grant date. The Company makes no representations or warranties as to an Award's tax treatment under Section 409A or otherwise. The Company will have no obligation under this Section 11.6 or otherwise to avoid the

taxes, penalties or interest under Section 409A with respect to any Award and will have no liability to any Participant or any other person if any Award, compensation or other benefits under the Plan are determined to constitute noncompliant “nonqualified deferred compensation” subject to taxes, penalties or interest under Section 409A.

(b) *Separation from Service.* If an Award constitutes “nonqualified deferred compensation” under Section 409A, any payment or settlement of such Award upon a Participant’s Termination of Service will, to the extent necessary to avoid taxes under Section 409A, be made only upon the Participant’s “separation from service” (within the meaning of Section 409A), whether such “separation from service” occurs upon or after the Participant’s Termination of Service. For purposes of the Plan or any Award Agreement relating to any such payments or benefits, references to a “termination,” “termination of employment” or like terms means a “separation from service.”

(c) *Payments to Specified Employees.* Notwithstanding any contrary provision in the Plan or any Award Agreement, any payment(s) of “nonqualified deferred compensation” required to be made under an Award to a “specified employee” (as defined under Section 409A and as the Company determines) due to his or her “separation from service” will, to the extent necessary to avoid taxes under Section 409A(a)(2)(B)(i) of the Code, be delayed for the six-month period immediately following such “separation from service” (or, if earlier, until the specified employee’s death) and will instead be paid (as set forth in the Award Agreement) on the day immediately following such six-month period or as soon as administratively practicable thereafter (without interest). Any payments of “nonqualified deferred compensation” under such Award payable more than six months following the Participant’s “separation from service” will be paid at the time or times the payments are otherwise scheduled to be made.

(d) *Dividend Equivalents.* Dividend Equivalents and any amounts that may become distributable in respect thereof shall be treated separately from any Award(s) to which such Dividend Equivalents relate, and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A.

Section 11.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 under the Exchange Act or any successor rule) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

Section 11.8 Limitations on Liability. Notwithstanding any other provisions of the Plan, no individual acting as a Director, officer or other Employee of the Company or any Subsidiary will be liable to any Participant, former Participant, spouse, beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan or any Award, and such individual will not be personally liable with respect to the Plan because of any contract or other instrument executed in his or her capacity as an Administrator, Director, officer or other Employee of the Company or any Subsidiary. The Company will indemnify and hold

harmless each Director, officer or other Employee of the Company or any Subsidiary that has been or will be granted or delegated any duty or power relating to the Plan's administration or interpretation, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Company's approval) arising from any act or omission concerning the Plan unless arising from such person's own fraud or bad faith; provided, that he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf.

Section 11.9 Data Privacy. As a condition for receiving any Award, each Participant explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in this Section by and among the Company and its Subsidiaries and affiliates exclusively for implementing, administering and managing the Participant's participation in the Plan. The Company and its Subsidiaries and affiliates may hold certain personal information about a Participant, including the Participant's name, address and telephone number; birthdate; social security, insurance number or other identification number; salary; nationality; job title(s); any Shares held in the Company or its Subsidiaries and affiliates; and Award details, to implement, manage and administer the Plan and Awards (the "Data"). The Company and its Subsidiaries and affiliates may transfer the Data amongst themselves as necessary to implement, administer and manage a Participant's participation in the Plan, and the Company and its Subsidiaries and affiliates may transfer the Data to third parties assisting the Company with Plan implementation, administration and management. These recipients may be located in the Participant's country, or elsewhere, and the Participant's country may have different data privacy laws and protections than the recipients' country. By accepting an Award, each Participant authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, to implement, administer and manage the Participant's participation in the Plan, including any required Data transfer to a broker or other third party with whom the Company or the Participant may elect to deposit any Shares. The Data related to a Participant will be held only as long as necessary to implement, administer, and manage the Participant's participation in the Plan. A Participant may, at any time, view the Data that the Company holds regarding such Participant, request additional information about the storage and processing of the Data regarding such Participant, recommend any necessary corrections to the Data regarding the Participant or refuse or withdraw the consents in this Section 11.9 in writing, without cost, by contacting the local human resources representative. The Company may cancel Participant's ability to participate in the Plan and, in the Company's sole discretion, the Participant may forfeit any outstanding Awards if the Participant refuses or withdraws the consents in this Section 11.9. For more information on the consequences of refusing or withdrawing consent, Participants may contact their local human resources representative.

Section 11.10 Severability. If any portion of the Plan or any action taken under it is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provisions had been excluded, and the illegal or invalid action will be null and void

Section 11.11 Governing Documents. If any contradiction occurs between the Plan and any Award Agreement or other written agreement between a Participant and the Company (or any Subsidiary), the Plan will govern, unless such Award Agreement or other written agreement was

approved by the Administrator and expressly provides that a specific provision of the Plan will not apply.

Section 11.12 Governing Law. The Plan and all Awards will be governed by and interpreted in accordance with the laws of the State of Delaware, disregarding the choice-of-law principles of the State of Delaware and any other state requiring the application of a jurisdiction's laws other than the State of Delaware.

Section 11.13 Clawback Provisions. All Awards (including the gross amount of any proceeds, gains or other economic benefit the Participant actually or constructively receives upon receipt or exercise of any Award or the receipt or resale of any Shares underlying the Award) will be subject to recoupment by the Company to the extent required to comply with Applicable Laws or any policy of the Company providing for the reimbursement of incentive compensation.

Section 11.14 Titles and Headings. The titles and headings in the Plan are for convenience of reference only and, if any conflict, the Plan's text, rather than such titles or headings, will control.

