

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2022

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)

682-549-6600

(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, par value \$1.00 per share	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 of the registrant as of December 31, 2021, the last business day of the registrant's most recently completed second fiscal quarter, was \$96.3 million based upon the closing price reported for such date on the Nasdaq Global Select Market.

As of August 22, 2022 the registrant had 18,825,412 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 2022 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, 2022.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Form 10-K") and other documents we file with the SEC contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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](#) as well as Part II, Item 7, [Management's Discussion and Analysis of Financial Condition and Results of Operations](#), of this Form 10-K, as well as those discussed elsewhere in this Form 10-K and other factors described from time to time in our filings with the SEC.

Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, disruption to our business and customers from the COVID-19 pandemic (including the effects of emerging and novel variants of the virus and any virus containment measures such as stay-at-home orders or government mandates) and severe winter weather, levels of consumer confidence in national and local economic business conditions, the duration and magnitude of the pandemic's impact on labor conditions, the success of our strategy to recover from the effects of the pandemic, the success of our turnaround strategy, the impact of capital improvement projects, the adequacy and availability of capital resources to fund our existing and planned business operations and our capital expenditure requirements, the relative effectiveness of compensation-based employee incentives in causing improvements in our performance, the capacity to meet the demands of our large national account customers, the extent of execution of plans for the growth of our business and achievement of financial metrics related to those plans, our success in retaining and/or attracting qualified employees, our success in adapting 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 achieve sustainability goals in ways that do not materially impair profitability, changes in the strength of the economy, including any effects from inflation, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, as well as other risks described in this Form 10-K 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 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 leading coffee roaster, wholesaler, equipment servicer and distributor of coffee, tea and other allied 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 not only a breadth of high-quality products to our customers but also a comprehensive approach by providing value added services such as market insight, beverage planning, and equipment placement and service. Our principal office and product development lab is located in Northlake, Texas (“Northlake facility”). We operate in one business segment.

Products and Services

Our product and service categories consist of the following:

- a robust line of roast and ground coffee, including organic, Direct Trade, Project D.I.R.E.C.T.[®], Fair Trade Certified[™] 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;
- other beverages including cappuccino, cocoa, granitas and other blender-based beverages and concentrated and ready-to-drink cold brew and iced coffee; and
- installation, repair & refurbishment services for a wide array of coffee, tea and juice equipment using state of the art restoration techniques, managing full equipment lifecycle and providing enhanced service capabilities, maintenance and value addition.

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. Our fiscal year ends on June 30, and our discussion is as of and for the fiscal years ended June 30, 2022 (“fiscal 2022”) and June 30, 2021 (“fiscal 2021”). See [Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations](#) included in Part II, Item 7 of this Form 10-K.

Business Strategy

Overview

We are a coffee company dedicated to delivering the coffee people want, the way they want it. We build partnerships with customers who value quality, a wide array of services 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:

- **Executing Manufacturing and Network Optimization.** We continue to develop and execute manufacturing network optimization. We utilize our Northlake, Texas, facility to improve production efficiencies and balance volume across our manufacturing and distribution networks to facilitate sustainable long-term growth. In fiscal 2021, we substantially increased the production and packaging capacity at our Northlake, Texas production facility which allowed us to exit our aged Houston, Texas facility. We also utilize our distribution center in Rialto, California, opened in fiscal 2021, which is geographically closer to many of our customers in the Western United States, and which enabled more efficient service to our West Coast network as well as the consolidation of certain branches in Southern California. We

also continue to execute branch rationalization, which improves our cost structure without sacrificing service to our customers.

- **Leveraging our Direct-Store-Delivery ("DSD") Network for growth.** Our handheld technology helps drive productivity and customer service levels. This technology enhances our capabilities, including the ability to execute our pre-sell strategy. We have also recently expanded dedicated new business resources to capture market share. Additionally, we are focused on building partnerships that utilize our current distribution capabilities to expose us to industry and product innovation.
- **Product Innovation Pipeline.** We are continuing to enhance our premium coffee and tea program, developing strategic partnerships, and building an advantaged allied product portfolio that resonates with our customers. We will continue to provide leadership in sustainable product solutions for our customers.
- **Driving Customer Satisfaction.** Providing our customers the products they want, when they want them, is key to customer satisfaction and retention. We have invested in systems and processes to improve our ability to service our customers. We are driving continuous improvement on "On-Time and In-Full" and other key service metrics. In addition, we are focused on optimizing our product commercialization process and bringing innovation to our customers.
- **Service Excellence in Revive Service & Restoration ("Revive").** We continue to have one of the largest coffee service networks in the industry and are able to install, repair, and refurbish commercial brewing equipment. With Revive, we are focused on continually improving time-to-install and time-to-repair and restoration of equipment. We have successfully built partnerships with leading equipment manufacturers and are invested in training our team on the latest equipment offerings to enhance our service capabilities and value addition.
- **Enhance Processes and Systems.** We are implementing IT applications which we expect to enhance our e-commerce and supply chain optimization and flexibility. We are also continuing to invest in and enhance other IT capabilities to provide back-office support which will enable enhanced customer analytics, enable better product targeting, and create a more robust demand and supply process.
- **OmniChannel Sales Capability.** We are focused on increasing our presence with leading retailers, enhancing our e-commerce platform and developing distributor partnerships. We continue to refresh our current branded product websites to help build our on-line sales and enhance customer experience.

We differentiate ourselves in the marketplace by providing coffee, tea, and culinary expertise, service excellence, and equipment program support. We tailor solutions to our customers' needs helping them deliver a great experience for their customers, which includes:

- Offering a wide variety of sustainably sourced coffee, tea, and culinary products, thereby helping our customers achieve their sustainability goals and objectives;
- Providing consumer, channel, and market insights; including 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;
- Providing DSD service where our trained Route Sales Representative ("RSR") orders product to keep our customers in-stock, merchandises the beverage station, rotates products, cleans and inspects equipment on-site, and performs "cup quality checks" all to ensure a great experience for the consumer. Our services provided to DSD customers are conducted primarily in person through our RSRs, who develop business relationships with chefs, restaurant owners and food buyers at their delivery locations; and
- Providing comprehensive coffee programs to our national account customers, including private brand development, green coffee procurement, hedging, category management, sustainable sourcing, limited time specialty products, packaging design and supply chain management.

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 Specialty Coffee Association ("SCA"), National Coffee Association, Coalition for Coffee Communities, International Women's Coffee Alliance, Pacific Coast Coffee Association, and Roasters Guild, 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 labs at the Northlake, Texas and Portland, Oregon facilities.

- *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 invest in proprietary consumer and customer segmentation studies and provide trend insights and product development support that help our customers create winning products and integrated marketing strategies. 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.

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 2022 we were part of the 2021 CDP Supplier Engagement Leaderboard. This means that we were among the top 8% of participants for supplier engagement on climate change, based on our 2021 CDP disclosure. Further, in fiscal 2022, 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 2022 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 2022 we maintained our goal of 90% waste diversion for our primary production and distribution facilities. To accomplish this goal, we have focused on the circularity of our waste streams, making partnerships to reuse them, reintroducing them as inputs for new products, or recycling them and composting them when none of the previous options are possible. Currently 77% of the waste generated company-wide is diverted from the landfill, and our roasting facilities have achieved the Zero Waste goal since 2018.
- *LEED® Certified Facilities.* Our Portland production and distribution facility is the first in the Northwest to achieve LEED® Silver Certification. Our corporate office in Northlake, Texas has also achieved LEED® Silver Certification.
- *Project D.I.R.E.C.T.® Program.* In fiscal 2022, we continued to grow our direct trade sourcing model, Project D.I.R.E.C.T.®. This program involves direct long-term partnerships with coffee growing communities based on principles of sustainability, transparent pricing and consumer education. 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. Overall Project D.I.R.E.C.T.® builds community partnerships for decision making, training, and reporting that benefits all members of the coffee supply chain.
- *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. 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, and other suppliers, when offering sustainable coffees to our customers. It also helps us deepen our understanding of greenhouse gas emissions generated upstream of our supply chain.
- *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, all existing suppliers and new suppliers must acknowledge and adhere to our Supplier Standards of Engagement. These Standards of Engagement are aligned with the United Nations Global Compact and set minimum standards for suppliers that are designed to provide Farmer Bros. visibility into all aspects of its supply chain and meets these objectives. Our suppliers also execute a Supplier's

Certificate of Compliance, 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 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, which commit to grow, protect, and enhance supplies of quality coffee while improving the livelihoods of the families who produce it, and the Specialty Coffee Association (the "SCA") Sustainability Council and the Coalition for Coffee Communities, which are focused on sustainability in coffee growing regions.
- We organize local charities and fund raisers, including support of Ronald McDonald House, riding in the Ride Against Hunger supported by Tarrant Area Food Bank, and hosting local food drives.
- 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.

Human Capital

On June 30, 2022, we employed approximately 1,068 employees, 166 of whom are subject to collective bargaining agreements expiring on or before June 30, 2025.

Achieving our vision of building a leading specialty products distributor and service company starts with our people. We believe our human capital management philosophy and programs align with developing and sustaining a culture that embraces our team member values of family, service and quality, collaboration, simplicity and sustainability. We emphasize our value of family by striving for inclusive and equitable approaches in hiring practices, pay practices and team member engagement.

We continue to attract, develop and retain our team members with the following programs:

Diversity, Equity and Inclusion

We know our customers represent a wide range of backgrounds and experiences and we strive to build a team that is as diverse and inclusive as our customers and the communities in which we do business. Our Diversity, Equity and Inclusion ("DEI") committee is comprised of team members across all functions and levels of the organization, including members of the senior management team, and reaches team members across the organization. Our commitments to DEI include:

- Creating courageous and psychologically safe spaces for all team members through continual learning and development and implementation of Business Employee Resource Groups (BERGs).
- Evaluation of all HR programs and processes through a DEI lens to identify and remove bias in our people practices.
- Increase in diversity supplier partnerships and spend.
- Actively recruiting from organizations that identify, prepare and develop diverse candidates for the workplace (e.g. Texas Workforce Commission, Hiring our Heroes, Mom's Unfiltered, INROADS Inc., etc.).
- Engagement with community based organizations and local schools and universities to ensure equal access to employment opportunities through job search/interview training, apprenticeships, internships, and other programs.
- Commencement of a project with the National Organization on Disabilities to review our practices, train our leaders and help us increase our employment of people with disabilities.

Team Member Benefits

We value each team member and, as a result, we provide a Total Rewards Program that strives to deliver the features that our team members value. To accomplish this, we have conducted surveys of our team members over the last three years to make sure we are investing in areas that our people value. Based on team member feedback and in alignment with our values of family, we have emphasized:

- Stability of our team member benefits costs and expansion of the scope of our benefit programs and options. This has included company-paid short-term disability as well as paid parental leave for all non-union team members.

- Focused improvement of our overall team member experience, including investments in HR technology, well-being initiatives and a comprehensive Benefits Assistance Center to help employees understand their benefits better.

Health and Safety

The health and safety of our team members is crucial. In addition to tracking common indicators, such as injury rates, we have taken a proactive approach to work place safety, including regular company-wide safety training, fleet safety reviews, and measures to address the COVID-19 pandemic. We will continue to focus on all aspects of team member health and safety by creating a Safety First Culture. This includes, but is not limited to, tracking and analyzing injury rates and incident trends, safety training, and team member engagement in the safety process. In fiscal 2022, we rolled out an extensive driver safety curriculum to help keep our team members and others safer on the road. The training will continue in the year ended June 30, 2023 ("fiscal 2023").

We manufacture and distribute products deemed essential to critical infrastructure, and as a result, our production sites continued operating during the COVID-19 pandemic. As such, we implemented company safety guidelines improving the physical safety of work environments for our employees that continued to report to work sites. These measures have included increased sanitation procedures, limiting or prohibiting guests to work sites, hand washing, social distancing, mask wearing and temperature checks as well as encouraging individuals to stay home when ill. Further, we provided work from home flexibility for our team members whose jobs did not require them to report to a specific job site, further limiting potential exposure for our team members.

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 \$0.86 to \$2.60. The coffee "C" market near month price as of June 30, 2022 and 2021 was \$2.30 and \$1.60 per pound, respectively. Our principal packaging materials include carton board, corrugate 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 2022 traded in a \$1.12 range during the year, and averaged 60% above 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 4, Derivative Instruments](#), of the Notes to Consolidated Financial Statements included in this 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 and Portland, Oregon. Distribution takes place out of the Northlake and Portland facilities, as well as separate distribution centers in Northlake, Illinois; Rialto, California; and Moonachie, New Jersey. Our products reach our customers primarily in the following ways: through our nationwide DSD network of 239 delivery routes and 103 branch warehouses as of June 30, 2022, 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 third-party logistics service providers (“3PL”) 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.

Customers

We serve a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers and large national account customers 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. During fiscal 2022, our top five customers accounted for approximately 24% of our net sales. Although no single customer accounted for 10% or more of our net sales in any of the last three fiscal years, the loss of, or reduction in, sales to one or more of our top customers would likely have a material adverse effect on our results of operations.

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 a 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.

In fiscal 2022 and fiscal 2021, the COVID-19 pandemic had a material impact on our financial condition and results of operations. The measures taken to contain the spread of the virus adversely affected our business and those of our customers. Our success will depend on our ability and effectiveness in identifying and addressing our customers’ future needs in light of the development of COVID-19, its variants and responsive measures. Although we have already experienced some negative effects from the COVID-19 pandemic, it is difficult to predict the extent and timing of the impact that a resurgence could have on our customer demand.

Competition and Trends

The coffee industry is highly competitive, including with respect to price, product quality, service, convenience, technology and innovation, and competition could become more intense due to the relatively low barriers to entry and industry consolidation. 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 Holding Corp., regional and national coffee roasters such as Riverview Acquisition Corp. (S&D Coffee & Tea), 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 (San Francisco Bay Coffee), Distant Lands Coffee Company, Mother Parkers Tea & Coffee Inc., Starbucks Corporation and JAB Holding Company (Peet’s Coffee & Tea), 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.

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 19, Commitments and Contingencies, of the Notes to Consolidated Financial Statements included in this Form 10-K. For additional information, see "Risk Factors" under the sub-captions "Risks Related to Our Business and Industry" and "Risks Related to Governance, Regulatory, Legislative and Legal Matters"

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, proxy statements and annual reports to stockholders, and from time to time, other documents, 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, Technology, Nominating and Corporate Governance Committees of the Board of Directors, and our Code of Conduct and Ethics can also be found on our website. Printed copies of these posted materials are also available free of charge to stockholders who request them in writing from Investor Relations, 1912 Farmer Brothers Drive, Northlake, Texas 76262. Information on our website or linked to our website is not incorporated by reference into this Form 10-K.

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, reputation, financial condition, results of operations or the trading price of our common stock. 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.

Risks Related to our Business and Industry

Pandemics or disease outbreaks, such as the COVID-19 pandemic, may disrupt our business, including among other things, our supply chain, our manufacturing operations and customer and consumer demand for our products, and could have a material adverse impact on our business.

In fiscal years 2022 and 2021, the COVID-19 pandemic had a material impact on our financial condition and results of operations. The measures taken to contain the spread of the virus adversely affected our business and those of our customers. The outbreak resulted in federal, state and local government authorities implementing numerous restrictive measures to attempt to contain COVID-19, including travel bans and restrictions, quarantines, shelter-in-place orders, and shutdowns. These measures impacted our workforce and operations, the operations of our customers, and those of our respective vendors and suppliers. The resurgences of COVID-19 or new variants of the virus may result in the reinstatement of certain of the restrictions and increased economic uncertainty, which could have a material adverse effect on our financial condition and results of operations. The ultimate impact that the COVID-19 pandemic or any future pandemic or disease outbreak will have on our business and our consolidated results of operations is uncertain.

The spread of pandemics or disease outbreaks such as COVID-19 may also disrupt our third-party business partners' ability to meet their obligations to us, which may negatively affect our operations. These third parties include those who supply our ingredients, packaging, and other necessary operating materials, and logistics and transportation providers. In addition, we rely on customers to be able to receive shipments and stock store shelves. If a significant percentage of our workforce or the workforce of our third-party business partners or customers is unable to work, including because of illness or travel or government restrictions in connection with the COVID-19 pandemic or any future pandemic or disease outbreak, our operations may be negatively impacted. In addition, the unprecedented demand for food and other consumer packaged goods products as a result of the COVID-19 pandemic or any future pandemic may limit the availability of ingredients, packaging and other raw

materials necessary to produce our products, and our operations may be negatively impacted. For example, we have experienced supply chain constraints for certain of our products, which have negatively impacted our ability to fully satisfy customer and consumer demand for certain of our products. Additionally, pandemics or disease outbreaks could result in a widespread health crisis that could adversely affect economies and financial markets, consumer spending and confidence levels resulting in an economic downturn that could affect customer and consumer demand for our products.

Our efforts to manage and mitigate these factors may be unsuccessful, and the effectiveness of these efforts depends on factors beyond our control, including the duration and severity of any pandemic or disease outbreak, as well as third-party actions taken to contain its spread and mitigate public health effects.

The ultimate impact of the COVID-19 pandemic on our business will depend on many factors, including, among others, the implementation and duration of social distancing and stay-at-home and work-from-home mandates, policies and recommendations and whether, and the extent to which, additional waves or variants of COVID-19 will affect the United States and the rest of North America, our ability and the ability of our suppliers to continue to operate our and their manufacturing facilities and maintain the supply chain without material disruption and procure ingredients, packaging and other raw materials when needed despite disruptions in the supply chain and labor shortages, our customers' ability to adequately staff their distribution centers and stores, and the extent to which macroeconomic conditions resulting from the pandemic impact consumer eating and shopping habits. We cannot predict the duration or scope of the disruption. Therefore, the financial impact cannot be reasonably estimated at this time.

We depend on the expertise of key personnel to operate our business. 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 depends on the efforts and abilities of key personnel and a consistent workforce, including frontline workers, support staff and executive team members. The competition for talent is extremely high and candidates' preferences and expectations are evolving. 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 us to adapt to evolving labor conditions and make 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. In this competitive environment, our business has been and may continue to be adversely impacted by increases in labor costs, including wages and benefits, including those increases triggered by regulatory actions regarding wages, scheduling and benefits; increased health care and workers' compensation insurance costs; increased wages and costs of other benefits necessary to attract and retain high quality employees with the right skill sets and increased wages, benefits and costs related to the effects of COVID-19 pandemic.

We may also need to invest significant amounts of cash and equity to attract talented new employees and to invest in our employee experience and culture, and we may never realize returns on these investments. We do not maintain key person life insurance policies on any of our executive officers. 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.

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 more intense due to the relatively low barriers to entry and industry consolidation. We face competition from many sources, including the institutional foodservice divisions of multi-national manufacturers of retail products, wholesale foodservice distributors, regional and national coffee roasters, specialty coffee suppliers, and retail brand beverage manufacturers, many of which have greater financial and other resources than we do and may have lower fixed costs and/or are substantially less leveraged than us. As many of our customers are small foodservice operators, we also compete with cash and carry and club stores and on-line retailers. Companies smaller than ours may be more innovative, better able to bring new products to market and better able to quickly exploit and serve niche markets.

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, we could fail to retain our existing customer base 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. Our ability to acquire a consistent supply of green coffee at prices sufficient to meet our needs, 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, speculative trading in coffee commodities, political and economic conditions or uncertainty, labor actions and shortages, foreign currency fluctuations, inflation, armed conflict in coffee producing nations, acts of terrorism, pandemics or other disease outbreaks (including the COVID-19 pandemic), government actions and trade barriers or tariffs, 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.

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 costs 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.

Recently, there has been increased volatility in the “C” market price, with prices at times increasing to five-year highs. The uncertainty of several factors, including the impact of weather patterns in coffee producing regions, global supply chain constraints and shipping shortages, and speculative trading, has caused greater uncertainty in the markets. Specifically, severe frosts and drought in Brazil currently threaten to negatively impact crop yields for multiple harvests, which could reduce supply and increase cost. Although we hedge the “C” market price volatility for a portion of our green coffee volumes by using derivative instruments, our hedging strategy and use of these instruments does not completely mitigate our exposure to commodity price risk. As a result, increases in the cost of green coffee could have a material adverse impact on our profitability, financial condition or 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 would likely have a material adverse effect on our results of operations. During fiscal 2022, our top five customers accounted for approximately 24% 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 have a material adverse effect on our results of operations.

A significant portion of our accounts receivable are from five customers, which represents approximately 35% of our accounts receivable at June 30, 2022. 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.

Climate change, water scarcity or legal, regulatory, or market measures to address such could have a material adverse effect on our business and operations.

Increasing concentrations of carbon dioxide and other greenhouse gases in the atmosphere may have an adverse effect on global temperatures, weather patterns, and the frequency and severity of extreme weather events and natural disasters. In the event that climate change has a negative effect on agricultural productivity in the regions from which we procure coffee, we could be subject to decreased availability and increased prices, which could have a material adverse effect on our business, financial condition, or results of operations. Water is used throughout the production of coffee from growing and pulping at the farm, cooling the beans after roasting in production and brewing products for consumption. Scarcity of appropriate and sufficient water sources in our supply chain could limit supply and increase our costs. Loss of readily available access to water could have a material adverse effect on our business and operating results.

The increasing concern over climate change also may result in more regional, federal, foreign and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is enacted and is more aggressive than the sustainability measures that we are currently undertaking to monitor our emissions and improve our energy and resource efficiency, we may experience significant increases in our manufacturing and distribution costs. In particular, increasing regulation of fuel emissions could substantially increase the supply chain and distribution costs associated with our products. As a result, climate change or increased concern over climate change could negatively affect our business and operations.

Increased severe weather conditions, including those resulting from climate change, 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. Severe weather conditions 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.

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, inflation, supply chain disruptions, 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, including due to the effects of climate change, 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 should not be relied upon as indicators of future performance.

We may be unable to anticipate changes in consumer preferences and consumer demographics, which may result in decreased demand for our products.

Our success depends in part on our ability to anticipate and offer products that appeal to the changing tastes, dietary habits and product packaging preferences of consumers in the market categories in which we compete. If we are not able to anticipate, identify or develop and market products that respond to these changes in consumer preferences, whether resulting from changing consumer demographics or otherwise, demand for our products may decline and our operating results may be adversely affected. In addition, we may incur significant costs related to developing and marketing new products or expanding our existing product lines in reaction to what we perceive to be increased consumer preference or demand. Such development or marketing may not result in the volume of sales or profitability anticipated.

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 carton board, corrugate 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, raw materials and fuel depend on various factors beyond our control, including economic and political conditions, foreign currency fluctuations, inflation, weather conditions, natural disasters (including floods, droughts, frosts, earthquakes and hurricanes) and changing global climate 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 reliable 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. Any material interruption in our supply chain, such as material interruption of roasted coffee supply due to the casualty loss at any of our roasting plants or suppliers, interruptions in service by our third-party logistic service providers or common carriers that ship goods within our distribution channels, trade restrictions, such as increased tariffs or quotas, embargoes or customs restrictions, pandemics, social or labor unrest, natural disasters or political disputes and military conflicts that cause a material disruption in our supply chain could have a negative impact on our business and our profitability. Product shortages could result in disruptions in our ability to deliver products to our customers, a deterioration of our relationship with our customers, decreased revenues or an inability 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 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, inflation or by events such as climate change, natural disasters, power outages, cyberattacks 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, financial condition or results of operations.

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. If our vendors fail to meet our standards, provide products in a timely and efficient manner, or comply with applicable laws, these issues could have a material negative impact on our business and profitability.

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 primarily 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.

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.

Consumers have been increasingly focused on food safety and health and wellness with respect to the food products they buy. Particularly in the U.S., there is increasing consumer awareness of health risks, including obesity, as well as increased consumer litigation based on alleged adverse health impacts of consumption of various food and beverage products. While we have a variety of such products, an unfavorable report on the health effects of caffeine or other compounds present in our products, whether accurate or not, imposition of additional taxes on certain types of food and beverage components, or negative publicity or litigation arising from certain health risks could significantly reduce the demand for our products and could materially harm our business and results of operations.

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

At June 30, 2022, the Company had approximately \$185.9 million in federal and \$160.1 million in state net operating loss carryforwards that will begin to expire in the years ending June 30, 2038 and June 30, 2023, respectively. Net operating losses of \$51.8 million in federal and \$6.9 million of state are indefinite lived and will not expire. 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 net operating losses ("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 and limit our ability to use NOLs to offset taxable income.

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.

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 adversely affect our operating results. There were no intangible asset impairments during fiscal 2022 and fiscal 2021.

Our business could be negatively impacted by corporate citizenship and sustainability matters.

There is an increased focus from certain investors, customers, consumers, employees, and other stakeholders concerning corporate citizenship and sustainability matters. From time to time, we announce certain initiatives regarding our focus areas, which include environmental matters, sustainability in our supply chain, responsible sourcing, social investments and inclusion and diversity. We could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could fail in accurately reporting our progress on such initiatives and goals. Such failures could be due to changes in our business (e.g., shifts in business among distribution channels or acquisitions). Moreover, the standards by which citizenship and sustainability efforts and related matters are measured are developing and evolving, and certain areas are subject to assumptions and standards that could change over time. Any such matters, or related corporate citizenship and sustainability matters, could have a material adverse effect on our business.

Risks Related to Governance, Regulatory, Legislative and Legal Matters

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 regulations relating to climate change and sustainability, 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 or our business partners fail to comply with applicable laws and regulations, we may be subject to litigation, civil and criminal liability, damages, fines and penalties, increased cost of regulatory compliance and restatements of our financial statements, 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 one multiemployer defined benefit pension plan and nine multiemployer defined contribution plans other than pension plans 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 18, Commitments and Contingencies](#), of the Notes to Consolidated Financial Statements included in this 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 partially self-insured and our current coverage and reserves may not be sufficient to cover future claims.

We use a combination of insurance and self-insurance mechanisms to provide for the potential liability of certain 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 significant potential liabilities. While we accrue for these potential liabilities 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.

We maintain finished goods product coverage in amounts we believe to be adequate. However, we cannot assure you that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage. Moreover, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. A product liability judgment against us or a product recall or the damage to our reputation resulting therefrom could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

Risks Related to our Capital Structure

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

In April 2021, we entered into a new senior secured credit facility composed of a revolver credit facility and a term credit facility agreement (together, the "Credit Facilities") (See [Liquidity](#) for details). At June 30, 2022, we had outstanding borrowings of \$98.8 million and utilized \$4.1 million of the letters of credit sublimit under the Credit Facilities, and had \$12.9 million of availability under our Credit Facilities. We may incur significant indebtedness in the future, including through additional borrowings under the credit facility, 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;
- limiting our ability to refinance our indebtedness on terms acceptable to us or at all;
- 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.

The Credit Facilities contain certain customary affirmative and negative covenants and restrictions that, among other things, require the Company to satisfy certain financial covenants and restricts the Company's and its subsidiaries' ability to incur additional debt, pay dividends and make distributions, make certain investments and acquisitions, repurchase its stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of its business, transfer and sell material assets and merge or consolidate. Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the Credit Facilities becoming immediately due and payable and termination of the commitments.

If we are unable to make payments as they come due or comply with the restrictions and covenants under the Credit Facilities 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 Facilities 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. If our liquidity materially declines, we may experience springing covenants and an increase in our cost of borrowing. Furthermore, our lenders under the Credit Facilities 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. During fiscal years 2022 and 2021, 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, which has materially impacted our liquidity.

Should our operating performance deteriorate further or the COVID-19 pandemic 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.

Rising inflation may adversely affect us by increasing costs of raw materials, labor, and other costs beyond what we can recover through price increases.

Inflation can adversely affect us by increasing the costs of raw materials, labor, and other costs required to operate and grow our business. Many of the markets in which we sell our products are experiencing high levels of inflation, which may depress consumer demand for our products and reduce our profitability if we are unable to raise prices enough to keep up with increases in our costs. Inflationary pressures have resulted in increases in the cost of certain raw materials, and other supplies necessary for the production of our products, and such increases may continue to impact us in the future and expose us to risks associated with significant levels of cost inflation. If we are unable to increase our prices to offset the effects of inflation, our business, operating results, and financial condition could be materially and adversely affected.

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, 2022, 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, at our election and if certain conditions are met, mandate the conversion of all the Series A Preferred Stock. The holder, if certain conditions are met, may voluntarily convert. 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 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 organizational documents, including a classified board of directors which will phase out following our annual meeting of stockholders in 2022, 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 organizational 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.

As of June 30, 2022, the projected benefit obligation under our two 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.

Risks Related to Cybersecurity and Data Privacy

Failure to maintain satisfactory compliance with certain privacy and data protections laws and regulations may subject us to substantial negative financial consequences and civil or criminal penalties.

Complex local, state, national, foreign and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data. These privacy and data protection laws and regulations are quickly evolving, with new or modified laws and regulations proposed and implemented frequently and existing laws and regulations subject to new or different interpretations and enforcement. In addition, our legal and regulatory obligations in jurisdictions outside the U.S. are subject to unexpected changes, including the potential for regulatory or other governmental entities to enact new or additional laws or regulations, to issue rulings that invalidate prior laws or regulations or to increase penalties significantly. Complying with these laws and regulations can be costly and can impede the development and offering of new products and services.

Our failure to comply with applicable laws and regulations or other obligations to which we may be subject relating to personal data, or to protect personal data from unauthorized access, use or other processing, could result in enforcement actions and regulatory investigations against us, claims for damages by customers and other affected individuals, fines, damage to our brand reputation, any of which could have a material adverse effect on our operations, financial performance and business.

We rely on information technology and 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. While we have implemented training and information security policies for our team members and bolstered cybersecurity experience on our board, these measures may be insufficient to prevent against the constantly evolving threats. These threats increase 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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our production and distribution facilities as of June 30, 2022 are as follows:

Location	Approximate Area (Square Feet)	Purpose	Status
Northlake, TX	535,585	Corporate headquarters, manufacturing, distribution, warehouse, product development lab	Owned
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 (1)	20,400	Manufacturing, distribution and warehouse	Leased
Rialto, CA	156,000	Distribution and warehouse	Leased

(1) Consolidated into the Portland facility in July 2022.

As of June 30, 2022, we stage our products in 103 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 65% of our facilities are leased with a variety of expiration dates within the range of 2022 through 2027.

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 75%, 63%, and 66% during fiscal 2022, 2021 and 2020, 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 18, Commitments and Contingencies](#), of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K, which is incorporated herein by reference.

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

The principal market on which our common stock is listed for trading is the Nasdaq Global Select Market under the symbol "FARM."

Holders

As of August 22, 2022, there were approximately 199 shareholders of record of common stock. This does not include persons whose common stock is in nominee or "street name" accounts through brokers.

Dividends

We have not recently declared or paid any cash dividend on our common stock. We intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to pay cash dividends in the foreseeable future.

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 and a peer group index. Companies in the Russell 2000 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, 2017 and that all dividends paid by companies included in these indices have been reinvested.

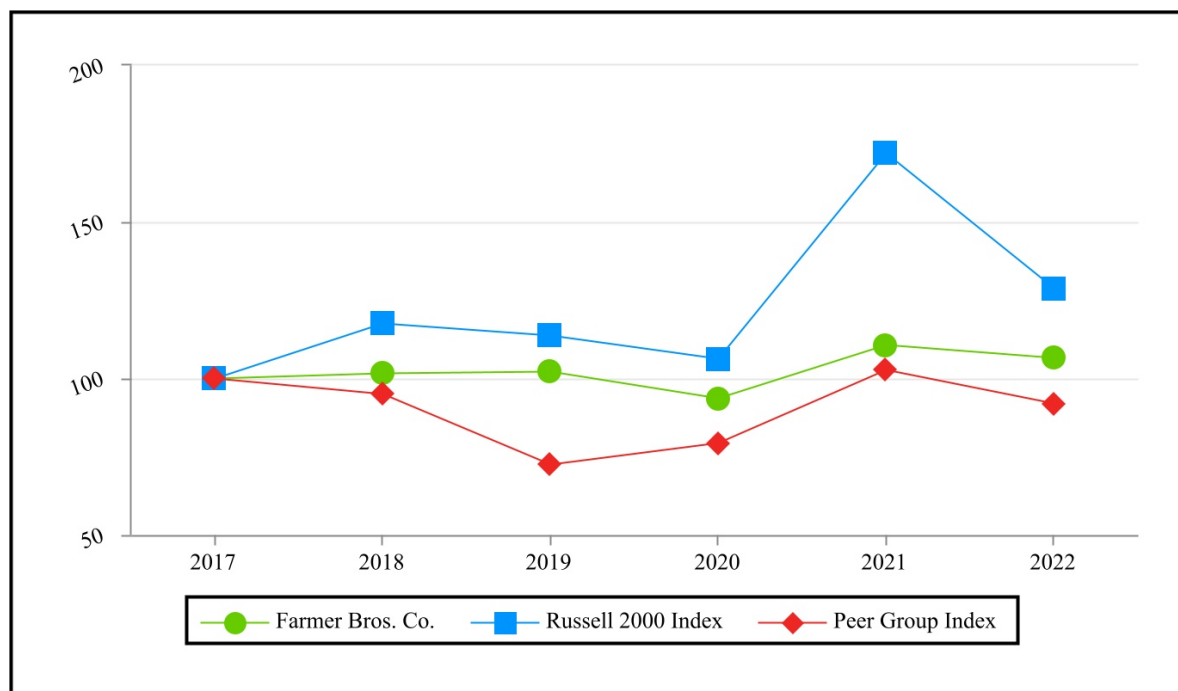
Because no published peer group is similar to the Company's portfolio of business, the Company created a peer group index that includes the following companies that operate in a similar line of business: B&G Foods, Inc., Coffee Holding Co. Inc., Lancaster Colony Corporation, National Beverage Corp.,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

Our performance graph has previously included 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 Value Line Food Processing Index (the "Value Line Index"). However, the Value Line Index is not available from our service provider and has been omitted from this performance graph.