Section 11.15 Conformity to Applicable Laws. Participant acknowledges that the Plan is intended to conform to the extent necessary with Applicable Laws. Notwithstanding anything herein to the contrary, the Plan and all Awards will be administered only in a manner intended to conform with Applicable Laws. To the extent Applicable Laws permit, the Plan and all Award Agreements will be deemed amended as necessary to conform to Applicable Laws.

Section 11.16 Relationship to Other Benefits. No payment under the Plan will be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary, except as expressly provided in writing in such other plan or an agreement thereunder.

Section 11.17 Broker-Assisted Sales. In the event of a broker-assisted sale of Shares in connection with the payment of amounts owed by a Participant under or with respect to the Plan or Awards, including amounts to be paid under the final sentence of Section 10.5: (a) any Shares to be sold through the broker-assisted sale will be sold on the day the payment first becomes due, or as soon thereafter as practicable; (b) such Shares may be sold as part of a block trade with other Participants in the Plan in which all participants receive an average price; (c) the applicable Participant will be responsible for all broker's fees and other costs of sale, and by accepting an Award, each Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (d) to the extent the Company or its designee receives proceeds of such sale that exceed the amount owed, the Company will pay such excess in cash to the applicable Participant as soon as reasonably practicable; (e) the Company and its designees are under no obligation to arrange for such sale at any particular price; and (f) in the event the proceeds of such sale are insufficient to satisfy the Participant's applicable obligation, the Participant may be required to pay immediately upon demand to the Company or its designee an amount in cash sufficient to satisfy any remaining portion of the Participant's obligation.

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of Farmer Bros. Co. on April 18, 2017.

I hereby certify that the foregoing Plan was approved by the stockholders of Farmer Bros. Co. on [●], 2020. Executed on this [●].

Corporate Secretary

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

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

For the fiscal year ended June 30, 2020

OR

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

For the transition period from _____ **to** _____

Commission file number: 001-34249

FARMER BROS. CO.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-0725980

(I.R.S. Employer Identification No.)

1912 Farmer Brothers Drive, Northlake, Texas 76262

(Address of Principal Executive Offices; Zip Code)

888 998-2468

(Registrant's Telephone Number, Including Area Code)

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES No

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

PART I

Item 1. Business

Overview

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

Products

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

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

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

Business Strategy

Overview

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

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

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

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

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

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

Strategic Initiatives

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

Empower Talent

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

Enrich Customer Relationships

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

Enhance Processes & Systems

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

Execute Optimization

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

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

Elevate Innovation

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

Expand Sustainability Leadership

- *Sustainability.* We believe that our collective efforts in measuring our social and environmental impact, creating programs for waste, water and energy reduction, promoting partnerships in our supply chain that aim at supply chain stability and food security, and focusing on employee engagement place us in a unique position to help retailers and foodservice operators create differentiated coffee and tea programs that can include sustainable supply chains, direct trade purchasing, training and technical assistance, recycling and composting networks, and packaging material reductions. During fiscal 2020, we achieved the Carbon Disclosure Project's Climate leadership level for our efforts to reduce Scope 1, 2 and 3 emissions (direct emissions, indirect emissions from consumption of purchased electricity, heat or steam and other indirect emissions). Further, in fiscal 2020, we published our annual sustainability report based on the Global Reporting Initiative's comprehensive compliance standard. In addition, China Mist is a member of the Ethical Tea Partnership (the "ETP"), a non-profit organization that works to improve the sustainability of the tea sector, the lives of tea workers and farmers, and the environment in which tea is produced. As a member of the ETP, China Mist sources all of its tea from tea plantations that are certified, monitored, and regularly audited by the ETP.
- *Science-Based Carbon Reduction Targets.* We believe combating climate change is critical to the future of our company, the coffee industry, coffee growers and the world. In fiscal 2020 we made progress towards our science based carbon reduction targets. With a new baseline established in fiscal 2018, we set more ambitious goals in line with efforts to limit global warming to 1.5°C. Setting approved targets places us among those responsible businesses that are making measurable contributions to incorporate sustainability within their business strategy.
- *Zero Waste to Landfill.* Achieving zero waste in our production and distribution facilities is a significant step in reaching our overall sustainability goals. In fiscal 2020 we maintained our goal of 90% waste diversion for our primary production and distribution facilities. To accomplish this goal, we implemented ambitious recycling and composting guidelines across these facilities.
- *LEED® Certified Facilities.* Our Portland production and distribution facility was one of the first in the Northwest to achieve LEED® Silver Certification. Our corporate offices in Northlake, Texas has also achieved LEED® Silver Certification.
- *Expansion of Project D.I.R.E.C.T.® Program.* In fiscal 2020, we continued to grow our direct trade sourcing model, Project D.I.R.E.C.T.®. This model is an impact-based product or raw material sourcing framework that utilizes data-based sustainability metrics to influence an inclusive, collaborative approach to sustainability along the supply chain. To evaluate whether coffee is Project D.I.R.E.C.T.®, we follow an outcome-based evaluation framework. The result of this evaluation impacts where we invest our resources within our supply chain and has led to an increased level of transparency for us. Project D.I.R.E.C.T.® represents a growing part of our coffee portfolio.
- *Green Coffee Traceability.* We are committed to the inclusion of more sustainably-sourced coffees in our supply chain. Regulatory and reputational risks can increase when customers, roasters and suppliers cannot see back into their supply chain. To address these concerns, as well as to deepen our commitment to the longevity of the coffee industry, we track traceability levels from all green coffee suppliers on a per-contract basis. During fiscal 2020, we continued to monitor purchases from coffee suppliers and ask for them to provide traceability information on a per contract basis. This helps us to bring transparency to our supply chain, rank our suppliers, and also to identify opportunities to select trusted providers, cooperatives, mills, exporters, etc., when offering sustainable coffees to our customers.
- *Supplier Sustainability.* We are committed to working with suppliers who share our social, environmental and economic sustainability goals. Regulatory and reputational risks can increase when suppliers are not held to the same strict standards to which we hold ourselves. To address this concern, we annually survey all green coffee suppliers along with our top suppliers of processed coffee and non-coffee products to assess their social, environmental, and economic sustainability practices and alignment with the United Nations Global Compact, a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, documenting 96% compliance with United Nations Global Compact practices from all respondents. Existing suppliers and new suppliers must acknowledge and adhere to our Supplier Standards of Engagement. These Standards of Engagement set minimum standards for Suppliers that are designed to provide Farmer Bros. visibility into all

aspects of its supply chain and meets these objectives. These Standards of Engagement also serve as Supplier's Certificate of Compliance, executed by the supplier, representing supplier's receipt and acknowledgment of the Standards of Engagement and agreement to comply with the same.

Charitable Activities

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

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

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

Industry and Market Leadership

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

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

Raw Materials and Supplies

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

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

Intellectual Property

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

Seasonality

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

Distribution

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

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

Customers

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

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

Competition

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

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

Working Capital

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

Regulatory Environment

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

Employees

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

Other

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

Available Information

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

Item 1A. Risk Factors

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

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

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

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

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

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

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

condition and results of operations. Further, any unplanned turnover or failure to develop or implement an adequate succession plan for our senior management and other key employees, could deplete our institutional knowledge base, erode our competitive advantage, and negatively affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

increased input costs, or if our sales volume decreases significantly as a result of price increases, our results of operations and financial condition may be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Selling products for human consumption involves inherent legal risks. Our success depends on our ability to provide customers with high-quality products and service. Although we take measures to ensure that we sell only fresh products, we have no control over our products once they are purchased by our customers. Clean water is critical to the preparation of coffee, tea and other beverages. We have no ability to ensure that our customers use a clean water supply to prepare these beverages. Instances or reports of food safety issues involving our products, whether or not accurate, such as unclean water supply, food

or beverage-borne illnesses, tampering, contamination, mislabeling, or other food or beverage safety issues, including due to the failure of our third-party co-packers to maintain the quality of our products and to comply with our product specifications, could damage the value of our brands, negatively impact sales of our products, and potentially lead to product recalls, production interruptions, product liability claims, litigation or damages. A significant product liability claim against us, whether or not successful, or a widespread product recall may reduce our sales and harm our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

Our success largely depends on the efforts and abilities of our executive officers and other key personnel. In the past year, we have experienced significant turnover in our senior management ranks. The lack of management continuity could adversely affect our ability to successfully manage our business and execute our strategy, as well as result in operational and administrative inefficiencies and added costs, and may make recruiting for future management positions more difficult. We must continue to recruit, retain, motivate and develop management and other employees sufficiently to maintain our current business and support our projected growth and strategic initiatives. This may require significant investments in training, coaching and other career development and retention activities. Activities related to identifying, recruiting, hiring and integrating qualified individuals require significant time and attention. We may also need to invest significant amounts of cash and equity to attract talented new employees, and we may never realize returns on these investments. Competition for talent is intense, and we might

not be able to identify and hire the personnel we need to continue to evolve and grow our business. If we are not able to effectively retain and grow our talent, our ability to achieve our strategic objectives will be adversely affected, which may impact our financial condition and results of operations. Further, any unplanned turnover or failure to develop or implement an adequate succession plan for our senior management and other key employees, could deplete our institutional knowledge base, erode our competitive advantage, and negatively affect our business, financial condition and results of operations. We do not maintain key person life insurance policies on any of our executive officers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

debt securities, which may have rights, preferences or privileges senior to our common stock. As a result, our common stockholders may experience dilution. Any of the foregoing could have a material adverse effect on the holders of our common stock.

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

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

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

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

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

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

Our ability to effectively manage our business, maintain information accuracy and efficiency, comply with regulatory, financial reporting, legal and tax requirements, and coordinate the production, distribution and sale of our products depends significantly on the reliability, capacity and integrity of information technology systems, software and networks. We are also dependent on enterprise resource planning software for some of our information technology systems and support. The failure of these systems to operate effectively and continuously for any reason could result in delays in processing replenishment orders from our branch warehouses, an inability to record input costs or product sales accurately or at all, an impaired understanding of our operations and results, an increase in operating expenses, reduced operational efficiency, loss of customers or other business disruptions, all of which could negatively affect our business and results of operations. To date, we have not experienced a material breach of cyber security, however our computer systems have been, and will likely continue to be, subjected to unauthorized access or phishing attempts, computer viruses, malware, ransomware or other malicious codes. These threats are constantly evolving and this increases the difficulty of timely detection and successful defense. As a result, security, backup, disaster recovery, administrative and technical controls, and incident response measures may not be adequate or implemented

properly to prevent cyber-attacks or other security breaches to our systems. Failure to effectively allocate and manage our resources to build, sustain, protect and upgrade our information technology infrastructure could result in transaction errors, processing inefficiencies, the loss of customers, reputational damage, litigation, business disruptions, or the loss of sensitive or confidential data through security breach or otherwise. Significant capital investments could be required to remediate any potential problems or to otherwise protect against security breaches or to address problems caused by breaches. In addition, if our customers or suppliers experience a security breach or system failure, their businesses could be disrupted or negatively affected, which may result in a reduction in customer orders or disruption in our supply chain, which would adversely affect our results of operations.

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

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

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

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

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

Future impairment charges could adversely affect our operating results.