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 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.

**Comparison of 5 Year Cumulative Total Return
(Fiscal Years Ended June 30)**



	Fiscal Years Ended June 30,					
	2017	2018	2019	2020	2021	2022
Farmer Bros. Co.	100.00	101.57	101.97	93.57	110.67	106.59
Russell 2000 Index	100.00	117.50	113.61	106.08	171.88	128.67
Peer Group Index	100.00	94.92	72.28	79.27	102.66	91.85

Issuer Purchases of Equity Securities

Neither we, nor any affiliated purchaser, purchased any of our equity securities during the quarter ended June 30, 2022.

Sale of Unregistered Securities

We did not sell unregistered securities during fiscal 2022.

Item 6. Reserved

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 fiscal 2022 and fiscal 2021 are not necessarily indicative of the results that may be expected for any future period. This discussion, which presents our results for fiscal 2022 and fiscal 2021 should be read in conjunction with our Consolidated Financial Statements and the accompanying notes and [Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations"](#) of our Annual Report on Form 10-K for fiscal 2021, filed with the SEC on September 10, 2021, which provides additional information on comparisons of fiscal 2021 and the year ended June 30, 2020 ("fiscal 2020").

Our Business

We are a leading coffee roaster, wholesaler, equipment servicer and distributor of coffee, tea and other allied products manufactured 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 retailers, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors. Through our sustainability, stewardship, environmental efforts, and leadership we are not only committed to serving the finest products available, considering the cost needs of the customer, but also insist on their sustainable cultivation, manufacture and distribution whenever possible.

Our product categories consist of a robust line of roast and ground coffee, including organic, Direct Trade, Project D.I.R.E.C.T.®, Fair Trade Certified™ ® 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 other blender-based beverages and concentrated and ready-to-drink cold brew and iced coffee. We offer a comprehensive approach to our customers by providing not only a breadth of high-quality products, but also value added services such as market insight, beverage planning, and equipment placement and service.

We operate production facilities in Northlake, Texas and Portland, Oregon. We stopped production in our Houston, Texas facility and exited the facility in the fourth quarter of fiscal 2021. We distribute our products from our Northlake, Texas; and Portland, Oregon production facilities, as well as separate distribution centers in Portland, Oregon; Northlake, Illinois; Moonachie, New Jersey; and Rialto, California. We opened and started operating the distribution center in Rialto, California in the third quarter of fiscal 2021. Our products reach our customers primarily through our nationwide DSD network of 239 delivery routes and 103 branch warehouses as of June 30, 2022, 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 consist of small independent restaurants, foodservice operators, large institutional buyers, and convenience store chains, hotels, casinos, healthcare facilities, and foodservice distributors. This has had a material impact on our revenues during fiscal 2022 and fiscal 2021.

As local governments across the country eased COVID-19 restrictions, and vaccines have become more widely available, we have continued to see improved sales trends. Although we have experienced improvements in several markets during fiscal 2022, our recovery has been slower in certain regions caused by general COVID-19 related restrictions as well as other indirect issues that some customers face from the impacts of the COVID-19 pandemic including labor and supply shortages as well as other issues.

Although our Direct Ship sales channel was also affected by the COVID-19 pandemic, the impact was significantly less due to the types of customers we serve through this channel. These customers include our retail business and products sold by key grocery stores under their private labels, as well as third party e-commerce platforms, which have seen moderate increases in demand that have helped mitigate the impact of the pandemic. Compared to fiscal 2021, our Direct Ship revenues increased

in fiscal 2022 which was mainly driven by price changes to customers utilizing commodity-based pricing arrangements, recently optimized customer base and recovery of several larger accounts.

Due to the impact of the COVID-19 pandemic on our revenues, we instituted several initiatives during fiscal 2020 and 2021 to reduce operating expenses and capital expenditures to help mitigate the significant negative impact of our revenue decline. In addition to the costs saving initiatives, in fiscal 2021 we repaid our existing senior secured revolving credit facility, and entered into our new Credit Facilities, as further described below in the [Liquidity, Capital Resources and Financial Condition](#) section of Part II, Item 7 of this Form 10-K. We believe that the Credit Facilities provide us with increased flexibility to proactively manage our working capital and execute our long term strategy, maintain compliance with our debt financial covenants, lower our cost of borrowing, and preserve financial liquidity to mitigate the impact of the uncertain business environment resulting from the COVID-19 pandemic, while continuing to execute on our strategic initiatives.

The impact of the COVID-19 pandemic, including its effects on general economic conditions, the extent of the weaker demand for our products, our financial position, results of operations and liquidity, which could be material, remains uncertain. The ultimate impact of the COVID-19 pandemic on our business will depend on future developments, including the availability and cost of labor, global supply chain disruptions, variants of the virus, and the availability and use of vaccines and other treatments for COVID-19, which are highly uncertain and cannot be predicted. While we anticipate that our revenue will continue to recover slowly as local, state and national governments ease COVID-19 related restrictions, and vaccines become more widely accepted, there can be no assurance that we will be successful in returning to the pre-COVID-19 pandemic levels of revenue or profitability for fiscal 2023.

For other impacts of the COVID-19 pandemic, please see [Liquidity](#) described in Part II, Item 7 and [Risk Factors](#) described in Part I, Item 1A of this Form 10-K.

Summary Overview of Fiscal 2022 Results

In fiscal 2022, although both our DSD and Direct Ship sales channels continued to be impacted by the COVID-19 pandemic, there was significant recovery in these channels throughout fiscal 2021 and fiscal 2022. Net sales in fiscal 2022 increased \$71.3 million, or 18%, to \$469.2 million from \$397.9 million in fiscal 2021. The increase in net sales was primarily due to the continued recovery from the impact of the COVID-19 pandemic on both our DSD and Direct Ship sales channels, along with price increases and delivery surcharges implemented during fiscal 2022.

During fiscal 2022, we delivered higher gross margins compared to the prior year primarily due to the pandemic's impact on sales volume, which had a larger impact on our higher margin customers in fiscal 2021. Overall, gross margins increased by 3.8% to 29.2% in fiscal 2022 from 25.4% compared to fiscal 2021 due to the continued recovery from the COVID-19 pandemic on our DSD channel sales since our DSD channel has higher margins. The increase was also attributable to a decline in our unfavorable production variances and inventory scrap write-downs due to the closure of our aged Houston, Texas plant during fiscal 2021. These improvements were partially offset by higher freight costs due to global supply chain challenges. The price increases and delivery surcharges implemented across our DSD network beginning in the three months ended December 31, 2021 helped mitigate the impact of higher supply chain and product costs.

Operating expenses increased by \$12.4 million in fiscal 2022 over the prior year period due to an \$11.8 million increase in selling expenses and a \$4.2 million increase in general and administrative expenses, partially offset by a \$2.3 million gain on sale of assets. The increase in expenses was primarily due to variable costs, including payroll, associated with the higher sales volumes, as well as operating costs associated with our distribution center in Rialto, California which was opened in fiscal 2021.

Our capital expenditures for fiscal 2022 were \$15.2 million as compared to \$15.1 million in fiscal 2021, an increase of \$0.1 million. This was driven by lower expansionary capital spend of \$5.8 million in fiscal 2022 compared to fiscal 2021, offset by a \$5.8 million increase in maintenance capital spend in fiscal 2022. Also included in the \$15.2 million of capital expenditures in fiscal 2022 was \$1.6 million for expansion projects and \$10.1 million of coffee brewing equipment spend to execute several key strategic initiatives pertaining to fiscal 2022. The expansionary capital spending reductions were driven by several key initiatives put in place, including a focus on refurbished coffee brewing 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, 2022, the outstanding debt on our Revolver and Term Loan Credit Facilities were \$63.0 million and \$45.6 million, respectively, an increase of \$17.6 million since June 30, 2021. Our cash decreased by \$0.4 million to \$10.0 million as of June 30, 2022, compared to \$10.4 million as of June 30, 2021. These changes were primarily due to our higher investment in inventory as our sales volumes continue to recover from the pandemic, and payments under our 2021 employee incentive program, partially offset by cash proceeds from the sale of three branch properties and realized hedging gains.

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

	For The Years Ended June 30,		2022 vs 2021	
	2022	2021	Favorable (Unfavorable) Change	% Chang
Income Statement Data:				
Net sales	\$ 469,193	\$ 397,850	\$ 71,343	17
Gross margin	29.2 %	25.4 %	3.8 %	NM
Operating expenses as a % of sales	32.3 %	35.0 %	2.7 %	NM
Loss from operations	\$ (14,628)	\$ (38,173)	\$ 23,545	61
Net loss	\$ (15,661)	\$ (41,651)	\$ 25,990	62
Net loss available to common stockholders per common share—basic	\$ (0.89)	\$ (2.39)	\$ 1.50	NM
Net loss available to common stockholders per common share—diluted	\$ (0.89)	\$ (2.39)	\$ 1.50	NM
Operating Data:				
Coffee pounds	76,327	79,506	(3,179)	(4)
EBITDA(1)	\$ 13,946	\$ 11,480	\$ 2,466	21
EBITDA Margin(1)	3.0 %	2.9 %	0.1 %	NM
Adjusted EBITDA(1)	\$ 19,059	\$ 16,611	\$ 2,448	14
Adjusted EBITDA Margin(1)	4.1 %	4.2 %	(0.1)%	NM
Percentage of Total Net Sales By Product Category				
Coffee (Roasted)	64.4 %	66.2 %	(1.8)%	(2)
Tea & Other Beverages (2)	18.0 %	17.5 %	0.5 %	2
Culinary	12.0 %	11.3 %	0.7 %	6
Spices	4.7 %	4.7 %	— %	-
Net sales by product category	99.1 %	99.7 %	(0.6)%	(0)
Delivery Surcharge	0.9 %	0.3 %	0.6 %	NM
Total	100.0 %	100.0 %	— %	-
Other data:				
Capital expenditures related to maintenance	\$ 13,577	\$ 7,758	\$ (5,819)	(75)
Total capital expenditures	15,163	15,117	(46)	(0)
Depreciation & amortization expense	23,810	27,625	3,815	13

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.

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 further increase the capacity at our Northlake facility, we will continue to experience higher manufacturing costs driven by downtime and inefficiencies.
- *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, methods of procurement, logistics, inventory management, supporting technology, and real estate assets. The ability to attract and retain a skilled workforce, as well as mitigate current global supply chain challenges, will affect our future growth and profitability.
- *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 \$0.86 to \$2.60. The coffee “C” market near month price as of June 30, 2022 and 2021 was \$2.30 and \$1.60 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 Form 10-K.
- *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 4, Derivative Instruments](#), of the Notes to Consolidated Financial Statements included in this Form 10-K.
- *Coffee Brewing Equipment Service & Restoration (“Revive”).* With Revive, 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.
- *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 fiscal 2022 and fiscal 2021.

	For the Years Ended June 30,		2022 vs 2021	
	2022	2021	Favorable (Unfavorable) Change	% Change
Net sales	\$ 469,193	\$ 397,850	\$ 71,343	18%
Cost of goods sold	332,277	296,925	(35,352)	(12)%
Gross profit	136,916	100,925	35,991	36%
Selling expenses	107,277	95,503	(11,774)	(12)%
General and administrative expenses	47,172	42,945	(4,227)	(10)%
Net gains from sale of assets	(2,905)	(593)	2,312	(38)%
Impairment of fixed assets	—	1,243	1,243	100%
Operating expenses	151,544	139,098	(12,446)	(8)%
Loss from operations	(14,628)	(38,173)	23,545	(62)%
Other (expense) income:				
Interest expense	(9,516)	(15,962)	6,446	(41)%
Postretirement benefits curtailment and pension settlement charge	—	6,359	(6,359)	(100)%
Other, net	8,182	19,720	(11,538)	(59)%
Total other (expense) income	(1,334)	10,117	(11,451)	(113)%
Loss before taxes	(15,962)	(28,056)	12,094	(43)%
Income tax (benefit) expense	(301)	13,595	13,896	102%
Net loss	\$ (15,661)	\$ (41,651)	\$ 25,990	(62)%
Less: Cumulative preferred dividends, undeclared and unpaid	594	574	(20)	(3)%
Net loss available to common stock holders	\$ (16,255)	\$ (42,225)	\$ 25,970	(62)%

NM - Not Meaningful

Fiscal 2022 and Fiscal 2021

Net Sales

Net sales in fiscal 2022 increased \$71.3 million, or 18%, to \$469.2 million from \$397.9 million in fiscal 2021. The increase in net sales was primarily due to the continued recovery from the impact of the COVID-19 pandemic on both our DSD and Direct Ship sales channel, along with price increases and delivery surcharges implemented during fiscal 2022.

On our DSD sales channel, the increase was driven by improved volume of green coffee processed and sold, along with improved volume of other beverages, culinary, spice and tea products sold as we continue to experience higher weekly sales volumes compared to prior periods.

On the Direct Ship sales channel, increase was due to price changes to customers utilizing commodity-based pricing arrangements where the changes in the green coffee commodity costs are passed on to the customer. This was also due to the recently optimized customer base and recovery from the impact of the COVID-19 pandemic by some of our larger Direct Ship customers. Our Direct Ship net sales in fiscal 2022 included \$23.3 million in price increases to these customers, as compared to \$3.9 million in price decreases to these customers in fiscal 2021.

The following table presents the effect of changes in unit sales, unit pricing and product mix for fiscal 2022 compared to fiscal 2021 (in millions):

Units Sold and Pricing

	For Year Ended June 30, 2022 vs 2021	% of Total Mix Change
Effect of change in unit sales	\$ (12.0)	(16.8)%
Effect of pricing and product mix changes	83.3	116.8%
Total increase in net sales	\$ 71.3	100.0%

Unit sales decreased 2.5% and average unit price increased by 20.4% in fiscal 2022 as compared to the same prior year period, resulting in a net increase in net sales of 18%. Average unit price increased during fiscal 2022 due to a mix of products sold via DSD versus our Direct Ship sales channel, along with price increases and delivery surcharges implemented during fiscal 2022. There were no new product category introductions in fiscal 2022 and fiscal 2021, which had a material impact on our net sales.

Gross Profit

Gross profit in fiscal 2022 increased \$36.0 million, or 36%, to \$136.9 million from \$100.9 million in fiscal 2021. Gross

margin increased 3.8% to 29.2% in fiscal 2022 from 25.4% in fiscal 2021. The increase in gross profit in fiscal 2022 was primarily driven by higher net sales on both the DSD and Direct Ship sales channel, partially offset by higher freight costs due to global supply chain challenges and higher product costs. Gross margin improved due to the effect of the continued recovery from COVID-19 on our DSD channel sales since our DSD channel has higher margins. The increase was also attributable to a decline in our unfavorable production variances and inventory scrap write-downs due to the closure of our aged Houston, Texas plant during fiscal 2021. The price increases and delivery surcharges implemented across our DSD network during fiscal 2022 helped mitigate the impact of higher supply chain and product costs.

Operating Expenses

In fiscal 2022, operating expenses increased by \$12.4 million, or 9%, to \$151.5 million from \$139.1 million, in fiscal 2021. The increase was primarily due to \$11.8 million increase in selling expenses and a \$4.2 million increase in general and administrative expenses, partially offset by \$1.2 million decrease in fixed assets impairment and \$2.3 million increase in net gains from sale of assets due to sale of branch properties during fiscal 2022.

The increase in selling expenses in fiscal 2022 was primarily due to variable costs, including payroll, associated with the higher net sales, as well as operating costs associated with our distribution center in Rialto, California which was opened in fiscal 2021. The increase in general and administrative expenses in fiscal 2022 was primarily due to third party costs related to several supply chain optimization initiatives, partially offset by a decrease of severance costs in the prior year period. The increase in payroll in both selling and general and administrative expenses are predominately due to the expiration of the temporary 15% reduction in base salaries and the expiration of the 401(k) cash match suspension under the Farmer Bros. Co. 401(k) Plan, which were both cost saving actions implemented in fiscal 2020 in response to the COVID-19 pandemic.

Total Other Income (Expense)

Total other income (expense) in fiscal 2022 was \$1.3 million of expense compared to \$10.1 million of income in fiscal 2021.

The change in total other income (expense) in fiscal 2022 was primarily a result of an absence of the gains due to the post-retirement benefit curtailment in the prior year period associated with the medical plan termination in December 2020. In addition, in June 2021, we announced the amendment of our postretirement death benefit plan effective immediately. The announcement triggered a re-measurement, and resulted in settlement gains of \$6.4 million in fiscal 2021. See [Note 11](#), *Employee Benefit Plans* of the Notes to Consolidated Financial Statements included in this Form 10-K for details.

Interest expense in fiscal 2022 decreased \$6.4 million to \$9.5 million from \$16.0 million in the prior year period. The decrease in interest expense in fiscal 2022 was principally due to lower interest rates on our new credit facility entered in April 2021, as well as the amortization of de-designated interest rate swap costs.

In fiscal 2022, Other, net decreased by \$11.5 million to \$8.2 million compared to \$19.7 million in fiscal 2021. The decrease in Other, net, was primarily a result of lower amortized gains on our terminated post-retirement medical benefit plan and mark-to-market net losses on coffee-related derivative instruments not designated as accounting hedges.

Income Taxes

In fiscal 2022, we recorded income tax benefit of \$0.3 million as compared to income tax expense of \$13.6 million in fiscal 2021. The 2021 tax expense is primarily due to the \$13.7 million of previously deferred non-cash tax expense in accumulated other comprehensive income associated with gains on the postretirement medical plan in prior years. Upon termination of this plan during fiscal 2021, the deferred non-cash tax expense was reversed out of other comprehensive income and recorded in continuing operations net income in the second quarter of fiscal 2021. See [Note 16](#), *Income Taxes*, of the Notes to Consolidated Financial Statements included in this Form 10-K.

Non-GAAP Financial Measures

In addition to net loss 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) excluding the impact of:

- income tax (benefit) expense;
- 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) excluding the impact of:

- income tax (benefit) expense;
- interest expense;
- depreciation and amortization expense;
- ESOP and share-based compensation expense;
- net gains from sales of assets;
- strategic initiatives;
- severance costs;
- impairment of fixed assets;
- non-recurring costs associated with the COVID-19 pandemic and severe winter weather; and
- postretirement benefits gains curtailment and pension settlement charge.

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

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 certain 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 to EBITDA (unaudited):

(In thousands)	For the Year Ended June 30,	
	2022	2021
Net loss, as reported	\$ (15,661)	\$ (41,651)
Income tax (benefit) expense	(301)	13,595
Interest expense (1)	6,098	11,911
Depreciation and amortization expense	23,810	27,625
EBITDA	\$ 13,946	\$ 11,480
EBITDA Margin	3.0%	2.9%

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

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

(In thousands)	Year Ended June 30,	
	2022	2021
Net loss, as reported	\$ (15,661)	\$ (41,651)
Income tax (benefit) expense	(301)	13,595
Interest expense (1)	6,098	11,911
Depreciation and amortization expense	23,810	27,625
ESOP and share-based compensation expense	6,989	4,580
Net gains from sale of assets	(2,905)	(593)
Strategic initiatives (2)	76	4,203
Severance costs	953	1,596
Impairment of fixed assets	—	1,243
Non-recurring costs associated with the COVID-19 pandemic	—	352
Weather-related event - 2021 severe winter weather	—	109
Postretirement benefits gains curtailment and pension settlement charge	—	(6,359)
Adjusted EBITDA	\$ 19,059	\$ 16,611
Adjusted EBITDA Margin	4.1%	4.2%

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

(2) Includes initiatives related to the consolidation of the Hillsboro and Portland facilities in fiscal 2022 and Houston facility exit and opening of the Rialto distribution center in fiscal 2021.

Liquidity, Capital Resources and Financial Condition

The following table summarizes the Company's debt obligations, excluding unamortized deferred debt financing costs:

(In thousands)	Debt Origination Date	Maturity	Principal Amount Borrowed	June 30, 2022		June 30, 2021	
				Carrying Value	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate
Revolver	various	4/25/2025	N/A	\$ 63,000	2.75 %	\$ 43,500	6.17 %
Term Loan	4/26/2021	4/25/2025	\$ 47,500	\$ 45,600	7.50 %	\$ 47,500	7.50 %
Total				<u>\$ 108,600</u>		<u>\$ 91,000</u>	

Credit Facility

On April 26, 2021, we repaid in full all of the outstanding loans and other amounts payable under a prior amended and restated credit agreement, using proceeds of loans received pursuant to a refinancing under a new senior secured facility composed of a Revolver Credit Facility Agreement and a Term Credit Facility Agreement (the "Credit Facilities") as described in more detail in [Note 12, Debt Obligations](#), of the Notes to Consolidated Financial Statements included in this Form 10-K.

The revolver under the Credit Facilities has a commitment of up to \$80.0 million and a maturity date of April 25, 2025. Availability under the revolver is calculated as the lesser of (a) \$80.0 million or (b) the amount equal to the sum of (i) 85% of eligible accounts receivable (less a dilution reserve), plus (ii) the lesser of: (a) 80% of eligible raw material inventory, eligible in-transit inventory and eligible finished goods inventory (collectively, "Eligible Inventory"), and (b) 85% of the net orderly liquidation value of eligible inventory, minus (c) applicable reserve. The term loan under the Credit Facilities has a principal amount of \$47.5 million and a maturity date of April 25, 2025.

The Credit Facilities contain customary affirmative and negative covenants and restrictions typical for a financing of this type. Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the Credit Facilities becoming immediately due and payable and termination of the commitments. As of and through June 30, 2022, we were in compliance with all of the covenants under the Credit Facilities.

The Credit Facilities 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 and continue to execute on key strategic initiatives.

Effective March 27, 2019, we entered into an interest rate swap to manage our interest rate risk on our floating-rate indebtedness. See [Note 4, Derivative Instruments](#), of the Notes to Consolidated Financial Statements included in this Form 10-K, for details. In connection with the Credit Facilities, we also executed an ISDA agreement to transfer our interest swap to Wells Fargo under substantially the same terms. See [Note 12, Debt Obligations](#), of the Notes to Consolidated Financial Statements included in this Form 10-K for details.

At June 30, 2022, we had outstanding borrowings of \$98.8 million and utilized \$4.1 million of the letters of credit sublimit under the Credit Facilities, and had \$12.9 million of availability under our Credit Facilities.

Liquidity

We generally finance our operations through cash flows from operations and borrowings under our Credit Facilities. 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. We believe that the Credit Facilities, 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, 2022, we had \$9.8 million of unrestricted cash and cash equivalents.

Impact of COVID-19 on Our Liquidity

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 consist of small independent restaurants, foodservice operators, large institutional buyers, and convenience store chains, hotels, casinos, healthcare facilities, and foodservice distributors. The COVID-19 pandemic had a material impact on our revenues during fiscal 2022 and fiscal 2021.

In response to the impact of the COVID-19 pandemic on our business, we instituted several initiatives during fiscal 2020 and 2021 to reduce operating expenses and capital expenditures to help mitigate the significant negative impact of our revenue decline. In addition to the costs saving initiatives, in fiscal 2021 we also repaid our existing senior secured revolving credit facility, and entered into the Credit Facilities. We believe that the Credit Facilities provide us with increased flexibility to

proactively manage our working capital and execute our long term strategy, maintain compliance with our debt financial covenants, lower our cost of borrowing, and preserve financial liquidity to mitigate the impact of the uncertain business environment resulting from the COVID-19 pandemic, while continuing to execute on our strategic initiatives.

The impact of the COVID-19 pandemic, including its effects on general economic conditions, the extent of the weaker demand for our products, our financial position, results of operations and liquidity, which could be material, remains uncertain. The ultimate impacts of the COVID-19 pandemic on our business will depend on future developments, including the availability and cost of labor, global supply chain disruptions, variants of the virus, and the availability and use of vaccines and other treatments for COVID-19, which are highly uncertain and cannot be predicted. While we anticipate that our revenue will continue to recover slowly as local, state and national governments ease COVID-19 related restrictions, and vaccines become more widely accepted, there can be no assurance that we will be successful in returning to the pre-COVID-19 pandemic levels of revenue or profitability for fiscal 2023.

Cash Flows

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

	For the Years Ended June 30,	
	2022	2021
Consolidated Statements of cash flows data (in thousands)		
Net cash used in operating activities	\$ (11,454)	\$ (1,4
Net cash used in investing activities	(6,045)	(10,6
Net cash provided by (used in) financing activities	17,055	(37,3
Net decrease in cash and cash equivalents	\$ (444)	\$ (49,5

Operating Activities

Cash used in operating activities in fiscal 2022 increased \$10.0 million as compared to fiscal 2021 primarily attributable to changes in working capital related to inventory and accounts receivables, as well as employee compensation payments made in fiscal 2021 as part of our employee incentive program. These outflows were partially offset by realized gains from our coffee-related derivative instruments for fiscal year 2022.

Investing Activities

Net cash used in investing activities during fiscal 2022 was \$6.0 million as compared to net cash used of \$10.7 million during fiscal 2021. The \$4.7 million change is primarily due to the sale of assets during fiscal 2022 resulting in net cash proceeds of \$9.1 million and lower expansion capital expenditures, partially offset by higher maintenance capital expenditures and coffee brewing equipment purchases in fiscal 2022 as we continued to focus on refurbished coffee brewing equipment to drive cost savings and other spending reductions.

Financing Activities

Net cash provided by financing activities during fiscal 2022 was \$17.1 million as compared to of \$37.4 million of cash used in financing activities during fiscal 2021. Net cash provided by financing activities in fiscal 2022 included \$17.6 million in net proceeds under our current credit facilities compared to \$31.0 million in net payments in fiscal 2021. These changes primarily resulted from the drawdown and repayments on our Revolver in fiscal 2021.

Contractual Obligations, Commitments and Contingencies

Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from our operations and borrowing capacity currently available under our Credit facilities. We generally finance our obligations through cash flows from operations and borrowings under our Credit Facilities. We believe that the Credit Facilities, 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, 2022, we had \$9.8 million of unrestricted cash and cash equivalents. At June 30, 2022, we had \$12.9 million of availability under our Credit Facilities.

The following table contains information regarding total contractual obligations as of June 30, 2022, which we expect to fund primarily with operating cash flows:

(In thousands)	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)	\$ 32,791	\$ 7,721	\$ 13,619	\$ 8,452	\$ 2,999
Finance lease obligations(1)	675	193	386	96	—
Pension plan obligations(2)	73,360	7,430	14,680	14,900	36,350
Postretirement benefits other than pension plans (2)	622	56	119	127	320
Revolving credit facility (4)	63,000	—	63,000	—	—
Term loan (4)	45,600	3,800	41,800	—	—
Purchase commitments(3)	122,137	122,137	—	—	—
Derivative liabilities	2,349	2,349	—	—	—
Total contractual obligations	\$ 340,534	\$ 143,686	\$ 133,604	\$ 23,575	\$ 39,669

(1) See [Note 5](#), *Leases*, of the Notes to Consolidated Financial Statements included in this Form 10-K.

(2) See [Note 11](#), *Employee Benefit Plans*, of the Notes to Consolidated Financial Statements included in this 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, 2022. 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 18](#), *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in this Form 10-K.

(4) See [Note 12](#), *Debt Obligations*, of the Notes to Consolidated Financial Statements included in this Form 10-K.

Capital Expenditures

For fiscal 2022 and fiscal 2021, our capital expenditures paid were \$15.2 million and \$15.1 million respectively. In fiscal 2023, we anticipate capital expenditures will be between \$18.0 million and \$20.0 million. We expect to finance these expenditures through cash flows from operations and borrowings under our Revolving Facility.

Depreciation and amortization expense was \$23.8 million and \$27.6 million in fiscal 2022 and 2021, respectively.

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 Form 10-K 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 did not have any off-balance sheet arrangements as of June 30, 2022.

Critical Accounting Estimates

We consider an accounting estimate to be critical if: (1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

Our significant accounting estimates are discussed in additional detail in [Note 2](#), *Summary of Significant Accounting Policies*, to the consolidated financial statements included in this Form 10-K. We believe that our significant accounting estimates involve a higher degree of judgment and/or complexity for the reasons discussed below:

Fair value of coffee-related 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.

We utilize derivative instruments to reduce 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, 2022 and 2021, we had 4.7 million and 21.5 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, 2022, approximately 89% of our outstanding coffee-related derivative instruments, representing 4.2 million pounds of forecasted green coffee purchases, were designated as cash flow hedges. At June 30, 2021, approximately 68% of our outstanding coffee-related derivative instruments, representing 14.6 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.

Single Employer Pension Plan

The estimation of our single employer Farmer Bros. pension plan requires that we make use of 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. Plan obligations and expenses are based on existing retirement plan provisions.

The assumptions used in developing the required estimates include the following key factors:

- *Discount rates.* 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.
- *Expected long-term rate of return on plan assets.* 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.

The following table illustrates the sensitivity to a change in certain assumptions for the Farmer Bros. pension plan, holding all other assumptions constant:

(\$ in thousands)	Effect on 2023 Net Periodic Benefit Cost		Effect on June 30, 2022 PBO
50 basis points decrease in discount rate	\$	(75)	\$ 5,376
50 basis points increase in discount rate	\$	60	\$ (4,926)
50 basis points decrease in expected rate of return on assets	\$	357	N/A
50 basis points increase in expected rate of return on assets	\$	(357)	N/A

See [Note 11](#), *Employee Benefit Plans*, of the Notes to Consolidated Financial Statements included in this Form 10-K for further discussions of our various pension plans.

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, the Company entered into an interest rate swap to manage the interest rate risk on its floating-rate indebtedness. In connection with the new Revolver Credit Facility Agreement and Term Credit Facility Agreement (collectively, the “Credit Facilities”), the Company also executed a new ISDA agreement to transfer its interest swap to Wells Fargo (“Amended Rate Swap”). Under the terms of the Amended Rate Swap, the Company receives 1-month LIBOR, subject to a 0% floor, and makes payments based on a fixed rate of 2.4725%, an increase of 0.275% from its original interest rate swap fixed rate of 2.1975%. The Amended Rate Swap utilizes the same notional amount of \$65.0 million and maturity date of October 11, 2023 as the original interest rate swap. See [Note 4, Derivative Instruments](#), of the Notes to Consolidated Financial Statements included in this Form 10-K for further discussions of our derivative instruments.

At June 30, 2022, we had outstanding borrowings on our Revolver of \$63.0 million and had utilized \$4.1 million of the letters of credit sublimit, as well as \$45.6 million of debt outstanding under our term loan. As a result of the Amended Rate Swap, only \$43.6 million is now subject to interest rate variability. The weighted average interest rate on our outstanding borrowings subject to interest rate variability under the Revolver at June 30, 2022 was 2.75%.

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 Revolver based on the weighted average interest rate on the outstanding borrowings as of June 30, 2022:

(\$ in thousands)	Principal	Interest Rate	Annual Interest Expense
-150 basis points	\$ 43,600	3.24 %	\$ 1,413
-100 basis points	\$ 43,600	3.74 %	\$ 1,631
Unchanged	\$ 43,600	4.74 %	\$ 2,067
+100 basis points	\$ 43,600	5.74 %	\$ 2,503
+150 basis points	\$ 43,600	6.24 %	\$ 2,721

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 4, Derivative Instruments](#), of the Notes to Consolidated Financial Statements included in this Form 10-K for further discussions of our derivative instruments.

The following table summarizes the potential impact as of June 30, 2022 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)	\$ 99	\$ (99)	\$ 736	\$ (736)

(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, 2022. 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 Form 10-K.

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

None.

Item 9A. Controls and Procedures

Evaluation of 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, 2022, 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, 2022, our disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting pursuant to Rules 13a-15(d) or 15d-15(d) promulgated under the Exchange Act during our fiscal quarter ended June 30, 2022, that has materially affected, or is reasonably likely to materially affect, our 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, 2022. The Company's independent registered public accounting firm, Grant Thornton LLP ("Grant Thornton"), (PCAOB ID Number 248), has issued an audit report on the effectiveness of the Company's internal control over financial reporting. Their report is included with the consolidated financial statements.