At June 30, 2020, we had \$20.7 million in long-lived intangible assets, including recipes, non-compete agreements, customer relationships, trade names, trademarks and a brand name, associated with completed acquisitions. Acquisitions are based on certain target analysis and due diligence procedures designed to achieve a desired return or strategic objective. These procedures often involve certain assumptions and judgment in determining the acquisition price. After consummation of an acquisition, unforeseen issues could arise that adversely affect anticipated returns or that are otherwise not recoverable as an

adjustment to the purchase price. Even after careful integration efforts, actual operating results may vary significantly from initial estimates. We perform an asset impairment analysis on an annual basis or whenever events occur that may indicate possible existence of impairment. Failure to achieve forecasted operating results, due to weakness in the economic environment or other factors, changes in market conditions, loss of or significant decline in sales to customers included in valuation of the intangible asset, changes in our imputed cost of capital, and declines in our market capitalization, among other things, could result in impairment of our intangible assets and goodwill and adversely affect our operating results. For the year ended June 30, 2020, we had full goodwill impairment and partial impairment of long-lived intangible assets.

Item 1.B. Unresolved Staff Comments

None.

Item 2. Properties

Our current production and distribution facilities are as follows:

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

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

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

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

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

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

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

Holders

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

Equity Compensation Plan Information

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

Performance Graph

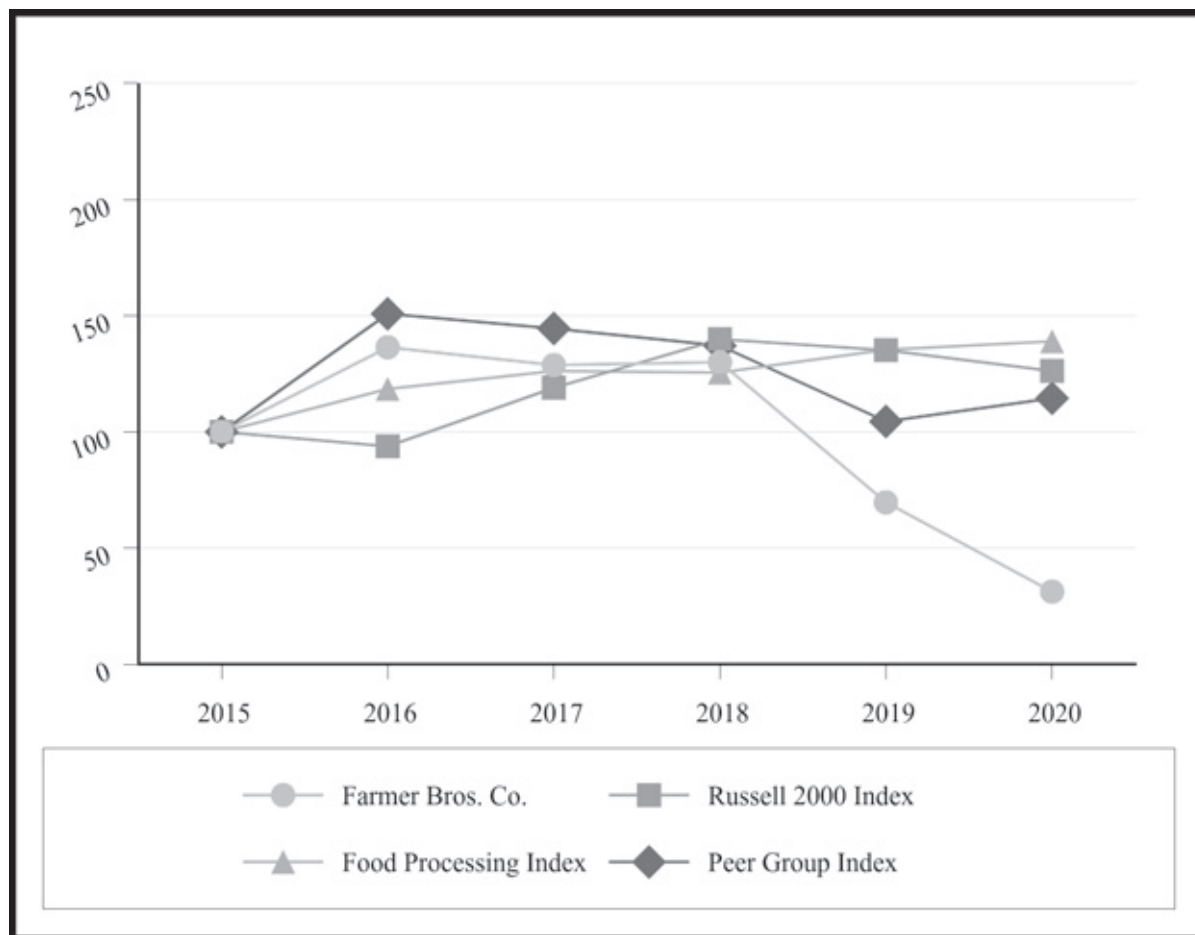
The following graph depicts a comparison of the total cumulative stockholder return on our common stock for each of the last five fiscal years relative to the performance of the Russell 2000 Index, the Value Line Food Processing Index and a peer group index. Companies in the Russell 2000, Value Line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