Item 9B. Other Information

On March 4, 2022, we filed with the Secretary of State of Delaware a Certificate of Correction (the "Certificate of Correction") to our Amended and Restated Certificate of Incorporation, as amended from time to time (the "Charter"). The Certificate of Correction was filed to correct paragraph (d) of Article FOURTH of the Charter in order to refer to our Certificate of Designations of Series A Convertible Participating Cumulative Perpetual Preferred Stock that was previously filed with the Delaware Secretary of State on October 2, 2017 (the "Certificate of Designation") and to attach the Certificate of Designation to the Charter.

The foregoing summary of the Certificate of Correction does not purport to be complete and is qualified in its entirety by reference to the full text of the Certificate of Correction, a copy of which is filed as Exhibit 3.5 with this Form 10-K and is incorporated herein by reference.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

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 Form 10-K by reference.

Item 11. Executive Compensation

The information required by this item will be set forth in the Proxy Statement and is incorporated in this Form 10-K 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 Form 10-K by reference.

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 Form 10-K 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 Form 10-K 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 Form 10-K:

Consolidated Balance Sheets as of June 30, 2022 and 2021.

Consolidated Statements of Operations for the Years Ended June 30, 2022, 2021 and 2020.

Consolidated Statements of Comprehensive Loss for the Years Ended June 30, 2022, 2021 and 2020.

Consolidated Statements of Cash Flows for the Years Ended June 30, 2022, 2021 and 2020.

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2022, 2021 and 2020.

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 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.

(b) Exhibits:

Exhibit No.	Description
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>
3.2	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of Farmer Bros. Co. (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>Certificate of Amendment of Amended and Restated Certificate of Incorporation of Farmer Bros. Co. (filed as Exhibit 4.4 to the Company's Registration Statement on Form S-8 filed with the SEC on December 28, 2021 and incorporated herein by reference).</u>

Exhibit No.	Description
3.4	<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>
3.5	<u>Certificate of Correction of the Amended and Restated Certificate of Incorporation of Farmer Bros. Co. (filed herewith).</u>
3.6	<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>
3.7	<u>Amendment No. 1 to Amended and Restated Bylaws of Farmer Bros. Co. (filed as Exhibit 3.4 to the Company's Annual Report on Form 10-K filed with the SEC on September 11, 2020 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>Description of Farmer Bros. Co. Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (filed herewith).</u>
10.1	<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>
10.2	<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>
10.3	<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>
10.4	<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>
10.5	<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>
10.6	<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>
10.7	<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>
10.8	<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>
10.9	<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>
10.10	<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>
10.11	<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>

Exhibit No.	Description
10.12	<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>**
10.13	<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>**
10.14	<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>**
10.15	<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>**
10.16	<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>**
10.17	<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>**
10.18	<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>**
10.19	<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>**
10.20	<u>Farmer Bros. Co. 2017 Long-Term Incentive Plan (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>**
10.21	<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>**
10.22	<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>**
10.23	<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>**
10.24	<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>**
10.25	<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>**
10.26	<u>Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan (filed as Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed with the SEC on December 28, 2021 and incorporated herein by reference).</u>**
10.27	<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>**
10.28	<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>**
10.29	<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>**
10.30	<u>Form of Change in Control Severance Agreement for Executive Officers of the Company (filed herewith).</u>**

Exhibit No.	Description
10.31	<u>Form of Change in Control Severance Agreement for Officers of the Company (filed herewith).</u>**
10.32	<u>Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on December 8, 2017 (filed herewith).</u>**
10.33	<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>
10.34	<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>
10.35	<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>**
10.36	<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>**
10.37	<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>**
10.38	<u>Credit Agreement dated as of dated as of April 26, 2021, by and among Farmer Bros. Co., a Delaware corporation, the other loan parties named therein, the lenders named therein and Wells Fargo Bank, N.A., as administrative agent and lender (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021 and incorporated herein by reference).</u>
10.39	<u>Guaranty and Security Agreement dated as of April 26, 2021, by and among Farmer Bros. Co., a Delaware corporation, the other grantors named therein, and Wells Fargo 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 April 27, 2021 and incorporated herein by reference).</u>
10.40	<u>Credit Agreement dated as of dated as of April 26, 2021, by and among Farmer Bros. Co., a Delaware corporation, the other loan parties named therein, the lenders named therein and MGG Investment Group LP, as administrative agent (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021 and incorporated herein by reference).</u>
10.41	<u>Guaranty and Security Agreement dated as of April 26, 2021, by and among Farmer Bros. Co., a Delaware corporation, the other grantors named therein, and MGG Investment Group LP, as administrative agent (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021 and incorporated herein by reference).</u>
10.42	<u>ISDA Master Agreement dated as of April 26, 2021, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A. (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021 and incorporated herein by reference).</u>
10.43	<u>Schedule of the ISDA Master Agreement, dated as of April 26, 2021, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A. (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021 and incorporated herein by reference).</u>
10.44	<u>Replacement interest rate swap with Wells Fargo Bank, N.A. pursuant to a new interest rate swap confirmation (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 27, 2021 and incorporated herein by reference).</u>
10.45	<u>Confidential Separation and Release Agreement by and between Ronald J. Friedman and Farmer Bros. Co. dated April 29, 2021 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 30, 2021 and incorporated herein by reference).</u>**
10.46	<u>General Release and Separation Agreement by and between Jennifer H. Brown and Farmer Bros. Co. dated October 21, 2021 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 22, 2021 and incorporated herein by reference).</u>**
10.47	<u>Consent and Amendment No. 1 dated as of December 20, 2021, to Credit Agreement dated as of April 26, 2021, by and among Farmer Bros. Co., a Delaware corporation, the other loan parties named therein, the lenders named therein and Wells Fargo Bank, N.A., as administrative agent and lender (filed herewith).</u>

Exhibit No.	Description
10.48	Consent and Amendment No. 2 dated as of August 8, 2022, to Credit Agreement dated as of April 26, 2021, by and among Farmer Bros. Co., a Delaware corporation, the other loan parties named therein, the lenders named therein and Wells Fargo Bank, N.A., as administrative agent and lender (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 9, 2022 and incorporated herein by reference).
10.49	Amendment No. 3 to Credit Agreement, dated August 31, 2022, by and among the Company, Boyd Assets Co., FBC Finance Company, Coffee Bean Holding Co., Inc., Coffee Bean International, Inc. and China Mist Brands, Inc., as borrowers, the lenders party thereto, and Wells Fargo 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 31, 2022 and incorporated herein by reference).
14.1	Farmer Bros. Co. Code of Conduct and Ethics adopted on August 26, 2010 and updated February 2013 and September 7, 2017 (filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 filed with the SEC on September 29, 2017 and incorporated herein by reference).
16.1	Letter of Deloitte & Touche LLP to the SEC dated December 22, 2021, (filed as Exhibit 16.1 to the Company's Report on Form 8-K filed with the SEC on December 22, 2021 and incorporated herein by reference).
21.1	List of all Subsidiaries of Farmer Bros. Co. (filed herewith).
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm (filed herewith).
23.2	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm (filed herewith).
31.1	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (furnished herewith).
101.SCH	Inline XBRL Taxonomy Extension Schema Document (furnished herewith).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (furnished herewith).
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (furnished herewith).
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (furnished herewith).
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (furnished herewith).
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (furnished herewith).

** 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

Board of Directors and Stockholders

Farmer Bros. Co.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Farmer Bros. Co. (a Delaware corporation) and subsidiaries (the “Company”) as of June 30, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* 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, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended June 30, 2022, and our report dated September 1, 2022 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/ GRANT THORNTON LLP

Dallas, Texas

September 1, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Farmer Bros. Co.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Farmer Bros. Co. (a Delaware corporation) and subsidiaries (the “Company”) as of June 30, 2022, the related consolidated statements of operations, comprehensive loss, stockholders’ equity, and cash flows for the year then ended, 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, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have 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, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated September 1, 2022 expressed an unqualified opinion.

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 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 the financial statements are free of material misstatement, whether due to error or fraud. Our audit 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 audit 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 audit provides a reasonable basis for our opinion.

Critical audit matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2021.

Dallas, Texas

September 1, 2022

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 sheet of Farmer Bros. Co. and subsidiaries (the "Company") as of June 30, 2021, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the two years in the period ended June 30, 2021, 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, 2021, and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

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 Public Company Accounting Oversight Board (United States) (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 9, 2021

We have served as the Company's auditor since 2014. In December 2021, we became the predecessor auditor.

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

	As of June 30,	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,819	\$ 10,263
Restricted cash	175	175
Accounts and notes receivable, net of allowance for credit losses of \$195 and \$325, respectively	46,935	40,321
Inventories	99,618	76,791
Short-term derivative assets	3,022	4,351
Prepaid expenses	4,491	5,594
Assets held for sale	1,032	1,591
Total current assets	165,092	139,086
Property, plant and equipment, net	138,150	150,091
Intangible assets, net	15,863	18,252
Right-of-use operating lease assets	27,957	26,254
Other assets	3,009	4,323
Total assets	\$ 350,071	\$ 338,006
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	52,877	45,703
Accrued payroll expenses	14,761	15,345
Right-of-use operating lease liabilities - current	7,721	6,262
Term loan - current	3,800	950
Short-term derivative liability	2,349	1,555
Other current liabilities	6,095	6,425
Total current liabilities	87,603	76,240
Long-term borrowings under revolving credit facility	63,000	43,500
Term loan - noncurrent	40,123	44,328
Accrued pension liabilities	28,540	39,229
Accrued postretirement benefits	787	960
Accrued workers' compensation liabilities	3,169	3,649
Right-of-use operating lease liabilities	20,762	20,049
Other long-term liabilities	1,339	5,092
Total liabilities	\$ 245,323	\$ 233,047
Commitments and contingencies (Note 18)		
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, 2022 and 2021, respectively; liquidation preference of \$17,346 and \$16,752 as of June 30, 2022 and 2021, respectively	15	15
Common stock, \$1.00 par value, 50,000,000 and 25,000,000 shares authorized; 18,464,966 and 17,852,793 shares issued and outstanding at June 30, 2022 and 2021, respectively	18,466	17,853
Additional paid-in capital	71,997	66,109
Retained earnings	52,701	66,311
Accumulated other comprehensive loss	(38,431)	(45,329)
Total stockholders' equity	\$ 104,748	\$ 104,959
Total liabilities and stockholders' equity	\$ 350,071	\$ 338,006

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,		
	2022	2021	2020
Net sales	\$ 469,193	\$ 397,850	\$ 501,320
Cost of goods sold	332,277	296,925	363,198
Gross profit	136,916	100,925	138,122
Selling expenses	107,277	95,503	121,762
General and administrative expenses	47,172	42,945	42,569
Net gains from sale of assets	(2,905)	(593)	(25,237)
Impairment of goodwill and intangible assets	—	—	42,030
Impairment of fixed assets	—	1,243	—
Operating expenses	151,544	139,098	181,124
Loss from operations	(14,628)	(38,173)	(43,002)
Other (expense) income:			
Interest expense	(9,516)	(15,962)	(10,483)
Postretirement benefits curtailment and pension settlement charge	—	6,359	5,760
Other, net	8,182	19,720	10,443
Total other (expense) income	(1,334)	10,117	5,720
Loss before taxes	(15,962)	(28,056)	(37,282)
Income tax (benefit) expense	(301)	13,595	(195)
Net loss	\$ (15,661)	\$ (41,651)	\$ (37,087)
Less: Cumulative preferred dividends, undeclared and unpaid	594	574	554
Net loss available to common stock holders	\$ (16,255)	\$ (42,225)	\$ (37,641)
Basic net loss available to common stockholders per common share	\$ (0.89)	\$ (2.39)	\$ (2.19)
Diluted net loss available to common stockholders per common share	\$ (0.89)	\$ (2.39)	\$ (2.19)
Weighted average common shares outstanding—basic	18,200,080	17,635,402	17,205,849
Weighted average common shares outstanding—diluted	18,200,080	17,635,402	17,205,849

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

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

	For the Years Ended June 30,		
	2022	2021	2020
Net loss	\$ (15,661)	\$ (41,651)	\$ (37,087)
Other comprehensive loss:			
Unrealized gains (losses) on derivatives designated as cash flow hedges	12,172	11,715	(7,518)
(Gains) losses on derivatives designated as cash flow hedges reclassified to cost of goods sold	(15,865)	(1,593)	8,863
Losses on derivative instruments undesignated as cash flow hedges reclassified to interest expense	1,208	1,284	—
Change in pension and retiree benefit obligations	9,383	19,294	(13,722)
Total comprehensive loss	<u>\$ (8,763)</u>	<u>\$ (10,951)</u>	<u>\$ (49,464)</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	Accumulated Other Comprehensive Income (Loss)	Total
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)
Cash flow hedges, net of taxes	—	—	—	—	—	—	1,345	1,345
Change in the funded status of 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
Net loss	—	—	—	—	—	(41,651)	—	(41,651)
Cash flow hedges, net of taxes	—	—	—	—	—	—	11,406	11,406
Change in the funded status of retiree benefit obligations, net of taxes	—	—	—	—	—	—	19,294	19,294
ESOP compensation expense, including reclassifications	—	—	398,771	398	1,805	—	—	2,203
Share-based compensation	—	—	—	—	2,368	—	—	2,368
Issuance of common stock and stock option exercises	—	—	106,248	107	(107)	—	—	—
Cumulative preferred dividends, undeclared and unpaid	—	—	—	—	—	(574)	—	(574)
Balance at June 30, 2021	14,700	15	17,852,793	17,853	66,109	66,311	(45,329)	104,959
Net loss	—	—	—	—	—	(15,661)	—	(15,661)
Cash flow hedges, net of taxes	—	—	—	—	—	—	(2,485)	(2,485)
Change in the funded status of retiree benefit obligations, net of taxes	—	—	—	—	—	—	9,383	9,383
ESOP and 401 (k) compensation expense, including reclassifications	—	—	371,566	373	3,271	—	—	3,644
Share-based compensation	—	—	—	—	3,347	—	—	3,347
Issuance of common stock and stock option exercises, net of shares withheld for taxes	—	—	240,607	240	(730)	—	—	(490)
Cumulative preferred dividends, undeclared and unpaid	—	—	—	—	—	2,051	—	2,051
Balance at June 30, 2022	14,700	\$ 15	18,464,966	\$ 18,466	\$ 71,997	\$ 52,701	\$ (38,431)	\$ 104,748

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,		
	2022	2021	2020
Cash flows from operating activities:			
Net loss	\$ (15,661)	\$ (41,651)	\$ (37,087)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities			
Depreciation and amortization	23,810	27,625	29,896
Impairment of goodwill and intangible assets	—	—	42,030
Impairment of fixed assets	—	1,243	—
Postretirement benefits and pension settlement cost	—	(21,077)	(5,760)
Deferred income taxes	(425)	13,404	(300)
Net gains from sale of assets	(2,905)	(593)	(25,237)
Net (gains) losses on derivative instruments	(21,620)	(3,250)	9,818
ESOP and share-based compensation expense	6,501	4,580	4,309
Provision for credit losses	(353)	(877)	1,379
Change in operating assets and liabilities:			
Accounts receivable, net	(6,260)	1,438	12,893
Inventories	(22,828)	(9,383)	19,530
Derivative assets, net	19,554	5,016	(1,082)
Other assets	2,652	11,249	990
Accounts payable	7,111	7,790	(35,784)
Accrued expenses and other	(1,030)	3,000	(14,140)
Net cash (used in) provided by operating activities	\$ (11,454)	\$ (1,486)	\$ 1,455
Cash flows from investing activities:			
Purchases of property, plant and equipment	(15,163)	(15,117)	(17,560)
Proceeds from sales of property, plant and equipment	9,118	4,421	39,477
Net cash (used in) provided by investing activities	\$ (6,045)	\$ (10,696)	\$ 21,917
Cash flows from financing activities:			
Proceeds from Credit Facilities	23,500	80,742	90,000
Repayments on Credit Facilities	(5,900)	(159,242)	(60,000)
Proceeds from issuance of term loan	—	47,500	—
Payment of financing costs	(352)	(6,288)	(418)
Proceeds from stock option exercises	—	—	129
Payments of finance lease obligations	(193)	(105)	(53)
Net cash provided by (used in) financing activities	\$ 17,055	\$ (37,393)	\$ 29,658
Net (decrease) increase in cash and cash equivalents and restricted cash	\$ (444)	\$ (49,575)	\$ 53,030
Cash and cash equivalents and restricted cash at beginning of period	\$ 10,438	\$ 60,013	\$ 6,983
Cash and cash equivalents and restricted cash at end of period	\$ 9,994	\$ 10,438	\$ 60,013
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 7,503	\$ 5,703	\$ 4,426
Cash paid for income taxes	142	355	21
Supplemental disclosure of non-cash investing and financing activities:			
Non-cash additions to property, plant and equipment	63	95	446
Right-of-use assets obtained in exchange for new operating lease liabilities	7,684	9,610	8,503
Non-cash issuance of ESOP and 401(K) common stock	373	398	266
Cumulative preferred dividends, undeclared and unpaid	—	574	554

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 leading coffee roaster, wholesaler, equipment servicer and distributor of coffee, tea and other allied 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 retailers, 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 and other beverages including cappuccino, cocoa, granitas, and concentrated and ready-to-drink cold brew and iced coffee; culinary products and spices. 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; and Portland, Oregon. We stopped production in our Houston facility and exited the facility in the fourth quarter of fiscal 2021. Distribution takes place out of the Northlake and Portland facilities, as well as separate distribution centers in Portland, Oregon; Northlake, Illinois; Rialto, California; 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 239 delivery routes and 103 branch warehouses as of June 30, 2022, 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 conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation

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

Use of Estimates

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

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 credit losses 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 accounts are determined to be uncollectible.

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” in the consolidated statements of operations.

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" in the consolidated statements of operations at that time. For derivative instruments that are not designated in a hedging relationship, and for which the normal purchases and normal sales exception has not been elected, the changes in fair value are reported in "Other, net" in the consolidated statements of operations. See [Note 4, Derivative Instruments](#).

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. For interest rate swap derivative instruments that are not designated in a hedging relationship, the changes in fair value are reported in interest expense.

Concentration of Credit Risk

At June 30, 2022, 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, 2022 and 2021, 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 35% and 31% of the Company's accounts receivable balance was with five customers at June 30, 2022 and 2021, respectively. There were two customers that accounted for more than 10% of the Company's accounts receivable balance as of June 30, 2022. The Company estimates its maximum credit risk for accounts receivable at the amount recorded on the balance sheet. The accounts receivables are generally short-term and all probable bad debt losses have been appropriately considered in establishing the allowance for credit losses.

Inventories

Inventories are valued at the lower of cost or net realizable value. The Company uses the first in, first out ("FIFO") basis for accounting for coffee, tea and culinary products and coffee brewing equipment parts. 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
Office furniture and equipment	5 to 7 years
Capitalized software	3 to 5 years
Equipment under finance leases	Shorter of term of lease or estimated useful life

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 9, Property, Plant and Equipment](#) 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 Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, net and other liabilities in the Consolidated Balance Sheets. Leases with an initial term of 12 months or less are not recorded on the 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. We recognize revenue at a point in time upon delivery of the ordered goods to our customers. Revenues are recognized net of any discounts, returns, allowances, rebates and incentives. 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 Per Common Share

Net loss per share ("EPS") represents net loss available to common stockholders divided by the weighted-average number of common shares outstanding for the period. 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 or income available to common stockholders.

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

Diluted EPS represents net loss or 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

On December 31, 2018, the Company froze the Employee Stock Ownership Plan ("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.

Effective January 1, 2022, the Company merged the ESOP plan into the 401(k) Plan and transferred all of the assets and shares in the ESOP to the 401(k) Plan.

As of June 30, 2021, there were 1,067,687 allocated shares under the ESOP plan with a fair value of \$13.5 million.

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, 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 “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.

The Company tests 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.

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 and \$5.8 million, respectively, of impairments to goodwill and indefinite-lived intangibles during the year ended June 30, 2020. Our goodwill was fully impaired with this adjustment.

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.

Collective Bargaining Agreements

Certain Company employees are subject to collective bargaining agreements which expire on or before June 30, 2025. At June 30, 2022 approximately 16% 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 \$3.5 million and \$3.9 million, as of June 30, 2022 and 2021, respectively. The estimated recovery from reinsurance was \$0.7 million and \$0.6 million, as of June 30, 2022 and 2021, respectively. 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, 2022 the Company had posted no cash deposit and \$4.1 million letter of credit, as a security deposit for self-insuring workers' compensation, general liability and auto insurance coverages. At June 30, 2021 the Company had posted \$0.8 million in cash and a \$4.3 million letter of credit.

The estimated liability related to the Company's self-insured group medical insurance was \$0.5 million and \$0.9 million for the years ended June 30, 2022 and 2021, 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 \$2.3 million and \$1.4 million at June 30, 2022 and 2021, 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 11](#), *Employee Benefit Plans*.

Exit costs

The Company accounts for exit or disposal of activities in accordance with ASC 420, "Exit or Disposal Cost Obligations." The Company defines an exit or disposal activity as one 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 exit costs 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.

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 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 being discontinued between December 2021 and June 2023. The Company has not entered into any new contracts after December 31, 2021. With the overnight, 1-month, 3-month, 6-month and 12-month USD LIBOR rates being published through June 30, 2023, we will continue to leverage these for 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 does not anticipate any material impacts on its consolidated financial statements.
In March 2022, the FASB issued ASU No. 2022-01—Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method	The amendments in this Update clarify the accounting for and promote consistency in the reporting of hedge basis adjustments applicable to both a single hedged layer and multiple hedged layers	Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years.	The Company does not anticipate any material impacts on its consolidated financial statements.

Note 3. Sales of Assets

Sale of Branch Properties

During the fiscal year ended June 30, 2022, the Company completed the sale of the following branch properties:

(In thousands)					
Name of Branch Property	Date Sold	Sales Price	Net Proceeds	Gain	
Santa Ana, California	7/2/2021	\$ 4,299	\$ 4,072	\$	3,571
Santa Fe Springs, California	7/7/2021	2,650	2,507		1,509
San Antonio, Texas	11/2/2021	898	820		729

Assets Held for Sale

The Company sometimes pursues options to divest corporate assets, primarily related to land and buildings. As of June 30, 2022, certain branch properties met the accounting guidance criteria to be classified as held for sale, and it is the Company's intention to complete the sales of these assets within the twelve months following June 30, 2022. As such, the Company evaluated the assets to determine whether the carrying value exceeded the fair value less any costs to sell. No loss was recorded as of June 30, 2022 and the aggregate assets held for sale are presented as a separate line item in the consolidated balance sheet.

The following table presents net carrying value related to the major classes of assets that were classified as held for sale at June 30, 2022 and June 30, 2021 :

(In thousands)	June 30, 2022	June 30, 2021
Building and facilities	\$ 67	\$ 1,035
Land	965	556
Assets held for sale	\$ 1,032	\$ 1,591

Note 4. Derivative Instruments

Derivative Instruments Held

Coffee-Related Derivative Instruments

The Company is exposed to commodity price risk associated with its PTF green coffee purchase contracts, which are described further in [Note 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, 2022 and 2021:

(In thousands)	As of June 30,	
	2022	2021
Derivative instruments designated as cash flow hedges:		
Long coffee pounds	4,200	14,625
Derivative instruments not designated as cash flow hedges:		
Long coffee pounds	516	6,886
Total	4,716	21,511

Coffee-related derivative instruments designated as cash flow hedges outstanding as of June 30, 2022 will expire within 18 months. At June 30, 2022 and 2021 approximately 89% and 68%, 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 "Original Rate Swap"). In December 2019, the Company amended the notional amount to \$65.0 million. The Original Rate Swap was intended to manage the Company's interest rate risk on its floating-rate indebtedness under the Company's prior revolving credit facility. Under the terms of the Original Rate Swap, the Company received 1-month LIBOR, subject to a 0% floor, and made payments based on a fixed rate of 2.1975%.

The Company's obligations under the ISDA were secured by the collateral which secures the loans under the prior revolving credit facility on a pari passu and pro rata basis with the principal of such loans.

The Company had designated the Original Rate Swap derivative instrument as a cash flow hedge; however, during the quarter ended September 30, 2020, the Company de-designated the Original Rate Swap derivative instruments. As a result, the balance in AOCI was frozen at the time of de-designation. The Company recognized \$1.2 million, in interest expense for the fiscal year ended June 30, 2022. The remaining balance of \$1.4 million frozen in AOCI will be amortized over the life of the Rate Swap through October 11, 2023.

In connection with the revolver credit facility agreement entered in April 2021 (see [Note 12](#) for details), the Company also executed a new ISDA agreement to transfer its interest swap to Wells Fargo ("Amended Rate Swap"). Under the terms of the Amended Rate Swap, the Company receives 1-month LIBOR, subject to a 0% floor, and makes payments based on a fixed rate of 2.4725%, an increase of 0.275% from its original interest rate swap fixed rate of 2.1975%. The Amended Rate Swap utilizes the same notional amount of \$65.0 million and maturity date of October 11, 2023 as the Rate Swap. The Company did not designate the Amended Rate Swap 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,	
	2022	2021	2022	2021
Financial Statement Location:				
Short-term derivative assets:				
Coffee-related derivative instruments(1)	\$ 2,144	\$ 3,823	\$ 555	\$ 528
Interest rate swap derivative instruments(1)	—	—	323	—
Long-term derivative assets:				
Coffee-related derivative instruments(2)	37	292	140	—
Interest rate swap derivative instruments(2)	—	—	166	—
Short-term derivative liabilities:				
Coffee-related derivative instruments(3)	3	20	2,346	3
Interest rate swap derivative instruments(3)	—	—	—	1,532
Long-term derivative liabilities:				
Interest rate swap derivative instruments(4)	—	—	—	1,653

(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 derivative 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
	2022	2021	2020	
Net losses recognized in AOCI - Interest rate swap	\$ —	\$ (304)	\$ (2,863)	AOCI
Net losses recognized from AOCI to earnings - Interest rate swap	(7)	(347)	(383)	Interest Expense
Net losses reclassified from AOCI to earnings for partial unwind of interest swap - Interest rate swap	(1,201)	(1,284)	(407)	Interest Expense
Net gains (losses) recognized in AOCI - Coffee-related	12,172	11,753	(4,655)	AOCI
Net gains (losses) recognized in earnings - Coffee-related	15,865	1,940	(8,073)	Costs of goods sold

For the fiscal years ended June 30, 2022, 2021 and 2020, there were no gains or losses recognized in earnings as a result of excluding amounts from the assessment of hedge effectiveness.

Net (gains) losses on derivative instruments in the Company's consolidated statements of cash flows also includes net (gains) losses 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, 2022, 2021 and 2020. Gains and losses on derivative instruments not designated as accounting hedges are included in "Other, net" in the Company's consolidated statements of operations and in "Net (gains)

losses on derivative instruments and investments” in the Company’s consolidated statements of cash flows.

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

(In thousands)	Year Ended June 30,		
	2022	2021	2020
Net gains (losses) on coffee-related derivative instruments (1)	\$ 4,498	\$ 2,941	\$ (1,362)
Non-operating pension and other postretirement benefit plans credits (2)	3,598	16,398	11,651
Other gains, net	86	381	154
Other, net	\$ 8,182	\$ 19,720	\$ 10,443

- (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, 2022, 2021 and 2020.
(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.

Statement of Comprehensive Income (Loss)

The following table provides the balances and changes in accumulated other comprehensive income (loss) related to derivative instruments for the indicated periods:

(In thousands)	June 30,		
	2022	2021	2020
Accumulated other comprehensive (income) loss beginning balance	\$ (4,176)	\$ 6,964	\$ 8,308
Net losses recognized in AOCI - Interest rate swap	—	(304)	(2,863)
Net losses recognized from AOCI to earnings - Interest rate swap	(7)	(347)	(383)
Net losses reclassified from AOCI to earnings for partial unwind of interest swap - Interest rate swap	(1,201)	(1,284)	(407)
Net gains (losses) recognized in AOCI - Coffee-related	12,172	11,753	(4,655)
Net gains (losses) recognized in earnings - Coffee-related	15,865	1,940	(8,073)
Net change to other comprehensive (loss) income	(24,345)	(22,898)	15,037
Accumulated other comprehensive (income) loss ending balance	\$ (1,692)	\$ (4,176)	\$ 6,964

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, 2022	Derivative Assets	\$ 3,365	\$ (2,349)	\$ —	\$ 1,016
	Derivative Liabilities	2,349	(2,349)	—	—
As of June 30, 2021	Derivative Assets	4,643	(23)	—	4,620
	Derivative Liabilities	3,185	—	—	3,185

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, 2022, \$3.0 million of net gains 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, 2022.

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, 2022, \$1.1 million of net losses on the interest rate swap derivative instrument designated as a cash flow hedge are expected to be reclassified into interest expense within the next twelve months.

Note 5. Leases

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

(In thousands)	Classification	As of June 30,	
		2022	2021
Operating lease assets	Right-of-use operating lease assets	\$ 27,957	\$ 26,254
Finance lease assets	Property, plant and equipment, net	574	739
Total lease assets		\$ 28,531	\$ 26,993
Operating lease liabilities - current	Operating lease liabilities - current	7,721	6,262
Finance lease liabilities - current	Other current liabilities	193	192
Operating lease liabilities - noncurrent	Operating lease liabilities - noncurrent	20,762	20,049
Finance lease liabilities -noncurrent	Other long-term liabilities	409	563
Total lease liabilities		\$ 29,085	\$ 27,066

The components of lease expense are as follows:

(In thousands)	For the Years Ended June 30,		
	2022	2021	2020
Operating lease expense	\$ 7,526	\$ 7,195	\$ 5,354
Finance lease expense:			
Amortization of finance lease assets	164	82	52
Interest on finance lease liabilities	44	26	2
Total lease expense	\$ 7,734	\$ 7,303	\$ 5,408

The maturities of the lease liabilities are as follows:

(In thousands)	For the Years Ended June 30,	
	Operating Leases	Finance Leases
2023	\$ 7,721	\$ 193
2024	7,444	193
2025	6,175	193
2026	4,957	96
2027	3,495	—
Thereafter	2,999	—
Total lease payments	32,791	675
Less: interest	(4,308)	(73)
Total lease obligations	\$ 28,483	\$ 602

Lease term and discount rate:

	For the Years Ended June 30,	
	2022	2021
Weighted-average remaining lease terms (in years):		
Operating lease	6.3	7.3
Finance lease	3.5	4.5
Weighted-average discount rate:		
Operating lease	5.69 %	5.23 %
Finance lease	6.50 %	6.50 %

Other Information:

	For the Years Ended June 30,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 7,049	\$ 7,529
Operating cash flows from finance leases	44	70
Financing cash flows from finance leases	193	26

Note 6. 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>
As of June 30, 2022				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets - (1)	\$ 2,181	\$ —	\$ 2,181	\$ —
Coffee-related derivative liabilities (1)	3	—	3	—
Derivatives not designated as accounting hedges:				
Coffee-related derivative assets - (1)	695	—	695	—
Coffee-related derivative liabilities (1)	2,346	—	2,346	—
Interest rate swap derivative asset (2)	489	—	489	—
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
As of June 30, 2021				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets - (1)	\$ 4,115	\$ —	\$ 4,115	\$ —
Coffee-related derivative liabilities (1)	20	—	20	—
Derivatives not designated as accounting hedges:				
Coffee-related derivative assets - (1)	528	—	528	—
Coffee-related derivative liabilities (1)	3	—	3	—
Interest rate swap derivative liabilities (2)	3,185	—	3,185	—

(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, 2022 and 2021, there were no transfers between the levels. Due to the highly liquid nature, the amount of the Company's other financial instruments represent the approximate fair value.

Note 7. Accounts Receivable, Net

<u>(In thousands)</u>	<u>As of June 30,</u>	
	<u>2022</u>	<u>2021</u>
Trade receivables	\$ 44,219	\$ 37,208
Other receivables (1)	2,911	3,438
Allowance for credit losses	(195)	(325)
Accounts receivable, net	<u>\$ 46,935</u>	<u>\$ 40,321</u>

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

Allowance for credit losses:

<u>(In thousands)</u>	
Balance at June 30, 2019	\$ (1,324)
Provision	(1,872)
Write-offs	1,196
Recovery	204
Balance at June 30, 2020	<u>(1,796)</u>
Provision	619
Write-offs	704
Recovery	148
Balance at June 30, 2021	<u>(325)</u>
Provision	(767)
Write-offs	699
Recovery	198
Balance at June 30, 2022	<u>\$ (195)</u>

Note 8. Inventories

(In thousands)	As of June 30,	
	2022	2021
Coffee		
Processed	\$ 32,486	\$ 20,917
Unprocessed	39,326	34,762
Total	71,812	55,679
Tea and culinary products		
Processed	24,034	15,228
Unprocessed	58	60
Total	24,092	15,288
Coffee brewing equipment parts	3,714	5,824
Total inventories	\$ 99,618	\$ 76,791

In addition to product cost, inventory costs include expenditures such as direct labor and certain supply, freight, warehousing, overhead variances, purchase price variances 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 9. Property, Plant and Equipment

(In thousands)	As of June 30,	
	2022	2021
Buildings and facilities	\$ 92,948	\$ 94,846
Machinery and equipment	219,095	223,579
Capitalized software	25,467	24,218
Office furniture and equipment	14,347	13,834
	351,857	356,477
Accumulated depreciation	(224,760)	(218,341)
Land	11,053	11,955
Property, plant and equipment, net	\$ 138,150	\$ 150,091

Depreciation and amortization expense was \$23.8 million, \$27.6 million, and \$29.9 million, for the years ended June 30, 2022, 2021, and 2020, respectively.

Maintenance and repairs to property, plant and equipment charged to expense for the years ended June 30, 2022, 2021, and 2020 were \$9.5 million, \$7.9 million and \$8.6 million, respectively.

Coffee Brewing Equipment (“CBE”) and Service

Capitalized CBE included in machinery and equipment above are:

(In thousands)	As of June 30,	
	2022	2021
Coffee Brewing Equipment (1)	\$ 93,549	\$ 97,105
Accumulated depreciation	(68,938)	(70,705)
Coffee Brewing Equipment, net	\$ 24,611	\$ 26,400

(1) Decrease as of June 30, 2022 is due to retirement of assets and lower investment on new equipment since we have focused on refurbished equipment which has a lower cost per unit.

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

(In thousands)	For the Years Ended June 30,		
	2022	2021	2020
Depreciation expense	\$ 7,492	\$ 8,988	\$ 9,572
Other CBE expenses	25,773	23,363	27,906

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 10. Intangible Assets

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, 2022	As of June 30,					
		2022			2021		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:							
Customer relationships	4.7	\$ 33,003	\$ (21,893)	\$ 11,110	\$ 33,003	\$ (19,692)	\$ 13,311
Recipes	1.3	930	(752)	178	930	(619)	311
Trade name/brand name	1.4	510	(457)	53	510	(420)	90
Non-compete agreements	0.0	220	(220)	—	220	(202)	18
Total amortized intangible assets		34,663	(23,322)	11,341	34,663	(20,933)	13,730
Unamortized intangible assets:							
Trademarks, trade names and brand name with indefinite lives		4,522	—	4,522	4,522	—	4,522
Total unamortized intangible assets		4,522	—	4,522	4,522	—	4,522
Total intangible assets		\$ 39,185	\$ (23,322)	\$ 15,863	\$ 39,185	\$ (20,933)	\$ 18,252

The Company recorded \$5.8 million of indefinite-lived asset impairment for the fiscal year ended June 30, 2020 due to the impact the COVID-19 pandemic had on our business during the second half of the Company's fiscal year ended June 30, 2020. There were no indefinite-lived intangible asset impairment charges recorded in the fiscal years ended June 30, 2022 and 2021.

The Company also assesses the recoverability of certain finite-lived intangible assets. No impairment was recorded for the finite-lived intangibles for the years ended June 30, 2022, 2021, and 2020. Amortization expense for the years ended June 30, 2022, 2021, and 2020 were \$2.4 million each year, for these assets.

At June 30, 2022, future annual amortization of finite-lived intangible assets for the years 2023 through 2027 and thereafter is estimated to be (in thousands):

For the fiscal year ending:	
June 30, 2023	\$ 2,
June 30, 2024	2,
June 30, 2025	2,
June 30, 2026	2,
June 30, 2027	1,
Thereafter	
Total	\$ 11,

Note 11. 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, 2022, the Company has two defined benefit pension plans for certain employees (the "Farmer Bros. 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 plan freeze, participants are eligible to receive the Company's matching contributions to their 401(k).

Prior to the termination of the Farmer Bros. Co. Pension Plan for Salaried Employees (the "Salaried Plan") effective December 1, 2018, 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 Salaried Plan, and former employees who have deferred vested benefits under the Salaried Plan,

were transferred to the Farmer Bros. Plan. Upon termination of the Salaried Plan, all remaining plan participants elected to receive a distribution of his/her entire accrued benefit under the Salaried Plan in a single cash lump sum or an individual insurance company annuity contract, in either case, funded directly by Salaried Plan assets.

Obligations and Funded Status

(\$ in thousands)	Farmer Bros. Plan As of June 30,		Hourly Employees' Plan As of June 30,		Total	
	2022	2021	2022	2021	2022	2021
Change in projected benefit obligation						
Benefit obligation at the beginning of the year	\$ 129,091	\$ 133,326	\$ 5,070	\$ 5,086	\$ 134,161	\$ 138,412
Interest cost	3,262	3,309	129	128	3,391	3,437
Actuarial gain	(23,646)	(1,437)	(1,067)	(6)	(24,713)	(1,443)
Benefits paid	(6,199)	(6,107)	(181)	(138)	(6,380)	(6,245)
Projected benefit obligation at the end of the year	\$ 102,508	\$ 129,091	\$ 3,951	\$ 5,070	\$ 106,459	\$ 134,161
Change in plan assets						
Fair value of plan assets at the beginning of the year	\$ 90,508	\$ 75,904	\$ 4,603	\$ 3,915	\$ 95,111	\$ 79,819
Actual return on plan assets	(11,371)	17,648	(574)	826	(11,945)	18,474
Employer contributions	1,312	3,063	—	—	1,312	3,063
Benefits paid	(6,199)	(6,107)	(181)	(138)	(6,380)	(6,245)
Fair value of plan assets at the end of the year	\$ 74,250	\$ 90,508	\$ 3,848	\$ 4,603	\$ 78,098	\$ 95,111
Funded status at end of year (underfunded)	\$ (28,258)	\$ (38,583)	\$ (103)	\$ (467)	\$ (28,361)	\$ (39,050)
Amounts recognized in consolidated balance sheets						
Noncurrent liabilities	(28,258)	(38,583)	(103)	(467)	(28,361)	(39,050)
Total	\$ (28,258)	\$ (38,583)	\$ (103)	\$ (467)	\$ (28,361)	\$ (39,050)
Amounts recognized in AOCI						
Net loss	36,818	45,716	173	453	36,991	46,169
Total accumulated OCI (not adjusted for applicable tax)	\$ 36,818	\$ 45,716	\$ 173	\$ 453	\$ 36,991	\$ 46,169
Weighted average assumptions used to determine benefit obligations						
Discount rate	4.50 %	2.60 %	4.50 %	2.60 %	4.50 %	2.60 %
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A

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

(\$ in thousands)	Farmer Bros. Plan June 30,			Hourly Employees' Plan June 30,			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Components of net periodic benefit cost									
Interest cost	3,262	3,309	4,084	129	128	152	3,391	3,437	4,236
Expected return on plan assets	(4,734)	(3,959)	(4,174)	(214)	(192)	(232)	(4,948)	(4,151)	(4,406)
Amortization of net loss	1,356	1,987	1,475	—	23	4	1,356	2,010	1,479
Net periodic benefit cost	\$ (116)	\$ 1,337	\$ 1,385	\$ (85)	\$ (41)	\$ (76)	\$ (201)	\$ 1,296	\$ 1,309
Other changes recognized in OCI									
Net (gain) loss (1)	\$ (7,542)	\$ (15,127)	14,225	(279)	(640)	554	(7,821)	(15,767)	14,779
Amortization of net loss	(1,356)	(1,987)	(1,475)	—	(23)	(4)	(1,356)	(2,010)	(1,479)
Total recognized in other comprehensive income	\$ (8,898)	\$ (17,114)	\$ 12,750	\$ (279)	\$ (663)	\$ 550	\$ (9,177)	\$ (17,777)	\$ 13,300
Total recognized in net periodic benefit cost and OCI	\$ (9,014)	\$ (15,777)	\$ 14,135	\$ (364)	\$ (704)	\$ 474	(9,378)	(16,481)	14,609
Weighted-average assumptions used to determine net periodic benefit cost									
Discount rate	2.60 %	2.55 %	3.45 %	2.60 %	2.55 %	3.45 %	2.60 %	2.55 %	3.45 %
Expected long-term return on plan assets	6.25 %	6.25 %	6.75 %	6.50 %	6.25 %	6.75 %	6.38 %	6.25 %	6.75 %
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Net gain for fiscal year ended June 30, 2022 and 2021 was primarily due to plan assets returns. Net loss for fiscal year ended June 30, 2020 was primarily due to decline in interest rate, and to a less extent decline in plan assets returns.

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

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

historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies.

Description of Investment Policy

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

Additional Disclosures

(\$ in thousands)	Farmer Bros. Plan June 30,		Hourly Employees' Plan June 30,		Total	
	2022	2021	2022	2021	2022	2021
Comparison of obligations to plan assets						
Projected benefit obligation	\$ 102,508	\$ 129,091	\$ 3,951	\$ 5,070	\$ 106,459	\$ 134,161
Accumulated benefit obligation	102,508	129,091	3,951	5,070	106,459	134,161
Fair value of plan assets at measurement date	74,250	90,508	3,848	4,603	78,098	95,111
Plan assets by category						
Equity securities	46,121	58,089	755	2,958	46,876	61,047
Debt securities	21,891	27,311	3,093	1,394	24,984	28,705
Real estate	6,238	5,108	—	251	6,238	5,359
Total	\$ 74,250	\$ 90,508	\$ 3,848	\$ 4,603	\$ 78,098	\$ 95,111
Plan assets by category						
Equity securities	62.1 %	64.2 %	19.6 %	64.2 %	60.0 %	64.2 %
Debt securities	29.5 %	30.2 %	80.4 %	30.3 %	32.0 %	30.2 %
Real estate	8.4 %	5.6 %	— %	5.6 %	8.0 %	5.6 %
Total	100 %	100 %	100 %	100 %	100 %	100 %

Fair values of plan assets were as follows:

(\$ in thousands)	As of June 30, 2022				
	Total	Level 1	Level 2	Level 3	Investments measured at NAV
Farmer Bros. Plan	\$ 74,250	\$ —	\$ —	\$ —	\$ 74,250
Hourly Employees' Plan	3,848	—	—	—	3,848
(\$ in thousands)	As of June 30, 2021				
	Total	Level 1	Level 2	Level 3	Investments measured at NAV
Farmer Bros. Plan	\$ 90,508	\$ —	\$ —	\$ —	\$ 90,508
Hourly Employees' Plan	4,603	—	—	—	4,603

The following is the target asset allocation for the Company's single employer pension plans— Farmer Bros. Plan and Hourly Employees' Plan—for fiscal 2023:

	Fiscal 2023
U.S. large cap equity securities	38.9 %
U.S. small cap equity securities	3.3 %
International equity securities	17.8 %
Debt securities	32.0 %
Real Asset	8.0 %
Total	100.0 %

Estimated Amounts in OCI Expected To Be Recognized

In fiscal 2023, the Company expects to recognize net periodic benefit of \$1.7 million for the Farmer Bros. Plan and \$44.3 thousand for the Hourly Employees' Plan.

Estimated Future Contributions and Refunds

In fiscal 2023, the Company expects to contribute \$2.1 million to the Farmer Bros. Plan and does not expect to contribute to the Hourly Employees' Plan.

Estimated Future Benefit Payments

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

(In thousands)	Farmer Bros. Plan	Hourly Employees' Plan
Year Ending:		
June 30, 2023	\$ 7,210	\$ 220
June 30, 2024	7,060	210
June 30, 2025	7,190	220
June 30, 2026	7,200	220
June 30, 2027	7,250	230
June 30, 2028 to June 30, 2032	35,130	1,220

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

Multiemployer Pension Plans

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

Pension Fund	EIN-PN	Pension Protection Act Zone Status As of 1/1/2022
Western Conference of Teamsters Pension Plan	91-6145047-001	Green

The company also contributes to two defined contribution pension plans ("All Other Plans") that are union sponsored and collectively bargained for the benefit of certain employees subject to collective bargaining agreements. The Company's minimum contributions to these plans are defined within the collective bargaining agreements.

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

(In thousands)	WCTPP(1)(2)(3)	All Other Plans
Year Ended:		
June 30, 2022	\$ 961	\$ 29
June 30, 2021	1,049	33
June 30, 2020	1,685	34

- (1) Individually significant plan.
- (2) Less than 5% of total contribution to WCTPP based on WCTPP's FASB Disclosure Statement
- (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.

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.

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 June 30, 2025. The Company's aggregate contributions to multiemployer plans other than pension plans in the fiscal years ended June 30, 2022, 2021 and 2020 were \$3.0 million, \$2.8 million and \$4.2 million, respectively. The Company

expects to contribute an aggregate of approximately \$3.0 million towards multiemployer plans other than pension plans in fiscal 2023.

401(k) Plan

The Farmer Bros. Co. 401(k) Plan (the "401(k) Plan") is available to all eligible employees. The 401(k) Plan 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.

In March 2020, due to the impact the COVID-19 pandemic had on the Company's business and financial results, the Company elected to suspend the 401(k) Plan matching contribution for non-union employees. Beginning in July 2021, the Company re-instated a 401(k) Plan matching program (the "401(k) Match") for non-union employees, matching 50% of an non-union employee's annual contribution to the 401(k) Plan, up to 6% of such employee's eligible income, similar to the program prior to suspension in March 2020.

Beginning in January 2022, the Company amended the 401(k) Match, whereby the Company, on a quarterly basis, will contribute, instead of cash, shares of the Company's common stock, par value \$1.00 per share (the "Common Stock") with a value equal to 50% of any non-union employee's annual contribution to the 401(k) Plan, up to 6% of such employee's eligible income. The terms of the match are substantially the same as the safe-harbor non-elective contribution. The Company recorded matching contributions of \$2.0 million, \$0.1 million and \$1.8 million in operating expenses for the fiscal years ended June 30, 2022, 2021 and 2020, respectively.

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 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, 2022, 2021 and 2020 the Company contributed a total of 371,566 shares, 373,697 shares and 290,567 shares of the Company's common stock with a value of \$3.6 million, \$2.4 million and \$2.9 million, respectively, to eligible participants' annual plan compensation.

Effective January 1, 2022, the Company amended the 401(k) Plan to, among other things, increase the number of shares of Common Stock, available for issuance under the 401(k) Plan by 2,000,000 additional shares and permit participants in the 401(k) Plan to invest a portion of their 401(k) Plan accounts into Common Stock.

Effective January 1, 2022, the Company merged the ESOP into the 401(k) Plan and transferred all of the assets and shares in the ESOP to the 401(k) Plan.

Postretirement Benefits

The Company sponsored a postretirement defined benefit plan that covered 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 provided 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 were 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 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 through January 1, 2021, and a revised net periodic postretirement benefit credit recognized in fiscal year 2021 of \$14.6 million. Also, the Company recognized a one-time non-cash curtailment gain of \$5.8 million for the year ended June 30, 2020.

The Company provides a postretirement death benefit ("Death Benefit") to certain 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 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.

In June 2021, the Company amended the Death Benefit Plan effective immediately, which triggered re-measurement of the plan. The Company surrendered the purchased life insurance policies that funded these death benefits, and received cash proceeds from the insurance carriers. In conjunction with the amendment, the Company created a new Executive Death Benefit Plan (the "Executive Death Benefit Plan") for a small group of participants in the Death Benefit Plan. Under the Executive Death Benefit Plan, the participants receive the same benefits they would have received under the Death Benefit Plan. The Company also retained the life insurance policies to fund the postretirement death benefit of these participants, and have a long-term receivable in Other Assets of \$0.5 million as of June 30, 2022 which equates to the cash surrender value of the policies.

As a result of the amendment and re-measurement of the Death Benefit Plan, the Company recognized a one-time non-cash net settlement gain of \$6.4 million for the year ended June 30, 2021.

The following table shows the components of net periodic postretirement benefit cost for the Retiree Medical Plan and Death Benefit Plan for the fiscal years ended June 30, 2022, 2021 and 2020. Net periodic postretirement benefit cost for fiscal 2022 was based on employee census information as of June 30, 2022.

(In thousands)	Year Ended June 30,		
	2022	2021	2020
Components of Net Periodic Postretirement Benefit Cost (Credit):			
Service cost	\$ —	\$ 19	\$ 446
Interest cost	27	293	725
Amortization of net gain	11	(5,296)	(3,067)
Curtailment credit - Retiree Medical	—	—	(5,750)
Amortization of prior service credit	—	(8,961)	(5,666)
Settlement credit - Retiree Medical	—	(6,669)	—
Net periodic postretirement benefit (credit) cost	<u>\$ 38</u>	<u>\$ (20,614)</u>	<u>\$ (13,312)</u>

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 for the Death Benefit Plan.

(\$ in thousands)	Year Ended June 30,	
	2022	2021
Amortization of Net (Gain) Loss:		
Net loss as of July 1	\$ 74	\$ 280
Net loss subject to amortization	74	280
Corridor (10% of greater of APBO or assets)	84	101
Net loss in excess of corridor	\$ —	\$ 179
Amortization years	16.0	16.6

The following tables provide a reconciliation of the benefit obligation and plan assets for the Retiree Medical Plan, Death Benefit Plan and Executive Death Benefit Plan:

(In thousands)	As of June 30,	
	2022	2021
Change in Benefit Obligation:		
Projected postretirement benefit obligation at beginning of year	\$ 1,012	\$ 10,739
Service cost	—	19
Interest cost	27	293
Participant contributions	—	233
Actuarial (gains) losses	(195)	151
Termination of benefits	—	(9,290)
Benefits paid	—	(1,133)
Projected postretirement benefit obligation at end of year	<u>\$ 844</u>	<u>\$ 1,012</u>

(In thousands)	Year Ended June 30,	
	2022	2021
Change in Plan Assets:		
Fair value of plan assets at beginning of year	\$ —	\$ —
Employer contributions	—	1,068
Participant contributions	—	232
Settlements	—	(167)
Benefits paid	—	(1,133)
Fair value of plan assets at end of year	\$ —	\$ —
Projected postretirement benefit obligation at end of year	844	1,012
Funded status of plan	\$ (844)	\$ (1,012)

(In thousands)	June 30,	
	2022	2021
Amounts Recognized in the Consolidated Balance Sheets Consist of:		
Current liabilities	\$ (57)	\$ (52)
Noncurrent liabilities	(787)	(960)
Total	\$ (844)	\$ (1,012)

(In thousands)		
Estimated Future Benefit Payments:		
Year Ending:		
June 30, 2023		\$ 56
June 30, 2024		58
June 30, 2025		61
June 30, 2026		63
June 30, 2027		64
June 30, 2028 to June 30, 2031		320
Expected Contributions:		
June 30, 2023		\$ 56

Note 12. Debt Obligations

The following table summarizes the Company's debt obligations:

(In thousands)	Debt Origination Date	Maturity	Principal Amount Borrowed	June 30, 2022		June 30, 2021	
				Carrying Value	Weighted Average Interest Rate (1)	Carrying Value	Weighted Average Interest Rate
Revolver	various	4/25/2025	N/A	\$ 63,000	2.75 %	\$ 43,500	6.21 %
Term Loan	4/26/2021	4/25/2025	\$ 47,500	45,600	7.50 %	47,500	7.50 %
				108,600		91,000	
Unamortized deferred debt financing costs				(1,677)		(2,222)	
Total				\$ 106,923		\$ 88,778	

(1) The weighted average interest rate excludes the fixed rate on the de-designated Amended Rate Swap

On April 26, 2021, the Company repaid in full all of the outstanding loans and other amounts payable under the Amended and Restated Credit Agreement dated as of November 6, 2018, using proceeds of loans received pursuant to a refinancing under a new senior secured facility composed of (a) a Credit Agreement, dated as of April 26, 2021 (the "Revolver Credit Facility Agreement") by and among the Company, Boyd Assets Co., FBC Finance Company, Coffee Bean Holding Co., Inc., Coffee Bean International, Inc. and China Mist Brands, Inc., as borrowers (collectively, the "Borrowers"), Wells Fargo Bank, N.A. ("Wells Fargo"), as administrative agent and lender, and the other lenders party thereto, and various loan documents relating thereto including the Guaranty and Security Agreement, dated as of April 26, 2021 (the "Revolver Security Agreement"), by and among the Borrowers, as grantors, and Wells Fargo, as administrative agent, and (b) a Credit Agreement, dated as of April 26, 2021 (the "Term Credit Facility Agreement") by and among the Borrowers, MGG Investment Group L.P. ("MGG"),

as administrative agent, and the lenders party thereto, and various loan documents relating thereto including the Guaranty and Security Agreement, dated as of April 26, 2021 (the "Term Security Agreement"), by and among the Borrowers, as grantors, and MGG, as administrative agent.

The following is a summary description of the Revolver Credit Facility Agreement and the Revolver Security Agreement key items.

The Revolver Credit Facility Agreement, among other things include:

1. a commitment of up to \$80.0 million ("Revolver") calculated as the lesser of (a) \$80.0 million or (b) the amount equal to the sum of (i) 85% of eligible accounts receivable (less a dilution reserve), plus (ii) the lesser of: (a) 80% of eligible raw material inventory, eligible in-transit inventory and eligible finished goods inventory (collectively, "Eligible Inventory"), and (b) 85% of the net orderly liquidation value of eligible inventory, minus (c) applicable reserve;
2. sublimit on letters of credit of \$10.0 million;
3. maturity date of April 25, 2025 and has no scheduled payback required on the principal prior to the maturity date;
4. fully collateralized by all existing and future capital stock of the Borrowers (other than the Company) and all of the Borrowers' personal and real property;
5. interest under the Revolver is either LIBOR + 2.25% per annum, with LIBOR floor 0.50%, or base rate + 1.25% per annum; and
6. in the event that Borrowers' availability to borrow under the Revolver falls below \$10.0 million, financial covenant requires the Company to have a fixed charge coverage ratio of at least 1.00:1.00 at all such times.

The Revolver Credit Facility Agreement and the Revolver Security Agreement contain customary affirmative and negative covenants and restrictions typical for a financing of this type that, among other things, require the Company to satisfy certain financial covenants and restrict the Company's and its subsidiaries' ability to incur additional debt, pay dividends and make distributions, make certain investments and acquisitions, repurchase its stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of its business, transfer and sell material assets and merge or consolidate. Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the Revolver Credit Facility Agreement becoming immediately due and payable and termination of the commitments.

The following is a summary description of the Term Credit Facility Agreement and the Term Security Agreement key items.

1. total commitment of \$47.5 million in the form of a term loan ("Term Loan");
2. maturity date of April 25, 2025 and has scheduled payback required on the principal prior to the maturity date;
3. fully collateralized by all existing and future capital stock of the Borrowers (other than the Company) and all of the Borrowers' personal and real property;
4. interest under the Term Loan is either LIBOR + 6.5% per annum, with LIBOR floor 1.00%, or base rate + 5.50% per annum, with a 3% floor on base rate; and
5. commencing on the fiscal quarter ending on March 31, 2022, quarterly minimum EBITDA and fixed charge coverage ratio requirements specified therein.

Principal payments on the Revolver and Term Loan debt obligations are due as follows:

<u>(In thousands)</u>	<u>For the Years Ended June 3</u>
2023	\$
2024	
2025	<u>11</u>
Total Revolver and Term Loan liabilities	<u>\$</u> <u>11</u>

The Term Credit Facility Agreement and the Term Security Agreement contain customary affirmative and negative covenants and restrictions typical for a financing of this type that, among other things, require the Company to satisfy certain financial covenants and restrict the Company's and its subsidiaries' ability to incur additional debt, pay dividends and make distributions, make certain investments and acquisitions, repurchase its stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of its business, transfer and sell material assets and merge or consolidate. Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the Term Credit Facility Agreement becoming immediately due and payable and termination of the commitments.

At June 30, 2022, the Company had outstanding borrowings on the Revolver Credit Facility of \$63.0 million and had utilized \$4.1 million of the letters of credit sublimit. Beginning the quarter ended March 31, 2022, the Company commenced quarterly principal payments due on the Term Loan debt obligation in the amount of \$950 thousand.

As of June 30, 2022, the Company was in compliance with all of the financial covenants under the Revolver Credit Facility Agreement and the Term Credit Facility Agreement. Furthermore, the Company believes it will be in compliance with the related financial covenants under these agreements for the next twelve months.

On August 8, 2022, the Company and certain of its subsidiaries entered into the Increase Joinder and Amendment No. 2 to Credit Agreement (the "Amendment"), with Wells Fargo Bank, N.A. See further discussion in [Note 21](#), *Subsequent Events*.

Note 13. Share-based Compensation

Farmer Bros. Co. Amended and Restated 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 "Original 2017 Plan") which (i) replaced the Company's prior long-term incentive plans (the "Prior Plans"), and (ii) authorized the issuance of 900,000 shares of Common Stock plus 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 ("Outstanding Prior Plan Awards"). On December 9, 2020, the Company's stockholders approved an amendment increasing the number of shares of Common Stock available for grant under the 2017 Plan to 2,050,000 plus the number of shares of Common Stock subject Outstanding Prior Plan Awards. On December 15, 2021, the Company's stockholders approved an amendment (the "Plan Amendment") to the 2017 Plan (as amended, the "Amended 2017 Plan"), which (i) increased the number of shares of Common Stock available for grant to 3,550,000 shares of Common Stock plus the number of shares of Common Stock subject to Outstanding Prior Plan Awards and (ii) allows the Company to utilize awards to attract and incentivize non-employee consultants.

The Amended 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 Amended 2017 Plan. Subject to certain limitations, shares of Common Stock covered by awards granted under the Amended 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 Amended 2017 Plan. As of June 30, 2022, there were 1,581,299 shares that remain available under the Amended 2017 Plan including shares that were forfeited under the Prior Plans for future issuance. Shares of Common Stock granted under the Amended 2017 Plan may be authorized but unissued shares, shares purchased on the open market or treasury shares. In no event will more than 3,550,000 shares of Common Stock be issuable pursuant to the exercise of incentive stock options under the Amended 2017 Plan.

The Amended 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 Amended 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 Amended 2017 Plan and the aggregate grant date fair value of all equity-based awards granted under the Amended 2017 Plan to any non-employee director during any calendar year for services as a member of the Board.

The Amended 2017 Plan contains a minimum vesting requirement, subject to limited exceptions, that awards made under the Amended 2017 Plan may not vest earlier than the date that is one year following the grant date of the award. The Amended 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 Amended 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 Amended 2017 Plan. The Amended 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, 2022, there were 99,537 shares that remain available under the 2020 Inducement Plan for future issuance.

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.

There were no options granted during fiscal year ended June 30, 2022. 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, 2021 and 2020:

	Year Ended June 30,	
	2021	2020
Weighted average fair value of NQOs	\$ 2.36	\$ 4.24
Risk-free interest rate	0.3 %	1.5 %
Dividend yield	— %	— %
Average expected term	4.6 years	4.6 years
Expected stock price volatility	35.4 %	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 4.8% based on actual forfeiture experience. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The following table summarizes NQO activity for the year ended June 30, 2022:

Outstanding NQOs:	Number of NQOs	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (\$ in thousands)
Outstanding at June 30, 2021	513,325	13.06	5.17	706
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled/Forfeited	(21,535)	16.21	—	—
Expired	(41,103)	19.05	—	—
Outstanding at June 30, 2022	450,687	12.39	4.34	—
Exercisable, June 30, 2022	292,890	12.80	4.28	—

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 \$4.69 at June 30, 2022 and \$12.69 at June 30, 2021, 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 Common Stock at the time of exercise. NQOs outstanding that are expected to vest are net of estimated forfeitures.

There were no options exercised during fiscal year ended June 30, 2022. The company received no proceeds from exercises of vested NQOs in fiscal 2022 and 2021, respectively and \$0.1 million in fiscal 2020.

As of June 30, 2022 and 2021, respectively, there was \$0.2 million and \$0.9 million of unrecognized compensation cost related to NQOs. The unrecognized compensation cost related to NQOs at June 30, 2022 is expected to be recognized over the weighted average period of 0.46 years. Total compensation expense for NQOs was \$0.6 million, \$0.7 million and \$0.7 million in fiscal 2022, 2021 and 2020, 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 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, 2022, 2021 and 2020.

The following table summarizes PNQ activity for the year ended June 30, 2022:

<u>Outstanding PNQs:</u>	<u>Number of PNQs</u>	<u>Weighted Average Exercise Price (\$)</u>	<u>Weighted Average Remaining Life (Years)</u>	<u>Aggregate Intrinsic Value (\$ in thousands)</u>
Outstanding at June 30, 2021	11,750	29.76	0.71	—
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled/Forfeited	—	—	—	—
Expired	(9,538)	29.51	—	—
Outstanding at June 30, 2022	2,212	30.91	0.83	—
Exercisable, June 30, 2022	2,211	30.91	0.83	—

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 closing price of Common Stock \$4.69 at June 30, 2022 and \$12.69 at June 30, 2021, 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 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 years ended June 30, 2022, 2021 and 2020.

As of June 30, 2022 and 2021, there was no unrecognized compensation cost related to PNQs. There was no compensation expense related to PNQs in fiscal years ended June 30, 2022, 2021 and 2020.

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, 2022:

<u>Outstanding and Nonvested Restricted Stock Awards:</u>	<u>Shares Awarded</u>	<u>Weighted Average Grant Date Fair Value (\$)</u>
Outstanding at June 30, 2021	681,570	10.47
Granted	551,967	7.20
Vested	(283,016)	5.21
Cancelled/Forfeited	(133,710)	6.94
Outstanding and nonvested June 30, 2022	816,811	6.67

The weighted average grant date fair value of RSUs granted during the years ended June 30, 2022, 2021 and 2020 were \$7.20, \$10.10, and \$13.00, respectively. The total grant-date fair value of restricted stock granted during the year ended June 30, 2022 was \$4.2 million. The total fair value of awards vested during the years ended June 30, 2022, 2021 and 2020 were \$2.3 million, \$0.7 million, and \$0.4 million, respectively.

As of June 30, 2022 and 2021, there was \$3.9 million and \$2.8 million, respectively, of unrecognized compensation cost related to restricted stock. The unrecognized compensation cost related to restricted stock at June 30, 2022 is expected to be recognized over the weighted average period of 1.22 years. Total compensation expense for restricted stock was \$2.1 million, \$2.0 million and \$1.1 million, for the fiscal years ended June 30, 2022, 2021 and 2020, respectively.

Performance-Based Restricted Stock Units ("PBRSUs")

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

The following table summarizes PBRUSU activity for the year ended June 30, 2022:

Outstanding and Nonvested PBRUSUs:	PBRUSUs Awarded	Weighted Average Grant Date Fair Value (\$)
Outstanding at June 30, 2021	354,466	6.06
Granted	158,659	8.91
Vested	(381)	25.04
Cancelled/Forfeited	(55,751)	13.27
Outstanding and nonvested June 30, 2022	<u>456,993</u>	6.16

The weighted average grant date fair value of PBRUSUs granted during the years ended June 30, 2022, 2021 and 2020 were \$8.91, \$4.10, and \$14.46, respectively. The total grant-date fair value of PBRUSUs granted during the year ended June 30, 2022 was \$1.4 million. The total fair value of awards vested during the years ended June 30, 2022 and 2021 were \$3.2 thousand and \$3.0 thousand, respectively. No PBRUSUs vested during the year ended June 30, 2020.

As of June 30, 2022 and 2021, there was \$1.7 million and \$1.0 million, respectively, of unrecognized compensation cost related to PBRUSUs. The unrecognized compensation cost related to PBRUSUs at June 30, 2022 is expected to be recognized over the weighted average period of 1.92 years. Total compensation expense for PBRUSUs was \$0.6 million for the year ended June 30, 2022, \$0.1 million for the year ended June 30, 2021 and \$0.2 million for the year ended June 30, 2020.

Cash-Settled Restricted Stock Units (“CSRSUs”)

In December 2020, the Company granted CSRSUs under the 2017 Plan to certain employees. CSRSUs vest in equal installments over a three-year period from the grant date, and are cash-settled upon vesting based on the Common Stock's closing share price on the vesting date.

The CSRSUs are accounted for as liability awards, and compensation expense is measured at fair value on the date of grant and recognized on a straight-line basis over the vesting period net of forfeitures. Compensation expense is remeasured at each reporting date with a cumulative adjustment to compensation cost during the period based on changes in the Common Stock's closing share price.

The following table summarizes CSRSU activity during the year ended June 30, 2022:

Outstanding and Nonvested CSRSUs:	CSRSUs Awarded	Weighted Average Grant Date Fair Value (\$)
Outstanding at June 30, 2021	185,602	4.31
Granted	85,851	8.91
Vested	(52,583)	4.31
Cancelled/Forfeited	(73,225)	5.63
Outstanding and nonvested June 30, 2022	<u>145,645</u>	6.36

The weighted average grant date fair value of CSRSUs granted during the years ended June 30, 2022 and 2021 were \$8.91 and \$4.31, respectively. The total grant-date fair value of CSRSUs granted during the year ended June 30, 2022 was \$0.8 million. The total fair value of awards vested during the years ended June 30, 2022 was \$0.4 million. No CSRSUs vested during the year ended June 30, 2021 and 2020.