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

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

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

Total Return Performance Table



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

Issuer Purchases of Equity Securities

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

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

Item 6. Selected Financial Data

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

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

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

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

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

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

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

Our Business

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

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

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

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

Impact of the COVID-19 Pandemic on Our Business

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

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

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

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

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

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

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

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

Summary Overview of Fiscal Year Ended June 30, 2020 Results

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

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

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

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

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

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

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

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

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

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

NM - Not Meaningful

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

Factors Affecting Our Business

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

- **Investment in State-of-the-Art Facility and Capacity Expansion.** We are focused on leveraging our investment in the Northlake, Texas, facility to produce the highest quality coffee in response to the market shift to premium and specialty coffee, support volume rebalancing across our manufacturing network and create sustainable long-term growth. However, until we complete the transition of most manufacturing to our Northlake facility, we will continue to experience higher manufacturing costs driven by downtime and inefficiencies associated with certain aging production infrastructure.
- **Supply Chain Efficiencies and Competition.** In order to compete effectively and capitalize on growth opportunities, we must retain and continue to grow our customer base, evaluate and undertake initiatives to reduce costs and streamline our supply chain. We continue to look for ways to deploy our personnel, systems, assets and infrastructure to create or enhance stockholder value. Areas of focus include distribution network optimization, opening a western U.S. distribution facility, methods of procurement, logistics, inventory management, supporting technology, and real estate assets.
- **Demographic and Channel Trends.** Our success is dependent upon our ability to develop new products in response to demographic and other trends to better compete in areas such as premium coffee and tea, including expansion of our product portfolio by investing resources in what we believe to be key growth categories and different formats. We continue to focus on accelerating our roastery direct and e-commerce initiatives via a new digital platform.
- **Fluctuations in Green Coffee Prices.** Our primary raw material is green coffee, an exchange-traded agricultural commodity that is subject to price fluctuations. Over the past five years, coffee “C” market near month price per pound ranged from approximately \$0.88 to \$1.74. The coffee “C” market near month price as of June 30, 2020 and 2019 was \$1.04 and \$1.10 per pound, respectively. The price and availability of green coffee directly impacts our results of operations. For additional details, see *Risk Factors* in Part I, Item 1A of this report.
- **Coffee Brewing Equipment and Service.** We offer our customers a comprehensive equipment program and 24/7 nationwide equipment service which we believe differentiates us in the marketplace. We offer a full spectrum of equipment needs, which includes brewing equipment installation, water filtration systems, equipment training, and maintenance services to ensure we are able to meet our customer’s demands.
- **Hedging Strategy.** We are exposed to market risk of losses due to changes in coffee commodity prices. Our business model strives to reduce the impact of green coffee price fluctuations on our financial results and to protect and stabilize our margins, principally through customer arrangements and derivative instruments, as further explained in Note 6, Derivative Instruments, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.
- **Sustainability.** With an increasing focus on sustainability across the coffee and foodservice industry, and particularly from the customers we serve, it is important for us to embrace sustainability across our operations, in the quality of our products, as well as, how we treat our coffee growers. We believe that our collective efforts in measuring our social and environmental impact, creating programs for waste, water and energy reduction, promoting partnerships in our supply chain that aim at supply chain stability and food security, and focusing on employee engagement place us in a unique position to help retailers and foodservice operators create differentiated coffee and tea programs that can include sustainable supply chains, direct trade purchasing, training and technical assistance, recycling and composting networks, and packaging material reductions.

Results of Operations

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

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

NM - Not Meaningful

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

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

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

Fiscal Years Ended June 30, 2020 and 2019

Net Sales

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

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

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

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

Gross Profit

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

Operating Expenses

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

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

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

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

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

Total Other Income (Expense)

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

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

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

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

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

Income Taxes

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

Fiscal Years Ended June 30, 2019 and 2018

Net Sales

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

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

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

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

Gross Profit

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

Operating Expenses

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

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

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

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

Total Other (Expense) Income

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

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

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

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

Income Taxes

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

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

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

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

We believe that EBITDA facilitates operating performance comparisons from period to period by isolating the effects of certain items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. These potential differences may be caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age

and book depreciation of facilities and equipment (affecting relative depreciation expense). We also present EBITDA and EBITDA Margin because (i) we believe that these measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry, (ii) we believe that investors will find these measures useful in assessing our ability to service or incur indebtedness, and (iii) we use these measures internally as benchmarks to compare our performance to that of our competitors.

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

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

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

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

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

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

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

(2) Fiscal year ended June 30, 2019, includes \$3.4 million, including interest, assessed by the WC Pension Trust representing the Company's share of the WCTPP unfunded benefits due to the Company's partial withdrawal from the WCTPP as a result of employment actions taken by the Company in 2016 in connection with the Corporate Relocation Plan, net of payments of \$0.8 million.

(3) Adjusted EBITDA for fiscal 2020 includes \$7.2 million of higher amortized gains resulting from the curtailment of the postretirement medical plan in March 2020. These higher gains will continue until the plan sunset on January 1, 2021. See [Note 13, Employee Benefit Plans](#), of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Liquidity, Capital Resources and Financial Condition

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

Revolving Credit Facility

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

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

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

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

The Third Amendment, among other things:

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

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

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

Liquidity

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

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

Impact of COVID-19 on Our Liquidity

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

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

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

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

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

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

Cash Flows

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

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

Operating Activities

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

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

Investing Activities

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

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

Financing Activities

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

Net cash provided by financing activities in fiscal year ended June 30, 2019 decreased \$60.5 million as compared to fiscal year ended June 30, 2018. Net cash provided by financing activities in fiscal year ended June 30, 2019 included \$2.2 million

in net borrowings compared to \$62.2 million in net borrowings in the fiscal year ended June 30, 2018. In fiscal year ended June 30, 2018, \$39.6 million of the net borrowings was used to fund the purchase of the Boyd Business.

Contractual Obligations, Commitments and Contingencies

Contractual Obligations

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

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

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

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

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

Capital Expenditures

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

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

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

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

Acquisitions

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

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

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

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

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

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

Recent Accounting Pronouncements

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

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

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

Exposure to Commodity Price Fluctuations and Derivative Instruments

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

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

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

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

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

Inventories

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

Impairment of Goodwill and Indefinite-lived Intangible Assets

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

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

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

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

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

Other Intangible Assets

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

Self-Insurance

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

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

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

Employee Benefit Plans

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

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

annual amounts could be impacted by changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plans and other factors.