At June 30, 2022 and 2021, there was \$0.6 million and \$2.0 million, respectively, of unrecognized compensation cost related to CSRSU. The unrecognized compensation cost related to CSRSU at June 30, 2022 is expected to be recognized over the weighted average period of 1.76 years. Total compensation expense for CSRSUs was \$0.1 million and \$0.4 million for the years ended June 30, 2022 and 2021, respectively.

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 June 30, 2022 and 2021, there was no unrecognized PCA compensation cost. Total compensation expense for PCAs was \$72.3 thousand for the fiscal year ended June 30, 2020.

Note 14. Other Current Liabilities

Other current liabilities consist of the following:

(In thousands)	As of June 30,	
	2022	2021
Other (1)	\$ 4,955	\$ 3,116
Accrued workers' compensation liabilities	947	1,016
Finance lease liabilities	193	192
Cumulative preferred dividends, undeclared and unpaid	—	2,051
Accrued postretirement benefits	—	50
Other current liabilities	\$ 6,095	\$ 6,425

(1) Includes accrued property taxes, sales and use taxes and insurance liabilities.

Note 15. Other Long-Term Liabilities

Other long-term liabilities include the following:

(In thousands)	As of June 30,	
	2022	2021
Derivative liabilities—noncurrent	\$ —	\$ 1,653
Deferred compensation (1)	195	1,716
Finance lease liabilities	409	563
Deferred income taxes (2)	735	1,160
Other long-term liabilities	\$ 1,339	\$ 5,092

(1) Includes performance cash awards liability and payroll taxes.

(2) Includes deferred tax liabilities that have an indefinite reversal pattern.

Note 16. 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,		
	2022	2021	2020
Current:			
Federal	\$ —	\$ (22)	\$ —
State	124	213	105
Total current income tax expense	124	191	105
Deferred:			
Federal	(83)	10,901	(458)
State	(342)	2,503	158
Total deferred income tax (benefit) expense	(425)	13,404	(300)
Income tax (benefit) expense	\$ (301)	\$ 13,595	\$ (195)

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

(In thousands)	For the Years Ended June 30,		
	2022	2021	2020
Statutory tax rate	21%	21%	21%
Income tax benefit at statutory rate	\$ (3,352)	\$ (5,892)	\$ (7,829)
State income tax (net of federal tax benefit)	(754)	(736)	(1,523)
Valuation allowance	4,305	4,504	9,153
Change in tax rate	(210)	1,055	233
Post-retirement medical plan and other offset in OCI	—	13,738	—
Other (net)	(290)	926	(229)
Income tax (benefit) expense	\$ (301)	\$ 13,595	\$ (195)

Our federal corporate tax rate is 21%, 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.

For the years ended June 30, 2022, 2021 and 2020, the Company's income tax expense includes an increase in the valuation allowance related to the Company's operating losses.

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,	
	2022	2021
Deferred tax assets:		
Postretirement benefits	\$ 7,284	\$ 9,364
Accrued liabilities	4,759	4,245
163(j) Interest Limitation	4,040	3,069
Net operating loss carryforward	51,413	48,195
Intangible assets	6,936	7,377
Right-of-use operating lease liabilities	7,041	6,592
Other	7,650	6,292
Total deferred tax assets	89,123	85,134
Deferred tax liabilities:		
Property, plant and equipment	(15,726)	(15,448)
Right-of-use operating lease assets	(7,174)	(6,606)
Other	(79)	72
Total deferred tax liabilities	(22,979)	(21,982)
Valuation allowance	(66,879)	(64,312)
Net deferred tax liability	\$ (735)	\$ (1,160)

At June 30, 2022, the Company had approximately \$185.9 million of federal and \$160.1 million of state net operating loss carryforwards that will begin to expire in the years ending June 30, 2038 and June 30, 2023, respectively. Net operating losses of \$51.8 million in federal and \$6.9 million of state are indefinite lived and will not expire. Additionally, at June 30, 2022, the Company had \$3.2 million of federal and state tax credits.

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, 2022, 2021 and 2020, 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 \$66.9 million and \$64.3 million to reduce deferred tax assets as of June 30, 2022 and 2021, respectively.

As of, and for the three years ended June 30, 2022, 2021 and 2020, the Company had no significant uncertain tax positions.

On August 16, 2022 the Inflation Reduction Act of 2022 was signed into law. The Company does not anticipate any material impact to our consolidated financial statements.

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, 2019. 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, 2022 and 2021, 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, 2022, 2021 and 2020.

Note 17. Net (Loss) Per Common Share

Basic net (loss) per common share is calculated by dividing net (loss) attributable to the Company by the weighted average number of common shares outstanding during the periods presented. Diluted net (loss) per common share is calculated by dividing diluted net (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 loss per common share:

(In thousands, except share and per share amounts)	For the Years Ended June 30,		
	2022	2021	2020
Undistributed net loss available to common stockholders	\$ (15,626)	\$ (40,710)	\$ (37,462)
Undistributed net loss available to nonvested restricted stockholders and holders of convertible preferred stock	(629)	(1,515)	(179)
Net loss available to common stockholders—basic	\$ (16,255)	\$ (42,225)	\$ (37,641)
Weighted average common shares outstanding—basic	18,200,080	17,635,402	17,205,849
Effect of dilutive securities:			
Shares issuable under stock options	—	—	—
Weighted average common shares outstanding—diluted	18,200,080	17,635,402	17,205,849
Net loss per common share available to common stockholders—basic	\$ (0.89)	\$ (2.39)	\$ (2.19)
Net loss per common share available to common stockholders—diluted	\$ (0.89)	\$ (2.39)	\$ (2.19)

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

	For the Years Ended June 30,		
	2022	2021	2020
Shares issuable under stock options	452,537	395,069	330,627
Shares issuable under convertible preferred stock	452,667	437,165	422,193
Shares issuable under PBRsUs	426,243	376,264	73,012

Note 18. Commitments and Contingencies

Purchase Commitments

As of June 30, 2022, the Company had committed to purchase green coffee inventory totaling \$102.1 million under fixed-price contracts and \$20.0 million in inventory and other purchases under non-cancelable purchase orders.

Boyd Coffee Acquisition

In connection with the Company's acquisition of Boyd Coffee ("Seller") on October 2, 2017, the Company withheld 914 shares of Series A Preferred Stock pending satisfaction of certain indemnification claims against the Seller. The fair value of shares withheld is \$103 thousand based on the stated value and deemed conversion price as defined in the asset purchase agreement, and our current share price as of June 30, 2022. As previously disclosed, all other obligations under asset purchase agreement have been satisfied.

On July 26, 2022, the Company and the seller have entered into a settlement agreement regarding the retention and cancellation of 914 Holdback Shares and the reacquisition on a cashless basis and cancellation of 1,736 shares of Series A Preferred Stock issued to Seller at the closing of the transactions contemplated by the Boyd Purchase Agreement.

Effective August 25, 2022, the Seller, converted the remaining Series A Preferred Stock into shares of the Company's common stock. See [Note 20](#), Preferred Stock for additional information regarding the terms of the Series A Preferred Stock and the conversion.

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 and civil penalties in the amount of the statutory maximum of \$2,500 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.

A series of procedural and legislative developments occurred in the ensuing years, and at hearings in August 2020, the Court denied CERT’s motion for summary judgment and granted the JDG’s motion for summary judgment. Notice of Judgment in favor of defendants was entered on October 6, 2020. CERT has appealed.

The Company believes that the likelihood that the Company will ultimately incur a loss in connection with this litigation is less than reasonably possible.

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 19. 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:

(In thousands)	For the Years Ended June 30,					
	2022		2021		2020	
	\$	% of total	\$	% of total	\$	% of total
Net Sales by Product Category:						
Coffee (Roasted)	\$ 302,324	64.4 %	\$ 263,400	66.2 %	\$ 328,465	65.5 %
Tea & Other Beverages (1)	84,397	18.0 %	69,482	17.5 %	98,971	19.7 %
Culinary	56,160	12.0 %	44,986	11.3 %	50,135	10.0 %
Spices	22,248	4.7 %	18,680	4.7 %	21,473	4.3 %
Net sales by product category	465,129	99.1 %	396,548	99.7 %	499,044	99.5 %
Delivery Surcharge	4,064	0.9 %	1,302	0.3 %	2,276	0.5 %
Net sales	\$ 469,193	100.0 %	\$ 397,850	100.0 %	\$ 501,320	100.0 %

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

The Company does not have any material contract assets and liabilities as of June 30, 2022. Receivables from contracts with customers are included in “Accounts receivable, net” on the Company’s consolidated balance sheets. At June 30, 2022, and 2021, “Accounts receivable, net” included, \$44.2 million, and \$37.2 million respectively, in receivables from contracts with customers.

Note 20. Preferred Stock

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

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 and 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, 2022, the Company had 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 Common Stock. On an as converted basis, holders of Series A Preferred Stock are entitled to vote together with the holders of the Common Stock and are

entitled to share in the dividends on the Common Stock, when declared. Each share of Series A Preferred Stock is convertible into the number of shares of the 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. We may, at our election and if certain conditions are met, mandate the conversion of all the Series A Preferred Stock. 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, 2022, 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	\$ 1,180	\$ 17,346	\$ 2,646	\$ 17,346

Effective August 25, 2022, 12,964 shares of Series A Preferred Stock issued were converted into 399,208 shares of the Company's common stock, par value \$1.00 per share, at a conversion price of \$38.32, in accordance with the terms of the Company's Designation of Series A Preferred Stock. The shares of Series A Preferred Stock were originally issued to Boyd Coffee Company (now known as BCC Newco, Inc.) ("BCC"), on October 2, 2017, pursuant to that certain Asset Purchase Agreement, dated as of August 18, 2017, by and among the Company, Boyd Assets Co., a Delaware corporation and wholly owned subsidiary of the Company, BCC and each of the parties set forth on Exhibit A thereto. The shares of Series A Preferred Stock converted represented all of the issued and outstanding shares of Series A Preferred Stock.

Note 21. Subsequent Events

On August 8, 2022, the Company and certain of its subsidiaries entered into the Increase Joinder and Amendment No. 2 to Credit Agreement (the "2nd Amendment"), with Wells Fargo Bank, N.A., as administrative agent for each member of the lender group and as a lender. The 2nd Amendment amends that certain Revolver Credit Facility Agreement, originally entered into by the parties on April 26, 2021, which governs the Company's revolving credit facility. The 2nd Amendment amends certain terms and conditions of the Revolver Credit Facility Agreement by, among other things: (i) increasing the maximum revolver amount by \$10,000,000 to an aggregate maximum revolver commitment amount of \$90,000,000; and (ii) replacing the London Interbank Offered Rate (LIBOR) interest rate benchmark (which had an applicable margin of 2.25% for LIBOR rate loans) with the secured overnight financing rate (SOFR) interest rate benchmark (which has an applicable margin of 1.75% for SOFR rate loans).

On August 31, 2022, the Company entered into Amendment No. 3 to Credit Agreement (the "3rd Amendment"), with the lenders party thereto, and Wells Fargo Bank, N.A., as administrative agent for each member of the lender group and as a lender. The 3rd Amendment amends certain terms and conditions of the Revolver Credit Facility Agreement by, among other things: (i) adding a new \$47.0 million term loan (the "Term Loan"); (ii) extending the maturity date of the Company's obligations under the Revolver Credit Facility Agreement from April 25, 2025 to April 26, 2027; provided, that if the maturity date of the Revolver Commitments is extended on or prior to April 1, 2027 to a date that is after April 26, 2027, then the maturity of the Term Loan shall be August 31, 2037; (iii) releasing liens securing the obligations under the Revolver Facility Credit Agreement on various real properties owned by the Company; (iv) commencing on or around June 30, 2023, obligating the Company to maintain a Fixed Charge Coverage Ratio, calculated for each 12-month period ending on the last day of each fiscal month, of at least 1:00 to 1:00; and (v) lowering the Letter of Credit Fee payable with respect to letters of credit issued under the Credit Agreement from 2.25% to 1.75% of the average amount of the Letter of Credit Usage during the immediately preceding month. The proceeds of the Term Loan were used to repay the outstanding term loans under the Term Credit Facility Agreement. With the repayment of the Company's outstanding loans and other obligations under the Term Credit Facility Agreement, the Company is no longer subject to the minimum EBITDA covenants contained therein.

State of Delaware
Secretary of State
Division of Corporations
Delivered 04:51 PM 03/04/2022
FILED 04:51 PM 03/04/2022

CERTIFICATE OF CORRECTION SR 20220890584 - File Number 3742785
OF THE
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
FARMER BROS. CO.

Farmer Bros. Co., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY THAT:

1. The name of the Corporation is Farmer Bros. Co.
2. The Corporation filed the Amended and Restated Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware (the "Secretary of State") on September 9, 2019 (the "A&R Certificate of Incorporation"). The A&R Certificate of Incorporation requires correction as permitted by subsection (f) of Section 103 of the General Corporation Law of the State of Delaware.
3. The inaccuracy or defect of the A&R Certificate of Incorporation to be corrected herein is that the A&R Certificate of Incorporation inadvertently omitted a reference to the Certificate of Designations of Series A Convertible Participating Cumulative Perpetual Preferred Stock of the Corporation, as filed with the Secretary of State on October 2, 2017.
4. Paragraph (d) of Article FOURTH of the A&R Certificate of Incorporation is hereby corrected to read in its entirety as follows:

“(d) Preferred Stock. The Board of Directors is hereby expressly authorized to provide for the issuance of all or any shares of the Preferred Stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series, including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non- cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the

Corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions. Pursuant to foregoing authority conferred upon the Board of Directors, the Board of Directors adopted resolutions creating a series of 21,000 shares of Preferred Stock designated as “Series A Convertible Participating Cumulative Perpetual Preferred Stock” (the “Series A Preferred Stock”) and filed a Certificate of Designations of the Corporation with the Secretary of State of the State of Delaware on October 2, 2017. The voting powers, designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions thereof, of the Series A Preferred Stock are set forth in Appendix A hereto and are incorporated herein by reference.”

5. The A&R Certificate of Incorporation is further corrected by attaching Appendix A hereto as Appendix A to the A&R Certificate of Incorporation.
6. All other provisions of the A&R Certificate of Incorporation remain unchanged.

[Signature Page Follows]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Correction to be executed by its duly authorized officer as of the 4th day of March, 2022.

FARMER BROS. CO.

By: /s/ Scott Drake
Name: Scott Drake
Title: CFO

Appendix A

**DESIGNATION OF SERIES A CONVERTIBLE PARTICIPATING CUMULATIVE
PERPETUAL PREFERRED STOCK**

The designation and number of shares of the Series A Convertible Participating Cumulative Perpetual Preferred Stock of the Corporation, and the voting and other powers, preferences and relative, participating, optional or other rights, **and** the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

Section 1. Designation. The series of Preferred Stock established by this Certificate of Designations is designated as the “Series A Convertible Participating Cumulative Perpetual Preferred Stock” (the “**Series A Preferred Stock**”). Each share of Series A Preferred Stock will be identical in all respects to every other share of Series A Preferred Stock. The Series A Preferred Stock will have a par value of \$1.00 per share.

Section 2. Number of Shares. The authorized number of shares of Series A Preferred Stock is 21,000. Shares of Series A Preferred Stock that are purchased or otherwise acquired by the Corporation, or converted in accordance with the terms hereof, will not be reissued as shares of Series A Preferred Stock and will (upon the filing, if required, of any appropriate certificates with the Secretary of State of the State of Delaware) become authorized but unissued shares of Preferred Stock.

Section 3. Definitions. As used herein with respect to Series A Preferred Stock:

“**Board of Directors**” has the meaning set forth in the preamble of this Certificate of Designations.

“**Business Day**” means any day other than a Saturday, a Sunday or any day on which the Federal Reserve Bank of New York is authorized or required by law or executive order to close or be closed.

“**By-Laws**” means the bylaws of the Corporation, as they may be amended from time to time.

“**Capital Stock**” of any Person means any and all shares of, interests in, rights to purchase, warrants or options for, participations in, or other equivalents of, in each case however designated, the equity of such Person, but excluding any debt securities convertible into such equity.

“**Certificate of Designations**” means this Certificate of Designations relating to the Series A Preferred Stock, as it may be amended from time to time.

“**Certificate of Incorporation**” means the certificate of incorporation of the Corporation, as it may be amended from time to time, and includes this Certificate of Designations, as it may be amended from time to time.

“**Change of Control**” means any of the following events:

- (a) a “person” or “group” (within the meaning of Section 13(d)(3) of the Exchange Act), other than the Corporation or its Wholly Owned Subsidiaries, or their respective employee benefit plans, files any report with the SEC indicating that such person or group has become the direct or indirect “beneficial owner” (as defined below) of shares of the Corporation's common equity representing more than 50% of the voting power of all of the Corporation's then-outstanding common equity; or
- (b) the consummation of (i) any sale, lease or other transfer, in one transaction or a series of transactions, of all or substantially all of the assets of the Corporation and its Subsidiaries, taken as a whole, to any Person; or (ii) any transaction or series of related transactions in connection with which (whether by means of merger, consolidation, share exchange, combination, reclassification, recapitalization, acquisition, liquidation or otherwise) all of the Common Stock is exchanged for, converted into, acquired for, or constitutes solely the right to receive, other securities, cash or other property; *provided, however*, that any merger, consolidation, share exchange or combination of the Corporation pursuant to which the persons that directly or indirectly “beneficially owned” (as defined below) all classes of the

Corporation's common equity immediately before such transaction directly or indirectly "beneficially own," immediately after such transaction, more than 50% of all classes of common equity of the surviving, continuing or acquiring company or other transferee, as applicable, or the parent thereof, in substantially the same proportions vis-à-vis each other as immediately before such transaction will be deemed not to be a Change of Control pursuant to this clause (b);

provided, however, that a transaction or event described in clause (a) or (b) above will not constitute a Change of Control if at least 90% of the consideration received or to be received by the holders of Common Stock (excluding cash payments for fractional shares or pursuant to dissenters rights), in connection with such transaction or event, consists of shares of common stock listed (or depositary receipts representing shares of common stock, which depositary receipts are listed) on any U.S. national securities exchange, or that will be so listed when issued or exchanged in connection with such transaction or event, and such transaction or event constitutes a Common Stock Change Event whose Reference Property consists of such consideration.

For the purposes of this definition of "Change of Control," whether a Person is a "beneficial owner" and whether shares are "beneficially owned" will be determined in accordance with Rule 13d-3 under the Exchange Act.

"Close of Business" on any day means 5:00 P.M., New York City time, on such day. "Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" means the common stock, \$1.00 par value per share of the Corporation, subject to Section 10(h). "Common Stock Change Event" has the meaning set forth in Section 10(h).

"Conversion Consideration" means the consideration due, pursuant to Section 10(c), upon the settlement of the conversion of any Series A Preferred Stock.

"Conversion Date" means: (a) with respect to the conversion of any share of Series A Preferred Stock pursuant to Section 10(a), the first Business Day on which the requirements set forth in Section 10(a)(ii) to convert such share are satisfied; and (b) with respect to the conversion of any share of Series A Preferred Stock pursuant to Section 10(b), the date the Corporation fixes as the Conversion Date thereof pursuant to the last sentence of Section 10(b)(i).

"Conversion Notice" means a notice substantially in the form attached hereto as Exhibit B.

"Conversion Price" initially means \$38.32 per share of Common Stock. The Conversion Price is subject to adjustment pursuant to Section 10(f). Whenever this Certificate of Designations refers to the Conversion Price as of a particular date without setting forth a particular time on such date, such reference will be deemed to be to the Conversion Price as of the Close of Business on such date.

"Conversion Proposal" has the meaning set forth in Section 10(c)(iv).

"Corporation" has the meaning set forth in the first paragraph of this Certificate of Designations. "Defined Benefit Plan" means the Boyd Coffee Company Pension Plan.

"Determination Date" has the meaning set forth in Section 10(c)(iv). **"Distributed Property"** has the meaning set forth in Section 5(b)(ii).

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations and rules thereunder.

“**Ex-Dividend Date**” means, with respect to an issuance, dividend or distribution on the Common Stock, the first date on which shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance, dividend or distribution (including pursuant to due bills or similar arrangements required by the relevant stock exchange). For the avoidance of doubt, any alternative trading convention on the applicable exchange or market in respect of the Common Stock under a separate ticker symbol or CUSIP number will not be considered “regular way” for this purpose.

“**Excess Common Stock Cash Dividends**” has the meaning set forth in Section 5(b)(i). “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Holder**” means a Person in whose name one or more shares of the Series A Preferred Stock are registered.

“**Initial Series A Preferred Stock**” means the 21,000 shares of Series A Preferred Stock issued on the Issue Date or thereafter pursuant to that certain Asset Purchase Agreement, dated as of August 18, 2017, among Boyd Coffee Company, Farmer Bros. Co. and the other parties named therein.

“**Issue Date**” means October 2, 2017.

“**Junior Stock**” means the Common Stock and any other class or series of stock of the Corporation, other than Series A Preferred Stock, that ranks junior to the Series A Preferred Stock as to either (a) the payment of dividends (whether such dividends are cumulative or non-cumulative) or (b) the distribution of assets in connection with any liquidation, dissolution or winding up of the affairs of the Corporation.

“**Last Reported Sale Price**” of the Common Stock for any Trading Day means the closing sale price per share (or, if no closing sale price is reported, the average of the last bid price and the last ask price per share or, if more than one in either case, the average of the average last bid prices and the average last ask prices per share) of Common Stock on such Trading Day as reported in composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock is then listed; *provided, however*, that if the Common Stock is not listed on a U.S. national or regional securities exchange on such Trading Day, then the Last Reported Sale Price will be the last quoted bid price per share of Common Stock on such Trading Day in the over-the-counter market as reported by OTC Markets Group Inc. or a similar organization; *provided, further*, that if the Common Stock is not so quoted on such Trading Day, then the Last Reported Sale Price will be the average of the mid-point of the last bid price and the last ask price per share of Common Stock on such Trading Day from a nationally recognized independent investment banking firm selected by the Corporation.

“**Liquidation Parity Stock**” means any class or series of stock of the Corporation, other than Series A Preferred Stock, that ranks equally with the Series A Preferred Stock as to the distribution of assets in connection with any liquidation, dissolution or winding up of the affairs of the Corporation.

“**Liquidation Preference**” means, with respect to any liquidation, dissolution or winding up of the affairs of the Corporation, an amount, per share of Series A Preferred Stock, equal to the greater of (a) the Stated Value, plus accrued and unpaid Regular Dividends, per share of Series A Preferred Stock as of the date the Liquidation Preference is paid; and (b) the amount, per share of Series A Preferred Stock, that the Holder thereof would have received if such Holder had converted such share into

Common Stock (and, if applicable, cash in lieu of any fractional share) immediately before such liquidation, dissolution or winding up.

“**Mandatory Conversion**” has the meaning set forth in Section 10(b)(i).

“**Mandatory Conversion Notice**” has the meaning set forth in Section 10(b)(ii).

“**Market Disruption Event**” means, with respect to any date, the occurrence or existence, during the one-half hour period ending at the scheduled close of trading on such date on the principal U.S. national or regional securities exchange or other market on which the Common Stock is listed for trading or trades, of any material suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant exchange or otherwise) in the Common Stock or in any options, contracts or future contracts relating to the Common Stock.

“**Open of Business**” on any day means 9:00 A.M., New York City time, on such day.

“**Parity Stock**” means any class or series of stock of the Corporation, other than Series A Preferred Stock, that ranks equally with the Series A Preferred Stock as to (a) the payment of dividends (whether such dividends are cumulative or non-cumulative) and (b) the distribution of assets in connection with any liquidation, dissolution or winding up of the affairs of the Corporation. “**Participating Cash Dividend**” has the meaning set forth in Section 5(b)(i).

“**Participating Non-Cash Dividend**” has the meaning set forth in Section 5(b)(ii).

“**Pension Liability Satisfaction Date**” means the first date, if at all, when the Defined Benefit Plan has been terminated in accordance with all applicable Internal Revenue Service and Pension Benefit Guaranty Corporation requirements and all plan assets thereunder have been timely distributed in accordance with such requirements.

“**Person**” or “person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof.

“**Preferred Stock**” means any series of preferred stock of the Corporation, including the Series A Preferred Stock.

“**Preferred Stock Equivalent Dividend**” means, with respect to any cash dividend or distribution declared on all or substantially all outstanding Common Stock, an amount equal to the product of (a) the amount of cash to be paid per share of Common Stock pursuant to such dividend or distribution; and (b) the quotient obtained by dividing (i) the Stated Value per share of Series A Preferred Stock on the record date for such dividend or distribution by (ii) the Conversion Price in effect on such record date.

“**Record Date**” means (a) any Regular Dividend Record Date for a Regular Dividend; (b) any record date for a Participating Cash Dividend or Participating Non-Cash Dividend fixed pursuant to Section 5(b)(iii); and (c) any other record date fixed by the Board of Directors (or a committee thereof) with respect to any other dividend or distribution on the Series A Preferred Stock.

“**Reference Property**” has the meaning set forth in Section 10(h). “**Reference Property Unit**” has the meaning set forth in Section 10(h).

“**Regular Dividend**” has the meaning set forth in Section 5(a)(i).

“Regular Dividend Payment Date” means each March 31, June 30, September 30 or December 31, beginning on December 31, 2017 (or, with respect to any shares of Series A Preferred Stock originally issued after the Issue Date, such other date as may be set forth in the resolution of the Board of Directors (or a committee thereof) providing for such issuance or as may be set forth in the certificate representing such shares).

“Regular Dividend Record Date” means, with respect to any Regular Dividend Payment Date, the March 15, June 15, September 15 or December 15, as applicable, immediately preceding such Regular Dividend Payment Date.

“SEC” means the U.S. Securities and Exchange Commission.

“Stated Value” initially means \$1,000 per share of Series A Preferred Stock; *provided, however*, that the Stated Value of each share of Series A Preferred Stock is subject to adjustment pursuant to Section 5(a)(ii) and Section 5(d); *provided, further*, that whenever this Certificate of Designations refers to the Stated Value as of a particular date without setting forth a particular time on such date, such reference will be deemed to be to the Stated Value as of the Close of Business on such date.

“Subsidiary” means, with respect to any Person, (a) any corporation, association or other business entity (other than a partnership or limited liability company) of which more than 50% of the total voting power of the Capital Stock entitled (without regard to the occurrence of any contingency, but after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees, as applicable, of such corporation, association or other business entity is owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person; and (b) any partnership or limited liability company where (i) more than 50% of the capital accounts, distribution rights, equity and voting interests, or of the general and limited partnership interests, as applicable, of such partnership or limited liability company are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person, whether in the form of membership, general, special or limited partnership or limited liability company interests or otherwise; and (ii) such Person or any one or more of the other Subsidiaries of such Person is a controlling general partner of, or otherwise controls, such partnership or limited liability company.

“Trading Day” means any day on which (a) trading in the Common Stock generally occurs on the principal U.S. national or regional securities exchange on which the Common Stock is then listed or, if the Common Stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which the Common Stock is then traded; and (b) there is no Market Disruption Event. If the Common Stock is not so listed or traded, then “Trading Day” means a Business Day.

“Transfer” means to sell, offer to sell, contract or agree to sell, hypothecate, gift, pledge, assign, grant any option to purchase, dispose of or agree to dispose of, or otherwise alienate by operation of law or otherwise, directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act.

“Wholly Owned Subsidiary” of a Person means any Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) are owned by such Person or one or more Wholly Owned Subsidiaries of such Person.

Section 4. Ranking. The Series A Preferred Stock will, with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets in

connection with any liquidation, dissolution or winding up of the Corporation, rank (a) on parity with Parity Stock and (b) senior to Junior Stock.

Section 5. Dividends. The Series A Preferred Stock will not have any rights to dividends except as provided in subsection (a) or (b) of this Section 5.

(a) Regular Dividends.

- (i) **Generally.** Subject to the other provisions of this Section 5(a), the Holders of each share of Series A Preferred Stock will be entitled to receive, when, as and if declared by the Board of Directors, out of any funds legally available therefor, cash dividends (“**Regular Dividends**”) that (1) are in an amount, per share of Series A Preferred Stock, equal to 3.5% per annum of the Stated Value of such share in effect on the applicable Regular Dividend Record Date; and (2) are payable quarterly in arrears on each Regular Dividend Payment Date to the Holders of such share as of the Close of Business on the immediately preceding Regular Dividend Record Date. Regular Dividends will be computed on the basis of a 360-day year comprised of twelve 30-day months.
- (ii) **Cumulation of Dividends.** Regular Dividends on each share of Series A Preferred Stock will (x) begin to accrue from, and including, the Issue Date (or, if later, the date such share is originally issued); and (y) if not declared and paid, will be cumulative as provided in the immediately following sentence. The amount of any Regular Dividend or portion thereof that has accrued, but is unpaid, on any share of Series A Preferred Stock on any Regular Dividend Payment Date will, regardless of whether such Regular Dividend is declared, be added to the Stated Value of such share from, and including, the Open of Business on such Regular Dividend Payment Date; *provided, however*, that, upon any subsequent payment of all accumulated Regular Dividends on such share in respect of such added amount (or any portion of such added amount), such added amount (or such portion thereof) will be deducted from the Stated Value of such share. For the avoidance of doubt, in no event will the Stated Value of any share of Series A Preferred Stock be so reduced to an amount that is less than \$1,000.
- (iii) **Prohibition on Certain Dividends or Distributions on Junior Stock.** Following the first Regular Dividend Payment Date, unless full, accumulated Regular Dividends have been paid (or declared and a sum sufficient for the payment thereof has been set aside) on all outstanding shares of Series A Preferred Stock through, but excluding, the immediately preceding Regular Dividend Payment Date, no dividend will be declared or paid on any shares of Junior Stock (other than any dividends payable solely in Junior Stock) and no Junior Stock will be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than (x) as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of shares of any class of Junior Stock for or into shares of any other class of Junior Stock; and (y) through the use of the proceeds of a substantially contemporaneous sale of Junior Stock).
- (iv) **Legal Holidays.** If any Regular Dividend Payment Date relating to a Regular Dividend that has been declared is not a Business Day, then, notwithstanding anything to the contrary herein, the payment of such Regular Dividend may be made on the immediately following Business Day, and no additional Regular Dividend will accrue on such payment as a result of the related delay. Solely for purposes of the immediately preceding sentence, a day on which the applicable place of payment is authorized or required by law or executive order to close or be closed will be deemed not to be a “Business Day.”

Participating Dividends.

- (i) **Participating Cash Dividends.** In each calendar quarter from, and including, the calendar quarter in which the Issue Date occurs, the Corporation will not declare or pay any cash dividend or distribution on all or substantially all of the outstanding Common Stock, if the sum of the Preferred Stock Equivalent Dividends for (x) such cash dividend or distribution

and (y) each other cash dividend or distribution on all or substantially all of the outstanding Common Stock declared during such calendar quarter exceeds (such excess, the “**Excess Common Stock Cash Dividends**”) the sum of (x) the Regular Dividend per share of Series A Preferred Stock that would have accrued for such calendar quarter and (y) if applicable, the sum of all other Participating Cash Dividends per share of Series A Preferred Stock declared during such calendar quarter, unless the Corporation simultaneously declares (and sets aside a sum sufficient to pay) a cash dividend (a “**Participating Cash Dividend**”) on the Series A Preferred Stock in an amount, per share of Series A Preferred Stock, equal to such Excess Common Stock Cash Dividends.

- (ii) **Participating Non-Cash Dividends.** The Corporation will not declare or pay any dividend or distribution on all or substantially all of the outstanding Common Stock payable in any consideration other than cash (such consideration, the “**Distributed Property**”) (other than (x) a dividend, distribution, stock split or stock combination as to which an adjustment to the Conversion Price is required pursuant to Section 10(1)(i); or (y) any distribution pursuant to stockholder rights plan, except to the extent, and only to the extent, provided in Section 10(g)) unless the Corporation simultaneously declares (and sets aside sufficient Distributed Property to pay) a dividend (a “**Participating Non-Cash Dividend**”) of Distributed Property on the Series A Preferred Stock, payable in an amount of Distributed Property per share of Series A Preferred Stock equal to the product of (1) the amount of Distributed Property distributed per share of Common Stock in such dividend or distribution and (2) the quotient obtained by dividing (x) the aggregate Stated Value per share of Series A Preferred Stock on the record date for such dividend or distribution by (x) the Conversion Price in effect on such record date.
- (iii) **Record and Payment Dates.** Each Participating Cash Dividend or Participating Non-Cash Dividend will have a record date and payment date that occurs on the record date and payment date, respectively, of the dividend or distribution on all or substantially all of the outstanding Common Stock giving rise to such Participating Cash Dividend or Participating Non-Cash Dividend, as applicable.
- (c) **Dividends Subject to Declaration; No Right to Interest.** Notwithstanding anything herein to the contrary, (i) the Series A Preferred Stock will not entitle the Holders thereof to receive any dividends or distributions not declared by the Board of Directors or a duly authorized committee of the Board of Directors; and (ii) without limiting the generality of Section 5(a)(ii), no interest, or sum of money in lieu of interest, will be payable in respect of any dividend or distribution not so declared.
- (d) **Payment of Dividends and Distributions upon Conversion.** If the Conversion Date with respect to any share of Series A Preferred Stock to be converted is on or before a Record Date for a dividend or distribution that has been declared on the Series A Preferred Stock, then the Holder of such share of Series A Preferred Stock will not have the right to receive such dividend or distribution. If the Conversion Date with respect to any share of Series A Preferred Stock to be converted is after a Record Date for a dividend or distribution that has been declared on the Series A Preferred Stock but on or prior to the date such dividend or distribution is to be paid, then (i) the Holder of such share of Series A Preferred Stock at the Close of Business on such Record Date will have the right to receive such dividend or distribution notwithstanding such conversion; and (ii) if such dividend or distribution is a Regular Dividend that, when paid, would have resulted in a reduction of the Stated Value of such share of Series A Preferred Stock pursuant to the proviso to the first sentence of Section 5(a)(ii), then (x) such reduction will be given effect as of such Conversion Date for purposes of determining the

Conversion Consideration due upon such conversion; and (y) the amount of such Regular Dividend will be calculated without giving effect to such reduction.

Section 6. Liquidation Rights.

- (a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the Holders of Series A Preferred Stock will be entitled to receive, per share of Series A Preferred Stock, out of the assets of the Corporation or proceeds thereof legally available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Junior Stock, in full an amount equal to the Liquidation Preference per share of Series A Preferred Stock.
- (b) **Partial Payment.** If, in any liquidation, dissolution or winding up described in Section 6(a) above, the assets of the Corporation or proceeds thereof are not sufficient to pay the full Liquidation Preferences of all outstanding Series A Preferred Stock and the liquidation preference of all outstanding Liquidation Parity Stock, then the amounts paid to the holders of Series A Preferred Stock and to the holders of all such other Liquidation Parity Stock will be paid pro rata in accordance with the respective aggregate Liquidation Preferences of the outstanding shares of Series A Preferred Stock and the aggregate liquidated preferences of the outstanding shares of all such other Liquidation Parity Stock. For these purposes, the “liquidation preference” of any share of Liquidation Parity Stock means the amount payable to the holder(s) of such share in such liquidation, dissolution or winding up assuming no limitation on the assets of the Corporation available for distribution.
- (c) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 6, the merger or consolidation of the Corporation with or into any other corporation or other entity, including a merger or consolidation in which the holders of Series A Preferred Stock receive cash, securities or other property for their shares, or the sale, lease, exchange or other disposition (for cash, securities or other property) of all or substantially all of the assets of the Corporation, will not constitute a liquidation, dissolution or winding up of the affairs of the Corporation.

Section 7. No Redemption. Without limiting the generality of Section 10, the Series A Preferred Stock will not be redeemable at the election of the Corporation or any Holder.

Section 8. Maturity. The Series A Preferred Stock will be perpetual unless converted in accordance herewith.

Section 9. Voting Rights.

- (a) **Generally.** The Holders of Series A Preferred Stock will not have any voting rights except as set forth in this Section 9 or as otherwise required by law.
- (b) **Right to Vote on an As-Converted Basis.** Except as otherwise required by law, so long as any Series A Preferred Stock is outstanding, each share of Series A Preferred Stock will entitle the Holder(s) thereof to vote together with the holders of Common Stock on all matters submitted for a vote of, or consent by, holders of the Common Stock. For these purposes, each Holder will be deemed to be the holder of record, on the record date for each such vote or consent, of a number of shares of Common Stock equal to the quotient (rounded down to the nearest whole

number) obtained by dividing (i) the aggregate Stated Value of the shares of Series A Preferred Stock held by such Holder on such record date by (ii) the Conversion Price in effect on such record date.

- (c) **Other Voting Rights.** Except as otherwise required by law, so long as any Series A Preferred Stock is outstanding, the vote or consent of the Holders of at least a majority of the outstanding shares of Series A Preferred Stock at the time outstanding, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for such purpose, will be necessary for effecting or validating any amendment, alteration or repeal of any provision of the Certificate of Incorporation, including this Certificate of Designations, that materially and adversely affects the special rights, preferences, privileges or voting powers of the Series A Preferred Stock, taken as a whole; *provided, however*, that for these purposes, any increase in the amount of the authorized or issued Series A Preferred Stock or the authorized Preferred Stock, or the creation and issuance, or an increase in the authorized or issued amount, of any other series of Preferred Stock or other stock of the Corporation ranking senior to, equally with or junior to the Series A Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative), or the distribution of assets upon liquidation, dissolution or winding up of the affairs of the Corporation, will be deemed not to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series A Preferred Stock, taken as a whole.
- (d) **Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series A Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such meeting, the obtaining of written consents and any other aspect or matter with regard to such meeting or consents will be governed by any rules that the Board of Directors (or a duly authorized committee thereof), in its discretion, may adopt from time to time, which rules and procedures will conform to the requirements of the Certificate of Incorporation, the By-Laws, applicable law and any applicable rules of any national securities exchange or other trading facility on which the Series A Preferred Stock is listed or traded at the time.

Section 10. Conversion.

(a) Conversion at the Holders' Election.

- (i) **Right to Convert.** Each share of Series A Preferred Stock may be converted, at the election of the holder thereof, into Conversion Consideration only in the following circumstances
- (1) if a Change of Control occurs, then the Corporation will deliver notice of such Change of Control to the Holders at least ten Business Days before the anticipated effective date of such Change of Control, and a Holder may convert such Holder's Series A Preferred Stock at any time from, and including, the date such notice is so sent to, and including, the tenth Business Day after such effective date; and
 - (2) of the Initial Series A Preferred Stock, the Holder(s) thereof may convert, in the aggregate, (i) 4,200 shares of the Initial Series A Preferred Stock beginning one year after the Issue Date; (ii) an additional 6,300 shares of the Initial Series A Preferred Stock beginning two years after the Issue Date; and

(iii) the remaining 10,500 shares of the Initial Series A Preferred Stock beginning three years after the Issue Date.

provided, however, that Series A Preferred Stock may be surrendered for conversion only after the open of business and before the close of business, at the location of the Corporation's primary corporate offices or that of the transfer agent for the Series A Preferred Stock, on a day that is a Business Day.

(ii) **Conversion Procedures.**

- (1) **Generally.** To convert any share of Series A Preferred Stock pursuant to Section 10(a)(i), the Holder thereof must, subject to the rules of any applicable clearance and settlement system on which the Series A Preferred Stock are admitted, (w) complete, manually sign and deliver to the Corporation a Conversion Notice; (x) deliver such share of Series A Preferred Stock to the Corporation (at which time such conversion will become irrevocable); (y) furnish any endorsements and transfer documents that the Corporation may require; and (z) pay any amounts due pursuant to Section 10(a)(ii)(2).
- (2) **Taxes and Duties.** If a Holder converts any share of Series A Preferred Stock, the Corporation will pay any documentary, stamp or similar issue or transfer tax or duty due on the issue of any shares of Common Stock upon such conversion; *provided, however,* that if any tax or duty is due because such Holder requested such shares to be issued in a name other than such Holder's name, then such Holder will pay such tax or duty and, until having received a sum sufficient to pay such tax or duty, the Corporation may refuse to deliver any such shares to be issued in a name other than that of such Holder.

(b) **Mandatory Conversion at the Corporation's Election.**

- (i) **Generally.** The Corporation will have the right, exercisable at its election at any time on or after the date that is one year after the Issue Date, to cause all, but not less than all, of the outstanding Series A Preferred Stock to automatically convert (a "**Mandatory Conversion**"), if the Last Reported Sale Price per share of Common Stock exceeds the Conversion Price on each of at least 20 Trading Days (whether or not consecutive) during the 30 consecutive Trading Days ending on, and including, the Trading Day immediately before the date the Corporation sends the related Mandatory Conversion Notice pursuant to Section 10(b)(ii). The Conversion Date of any such mandatory conversion will be a Business Day of the Corporation's choosing that is no less than 20 calendar days, nor more than 60 calendar days after, the date that the Corporation sends such Mandatory Conversion Notice.
- (ii) **Notice of Mandatory Conversion.** The Corporation will send to Holders notice of any Mandatory Conversion (a "**Mandatory Conversion Notice**"), which notice will state (1) the Conversion Date of such Mandatory Conversion; (2) the date by which the Corporation will deliver the related Conversion Consideration; and (3) the Conversion Price in effect as of the date of such Mandatory Conversion Notice.
- (iii) **Effect of Mandatory Conversion.** If the Corporation sends a Mandatory Conversion Notice pursuant to Section 10(b)(ii), then (1) a Conversion Date will be deemed to

occur, on the date fixed therefor by the Corporation pursuant to the last sentence of Section 10(b)(i), with respect to all Series A Preferred Stock then outstanding and for which an earlier Conversion Date has not occurred; (2) all such Series A Preferred Stock will be converted (regardless of whether such Series A Preferred Stock is delivered to the Corporation) as provided in this Section 10 as if each Holder of such Series A Preferred Stock delivered a Conversion Notice electing to convert all of such Series A Preferred Stock and providing for the issuance of the shares of Common Stock due upon such conversion in the name of such Holder.

(c) **Settlement Upon Conversion.**

- (i) **Generally.** Upon the conversion of any share of Series A Preferred Stock, the Corporation will, subject to the other provisions of this Section 10(c), deliver, to the Holder(s) of such share, on or before the third Business Day after the Conversion Date for such Conversion, a number of shares of Common Stock equal the quotient obtained by dividing (i) the Stated Value of such share of Series A Preferred Stock on such Conversion Date (which, for the avoidance of doubt, is subject to clause (ii)(x) of Section 5(d)) by (ii) the Conversion Price in effect on such Conversion Date.
- (ii) **Cash in Lieu of Fractional Shares of Common Stock.** If the number of shares of Common Stock otherwise deliverable pursuant to this Section 10(c) upon conversion of any Series A Preferred Stock is not a whole number, then such number will be rounded down to the nearest whole number and the Corporation will deliver, in addition to the other Conversion Consideration due upon such conversion, cash in lieu of the related fractional share in an amount equal to the product of (1) such fraction and (2) the Last Reported Sale Price per share of Common Stock on the Conversion Date for such conversion (or, if such Conversion Date is not a Trading Day, the immediately preceding Trading Day).
- (iii) **Conversion of Multiple Shares by a Single Holder.** If a Holder converts more than one share of Series A Preferred Stock on a single Conversion Date, then the Conversion Consideration due in respect of such conversion will (to the extent permitted by, and practicable under, the procedures of any clearance and settlement system on which the Series A Preferred Stock are admitted) be computed based on the total number of shares of Series A Preferred Stock converted on such Conversion Date by such Holder.
- (iv) **NASDAQ Matters.** Notwithstanding anything herein to the contrary, in no event will the number of shares of Common Stock issuable upon conversion of the Initial Series A Preferred Stock exceed, in the aggregate, 3,367,515 shares (subject to proportionate adjustment for stock dividends, stock splits and combinations and similar transactions), unless the Corporation first complies, to the extent applicable, with all stockholder approval rules of the NASDAQ Global Select Market. If, and only if, on any date (the “**Determination Date**”) after the Issue Date, the total number of shares of Common Stock issuable upon conversion of the then-outstanding Initial Series A Preferred Stock (assuming all such then-outstanding Initial Series A Preferred Stock were immediately converted on such date) would exceed the limit set forth in the preceding sentence, and the stockholder approval rules of the NASDAQ Global Select Market would require stockholder approval for the issuance of shares of Common Stock in excess of such limit, then the Corporation will submit a proposal to its stockholders to vote on such stockholder approval (the “**Conversion Proposal**”) at its next regular annual meeting of

stockholders, if reasonably practicable given the scheduled date of such annual meeting and the applicable notice and proxy statement delivery requirements in connection therewith, and recommend that its stockholders vote in favor of the Conversion Proposal. If, for any reason, the Corporation does not submit the Conversion Proposal to its stockholders to vote on such stockholder approval at an annual or special meeting held (and has not otherwise obtained such stockholder approval) within 12 months following the Determination Date, then the Corporation will submit the Conversion Proposal for approval by its stockholders at an annual or special meeting to be held within 120 days following the expiration of such 12-month period and recommend that its stockholders vote in favor of the Conversion Proposal. For the avoidance of doubt, if stockholder approval of the Conversion Proposal is not obtained, following a vote thereon by the Corporation's stockholders, at any such annual or special meeting, then the Corporation will not be under any obligation to thereafter seek such stockholder approval again

(d) **Effect of Conversion.**

- (i) **Effect on Series A Preferred Stock.** At the Close of Business on the Conversion Date for any share of Series A Preferred Stock, such share will be deemed to cease to be outstanding (and, for the avoidance of doubt, no Person will be deemed to be a Holder of such share as of the Close of Business on such Conversion Date), except to the extent provided in Section 5(d).
- (ii) **Holder of Record of Conversion Shares.** The Person in whose name any share of Common Stock is issuable upon conversion of any Series A Preferred Stock will be deemed to become the holder of record of such share as of the Close of Business on the Conversion Date for such conversion.

(e) **Reserve and Status of Common Stock Issued upon Conversion.**

- (i) **Stock Reserve; Compliance with Securities Laws and Stock Exchange Rules.** At all times when any Series A Preferred Stock is outstanding, the Corporation will reserve, out of its authorized but unissued and unreserved shares of Common Stock, a number of shares of Common Stock sufficient to permit the conversion of all then-outstanding Series A Preferred Stock at the then-applicable Conversion Price. The Corporation will take all necessary action to ensure that the issuance of shares of Common Stock upon conversion of any Series A Preferred Stock does not violate the Securities Act of 1933, as amended, any applicable state securities laws or the applicable requirements of any national securities exchange on which the Common Stock is then listed.
- (ii) **Status of Conversion Shares.** Each share of Common Stock delivered upon conversion of any Series A Preferred Stock will be duly and validly issued, fully paid and non-assessable.

(f) **Adjustments to the Conversion Price.**

- (i) **Stock Dividends, Splits and Combinations.** If the Corporation issues solely shares of Common Stock as a dividend or distribution on all or substantially all shares of the Common Stock, or if the Corporation effects a stock split or a stock combination of the Common Stock (in each case excluding an issuance solely pursuant to a Common Stock Change Event, as to which the provisions set forth in Section 10(h) will apply), then the Conversion Price will be adjusted based on the following formula:

$$\text{CPI} = \text{CP}_0 \times (\text{OS} / \text{OS1})$$

where:

- CPO = the Conversion Price in effect immediately before the Open of Business on the Ex-Dividend Date for such dividend or distribution, or immediately before the Open of Business on the effective date of such stock split or stock combination, as applicable;
- CPI = the Conversion Price in effect immediately after the Open of Business on such Ex-Dividend Date or the Open of Business on such effective date, as applicable;
- OS0 = the number of shares of Common Stock outstanding immediately before the Open of Business on such Ex-Dividend Date or effective date, as applicable, without giving effect to such dividend, distribution, stock split or stock combination; and
- OS I = the number of shares of Common Stock outstanding immediately after giving effect to such dividend, distribution, stock split or stock combination.

If any dividend, distribution, stock split or stock combination of the type described in this Section 10(f)(i) is declared or announced, but not so paid or made, then the Conversion Price will be readjusted, effective as of the date the Board of Directors (or a committee thereof) determines not to pay such dividend or distribution or to effect such stock split or stock combination, to the Conversion Price that would then be in effect had such dividend, distribution, stock split or stock combination not been declared or announced. No later than five Business Days after the effective date of any adjustment to the Conversion Price pursuant to this Section 10(f)(i), the Corporation will provide notice, in accordance with Section 14, of such adjustment to the Holders setting forth, in reasonable detail, the calculation of such adjustment and the facts upon which it is based.

(ii) Conversion Price Adjustment where Converting Holders Participate in the Relevant Transaction or Event.

Notwithstanding anything to the contrary herein, if:

- (1) a Conversion Price adjustment for any dividend or distribution becomes effective on any Ex-Dividend Date pursuant to Section 10(f)(i);
- (2) any Series A Preferred Stock is to be converted;
- (3) the Conversion Date for such conversion occurs on or after such Ex-Dividend Date and on or before the related record date;
- (4) the Conversion Consideration due upon such conversion includes any whole shares of Common Stock based on a Conversion Price that is adjusted for such dividend or distribution; and
- (5) such shares would be entitled to participate in such dividend or distribution (including pursuant to Section 10(d) (ii)),

then (x) such Conversion Price adjustment will not be given effect for such conversion; and (y) the shares of Common Stock, if any, issuable upon such conversion based on such unadjusted Conversion Price will be entitled to participate in such dividend or distribution.

- (iii) **Voluntary Adjustments.** To the extent permitted by law and applicable stock exchange rules, the Corporation, from time to time, may (but is not required to) decrease the Conversion Price by any amount if (1) the Board of Directors (or a committee thereof) determines that such decrease is either (x) in the best interest of the Corporation; or (y) advisable to avoid or diminish any income tax imposed on holders of Common Stock or rights to purchase Common Stock as a result of any dividend or distribution of shares (or rights to acquire shares) of Common Stock or any similar event; (2) such decrease is in effect for a period of at least 20 Business Days; (3) such decrease is irrevocable during such period; and (4) the Corporation provides notice, in accordance with Section 14, to the Holders of such decrease no later than the first date such decrease takes effect.
- (iv) **Calculations.** All calculations with respect to the Conversion Price and adjustments thereto will be made to the nearest cent (with 0.5 of a cent rounded upward).
- (g) **Stockholder Rights Plans.** If any shares of Common Stock are to be issued upon conversion of any Series A Preferred Stock and, at the time of such conversion, the Corporation has in effect any stockholder rights plan, then the Holder of such Series A Preferred Stock will be entitled to receive, in addition to, and concurrently with the delivery of, the Conversion Consideration otherwise payable hereunder upon such conversion, the rights set forth in such stockholder rights plan, unless such rights have separated from the Common Stock at such time, in which case, and only in such case, a Participating Non-Cash Dividend will be made pursuant to Section 5(b)(ii) on account of such separation as if, at the time of such separation, the Corporation had made a distribution of the type referred to in such Section to all holders of the Common Stock.
- (h) **Common Stock Change Events.** If there occurs any:
 - (i) recapitalization, reclassification or change of the Common Stock (other than (x) changes solely resulting from a subdivision or combination of the Common Stock, (y) a change only in par value or from par value to no par value or no par value to par value and (z) stock splits and stock combinations that do not involve the issuance of any other series or class of securities);
 - (ii) consolidation, merger, combination or binding share exchange involving the Corporation;
 - (iii) sale, lease or other transfer of all or substantially all of the assets of the Corporation and its Subsidiaries, taken as a whole, to any Person; or
 - (iv) other similar event,

and, as a result of which, the Common Stock is converted into, or is exchanged for, or represents solely the right to receive, other securities, cash or other property, or any combination of the foregoing (such an event, a “**Common Stock Change Event**,” and such other securities, cash or property, the “**Reference Property**,” and the amount and kind of Reference Property that a holder of one (1) share of Common Stock would be entitled to receive on account of such Common Stock Change Event (without giving effect to any arrangement not to issue or deliver a fractional portion of any security or other property), a “**Reference Property Unit**”), then, notwithstanding anything to the contrary herein,

- (1) at the effective time of such Common Stock Change Event, (x) the Conversion Consideration due upon conversion of any Series A Preferred Stock will be determined in the same manner as if each reference to any number of shares of Common Stock in this Section 10 (or in any related definitions) were instead a reference to the same number of Reference Property Units; (y) **for purposes of** Section 10(b), each reference to any number of shares of Common Stock in such Section (or in any related definitions) will instead be deemed to be a reference to the same number of Reference Property Units; and (z) for purposes of the definition of “Change of Control,” the term “Common Stock” and “common equity” will be deemed to mean the common equity, if any, forming part of such Reference Property; and
- (2) or these purposes, the Last Reported Sale Price of any Reference Property Unit or portion thereof that does not consist of a class of securities will be the fair value of such Reference Property Unit or portion thereof, as applicable, determined in good faith by the Corporation (or, in the case of cash denominated in U.S. dollars, the face amount thereof).

If the Reference Property consists of more than a single type of consideration to be determined based in part upon any form of stockholder election, then the composition of the Reference Property Unit will be deemed to be (x) the weighted average, per share of Common Stock, of the types and amounts of consideration received by the holders of Common Stock that affirmatively make such an election; or (y) if no holders of Common Stock affirmatively make such an election, the types and amounts of consideration actually received, per share of Common Stock, by the holders of Common Stock.

Section 11. Certificates Representing the Series A Preferred Stock. Shares of Series A Preferred Stock may be certificated or uncertificated, at the Corporation's election. If certificated, the shares of Series A Preferred Stock will be issued in substantially the form set forth in Exhibit A hereto, with such legends, additions or modifications as may be made at the Corporation's sole discretion.

Section 12. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the transfer agent for the Series A Preferred Stock may deem and treat the record holder of any share of Series A Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent will be affected by any notice to the contrary.

Section 13. Restrictions on Transfer of Initial Series A Preferred Stock. Each Holder of any shares of Initial Series A Preferred Stock, by its acceptance of such shares, agrees that, beginning on the Issue Date and ending on, and including, the earlier of (x) the Conversion Date for a Mandatory Conversion, (y) the Conversion Date for an elective conversion pursuant to Section 10(a)(i)(2) (solely with respect to shares of Common Stock issued upon such elective conversion) or (z) the date that is three years after the Issue Date, such Holder will not, without the prior written consent of the Corporation, (a) Transfer any of such shares of Initial Series A Preferred Stock or any underlying shares of Common Stock; (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of such shares of Initial Series A Preferred Stock or any underlying shares of Common Stock, whether any such transaction is to be settled by delivery of Series A Preferred Stock, Common Stock, in cash or otherwise; or (c) publicly announce an intention to effect any transaction specified in clause (a) or (b); *provided, however*, that the foregoing restrictions on transfer set forth in clause (a) above will not apply to any transfer, on or after the Issue Date, of shares of Initial Series A Preferred Stock by the Holder thereof

to a shareholder of such Holder, *provided* (x) such transfer is not for value; and (y) each such shareholder executes and delivers to the Corporation, before such transfer is effected, such instrument or instruments as the Corporation may reasonably request evidencing such shareholder's agreement to the restrictions set forth in this Section 13, which restrictions will continue to apply as provided above to such transferred Initial Series A Preferred Stock and any shares of Common Stock issued upon the conversion thereof. Notwithstanding anything to the contrary contained herein, prior to the Pension Liability Satisfaction Date, no Holder will Transfer any shares of Initial Series A Preferred Stock (or any Common Stock issued or issuable upon conversion thereof) without the prior written consent of the Corporation, which consent may be withheld in its sole discretion; *provided, however*, that, with respect to any proposed sale of shares of Common Stock issued upon conversion of the Initial Series A Preferred Stock in accordance with Section 10(a)(i), the Corporation will at any time or from time to time consent to a sale of a number of shares of Common Stock up to the number of shares of Common Stock that would, upon such sale, result in proceeds that do not exceed an aggregate dollar amount that, assuming that all such proceeds were immediately contributed to the Defined Benefit Plan and the Defined Benefit Plan was terminated immediately following such contribution, would cause Boyd Coffee Company to incur an excise tax under Section 4980 of the Code, so long as the proceeds from the sale of such shares are immediately contributed to the Defined Benefit Plan. Any Transfer or other similar action in violation of this Section 13 will be null and void.

Section 14. Notices. All notices or communications in respect of Series A Preferred Stock will be sufficiently given if given in writing and delivered in person or by first class mail (registered or certified, return receipt requested), facsimile transmission, electronic transmission or other similar means of unsecured electronic communication or overnight air courier guaranteeing next day delivery. For purposes hereof, the Corporation may maintain or cause to be maintained a register of the Holders of the Series A Preferred Stock and, absent manifest error, may assume that the address of each Holder set forth therein is the true address of such Holder for purposes hereof; *provided, however*, that, by notice to the Corporation, a Holder may provide a different address for such Holder and direct the Corporation to amend such register accordingly.

Section 15. No Preemptive Rights. No share of Series A Preferred Stock will have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 16. No Other Rights. The shares of Series A Preferred Stock will not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law

EXHIBIT A

FORM OF SERIES A PREFERRED STOCK

[Insert any applicable legends]

Farmer Bros. Co.

Series A Convertible Participating Cumulative Perpetual Preferred Stock

Certificate No. [__]

This instrument represents [1] shares of a duly authorized series of preferred stock of Farmer Bros. Co., a corporation organized and existing under the General Corporation Law of the State of Delaware (the “**Corporation**,” which term includes the successors of Farmer Bros. Co.), titled the “Series A Convertible Participating Cumulative Perpetual Preferred Stock” (the “**Series A Preferred Stock**”). The Series A Preferred Stock has the voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, set forth in the Corporation's certificate of incorporation, as it may be amended from time to time, including the Corporation's certificate of designations relating to the Series A Preferred Stock, as it may be amended from time to time, or as provided by applicable law.

The shares of Series A Preferred Stock represented hereby are registered in the name of [__], having an address of [__].

[The Remainder of This Page Intentionally Left Blank; Signature Page Follows]

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IN WITNESS WHEREOF, Farmer Bros. Co. has caused this instrument to be executed as of the date set forth below. FARMER BROS. CO.

Date:

By: _____
Name:
Title:

Name:
Title:

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EXHIBIT B

CONVERSION NOTICE

Farmer Bros. Co.

Series A Convertible Participating Cumulative Perpetual Preferred Stock

Subject to the terms of the Certificate of Designations, by executing and delivering this Conversion Notice, the undersigned Holder of the Series A Preferred Stock identified below directs the Corporation to convert (check one):

all shares

shares

of the Series A Preferred Stock that are (check one):

represented by Certificate No.

uncertificated.

Date:
(Legal Name of Holder)

By: _____ Name:
Title:

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DESCRIPTION OF SECURITIES**GENERAL**

Farmer Bros. Co. ("**Farmer Bros.**," "**we**" or "**our**") is incorporated in the State of Delaware. The following description of our common stock, par value \$1.00 per share ("**Common Stock**"), is a summary and does not purport to be complete. Our Common Stock is our only security registered under Section 12 of the Securities Exchange Act of 1934, as amended. The description of our Common Stock is subject to and qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation, as amended from time to time (the "**Certificate**"), and our Amended and Restated By-laws, as amended from time to time (the "**Bylaws**"), which are incorporated by reference as Exhibits [3.1](#), [3.2](#), [3.3](#), [3.4](#), 3.5, [3.6](#), and [3.7](#), to our Annual Report on Form 10-K of which this Exhibit 4.3 is a part. This description is qualified in its entirety by, and should be read in conjunction with, the Certificate, Bylaws and the applicable provisions of the General Corporation Law of the State of Delaware, as amended (the "**DGCL**").

DESCRIPTION OF COMMON STOCK**Authorized Capital Stock**

Pursuant to the Certificate, our authorized capital stock consists of 50,000,000 shares of Common Stock, and 500,000 shares of preferred stock, par value \$1.00 per share ("**Preferred Stock**"), 21,000 of which are designated as Series A Convertible Participating Cumulative Perpetual Preferred Stock ("**Series A Preferred Stock**").

All of the outstanding shares of Common Stock are fully paid and non-assessable. A share of Common Stock is fully paid and non-assessable if such share has been issued for consideration legally permissible under the DGCL with a value at least equal to the par value per share of Common Stock. Holders of fully paid and non-assessable shares of Common Stock will not be liable for any obligations or liabilities of the Company that the Company may fail to discharge.

Voting Rights

Subject to any preferential rights, holders of Common Stock are entitled to one vote per share for the election of directors and on all other matters that require stockholder approval. Unless otherwise provided by the DGCL, the Certificate (including any certificate of designations of preferences as to any Preferred Stock), the Bylaws, or the rules and regulations of any stock exchange applicable to us or any other applicable law, the vote of stockholders required to decide any matter brought before a stockholder meeting at which a quorum is present is a majority of the total number of votes of our Common Stock represented and entitled to vote thereat, voting as a single class.

Liquidation

In the event of a liquidation, dissolution or winding up of Farmer Bros., holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of Preferred Stock.

Other Rights and Preferences

Our Common Stock has no preemptive rights, no cumulative voting rights and no redemption, sinking fund or conversion provisions.

Dividends

Subject to preferences that may be applicable to any outstanding shares of Preferred Stock, the holders of Common Stock are entitled to receive ratably such dividends as may be declared by our Board of Directors (the "**Board**") out of funds legally available therefor.

Provisions Related to a Change in Control

Some provisions of our Certificate, our Bylaws and the DGCL may have the effect of delaying, deferring or preventing a tender offer for or the attempted takeover of Farmer Bros. Among other things, our Certificate and Bylaws include the following provisions:

- *Additional Shares of Preferred Stock.* The Board has the authority to issue additional 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.
- *Stockholder Action by Written Consent.* All stockholder action must be taken at a duly called annual or special meeting of the stockholders and not by any consent in writing.

- *Requirements for Advance Notification of Stockholder Nominations and Proposals.* Stockholders must follow advance notice procedures to submit proposed nominations of persons for election to our Board and other proposals for business to be brought before an annual meeting of our stockholders.
- *Board Matters.* Newly-created directorships and vacancies on the Board may be filled only by a majority of the directors then in office.
- *Bylaw Amendments.* Our Bylaws may be amended by our stockholders or the Board, and all such amendments must be approved by either the holders of at least a majority of the outstanding capital stock entitled to vote thereon or by a majority of the directors then in office.

As a Delaware corporation, Farmer Bros. is governed by the provisions of Section 203 of the DGCL. In general, Section 203 of the DGCL prohibits a Delaware corporation 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, unless:

- before the date that the person became an “interested stockholder,” the board of directors approved either the “business combination” or the transaction which makes the person an “interested stockholder”;
- upon completion of the transaction that results in the “interested stockholder” becoming an “interested stockholder,” the “interested stockholder” owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or subsequent to the date that the person became an “interested stockholder,” the business combination is approved by the board of directors and the affirmative vote of at least 66-2/3% of the outstanding voting stock that is not owned by the “interested stockholder.”

Generally, a “business combination” includes a merger, asset sale, stock sale or other transaction resulting in a financial benefit to the stockholder. An “interested stockholder” is a person who either owns 15% or more of our outstanding voting stock or, together with affiliates and associates, owns or, within three prior years, did own, 15% or more of our outstanding voting stock.

Exclusive Forum Provision

Our Bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of Farmer Bros., (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or stockholder to us or to our stockholders, (iii) any action arising pursuant to any provision of the DGCL or the Certificate or Bylaws, (iv) any action asserting a claim against us that is governed by the internal affairs doctrine, or (v) any action asserting an “internal corporate claim” as the term is defined in Section 115 of the DGCL.

National Securities Exchange

Our Common Stock is listed on the Nasdaq Global Select Market under the trading symbol “FARM”.

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is EQ Shareholder Services.

**[FORM OF EXECUTIVE OFFICER]
CHANGE IN CONTROL SEVERANCE AGREEMENT**

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (this "Agreement"), effective as of , (the "Effective Date"), is made by and between FARMER BROS. CO., a Delaware corporation (the "Company"), and (the "Executive").

WHEREAS, the Company considers it essential to foster the continued employment of well qualified, senior executive management personnel; and

WHEREAS, the Company has determined that appropriate steps should be taken to foster such continued employment by setting forth the benefits and compensation to be awarded to such personnel in the event of a voluntary or involuntary termination within the meaning of this Agreement; and

WHEREAS, the Company further recognizes that the possibility of a Change in Control of the Company exists and that such possibility, and the uncertainty and questions that it may raise among executive management, may result in the departure or distraction of executive personnel to the detriment of the Company; and

WHEREAS, the Company has further determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's executive management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Term of Agreement. The term of this Agreement shall commence as of the date hereof and expire on the close of business on , 20; provided, however, that (i) commencing on January 1, and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company (provided no Change in Control has occurred and no Threatened Change in Control is pending) or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended; (ii) if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect.

2. Definitions

(a) "Base Salary" shall mean the Executive's salary, which excludes Bonuses, at the rate in effect when an event triggering benefits under Section 3 of this Agreement occurs.

(b) "Beneficial Owner" or "Beneficial Ownership" shall have the meaning ascribed to such term in Rule 13d-3 of the Exchange Act.

(c) “Board” or “Board of Directors” shall mean the Board of Directors of Farmer Bros. Co., or its successor.

(d) “Bonus(es)” shall mean current cash compensation over and above Base Salary whether awarded under the Company’s Incentive Compensation Plan or otherwise awarded.

(e) “Cause” shall mean:

(i) the Executive’s material fraud, malfeasance, or gross negligence, willful and material neglect of Executive’s employment duties or Executive’s willful and material misconduct with respect to business affairs of the Company or any subsidiary of the Company or

(ii) Executive’s conviction of or failure to contest prosecution for a felony or a crime involving moral turpitude.