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

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

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

Share-based Compensation

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

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

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

Income Taxes

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

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

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

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

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

Commodity Price Risk

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

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

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

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

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

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

Management's Report on Internal Control Over Financial Reporting

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

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

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

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
September 10, 2020

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

Code of Conduct and Ethics

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

Compliance with Section 16(a) of the Exchange Act

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

Item 11. Executive Compensation

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

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

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

Equity Compensation Plan Information

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

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

- (1) Includes shares issued under the Prior Plans and the 2017 Plan. The 2017 Plan succeeded the Prior Plans. On the Effective Date of the 2017 Plan, the Company ceased granting awards under the Prior Plans; however, awards outstanding under the Prior Plans will remain subject to the terms of the applicable Prior Plan.
- (2) Includes shares that may be issued upon the achievement of certain financial and other performance criteria as a condition to vesting in addition to time-based vesting pursuant to PBRsUs granted under the 2017 Plan. The PBRsUs included in the table include the maximum number of shares that may be issued under the awards. Under the terms of the awards, the recipient may earn between 0% and 150% of the target number of PBRsUs depending on the extent to which the Company meets or exceeds the achievement of the applicable financial performance goals.
- (3) Does not include outstanding PBRsUs.
- (4) The 2017 Plan authorizes the issuance of (i) 900,000 shares of common stock plus (ii) the number of shares of common stock subject to awards under the Company's Prior Plans that are outstanding as of the Effective Date and that expire or are forfeited, cancelled or similarly lapse following the Effective Date. Subject to certain limitations, shares of common stock covered by awards granted under the 2017 Plan that are forfeited, expire or lapse, or are repurchased for or paid in cash, may be used again for new grants under the 2017 Plan. Shares of common stock granted under the 2017 Plan may be authorized but unissued shares, shares purchased on the open market or treasury shares. In no event will more than 900,000 shares of common stock be issuable pursuant to the exercise of incentive stock options under the 2017 Plan. The 2017 Plan provides for the grant of stock options (including incentive stock options and non-qualified stock options), stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance shares and other stock- or cash-based awards to eligible participants. Non-employee directors of the Company and employees of the Company or any of its subsidiaries are eligible to receive awards under the 2017 Plan.
- (5) Consists of grants made under the Farmer Bros. Co. 2020 Inducement Incentive Award Plan (the "Inducement Award Plan"), which in accordance with Rule 5635(c)(4) of the Nasdaq Stock Market LLC listing rules ("Rule 5635(c)(4)") permits grants of up to 300,000 shares of common stock to newly hired employees who have not previously been a member of the Board, or to an employee who is being rehired following a bona fide period of non-employment by the Company or a subsidiary, as a material inducement to the employee's entering into employment with the Company or its subsidiary. Subject to certain limitations, shares of common stock covered by awards granted under the Inducement Award Plan that are forfeited, expire or lapse, or are repurchased for or paid in cash, may be used again for new grants under the 2017 Plan. The Inducement Award Plan allows for the grant of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, and dividend equivalents

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

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

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements.

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

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

(b) Exhibits:

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

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

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

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

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

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

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

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

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

** Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

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

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

Basis for Opinion

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

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

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
September 10, 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FARMER BROS. CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Introduction and Basis of Presentation

Description of Business

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

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

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

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

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

Use of Estimates

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

Cash Equivalents

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

Allowance for doubtful accounts

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

Investments

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

Fair Value Measurements

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

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

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

Derivative Instruments

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

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

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

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

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

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

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

Concentration of Credit Risk

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

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

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

Inventories

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

Property, Plant and Equipment

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

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

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

Coffee Brewing Equipment and Service

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

Leases

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

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

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

Income Taxes

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

Deferred Tax Asset Valuation Allowance

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

Revenue Recognition

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

Net (Loss) Income Per Common Share

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

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

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

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

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

Employee Stock Ownership Plan

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

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

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

Share-based Compensation

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

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

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

Impairment of Goodwill and Indefinite-lived Intangible Assets

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

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

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

Other Intangible Assets

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

Shipping and Handling Costs

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

Collective Bargaining Agreements

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

Self-Insurance

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

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

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

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

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

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

Pension Plans

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

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

Business Combinations

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

Restructuring Plans

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

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

Recent Accounting Pronouncements

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

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

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

Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

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

Adoption of ASC 842 - Leases

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

Note 3. Acquisitions

Boyd Coffee Company

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

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

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

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

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

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

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

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

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

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

<u>(In thousands)</u>	<u>For the Year Ended June 30,</u>	
	<u>2018</u>	
Net sales	\$	67,385
Income before taxes	\$	1,572

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

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

<u>(In thousands)</u>	<u>For the Year Ended June 30,</u>	
	<u>2018</u>	
Net sales	\$	628,526
(Loss) income before taxes	\$	(642)

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

Note 4. Restructuring Plans

DSD Restructuring Plan

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

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

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

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

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

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

Note 5. Sales of Assets

Sale of Office Coffee Assets

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

Sale of Branch Properties

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

(In thousands)

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

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

Sale leaseback of Houston Facility

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

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

Note 6. Derivative Instruments

Derivative Instruments Held

Coffee-Related Derivative Instruments

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

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

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

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

Interest Rate Swap Derivative Instruments

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

Effect of Derivative Instruments on the Financial Statements

Balance Sheets

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

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

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

(2) Included in "Long-term derivative assets" on the Company's consolidated balance sheets.

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

(4) Included in "Other long-term liabilities" on the Company's consolidated balance sheets.

Statements of Operations

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

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

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

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

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

hedges are included in “Other, net” in the Company’s consolidated statements of operations and in “Net losses (gains) on derivative instruments and investments” in the Company’s consolidated statements of cash flows.

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

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

(1) Excludes net losses and net gains on coffee-related derivative instruments designated as cash flow hedges recorded in cost of goods sold in the fiscal years ended June 30, 2020, 2019 and 2018.

(2) Presented in accordance with implementation of ASU 2017-07. Includes amortized gains on postretirement medical benefit plan due to the curtailment announced in March 2020.