A termination of Executive for “Cause” based on clause (i) of the preceding sentence can be made only by delivery to Executive of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive’s counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting “Cause” as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or [his/her] beneficiaries to contest the validity or propriety of any such determination. A termination for Cause based on clause (ii) above shall take effect immediately upon giving of the termination notice. No act or omission shall be deemed “willful” if it was due primarily to an error in judgment or ordinary negligence.

(f) “Change in Control” shall mean:

(i) An acquisition by any Person (as such term is defined in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof) of Beneficial Ownership of the Shares then outstanding (the “Company Shares Outstanding”) or the voting securities of the Company then outstanding entitled to vote generally in the election of directors (the “Company Voting Securities Outstanding”), if such acquisition of Beneficial Ownership results in the Person beneficially owning (within the meaning of Rule 13d-3 promulgated under the Exchange Act) fifty percent (50%) or more of the Company Shares Outstanding or fifty percent (50%) or more of the combined voting power of the Company Voting Securities Outstanding; excluding, however, any such acquisition by a trustee or other fiduciary holding such Shares under one or more employee benefit plans maintained by the Company or any of its subsidiaries; or

(ii) The approval of the stockholders of the Company of a reorganization, merger, consolidation, complete liquidation, or dissolution of the Company, the sale or disposition of all or substantially all of the assets of the Company or any similar corporate transaction (in each case referred to in this Section 2(f) as a “Corporate Transaction”), other than a Corporate Transaction that would result in the outstanding common stock of the Company immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into common stock of the surviving entity or a parent or affiliate thereof) at least fifty percent (50%) of the outstanding common stock of the Company or such surviving entity or parent or affiliate thereof immediately after such Corporate Transaction; provided, however, if the consummation of such Corporate Transaction is subject, at the time of such

approval by stockholders, to the consent of any government or governmental agency, the Change in Control shall not occur until the obtaining of such consent (either explicitly or implicitly); or

(iii) A change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (such Board shall be hereinafter referred to as the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 2(f) that any individual who becomes a member of the Board subsequent to the Effective Date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

(g) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

(h) “Disability” shall mean the Executive’s inability as a result of physical or mental incapacity to substantially perform [his/her] duties for the Company on a full-time basis for a period of six (6) months.

(i) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

(j) “Involuntary Termination” shall mean a termination of the Executive’s employment by the Company that occurs for reasons other than for Cause, Disability or death.

(k) “Threatened Change in Control” shall mean any bona fide pending tender offer for any class of the Company’s outstanding Shares, or any pending bona fide offer to acquire the Company by merger or consolidation, or any other pending action or plan to effect, or which would lead to, a Change in Control of the Company as determined by the Incumbent Board. A Threatened Change in Control Period shall commence on the first day the actions described in the preceding sentence become manifest and shall end when such actions are abandoned or the Change in Control occurs.

(l) “Shares” shall mean the shares of common stock of the Company.

(m) “Resignation for Good Reason” shall mean a termination of the Executive’s employment by the Executive due to:

(i) a significant reduction of the Executive’s responsibilities, duties or authority;

(ii) a material reduction in the Executive’s Base Salary; or

(iii) a Company-required material relocation of the Executive’s principal place of employment;

provided, however, that any such condition shall not constitute “Good Reason” unless both (x) the Executive provides written notice to the Company describing the condition claimed to constitute Good Reason in reasonable detail within ninety (90) days of the initial existence of such condition, and (y) the Company fails to remedy such condition within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Executive’s employment with the Company shall not be treated as a termination for “Good Reason” unless such termination occurs not more than one (1) year following the initial existence of the condition claimed to constitute “Good Reason.”

3. Events That Trigger Benefits Under This Agreement. The Executive shall be eligible for the compensation and benefits described in Section 4 of this Agreement as follows:

(a) A Change in Control occurs and Executive’s employment is Involuntarily Terminated or terminated by Resignation for Good Reason within twenty-four (24) months following the occurrence of the Change in Control; or

(b) A Threatened Change in Control occurs and the Executive’s employment is Involuntarily Terminated or terminated by Resignation for Good Reason during the Threatened Change in Control Period.

4. Benefits Upon Termination. If the Executive becomes eligible for benefits under Section 3 above, the Company shall pay or provide to the Executive the following compensation and benefits:

(a) Salary. The Executive will receive as severance an amount equal to [his/her] Base Salary at the rate in effect on the date of termination for a period of twenty-four (24) months, such payment to be made in installments in accordance with the Company’s standard payroll practices, such installments to commence, subject to Section 9(j)(ii), in the month following the month in which the Executive’s Separation from Service occurs. The Executive shall also receive a payment equal to one hundred percent (100%) of the Executive’s target Bonus for the fiscal year in which the date of termination occurs (or, if no target Bonus has been assigned to the Executive as of the date of termination, the average Bonus paid by the Company to the Executive for the last three (3) completed fiscal years or for the number of completed fiscal years that Executive has been in the employ of the Company if fewer than three, prior to the termination date), such payment to be made, subject to Section 9(j)(ii), in a lump sum within thirty (30) days after the end of the Company’s fiscal year in which the Executive’s date of termination occurs. As used herein, a “Separation from Service” occurs when the Executive dies, retires, or otherwise has a termination of employment with the Company that constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

(b) Qualified and Non-Qualified Plan Coverage. Subject to the eligibility provisions of the plans, the Executive shall continue to participate in the tax-qualified and non-qualified retirement, savings and employee stock ownership plans of the Company during the twenty four (24) month period following the Executive’s date of termination unless the Executive commences Employment prior to the end of the twenty four (24) month period, in which case, such participation shall end on the date of [his/her] new employment. The Executive shall inform the Company promptly upon commencing new employment.

(c) Health, Dental, and Life Insurance Coverage. The health, dental, and life insurance benefits coverage provided to the Executive at [his/her] date of termination shall be continued by the Company during the twenty-four (24) month period following the Executive’s date of termination

unless the Executive commences employment prior to the end of the twenty four (24) month period and qualifies for substantially equivalent insurance benefits with the Executive's new employer, in which case, such insurance coverages shall end on the date of qualification. The Executive shall inform the Company promptly of [his/her] qualification for any of such insurance coverages. The Company shall provide for such insurance coverages at its expense at the same level and in the same manner as if the Executive's employment had not terminated (subject to the customary changes in such coverages if the Executive retires under a Company retirement plan, reaches age 65, or similar events and subject to Executive's right to make any changes in such coverages that an active employee is permitted to make). Any additional coverages the Executive had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any costs the Executive was paying for such coverages at the time of termination shall be paid by the Executive by separate check payable to the Company each month in advance. If the terms of any benefit plan referred to in this Section do not permit continued participation by the Executive, the Company will arrange for other coverage at its expense providing substantially similar benefits. If the Executive is covered by a split-dollar or similar life insurance program at the date of termination, [he/she] shall have the option in [his/her] sole discretion to have such policy transferred to him upon termination, provided that the Company is paid for its interest in the policy upon such transfer.

(d) Outplacement Services. The Company shall provide the Executive with outplacement services by a firm selected by the Executive, at the expense of the Company, in an amount up to \$25,000.

(e) No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following termination of Executive's employment by the Company and that the non-solicitation covenant contained in Section 6 may further limit the employment opportunities for the Executive. Accordingly, the payment of the compensation and benefits by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the first sentence of Section 4(c).

5. Parachute Payments. Notwithstanding anything contained in this Agreement to the contrary, in the event that the compensation and benefits provided for in this Agreement to Executive together with all other payments and the value of any benefit received or to be received by Executive:

(a) constitute "parachute payments" within the meaning of Section 280G of the Code, and

(b) but for this Section, would be subject to the excise tax imposed by Section 4999 of the Code, the Executive's compensation and benefits pursuant to the terms of this Agreement shall be payable either:

(i) in full, or

(ii) in such lesser amount which would result in no portion of such compensation and benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest

amount of compensation and benefits under this Agreement, notwithstanding that all or some portion of such compensation and benefits may be subject to the excise tax imposed under Section 4999 of the Code. Unless the Company and Executive otherwise agree in writing, any determination required under this Section 5 shall be made in writing by the Company's independent public accountants serving immediately before the Change in Control (the "Accountants"), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable good faith interpretations concerning the applications of Section 280G and 4999 of the Code. The Company shall cause the Accountants to provide detailed supporting calculations of its determination to Executive and the Company. Executive and the Company shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 5.

6. Obligation Not to Solicit

(a) Executive hereby agrees that while Executive is receiving compensation and benefits under this Agreement, Executive shall not in any manner attempt to induce or assist others to attempt to induce any officer, employee, customer or client of the Company to terminate its association with the Company, nor do anything directly or indirectly to interfere with the relationship between the Company and any such persons or concerns.

(b) In the event that the Executive engages in any activity in violation of Section 6(a), all compensation and benefits described in Section 4 shall immediately cease.

7. Confidentiality. The terms of this Agreement are to be of the highest confidentiality. In order to insure and maintain such confidentiality, it is agreed that neither party, including all persons and entities under a party's control, shall, directly or indirectly, publicize or disclose to third persons the terms of this Agreement or the substance of negotiations with respect to it; provided, however, that nothing herein shall be construed to prevent disclosures which are reasonably necessary to enforce the terms of this Agreement or which are otherwise required by law to be made to governmental agencies or others; moreover, nothing herein shall be construed to prevent the parties hereto, or their attorneys, from making such disclosures for legitimate business purposes to their respective insurers, financial institutions, accountants and attorneys or, in the case of a corporation, limited liability company or partnership, to its respective officers, directors, employees, managers, members and agents or any of its respective subsidiaries, group or divisions, provided that each such recipient of such disclosures agrees to be bound by the requirements concerning disclosure of confidential information as set forth in this Paragraph 7. Further, nothing contained in this Agreement is intended to or shall be construed as prohibiting Executive from voluntarily communicating with the U.S. Securities and Exchange Commission ("Commission") about possible violations of law or from accepting a Commission whistleblower award.

8. Settlement of Disputes; Arbitration

(a) All disputes arising under or in connection with this Agreement (including disputes over enforceability, interpretation, construction and breach of this Agreement), shall be submitted to binding arbitration in Tarrant County, Texas before an arbitrator selected by mutual agreement of the parties. If the parties are unable to agree mutually on an arbitrator within thirty (30) days after a written demand for arbitration is made, the matter shall be submitted to the American Arbitration Association ("AAA") or successor organization for binding arbitration in Tarrant County, Texas by a single arbitrator who shall be a lawyer licensed to practice law in the state of Texas and Board Certified by the Texas Board of Legal Specialization in labor and employment law. The arbitrator shall be

selected by AAA in an impartial manner determined by its rules. Except as may be otherwise provided herein, the arbitration shall be conducted under the Federal Arbitration Act and pursuant to the AAA's Rules for the Resolution of Employment Disputes. The arbitration hearing shall be commenced within ninety (90) days of the appointment of the arbitrator, and a decision shall be rendered by the arbitrator within thirty (30) days of the conclusion of the hearing. The arbitrator shall award costs of the proceeding, including reasonable attorneys' fees, to the party or parties determined to have substantially prevailed, but such award for attorneys' fees shall not exceed One Hundred Thousand Dollars (\$100,000). Judgment on the award can be entered in a court of competent jurisdiction.

(b) The foregoing notwithstanding, if the amount in controversy exceeds \$200,000, exclusive of attorneys' fees and costs, the matter shall be litigated in the court located in federal or state district courts located in Tarrant County, Texas as a regular civil action sitting without a jury (a jury being waived by all parties hereto). The prevailing party shall be entitled to receive its reasonable attorneys' fees and costs from the other party, but such award for attorneys' fees shall not exceed One Hundred Thousand Dollars (\$100,000).

9. Miscellaneous

(a) Notices. Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and shall be deemed to have been duly given when delivered personally or seven days after mailing if mailed first class by registered or certified mail, postage prepaid, addressed as follows:

If to the Company: Farmer Bros. Co
1912 Farmer Brothers Drive
Northlake, TX 76262
Attn: Chief Executive Officer

with a copy to: Farmer Bros. Co
1912 Farmer Brothers Drive
Northlake, TX 76262
Attn: Legal Department

If to the Executive:

or to such other address as any party may designate by notice to the others.

(b) Assignment. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective executors, administrators, heirs, personal representatives, and successors, but, except as hereinafter provided, neither this Agreement nor any right hereunder may be assigned or transferred by either party thereto, or by any beneficiary or any other person, nor be subject to alienation, anticipation, sale, pledge, encumbrance, execution, levy, or other legal process of any kind against the Executive, [his/her] beneficiary or any other person. Notwithstanding the foregoing, any person or business entity succeeding to substantially all of the business of the Company by purchase, merger, consolidation, sale of assets, or otherwise, shall be bound by and shall adopt and assume this Agreement and the Company shall cause the assumption of this Agreement by such successor. If Executive shall die while any amount would still be payable to Executive hereunder (other than amounts

that, by their terms, terminate upon the death of Executive) if Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of Executive's estate.

(c) No Obligation to Fund. The agreement of the Company (or its successor) to make payments to the Executive hereunder shall represent solely the unsecured obligation of the Company (and its successor), except to the extent the Company (or its successors) in its sole discretion elects in whole or in part to fund its obligations under this Agreement pursuant to a trust arrangement or otherwise.

(d) Applicable Law. This Agreement was negotiated, entered into and is performable, in whole or in part, in Texas and therefore shall be governed by and construed and enforced in accordance with the laws of the State of Texas, without giving effect to conflict of law principles.

(e) Amendment. This Agreement may only be amended by a written instrument signed by the parties hereto, which makes specific reference to this Agreement.

(f) Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

(g) Withholding. The Company shall have the right to withhold any and all local, state and federal taxes which may be withheld in accordance with applicable law.

(h) Other Benefits. Nothing in this Agreement shall limit or replace the compensation or benefits payable to Executive, or otherwise adversely affect Executive's rights, under any other benefit plan, program, or agreement to which Executive is a party.

(i) Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control. [The Company and Executive are parties to an Employment Agreement executed concurrently herewith. Except as provided in Section 11 of the Employment Agreement, the provisions of the Employment Agreement and this Agreement are cumulative.]

(j) Section 409A

(i) It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) ("Code Section 409A") so as not to subject the Executive to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Executive.

(ii) Notwithstanding any provision of this Agreement to the contrary, if the Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Executive's Separation from Service, the Executive shall not be entitled to any payment or benefit pursuant to Section 4 until the earlier of (i) the date which is six (6) months after the Executive's

Separation from Service for any reason other than death, or (ii) the date of the Executive's death. Any amounts otherwise payable to the Executive upon or in the six (6) month period following the Executive's Separation from Service that are not so paid by reason of this Section 9(j)(ii) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Executive's Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Executive's death). The provisions of this Section 9(j)(ii) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A.

(iii) To the extent that any benefits or reimbursements pursuant to Section 4(c) or Section 4(d) are taxable to the Executive, any reimbursement payment due to the Executive pursuant to any such provision shall be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to such provisions are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that the Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that the Executive receives in any other taxable year.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officers and the Executive has hereunder set [his/her] hand, as of the date first above written.

Company: FARMER BROS. CO.,
a Delaware corporation

By:
Name:
Title:

Executive:
[Name of Executive]

**FORM OF OFFICER (NON-EXECUTIVE DIRECT REPORT TO CEO)
CHANGE IN CONTROL SEVERANCE AGREEMENT**

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (this “Agreement”), effective as of _____ (the “Effective Date”), is made by and between FARMER BROS. CO., a Delaware corporation (the “Company”), and _____ (the “Employee”).

WHEREAS, the Company considers it essential to foster the continued employment of well qualified, senior management-level personnel; and

WHEREAS, the Company has determined that appropriate steps should be taken to foster such continued employment by setting forth the benefits and compensation to be awarded to such personnel in the event of a voluntary or involuntary termination within the meaning of this Agreement; and

WHEREAS, the Company further recognizes that the possibility of a Change in Control of the Company exists and that such possibility, and the uncertainty and questions that it may raise among management-level personnel, may result in the departure or distraction of management-level personnel to the detriment of the Company; and

WHEREAS, the Company has further determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company’s management-level personnel, including the Employee, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Employee hereby agree as follows:

1. Term of Agreement. The term of this Agreement shall commence as of the date hereof and expire on the close of business on December 31, ____; provided, however, that (i) commencing on January 1, ____ and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company (provided no Change in Control has occurred and no Threatened Change in Control is pending) or the Employee shall have given notice that it or the Employee, as the case may be, does not wish to have the Term extended; (ii) if the Employee ceases for any reason to be an employee of the Company prior to a Change in Control and while a Threatened Change in Control is not pending, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect.

2. Definitions

(a) “Base Salary” shall mean the Employee’s salary, which excludes Bonuses, at the rate in effect when an event triggering benefits under Section 3 of this Agreement occurs.

(b) “Beneficial Owner” or “Beneficial Ownership” shall have the meaning ascribed to such term in Rule 13d-3 of the Exchange Act.

(c) “Board” or “Board of Directors” shall mean the Board of Directors of Farmer Bros. Co., or its successor.

(d) “Bonus(es)” shall mean current cash compensation over and above Base Salary whether awarded under the Company’s Incentive Compensation Plan or otherwise awarded.

(e) “Cause” shall mean:

(i) commission of, or plea of guilty or *nolo contendere* by, the Employee for committing a felony under federal law or the law of the state in which such action occurred;

(ii) willful or material neglect of the Employee’s employment duties or a material breach of any written agreement between the Company and the Employee;

(iii) the Employee’s dishonesty, fraud, malfeasance, or gross negligence, in any case, in connection with the performance of the Employee’s duties to the Company;

(iv) the Employee’s willful or material misconduct with respect to business affairs of the Company or any subsidiary of the Company; or

(v) a material violation of the Company’s ethics and compliance program or other material policies.

Notwithstanding the foregoing, following a Change in Control, or while a Threatened Change in Control is pending, any determination as to whether “Cause” exists shall be subject to *de novo* review.

(f) “Change in Control” shall mean:

(i) An acquisition by any Person (as such term is defined in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof) of Beneficial Ownership of the Shares then outstanding (the “Company Shares Outstanding”) or the voting securities of the Company then outstanding entitled to vote generally in the election of directors (the “Company Voting Securities Outstanding”), if such acquisition of Beneficial Ownership results in the Person beneficially owning (within the meaning of Rule 13d-3 promulgated under the Exchange Act) fifty percent (50%) or more of the Company Shares Outstanding or fifty percent (50%) or more of the combined voting power of the Company Voting Securities Outstanding; excluding, however, any such acquisition by a trustee or other fiduciary holding such Shares under one or more employee benefit plans maintained by the Company or any of its subsidiaries; or

(ii) The approval of the stockholders of the Company of a reorganization, merger, consolidation, complete liquidation, or dissolution of the Company, the sale or disposition of all or substantially all of the assets of the Company or any similar corporate transaction (in each case referred to in this Section 2(f) as a “Corporate Transaction”), other than a Corporate Transaction that would result in the outstanding common stock of the Company immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into common stock of the surviving entity or a parent or affiliate thereof) at least fifty percent (50%) of the outstanding common stock of the Company or such surviving entity or parent or affiliate thereof immediately after such Corporate Transaction; provided, however, if the consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the Change in Control shall not occur until the obtaining of such consent (either explicitly or implicitly); or

(iii) A change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (such Board shall be hereinafter referred to as the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 2(f) that any individual who becomes a member of the Board subsequent to the Effective Date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board

(g) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

(h) “Disability” shall mean the Employee’s inability as a result of physical or mental incapacity to substantially perform his/her duties for the Company on a full-time basis for a period of six (6) months.

(i) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

(j) “Involuntary Termination” shall mean a termination of the Employee’s employment by the Company that occurs for reasons other than for Cause, Disability or death.

(k) “Threatened Change in Control” shall mean any bona fide pending tender offer for any class of the Company’s outstanding Shares, or any pending bona fide offer to acquire the Company by merger or consolidation, or any other pending action or plan to effect, or which would lead to, a Change in Control of the Company as determined by the Incumbent Board. A Threatened Change in Control Period shall commence on the first day the actions described in the preceding sentence become manifest and shall end when such actions are abandoned or the Change in Control occurs.

(l) “Shares” shall mean the shares of common stock of the Company.

(m) “Resignation for Good Reason” shall mean a termination of the Employee’s employment by the Employee due to:

(i) a material reduction of the Employee’s responsibilities, duties or authority;

(ii) a material reduction in the Employee’s Base Salary; or

(iii) a Company-required material relocation of the Employee’s principal place of employment;

provided, however, that any such condition shall not constitute “Good Reason” unless both (x) the Employee provides written notice to the Company describing the condition claimed to

constitute Good Reason in reasonable detail within ninety (90) days of the initial existence of such condition, and (y) the Company fails to remedy such condition within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Employee's employment with the Company shall not be treated as a termination for "Good Reason" unless such termination occurs not more than one (1) year following the initial existence of the condition claimed to constitute "Good Reason.

3. Events That Trigger Benefits Under This Agreement. The Employee shall be eligible for the compensation and benefits described in Section 4 of this Agreement as follows:

(a) A Change in Control occurs and Employee's employment is Involuntarily Terminated or terminated by Resignation for Good Reason within twenty-four (24) months following the occurrence of the Change in Control; or

(b) A Threatened Change in Control occurs and the Employee's employment is Involuntarily Terminated or terminated by Resignation for Good Reason during the Threatened Change in Control Period.

4. Benefits Upon Termination. If the Employee becomes eligible for benefits under Section 3 above, subject to the Employee's timely execution and return to the Company of an effective general release of claims substantially in the form attached hereto as Exhibit A (the "Release"), the Company shall pay or provide to the Employee the following compensation and benefits:

(a) Salary. The Employee will receive as severance an amount equal to his/her Base Salary at the rate in effect on the date of termination for a period of twelve (12) months, such payment to be made in installments in accordance with the Company's standard payroll practices, such installments to commence, subject to Section 9(i)(ii), on the first payroll date following the date on which the Release is effective and is no longer subject to revocation), with the first such installment payment to include any amounts otherwise payable between the Employee's date of termination and such first installment payment; provided, that, if the period in which the Release can become effective and irrevocable spans more than one taxable year, then such payments will not commence until the later taxable year (and any amounts otherwise payable prior to such later taxable year shall be paid together in a lump sum, with the first payment occurring in such later taxable year). The Employee shall also receive a payment equal to one hundred percent (100%) of the Employee's target Bonus for the fiscal year in which the date of termination occurs (or, if no target Bonus has been assigned to the Employee as of the date of termination, the average Bonus paid by the Company to the Employee for the last three (3) completed fiscal years or for the number of completed fiscal years that Employee has been in the employ of the Company if fewer than three, prior to the termination date), such payment to be made, subject to Section 9(i)(ii), in a lump sum prior to the later of thirty (30) days after the end of the Company's fiscal year in which the Employee's date of termination occurs or the sixty (60) days following the Employee's date of termination. As used herein, a "Separation from Service" occurs when the Employee dies, retires, or otherwise has a termination of employment with the Company that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

(b) Health, Dental, and Life Insurance Coverage. The health, dental, and life insurance benefits coverage provided to the Employee at his/her date of termination shall be continued by the Company during the twelve (12) month period following the Employee's date of termination unless the Employee commences employment prior to the end of the twelve (12) month period and qualifies for company-provided insurance benefits with the Employee's new employer, in which case, such insurance coverages shall end on the date of qualification. The Employee shall inform the Company promptly of

his/her qualification for any of such insurance coverages. The Company shall provide for such insurance coverages at its expense at the same level, at the same pre-tax cost to the Employee, and in the same manner as if the Employee's employment had not terminated (subject to the customary changes in such coverages if the Employee retires under a Company retirement plan, reaches age 65, or similar events and subject to Employee's right to make any changes in such coverages that an active employee is permitted to make). Any additional coverages the Employee had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any pre-tax costs the Employee was paying for such coverages at the time of termination shall be paid by the Employee by separate check payable to the Company each month in advance. To the extent that such continuation coverage would adversely affect the tax status of the plan pursuant to which such continuation coverage is provided, or result in taxability of benefits paid thereunder or penalty taxes to the Employee pursuant to Section 409A of the Code or otherwise, the cost of such coverage shall be reported by the Company as taxable income to the Employee. The COBRA healthcare continuation coverage period under Section 4980B of the Code shall run concurrently with the continuation coverage period specified herein. If the Employee is covered by a split-dollar or similar life insurance program at the date of termination, he shall have the option in his/her sole discretion to have such policy transferred to him upon termination, provided that the Company is paid for its interest in the policy upon such transfer.

(c) Outplacement Services. The Company shall provide the Employee with outplacement services by a firm selected by the Employee, at the expense of the Company, in an amount up to \$15,000. The outplacement expenses must be incurred by the Employee no later than the December 31 of the second calendar year following the calendar year in which Employee's termination occurs and must be paid by the Company no later than the last day of the third fiscal year following the fiscal year in which Employee's termination occurs.

(e) No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Employee to find reasonably comparable employment following termination of Employee's employment by the Company and that the non-solicitation covenant contained in Section 6 may further limit the employment opportunities for the Employee. Accordingly, the payment of the compensation and benefits by the Company to the Employee in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Employee will not be required to mitigate the amount of any payment provided for this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Employee hereunder or otherwise, except as expressly provided in the first sentence of Section 4(c).

5. Parachute Payments. Notwithstanding anything contained in this Agreement to the contrary, in the event that the compensation and benefits provided for in this Agreement to Employee together with all other payments and the value of any benefit received or to be received by Employee:

(a) constitute "parachute payments" within the meaning of Section 280G of the Code, and

(b) but for this Section, would be subject to the excise tax imposed by Section 4999 of the Code, the Employee's compensation and benefits pursuant to the terms of this Agreement shall be payable either:

(i) in full, or

(ii) in such lesser amount which would result in no portion of such compensation and benefits being subject to excise tax under Section 4999 of the Code, whichever of the

foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Employee on an after-tax basis, of the greatest amount of compensation and benefits under this Agreement, notwithstanding that all or some portion of such compensation and benefits may be subject to the excise tax imposed under Section 4999 of the Code. Unless the Company and Employee otherwise agree in writing, any determination required under this Section 5 shall be made in writing by the Company's independent public accountants serving immediately before the Change in Control (the "Accountants"), whose determination shall be conclusive and binding upon Employee and the Company for all purposes. For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable good faith interpretations concerning the applications of Section 280G and 4999 of the Code. The Company shall cause the Accountants to provide detailed supporting calculations of its determination to Employee and the Company. Employee and the Company shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 5.

6. Obligation Not to Solicit

(a) Employee hereby agrees that while Employee is receiving compensation and benefits under this Agreement, Employee shall not in any manner attempt to induce or assist others to attempt to induce any officer, employee, customer or client of the Company to terminate its association with the Company, nor do anything directly or indirectly to interfere with the relationship between the Company and any such persons or concerns.

(b) In the event that the Employee engages in any activity in violation of Section 6(a), all compensation and benefits described in Section 4 shall immediately cease.

7. Confidentiality. The terms of this Agreement are to be of the highest confidentiality. In order to insure and maintain such confidentiality, it is agreed that neither party, including all persons and entities under a party's control, shall, directly or indirectly, publicize or disclose to third persons the terms of this Agreement or the substance of negotiations with respect to it; provided, however, that nothing herein shall be construed to prevent disclosures which are reasonably necessary to enforce the terms of this Agreement or which are otherwise required by law to be made to governmental agencies or others; moreover, nothing herein shall be construed to prevent the parties hereto, or their attorneys, from making such disclosures for legitimate business purposes to their respective insurers, financial institutions, accountants and attorneys or, in the case of a corporation, limited liability company or partnership, to its respective officers, directors, employees, managers, members and agents or any of its respective subsidiaries, group or divisions, provided that each such recipient of such disclosures agrees to be bound by the requirements concerning disclosure of confidential information as set forth in this Paragraph 7. For the avoidance of doubt, nothing herein will be construed to prohibit the Employee from filing a charge with, reporting possible violations to, or participating or cooperating with any governmental agency or entity, including but not limited to the Equal Employment Opportunity Commission, the Department of Justice, the Securities and Exchange Commission, Congress, or any agency Inspector General, or making other disclosures that are protected under the whistleblower, anti-discrimination, or anti-retaliation provisions of federal, state or local law or regulation; provided, however, that the Employee may not disclose information of the Company or any of its affiliates that is protected by the attorney-client privilege, except as otherwise required by law. The Employee does not need the prior authorization of the Company to make any such reports or disclosures, and the Employee is not required to notify the Company that he has made such reports or disclosures.

8. Settlement of Disputes; Arbitration

(a) All disputes arising under or in connection with this Agreement (including disputes over enforceability, interpretation, construction and breach of this Agreement), shall be submitted to binding arbitration in Tarrant County, Texas before an arbitrator selected by mutual agreement of the parties. If the parties are unable to agree mutually on an arbitrator within thirty (30) days after a written demand for arbitration is made, the matter shall be submitted to the American Arbitration Association ("AAA") or successor organization for binding arbitration in Tarrant County, Texas by a single arbitrator who shall be a lawyer licensed to practice law in the state of Texas and Board Certified by the Texas Board of Legal Specialization in labor and employment law. The arbitrator shall be selected by AAA in an impartial manner determined by its rules. Except as may be otherwise provided herein, the arbitration shall be conducted under the Federal Arbitration Act and pursuant to the AAA's Rules for the Resolution of Employment Disputes. The arbitration hearing shall be commenced within ninety (90) days of the appointment of the arbitrator, and a decision shall be rendered by the arbitrator within thirty (30) days of the conclusion of the hearing. The arbitrator shall award costs of the proceeding, including reasonable attorneys' fees, to the party or parties determined to have substantially prevailed, but such award for attorneys' fees shall not exceed One Hundred Thousand Dollars (\$100,000). Judgment on the award can be entered in a court of competent jurisdiction.

(b) The foregoing notwithstanding, if the amount in controversy exceeds \$200,000, exclusive of attorneys' fees and costs, the matter shall be litigated in the court located in federal or state district courts located in Tarrant County, Texas as a regular civil action sitting without a jury (a jury being waived by all parties hereto). The prevailing party shall be entitled to receive its reasonable attorneys' fees and costs from the other party, but such award for attorneys' fees shall not exceed One Hundred Thousand Dollars (\$100,000).

9. Miscellaneous

(a) Notices. Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and shall be deemed to have been duly given when delivered personally or seven days after mailing if mailed first class by registered or certified mail, postage prepaid, addressed as follows:

If to the Company: Farmer Bros. Co
1912 Farmer Brothers Drive
Northlake, TX 76262
Attn: General Counsel

If to the Employee: _____

or to such other address as any party may designate by notice to the others.

(b) Assignment. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective executors, administrators, heirs, personal representatives, and successors, but, except as hereinafter provided, neither this Agreement nor any right hereunder may be assigned or transferred by either party thereto, or by any beneficiary or any other person, nor be subject to alienation, anticipation, sale, pledge, encumbrance, execution, levy, or other legal process of any kind against the Employee, his/her beneficiary or any other person. Notwithstanding the foregoing, any person or business entity succeeding to substantially all of the business of the Company by purchase, merger,

consolidation, sale of assets, or otherwise, shall be bound by and shall adopt and assume this Agreement and the Company shall cause the assumption of this Agreement by such successor. If Employee shall die while any amount would still be payable to Employee hereunder (other than amounts that, by their terms, terminate upon the death of Employee) if Employee had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of Employee's estate.

(c) No Obligation to Fund. The agreement of the Company (or its successor) to make payments to the Employee hereunder shall represent solely the unsecured obligation of the Company (and its successor), except to the extent the Company (or its successors) in its sole discretion elects in whole or in part to fund its obligations under this Agreement pursuant to a trust arrangement or otherwise.

(d) Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas, without giving effect to conflict of law principles.

(e) Amendment. This Agreement may only be amended by a written instrument signed by the parties hereto, which makes specific reference to this Agreement.

(f) Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

(g) Withholding. The Company shall have the right to withhold any and all local, state and federal taxes which may be withheld in accordance with applicable law.

(h) Employment Rights; Entire Agreement. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Employee to have the Employee remain in the employment of the Company or any Subsidiary prior to or following any Change in Control. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral, with respect to the subject matter hereof. In furtherance, and not in limitation, of the foregoing, the Employee hereby agrees that in consideration for the payments and benefits to be received under this Agreement, the Employee waives any and all rights to any payments or benefits under any plans, programs, contracts or arrangements of the Company or its affiliates that provide for severance or termination payments or benefits upon a termination of employment.

(i) Section 409A

(i) It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) ("Code Section 409A") so as not to subject the Employee to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Employee.

(ii) Notwithstanding any provision of this Agreement to the contrary, with respect to any payment or benefit pursuant to Section 4 that constitutes nonqualified deferred compensation subject to Code Section 409A, if the Employee is a “specified employee” within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Employee’s Separation from Service, the Employee shall not be entitled to any such payment or benefit until the earlier of (i) the date which is six (6) months after the Employee’s Separation from Service for any reason other than death, or (ii) the date of the Employee’s death. Any amounts otherwise payable to the Employee upon or in the six (6) month period following the Employee’s Separation from Service that are not so paid by reason of this Section 9(i)(ii) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Employee’s Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Employee’s death). The provisions of this Section 9(i)(ii) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A.