Offsetting of Derivative Assets and Liabilities

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

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

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

Cash Flow Hedges

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

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

Note 7. Leases

See [Note 2](#) for additional information regarding the adoption of ASU 2016-02, *Leases*.

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

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

The components of lease expense are as follows:

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

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

Lease term and discount rate:

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

Other Information:

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

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

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

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

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

Note 8. Fair Value Measurements

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

<u>(In thousands)</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>As of June 30, 2020</u>				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets(1)	\$ 45	\$ —	\$ 45	\$ —
Coffee-related derivative liabilities(1)	\$ 3,568	\$ —	\$ 3,568	\$ —
Interest rate swap derivative liabilities(2)	\$ 3,841	\$ —	\$ 3,841	\$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets(1)	\$ 130	\$ —	\$ 130	\$ —
Coffee-related derivative liabilities(1)	\$ 706	\$ —	\$ 706	\$ —
<u>(In thousands)</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>As of June 30, 2019</u>				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets(1)	\$ 1,925	\$ —	\$ 1,925	\$ —
Coffee-related derivative liabilities(1)	\$ 1,127	\$ —	\$ 1,127	\$ —
Interest rate swap derivative liabilities(2)	\$ 1,845	\$ —	\$ 1,845	\$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets(1)	\$ 614	\$ —	\$ 614	\$ —
Coffee-related derivative liabilities(1)	\$ 114	\$ —	\$ 114	\$ —

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

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

Note 9. Accounts Receivable, Net

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

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

Allowance for doubtful accounts:

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

Note 10. Inventories

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

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

Note 11. Property, Plant and Equipment

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

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

(2) Decrease as of June 30, 2020 is due to retirements and sale of assets.

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

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

Coffee Brewing Equipment (“CBE”) and Service

Capitalized CBE included in machinery and equipment above are:

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

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

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

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

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

Note 12. Goodwill and Intangible Assets

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

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

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

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

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

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

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

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

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

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

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

Note 13. Employee Benefit Plans

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

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

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

Single Employer Pension Plans

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

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

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

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

Obligations and Funded Status

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

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

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

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

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

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

Description of Investment Policy

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

Additional Disclosures

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

Fair values of plan assets were as follows:

	As of June 30, 2020					Investments measured at NAV
	Total	Level 1	Level 2	Level 3		
(In thousands)						
Brewmatic Plan	\$ 75,904	\$ —	\$ —	\$ —	\$ 75,904	
Hourly Employees' Plan	\$ 3,915	\$ —	\$ —	\$ —	\$ 3,915	
As of June 30, 2019						
(In thousands)						
Brewmatic Plan	\$ 75,411	\$ —	\$ —	\$ —	\$ 75,411	
Hourly Employees' Plan	\$ 3,778	\$ —	\$ —	\$ —	\$ 3,778	

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

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

Estimated Amounts in OCI Expected To Be Recognized

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

Estimated Future Contributions and Refunds

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

Estimated Future Benefit Payments

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

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

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

Multiemployer Pension Plans

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

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

<u>(In thousands)</u>	<u>WCTPP(1)(2)(3)(5)</u>	<u>All Other Plans(4)</u>
Year Ended:		
June 30, 2020	\$ 1,685	\$ 34
June 30, 2019	\$ 3,634	\$ 39
June 30, 2018	\$ 1,605	\$ 35

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

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

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

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

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

(1) Initial liability amount of \$3.4 million, including interest, commencing in September 10, 2018, payable in 17 monthly installments of \$190,507 followed by a final monthly installment of \$153,822 in February 2020.

(2) Lump sum cash settlement payment of \$3.0 million in fiscal 2019 plus two remaining installment payments of \$91,000 due on or before October 1, 2034 and on or before January 1, 2035. As of June 30, 2020, the Company has paid the Local 807 Pension Fund \$3.0 million and has accrued \$0.2 million within "Accrued pension liabilities" on the Company's consolidated balance sheet.

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

Multiemployer Plans Other Than Pension Plans

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

401(k) Plan

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

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

Postretirement Benefits

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

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

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

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

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

Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

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.

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

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

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

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

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

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

Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

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

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

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

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

Sensitivity in Fiscal 2021 Results

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

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

Note 14. Debt Obligations

The following table summarizes the Company's debt obligations:

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

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

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

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

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

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

The Third Amendment, among other things:

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

- (ii) a standalone minimum monthly EBITDA covenant tested on the last day of July 2021 and August 2021; and
- (iii) a restriction on capital expenditures such that the amount of capital expenditures shall not exceed \$25.0 million in the aggregate.
- (6) added covenant requiring the Company to maintain a minimum liquidity covenant, tested on a weekly basis;
- (7) added an anti-cash hoarding provision;
- (8) added a minimum fixed charge coverage ratio of 1.05:1.00 commencing with fiscal quarter ending September 30, 2021, and tested on a quarterly basis thereafter;
- (9) modified the applicable margin for base rate loans to range from PRIME + 3.50% to PRIME + 4.50% per annum and the applicable margin for Eurodollar loans to range from Adjusted LIBO Rate + 4.50% to Adjusted LIBO Rate + 5.50% per annum and fixed the commitment fee at 0.50%;
- (10) provided for the revolving commitments to be reduced upon the occurrence of certain asset dispositions and incurrence of non-permitted indebtedness and imposed additional restrictions on the Company's ability to utilize certain other negative covenant baskets; and
- (11) added a requirement to provide mortgages and related mortgage instruments with respect to certain specified real property owned by the Company.

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

Note 15. Employee Stock Ownership Plan

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

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

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

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

Note 16. Share-based Compensation

Farmer Bros. Co. 2017 Long-Term Incentive Plan

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

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

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

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

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

Farmer Bros. Co. 2020 Inducement Incentive Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Restricted Stock

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

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

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

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

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

Performance-Based Restricted Stock Units (“PBRsUs”)

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

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

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

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

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

Performance Cash Awards (“PCAs”)

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

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

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

Note 17. Other Current Liabilities

Other current liabilities consist of the following:

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

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

Note 18. Other Long-Term Liabilities

Other long-term liabilities include the following:

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

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

Note 19. Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 20. Net (Loss) Income Per Common Share

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

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

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

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

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

Note 21. Preferred Stock

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

Series A Convertible Participating Cumulative Perpetual Preferred Stock

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

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

(In thousands, except share and per share amounts)

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

Note 22. Commitments and Contingencies

Purchase Commitments

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

Legal Proceedings

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

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

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

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

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

“additives to” and “flavorings” in coffee. The JDG has responded to the discovery requests but Plaintiff has filed a motion to compel further answers to discovery and production of documents. The Court has continued a hearing on this matter until August 21, 2020.

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

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

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

Note 23. Revenue Recognition

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

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

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

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

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

(2) Represents revenues for certain transition services related to the sale of the Company’s office coffee assets.

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

Note 24. Selected Quarterly Financial Data (Unaudited)

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

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

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

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

Note 25. Subsequent Events

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

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

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FARMER BROS. CO.

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DIRECTORS

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Chair, Audit Committee
Chief Financial Officer and Chief Operating Officer
BRG Sports Inc.

Stacy Loretz-Congdon

Retired Chief Financial Officer

D. Deverl Maserang II

President and Chief Executive Officer
Farmer Bros. Co.

Charles F. Marcy

Chair, Compensation Committee
Governance Committee
Food Industry Consultant

Christopher P. Mottern

Chairman of the Board
Independent Business Consultant

David W. Ritterbush

Chair, Nominating and Corporate Committee
Chief Executive Officer
Califia Farms

EXECUTIVE OFFICERS

D. Deverl Maserang II

President and Chief Executive Officer

Scott R. Drake

Chief Financial Officer

Ronald J. Friedman

Chief Human Resources Officer

Ruben E. Inofuentes

Chief Supply Chain Officer

Maurice S.J. Moragne

Chief Sales Officer

Jerry Michael Walsh

Senior Vice President and General Manager - DSD

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FINANCIAL HIGHLIGHTS⁽¹⁾

(In thousands, except per share data)

For the Years Ended June 30,	2020	2019	2018	2017	2016
Net sales	\$501,320	\$ 595,942	\$ 606,544	\$ 541,500	\$ 544,382
Cost of goods sold	\$363,198	\$ 416,840	\$ 399,155	\$ 354,649	\$ 373,165
Restructuring and other transition expenses	—	\$ 4,733	\$ 662	\$ 11,016	\$ 16,533
Net gain from sale of Torrance Facility	—	—	—	\$ (37,449)	—
Net gains from sale of Spice Assets	—	\$ (593)	\$ (770)	\$ (919)	\$ (5,603)
Net (gains) losses from sales of other assets	\$ (25,237)	\$ 1,058	\$ (196)	\$ (1,210)	\$ (2,802)
Impairment losses on intangible assets	\$ 42,030	—	\$ 3,820	—	—
(Loss) income from operations	\$ (43,002)	\$ (14,702)	\$ 1,053	\$ 38,934	\$ (1,736)
Pension settlement charge	\$ 5,760	\$ (10,948)	—	—	—
Income tax expense (benefit) ⁽²⁾	\$ (195)	\$ 40,111	\$ 17,312	\$ 14,815	\$ (72,239)
Net (loss) income available to common stockholders	\$ (37,641)	\$ (74,130)	\$ (18,669)	\$ 22,551	\$ 71,791
Net (loss) income available to common stockholders per common share—basic	\$ (2.19)	\$ (4.36)	\$ (1.11)	\$ 1.35	\$ 4.35
Net (loss) income available to common stockholders per common share—diluted	\$ (2.19)	\$ (4.36)	\$ (1.11)	\$ 1.34	\$ 4.32
Total capital expenditures	\$ 17,560	\$ 34,759	\$ 37,020	\$ 84,949	\$ 50,475
June 30,	2020	2019	2018	2017	2016
Total current assets	\$176,713	\$ 159,908	\$ 173,514	\$ 140,703	\$177,366
Property, plant and equipment, net	\$165,633	\$ 189,458	\$ 186,589	\$ 176,066	\$118,416
Goodwill	—	\$ 36,224	\$ 36,224	\$ 10,996	\$ 272
Intangible assets, net	\$ 20,662	\$ 28,878	\$ 31,515	\$ 18,618	\$ 6,219
Deferred income taxes	\$ 21,117	—	\$ 39,308	\$ 53,933	\$ 71,508
Total assets	\$392,699	\$ 424,610	\$ 475,531	\$ 407,153	\$383,714
Short-term borrowings under revolving credit facility	—	—	\$ 89,787	\$ 27,621	\$ 109
Long-term borrowings under revolving credit facility	\$122,000	\$ 92,000	—	—	—
Operating lease obligations	\$ 21,483	—	—	—	—
Capital lease obligations	\$ 9	\$ 32	\$ 248	\$ 1,195	\$ 2,359
Earnout payable	—	\$ 400	\$ 600	\$ 1,100	\$ 100
Long-term derivative liabilities	\$ 2,859	\$ 1,612	\$ 386	\$ 380	—
Total liabilities	\$280,786	\$ 267,116	\$ 246,476	\$ 177,601	\$186,397

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

(2) Includes valuation allowance of \$64.4 million and \$52.0 million in fiscal years ended June 30, 2020 and 2019, respectively.

See Note 19, *Income Taxes*, of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10 K for the fiscal year.

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