(iii) To the extent that any benefits or reimbursements pursuant to Section 4(b) or Section 4(c) are taxable to the Employee, any reimbursement payment due to the Employee pursuant to any such provision shall be paid to the Employee on or before the last day of the Employee’s taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to such provisions are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that the Employee receives in one taxable year shall not affect the amount of such benefits or reimbursements that the Employee receives in any other taxable year.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officers and the Employee has hereunder set his/her hand, as of the date first above written.

Company: FARMER BROS. CO.,
a Delaware corporation

By:

Employee:

**FORM OF
INDEMNIFICATION AGREEMENT**

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into as of , by and between Farmer Bros. Co., a Delaware corporation (the "Company"), and ("Indemnitee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly-held corporations as directors, officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Certificate of Incorporation (the "Charter") and the Bylaws of the Company require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to applicable provisions of the Delaware General Corporation Law (the "DGCL"). The Charter, the Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company's stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Charter, the Bylaws of the Company and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee does not regard the protection available under the Company's Charter, Bylaws and insurance as adequate in the present circumstances, and may not be willing to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he or she be so indemnified;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein and Indemnitee's agreement to serve as a director or officer after the date hereof, the Company and Indemnitee do hereby covenant and agree as follows:

1. Definitions. As used in this Agreement:

(a) References to "agent" shall mean any person who is or was a director, officer, or employee of the Company or a Subsidiary of the Company or other person authorized by the Company to act for the Company, to include such person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of, or to represent the interests of the Company or a Subsidiary of the Company.

(b) The terms “Beneficial Owner” and “Beneficial Ownership” shall have the meanings set forth in Rule 13d-3 promulgated under the Exchange Act as in effect on the date hereof.

(c) A “Change in Control” shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company’s then outstanding securities entitled to vote generally in the election of directors, unless (1) the change in the relative Beneficial Ownership of the Company’s securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors, or (2) such acquisition was approved in advance by the Continuing Directors and such acquisition would not constitute a Change in Control under part (iii) of this definition;

(ii) Change in Board of Directors. Individuals who, as of the date hereof, constitute the Board, and any new director whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two thirds of the directors then still in office who were directors on the date hereof or whose election for nomination for election was previously so approved (collectively, the “Continuing Directors”), cease for any reason to constitute at least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a reorganization, merger or consolidation of the Company (a “Business Combination”), in each case, unless, following such Business Combination: (1) all or substantially all of the individuals and entities who were the Beneficial Owners of securities entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more than 51% of the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the securities entitled to vote generally in the election of directors; (2) no Person (excluding any corporation resulting from such Business Combination) is the Beneficial Owner, directly or indirectly, of 15% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of such corporation except to the extent that such ownership existed prior to the Business Combination; and (3) at least a majority of the Board of Directors of the corporation resulting from such Business Combination were Continuing Directors at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company’s assets (or, if such approval is not required, the decision by the Board to proceed with such a liquidation, sale, or disposition in one transaction or a series of related transactions); or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement.

(d) “Corporate Status” describes the status of a person who is or was 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. References to “serving at the request of the Company” shall include, without limitation, any service as a director, officer, employee or agent of the Company or any other Enterprise that imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries, including as a deemed fiduciary thereto.

(e) “Delaware Court” shall mean the Court of Chancery of the State of Delaware.

(f) “Disinterested Director” shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(g) “Enterprise” shall mean the Company and any other corporation, constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger to which the Company (or any of its wholly owned subsidiaries) is a party, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(h) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

(i) “Expenses” shall include all direct and indirect costs, fees and expenses of any type or nature whatsoever, including, without limitation, attorneys’ fees and costs, retainers, court costs, transcript costs, fees and disbursements of experts, witness fees, fees and disbursements of private investigators and professional advisors, travel expenses, duplicating costs, printing and binding costs, telephone and fax transmission charges, postage, delivery service fees, secretarial services, reasonable compensation for time spent by Indemnitee for which he is not otherwise compensated for by the Company or any third party, and all other disbursements or expenses in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding or enforcing a right to indemnification under this Agreement. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(j) “Independent Counsel” shall mean a law firm or a member of a law firm that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements); or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(k) References to “fines” shall include any excise tax assessed on Indemnitee with respect to any employee benefit plan; references to “servicing at the request of the Company” shall include any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or beneficiaries (including as a deemed fiduciary thereto); and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner “not opposed to the best interests of the Company” as referred to in this Agreement.

(l) The term “Person” shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act as in effect on the date hereof; provided, however, that “Person” shall exclude: (i) the Company; (ii) any Subsidiary of the Company; (iii) any employee benefit plan of the Company including, without limitation, the Company’s Employee Stock Ownership Plan, or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan; (iv) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company; and (v) Roy F. Farmer and Emily Farmer (both deceased) and their descendants (collectively, “Farmer Family Members”), the estates of Farmer Family Members and the personal representatives thereof, and trusts, partnerships and other entities created by or for the benefit of Farmer Family Members and the trustees, partners and members thereof.

(m) A “Potential Change in Control” shall be deemed to have occurred if: (i) the Company enters into an agreement or arrangement, the consummation of which would result in the occurrence of a Change in Control; (ii) any Person or the Company publicly announces an intention to take or consider taking actions which if consummated would constitute a Change in Control; (iii) any Person who becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 5% or more of the combined voting power of the Company’s then outstanding securities entitled to vote generally in the election of directors increases its Beneficial Ownership of such securities by 5% or more over the percentage so owned by such Person on the date hereof; or (iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(n) The term “Proceeding” shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, in each case whether formal or informal, whether brought in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise (including, without limitation, as a witness, even if neither Indemnitee nor the Company is named as a party to such Proceeding) by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action (or failure to act) taken by him or of any action (or failure to act) on his part while acting as a director or officer of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(o) The term “Subsidiary,” with respect to any Person, shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by that Person.

2. Agreement To Serve. Indemnitee agrees to serve and/or continue to serve as an agent of the Company, at its will (or under separate agreement, if such agreement exists), in the capacity Indemnitee currently serves as an agent of the Company; provided, however, that nothing contained in this Agreement is intended to or shall (i) restrict the ability of Indemnitee to resign at any time and for any reason from any current or future position or positions, (ii) create any right to continued employment of Indemnitee in any current or future position or positions, or (iii) restrict the ability of the Company to terminate the employment or agency of Indemnitee at any time and for any reason (subject to compliance with the terms of any employment or other applicable agreement to which the Company (or any of its Subsidiaries) and Indemnitee are parties).

3. Indemnification in Third-Party Proceedings. The Company shall indemnify and hold harmless Indemnitee in accordance with the provisions of this Section 3 if, by reason of his Corporate Status, Indemnitee was, is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, judgments, penalties, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding, had no reasonable cause to believe that his conduct was unlawful.

4. Indemnification in Proceedings by or in the Right of the Company. The Company shall indemnify and hold harmless Indemnitee in accordance with the provisions of this Section 4 if, by reason of his Corporate Status, Indemnitee was, is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Notwithstanding the foregoing, no indemnification shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such Expenses as the court shall deem proper.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify and hold harmless Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify and hold harmless Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If Indemnitee is not wholly successful in such Proceeding, the Company also shall indemnify and hold harmless Indemnitee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue or matter on which Indemnitee was successful. For these purposes and without limitation, Indemnitee will be deemed to have been “successful on the merits” in circumstances including but not limited to the termination of any Proceeding or of any claim, issue or matter therein, by the winning of a dismissal (with or without prejudice), motion for summary judgment, settlement (with or without court approval), or upon a plea of nolo contendere or its equivalent.

6. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, he shall be indemnified and held harmless against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification

(a) Notwithstanding any limitation in Sections 3, 4 or 5, the Company shall indemnify and hold harmless Indemnitee if, by reason of his Corporate Status, Indemnitee is a party to or threatened to be made a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnitee’s conduct which constitutes a breach of Indemnitee’s duty of loyalty to the Company or

its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify and hold harmless Indemnitee if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

8. Contribution

(a) Whether or not the indemnification provided in Sections 3, 4, 5 and 7 hereof is available, in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which the Law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

9. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any Company-purchased insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy, contract, agreement, other indemnity provision or otherwise;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law;

(c) except as otherwise provided in Sections 14(e) and (f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law;

(d) for any Expenses, judgments, liabilities, fines, penalties and amounts paid in settlement resulting from Indemnitee's conduct which is finally adjudged to have been willful misconduct, knowingly fraudulent or deliberately dishonest; or

(e) if a court of competent jurisdiction shall finally determine that any indemnification hereunder is unlawful.

10. Advances of Expenses; Defense of Claim; Information Sharing

(a) Notwithstanding any provision of this Agreement to the contrary, and to the fullest extent permitted by applicable law, the Company shall advance all Expenses incurred by or on behalf of Indemnitee (or reasonably expected by Indemnitee to be incurred by Indemnitee within three months) in connection with any Proceeding by reason of Indemnitee's Corporate Status within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding; provided, however, that Indemnitee shall not be required to include in any such statement any information that would cause Indemnitee to waive any privilege provided by applicable law. Without limiting the generality or effect of the foregoing, within thirty (30) days after any request for Advances by Indemnitee, the Company shall, in accordance with such request (but without duplication), (i) pay such Expenses on behalf of Indemnitee, (b) advance to Indemnitee funds in an amount sufficient for Indemnitee to pay such Expenses, and/or (iii) to the extent that Indemnitee has already paid for Expenses, reimburse Indemnitee for such Expenses. Indemnitee's right to advances shall include all Expenses incurred through and including the final disposition of such Proceeding, including any appeal thereof. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable Expenses incurred pursuing a Proceeding to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The right to advances under this section shall in all events continue until final disposition of any Proceeding, including any appeal therein. The Company shall not seek from a court, or agree to, a "bar order" which would have the effect of prohibiting or limiting the Indemnitee's rights to receive advancement of expenses under this Agreement. Indemnitee shall qualify for advances, to the fullest extent permitted by applicable law, solely upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that Indemnitee undertakes to the fullest extent permitted by law to repay the advance (without interest) if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to further appeal, that Indemnitee is not entitled to be indemnified by the Company under the provisions of this Agreement or applicable law. No other form of undertaking shall be required other than the execution of this Agreement.

(b) With respect to any Proceeding as to which Indemnitee notifies the Company of the commencement thereof, the Company will be entitled to participate in the Proceeding at its own expense and except as otherwise provided below, to the extent the Company so wishes, it may assume the defense thereof with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to assume the defense of any Proceeding, the Company shall not be liable to Indemnitee under this Agreement or otherwise for any Expenses subsequently incurred by Indemnitee in connection with the defense of such Proceeding other than reasonable costs of investigation or as otherwise provided below. Following any such assumption of defense by the Company, Indemnitee shall have the right to employ legal counsel in such Proceeding, but all Expenses related thereto incurred after notice from the Company of its assumption of the defense shall be at Indemnitee's expense unless: (i) the employment of legal counsel by Indemnitee has been authorized by the Company, (ii) Indemnitee has reasonably determined that there may be a conflict of interest between Indemnitee and the Company in the defense of the Proceeding, (iii) the fees and expenses are non-duplicative and reasonably incurred in connection with Indemnitee's role in the Proceeding despite the Company's assumption of the defense, (iv) after a Change in Control, the employment of counsel by Indemnitee has been approved by the Independent Counsel, or (v) the Company shall not in fact have employed counsel to assume the defense of such Proceeding, in each of which cases all Expenses of the Proceeding shall be borne by the Company. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company, or as to which Indemnitee shall have made the determination provided for in (ii) above or under the circumstances provided for in (iii) and (iv) above. Indemnitee agrees that any such separate counsel retained by Indemnitee will be a member of any approved list of panel counsel under the Company's applicable directors' and officers' insurance policy, should the applicable policy provide for a panel of approved counsel and should such approved panel list comprise law firms with well-established reputations in the type of litigation at issue.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any Expense, judgment, fine, penalty or limitation on Indemnitee without Indemnitee's prior written consent.

(d) If Indemnitee is the subject of or is implicated in any way during an investigation, whether formal or informal, the Company shall share with Indemnitee any information it has turned over to any third parties concerning the investigation ("Shared Information"). By executing this Agreement, Indemnitee agrees that such Shared Information is material non-public information that Indemnitee is obligated to hold in confidence and may not disclose publicly; provided, however, that Indemnitee shall be permitted to use the Shared Information and to disclose Shared Information to Indemnitee's legal counsel solely in connection with defending Indemnitee from legal liability.

11. Procedure for Notification and Application for Indemnification

(a) Indemnitee agrees to notify promptly the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement, or otherwise.

(b) Indemnitee may deliver to the Company a written application to indemnify and hold harmless Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his sole discretion. Following such a written application for indemnification by Indemnitee, Indemnitee's entitlement to indemnification shall be determined according to Section 12(a) of this Agreement.

12. Procedure Upon Application for Indemnification

(a) A determination, if required by applicable law, with respect to Indemnitee's entitlement to indemnification shall be made in the specific case by one of the following methods, which shall be at the election of the Board: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board or (ii) by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. The Company promptly shall advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) hereof, the Independent Counsel shall be selected as provided in this Section 12(b). The Independent Counsel shall be selected by the Board of Directors, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected and certifying that the Independent Counsel so selected meets the requirements of "Independent Counsel" as defined in Section 1 of this Agreement. Indemnitee may, within ten (10) days after such written notice of selection shall have been received, deliver to the Company a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 1 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within twenty (20) days after submission by Indemnitee of a written request for indemnification pursuant to Section 11(b) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court for resolution of any objection which shall have been made by Indemnitee to the Company's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Delaware Court, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 12(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing). The Company shall

pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 12(a) hereof, regardless of the manner in which such Independent Counsel was selected or appointed.

13. Presumptions and Effect of Certain Proceedings

(a) In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 11(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption (by clear and convincing evidence) in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 12 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within thirty (30) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a final judicial determination that any or all such indemnification is expressly prohibited under applicable law; provided, however, that such 30-day period may be extended for a reasonable time, not to exceed an additional fifteen (15) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 13(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) The knowledge and/or actions, or failure to act, of any other director, officer, trustee, partner, managing member, fiduciary, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

14. Remedies of Indemnitee

(a) In the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses, to the fullest extent permitted by applicable law, is not timely made pursuant to Section 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) of this Agreement within thirty (30) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, or the last sentence of Section 12(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) a contribution payment is not made in a timely manner pursuant to Section 8 of this Agreement, or (vi) payment of

indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by the Delaware Court to such indemnification, contribution or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Except as set forth herein, the provisions of Delaware law (without regard to its conflict of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14, Indemnitee shall be presumed to be entitled to indemnification under this Agreement and the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 12(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 14, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 10 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(e) The Company shall indemnify and hold harmless Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance to Indemnitee, to the fullest extent permitted by applicable law, such Expenses which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee (i) to enforce his rights under, or to recover damages for breach of, this Agreement or any other indemnification, advancement or contribution agreement or provision of the Charter, or the Company's Bylaws now or hereafter in effect; or (ii) for recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance, contribution or insurance recovery, as the case may be.

(f) Interest shall be paid by the Company to Indemnitee at the legal rate under Delaware law for amounts which the Company indemnifies or is obliged to indemnify for the period commencing with the date on which Indemnitee requests indemnification, contribution, reimbursement or advancement of any Expenses and ending with the date on which such payment is made to Indemnitee by the Company.

15. Establishment of Trust. In the event of a Potential Change in Control, the Company shall, upon written request by Indemnitee, create a "Trust" for the benefit of Indemnitee and from time to time upon written request of Indemnitee shall fund such Trust in an amount sufficient to satisfy any and all Expenses reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for, participating in or defending any Proceedings, and any and all judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such judgments, fines penalties and amounts paid in settlement) in connection with any and all Proceedings from time to time actually paid or claimed, reasonably anticipated or proposed to be paid. The trustee of the Trust (the "Trustee") shall be a bank or trust company or other individual or entity chosen by Indemnitee and reasonably acceptable to the Company. Nothing in this Section 15 shall relieve the Company of any of its obligations under this Agreement. The amount or amounts to be deposited in the Trust pursuant to the foregoing funding obligation shall be determined by mutual agreement of Indemnitee and the Company or, if the Company and Indemnitee are unable to reach such an agreement, by Independent Counsel selected in accordance with Section 12(b) of this Agreement. The terms of the Trust shall provide that, except upon the consent of both Indemnitee and the Company, upon a Change in Control: (a) the Trust shall not be revoked or the principal thereof invaded, without the written consent of Indemnitee; (b) the Trustee shall advance, to the fullest extent permitted by applicable law, within two (2) business days of a request by Indemnitee and upon the execution and

delivery to the Company of an undertaking providing that Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company, any and all Expenses to Indemnitee; (c) the Trust shall continue to be funded by the Company in accordance with the funding obligations set forth above; (d) the Trustee shall promptly pay to Indemnitee all amounts for which Indemnitee shall be entitled to indemnification pursuant to this Agreement or otherwise; and (e) all unexpended funds in such Trust shall revert to the Company upon mutual agreement by Indemnitee and the Company or, if Indemnitee and the Company are unable to reach such an agreement, by Independent Counsel selected in accordance with Section 12(b) of this Agreement, that Indemnitee has been fully indemnified under the terms of this Agreement. The Trust shall be governed by Delaware law (without regard to its conflicts of laws rules) and the Trustee shall consent to the exclusive jurisdiction of the Delaware Court in accordance with Section 23 of this Agreement.

16. Security. Notwithstanding anything herein to the contrary, to the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of Indemnitee.

17. Non-Exclusivity; Survival of Rights; Insurance; Subrogation; Period of Limitations

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Charter, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in applicable law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Charter, the Company's Bylaws or this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) The DGCL, the Charter and the Company's Bylaws permit the Company to purchase and maintain insurance or furnish similar protection or make other arrangements including, but not limited to, providing a trust fund, letter of credit, or surety bond ("Indemnification Arrangements") on behalf of Indemnitee against any liability asserted against him or incurred by or on behalf of him or in such capacity as a director, officer, employee or agent of the Company, or arising out of his status as such, whether or not the Company would have the power to indemnify him against such liability under the provisions of this Agreement or under the DGCL, as it may then be in effect. The purchase, establishment, and maintenance of any such Indemnification Arrangement shall not in any way limit or affect the rights and obligations of the Company or of Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and Indemnitee shall not in any way limit or affect the rights and obligations of the Company or the other party or parties thereto under any such Indemnification Arrangement.

(c) For the duration of Indemnitee's service at the request of the Company and thereafter for so long as Indemnitee shall be subject to being made a party to or participant in any Proceeding by reason of Indemnitee's current or former Corporate Status, the Company shall use commercially reasonable efforts (taking into account the scope and amount of coverage available relative to the cost thereof) to cause to be maintained in effect policies of directors' and officers' liability insurance providing coverage for directors and/or officers of the Company that is at least substantially comparable in scope and amount to that provided by the Company's current policies of directors' and officers' liability insurance. The minimum AM Best rating for the insurance carriers of such insurance policy shall be not less than A- VI.

(d) In the event of a Change in Control or the Company becoming insolvent—including, without limitation, being placed into receivership or entering the federal bankruptcy process and the like—the Company shall maintain in force any and all insurance policies then maintained by the Company in providing insurance—directors' and officers' liability, fiduciary, employment practices or otherwise—in respect of Indemnitee, for a period of six years thereafter (a "Tail Policy"). Such coverage shall be with the incumbent insurance carriers using the policies that were in place immediately prior to the consummation of the Change in Control (unless the incumbent carrier(s) will not offer such policies, in which case the Tail Policy shall be substantially comparable in scope and amount as the expiring policies, and the insurance carriers for the Tail Policy shall have an AM Best rating that is the same or better than the AM Best ratings of the expiring policies). Notwithstanding the foregoing, if the annual premium of any year of such Tail Policy or other continuing policies of insurance--

directors' and officers' liability, fiduciary, employment practices or otherwise—would exceed 250% of the annual premium the Company paid for such insurance in its last full fiscal year prior to the reduction, termination, or expiration of such insurance or to such Change in Control (either case, a “Measuring Event”), the Company (or the acquiror or successor of the Company, as the case may be) will be deemed to have satisfied its obligations under this Section 17(d) by purchasing as much such insurance for such year as can be obtained for a premium equal to 250% of such annual premium the Company paid for such insurance prior to the Measuring Event. The insurance to be placed and serviced pursuant to this Section 17(d) shall be placed by the Company’s insurance broker as of the time immediately prior to such Change in Control or insolvency event.

(e) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, trustee, partner, managing member, fiduciary, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company will instruct the insurers and their brokers that they may communicate directly with Indemnitee regarding such matter. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(f) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(g) The Company’s obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

(h) No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee’s estate, spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern. Notwithstanding the foregoing; however, in a case where the Indemnitee fraudulently conceals the facts underlying such cause of action, no proceeding shall be brought and no cause of action shall be asserted after the expiration of one year from the earlier of (i) the date the Corporation or any subsidiary of the Corporation discovers such facts, or (ii) the date the Corporation or any subsidiary of the Corporation could have discovered such facts by the exercise of reasonable diligence. Any claim or cause of action of the Corporation or any subsidiary of the Corporation against the Indemnitee, including claims predicated upon the negligent act or omission of the Indemnitee, shall be extinguished and deemed released unless asserted by filing of a legal action within such period.

18. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee serves as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other Enterprise which Indemnitee serves at the request of the Company and shall continue thereafter so long as Indemnitee may be subject to any possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 14 of this Agreement) by reason of his Corporate Status, whether or not he is acting in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement.

19. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the

intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

20. Enforcement and Binding Effect

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) Without limiting any of the rights of Indemnitee under the Charter or Bylaws of the Company as they may be amended from time to time, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof. If the DGCL or any other applicable law is amended after the date hereof to permit the Company to indemnify Indemnitee for Expenses or liabilities, or to indemnify Indemnitee with respect to any action or Proceeding, not contemplated by this Agreement, then this Agreement (without any further action by either party hereto) shall automatically be deemed to be amended to require that the Company indemnify Indemnitee to the fullest extent permitted by the DGCL.

(c) The indemnification and advancement of expenses provided by or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise at the Company's request, and shall inure to the benefit of Indemnitee and his spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(d) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement to the fullest extent permitted by law.

(e) The Company and Indemnitee agree herein that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which he may be entitled. The Company and Indemnitee further agree that Indemnitee shall be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertaking in connection therewith. The Company acknowledges that in the absence of a waiver, a bond or undertaking may be required of Indemnitee by the court, and the Company hereby waives any such requirement of such a bond or undertaking.

21. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

22. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (i) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third (3rd) business day after the date on which it is so mailed:

a. If to Indemnitee, at the address indicated on the signature page of this Agreement or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company, to:

Farmer Bros. Co. 1912 Farmer Brothers Drive

Northlake, TX 76262
Attention: Corporate Secretary

or to any other address as may have been furnished to Indemnitee in writing by the Company.

23. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally: (a) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Delaware Court and not in any other state or federal court in the United States of America or any court in any other country; (b) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement; (c) appoint irrevocably, to the extent such party is not a resident of the State of Delaware, RL&F Service Corp., One Rodney Square, 10th Floor, 10th and King Streets, P.O. Box 551, Wilmington, Delaware 19899 as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware; (d) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court; and (e) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum, or is subject (in whole or in part) to a jury trial.

24. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

25. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

FARMER BROS. CO.

By:
Name:
Title:

INDEMNITEE

Address:

CONSENT AND AMENDMENT NO. 1 TO CREDIT AGREEMENT

This **CONSENT AND AMENDMENT NO. 1 TO CREDIT AGREEMENT** (this "Amendment") is entered into as of December 20, 2021, by and among **FARMER BROS. CO.**, a Delaware corporation ("Parent"), and the Subsidiaries of Parent from time to time party to the Credit Agreement (as defined below) as borrowers in accordance with the terms thereof (together with Parent, each a "Borrower" and individually and collectively, jointly and severally, the "Borrowers"), the undersigned Lenders (as defined below) and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, "Agent") under the Credit Agreement referred to below.

WHEREAS, pursuant to that certain Credit Agreement dated as of April 26, 2021 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the lenders identified on the signature pages thereto (each of such lenders, together with its successor and permitted assigns, a "Lender"), Agent, Borrowers, and the other Loan Parties from time to time party thereto, the Lender Group has agreed to make or issue Loans, Letters of Credit and other certain financial accommodations thereunder;

WHEREAS, Borrowers have informed Agent and the Lenders that on or around January 1, 2022 Parent will merge the ESOP and transfer all of the assets in the ESOP to its current 401(k) plan (the "ESOP Merger");

WHEREAS, after giving effect to the ESOP Merger, it would be a Default or Event of Default, as applicable, under Section 8.7 of the Credit Agreement if, among other things, a Loan Party gives a representation and warranty regarding the ESOP and the ESOP Merger under Section 4.10(i) and (k) of the Credit Agreement (the "Potential Representation and Warranty Defaults");

WHEREAS, after giving effect to the ESOP Merger, it would be (a) a Default or Event of Default under Section 8.12 of the Credit Agreement if, among other things, any events thereunder occur with respect to the ESOP as a result of the ESOP Merger including, without limitation, the ESOP failing to qualify as an "employee stock ownership plan" within the meaning of Section 4975(e)(7) of the IRC that is qualified under Section 401(a) of the IRC and (b) a Default or Event of Default, as applicable, under Section 8.2(a) of the Credit Agreement if, among other things, each Borrower fails to comply with certain negative covenants applicable to the ESOP and the ESOP Merger under Section 6.14(f) of the Credit Agreement ((a) and (b), collectively, the "Potential Covenant Defaults"), together with the Potential Representation and Warranty Defaults, collectively, the "Designated Potential Defaults");

WHEREAS, the ESOP Merger would result in the Designated Potential Defaults, including, without limitation, the ESOP no longer qualifying as an "employee stock ownership plan" within the meaning of Section 4975(e)(7) of the IRC that is qualified under Section 401(a) of the IRC and as such, absent the written consent of Agent and the Required Lenders, the occurrence of each Designated Potential Default would constitute an Event of Default under the Credit Agreement; and

WHEREAS, Borrowers have requested that Agent and the Lenders (i) consent to the ESOP Merger and (ii) agree to amend the Credit Agreement in certain respects, in each case, as more specifically set forth herein, and Agent and the Lenders, which constitute the Required Lenders, have agreed to the foregoing, on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement.

2. Consent Under Credit Agreement. In reliance upon the representations and warranties of the Borrowers set forth in Section 7 below, and subject to the satisfaction of the conditions to effectiveness set forth in Section 6 below, and notwithstanding the Designated Potential Defaults and anything to the contrary contained under Sections 8.2(a), 8.12 and 6.14(f) of the Credit Agreement, the Agent and the Required Lenders hereby consent to the ESOP Merger and, in connection with the foregoing, the occurrence of the Potential Covenant Defaults after the date hereof shall not constitute a Default or Event of Default, as applicable, under the Credit Agreement or any other Loan Document; provided, that the ESOP Merger is completed in accordance with applicable law. Except as expressly set forth in this Amendment, the foregoing consent shall not constitute (a) a modification or alteration of the terms, conditions or covenants of the Credit Agreement or any other Loan Document or (b) a waiver, release or limitation upon the exercise by Agent or any Lender of any of their respective rights, legal or equitable thereunder.

3. Amendments to Credit Agreement. In reliance upon the representations and warranties of Parent and Borrower set forth in Section 7 below, and subject to the satisfaction of the conditions to effectiveness set forth in Section 6 below, the Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by adding the defined term “Proposed ESOP Merger” as follows in appropriate alphabetical order.

“Proposed ESOP Merger” means that certain merger and transfer of all of the assets in the ESOP to Parent's 401(k) plan proposed to occur on or around January 1, 2022.

(b) Section 4.10(i) of the Credit Agreement is amended and restated in its entirety as follows:

(i) No Notification Event exists, is reasonably expected to occur, or has occurred in the past six (6) years, except for any Notification Event triggered by the Proposed ESOP Merger.

(c) Section 4.10(k) of the Credit Agreement is amended and restated in its entirety as follows:

(k) At all times during its existence, the ESOP has been an “employee stock ownership plan” within the meaning of Section 4975(e)(7) of the IRC and has been qualified under Section 401(a) of the IRC. Further, the ESOP has been duly established in accordance with and under applicable law and at all times during its existence the ESOT has been a tax-exempt trust under Section 501(a) of the IRC. Except as would not reasonably be expected to result in a Material Adverse Effect, the terms of the ESOT Trust Agreement have at all times during the existence of the ESOT and the ESOP complied with, and have been operated in accordance with, all applicable laws, including the IRC and ERISA. All ESOP Loans have been paid in full. At all times during its existence, the ESOT has been a duly established and validly existing trust, and the ESOT Trustee has had all of the requisite powers and authority to execute and deliver all agreements and documents with respect to the ESOP.

4. Continuing Effect. Except as expressly set forth in Section 2 and Section 3 of this Amendment, nothing in this Amendment shall constitute a modification or alteration of the terms, conditions or covenants of the Credit Agreement or any other Loan Document, or a waiver of any other terms or provisions thereof, and the Credit Agreement and the other Loan Documents shall remain unchanged and shall continue in full force and effect, in each case as amended hereby. This Amendment is a Loan Document.

5. Reaffirmation and Confirmation. Each Borrower hereby ratifies, affirms, acknowledges and agrees that the Credit Agreement and the other Loan Documents to which it is a party represent the valid, enforceable and collectible obligations of such Borrower, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally, and further acknowledges that there are no existing claims, defenses, personal or otherwise, or rights of setoff whatsoever with respect to the Credit Agreement or any other Loan Document. Each Borrower hereby agrees that this Amendment in no way acts as a release or relinquishment of the Liens and rights securing payments of the Obligations. The Liens and rights securing payment of the Obligations are hereby ratified and confirmed by each Borrower in all respects.

6. Conditions to Effectiveness. This Amendment shall become effective upon the satisfaction of each of the following conditions precedent, in each case satisfactory to Agent in all respects:

(a) Agent shall have received a copy of this Amendment executed and delivered by Agent, the Required Lenders, and the Borrowers;

(b) Agent shall have received a copy of a consent to the Term Loan Credit Agreement with respect to the ESOP Merger executed and delivered by Term Loan Agent, the “Required Lenders” under (and as defined in) the Term Loan Credit Agreement and the Borrowers, in form and substance satisfactory to Agent;

(c) no Default or Event of Default shall have occurred and be continuing on the date hereof; and

(d) each of the representations and warranties of each Loan Party set forth in the Credit Agreement and each of the other Loan Documents, shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of the date hereof (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date).

7. Representations and Warranties. In order to induce Agent and the Lenders to enter into this Amendment, each Borrower hereby represents and warrants to Agent and the Lenders that:

(a) after giving effect to this Amendment, all representations and warranties of each Loan Party set forth in the Credit Agreement and each of the other Loan Documents, are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of the date hereof (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date);

(b) no Default or Event of Default has occurred and is continuing; and

(c) this Amendment and the Loan Documents, as modified hereby, constitute legal, valid and binding obligations of such Loan Party and are enforceable against such Loan Party in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally.

8. Miscellaneous.

(a) Expenses. Borrowers agree to pay on demand all reasonable and documented out-of-pocket costs and expenses of Agent and the Lenders (including reasonable and documented outside counsel's fees) incurred in connection with the preparation, negotiation, execution, delivery and administration of this Amendment and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided in this Section 7(a) shall survive any termination of this Amendment and the Credit Agreement as amended hereby.

(b) Choice of Law and Venue; Jury Trial Waiver. Without limiting the applicability of any other provision of the Credit Agreement or any other Loan Document, the terms and provisions set forth in Section 12 of the Credit Agreement are expressly incorporated herein by reference.

(c) Counterparts. This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment.

9. Release.

(a) In consideration of the agreements of Agent and the Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Loan Party, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and the Lenders, and their successors and assigns, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, each Lender and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, controversies, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which such Loan Party or any of its successors, assigns, or other legal representatives may now own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment for or on account of, or in relation to, or in any way in connection with any of the Credit Agreement, or any of the other Loan Documents or transactions thereunder or related thereto; *provided, however*, nothing in this Section 9 shall apply to any Claim that a court of competent jurisdiction finally determines to have resulted from the gross negligence of, willful misconduct of, or material breach of the Loan Documents by a Releasee or its officers, directors, employees, attorneys or agents. For the avoidance of doubt, nothing in this Section 8 shall prevent the Loan Parties from bringing a suit against Agent or the Lenders in a court of competent jurisdiction alleging gross negligence of, willful misconduct of, or material breach of the Loan Documents by a Releasee or its officers, directors, employees, attorneys or agents.

(b) Each Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Each Loan Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized and delivered as of the date first above written.

BORROWERS: **FARMER BROS. CO.**, a Delaware corporation

By: /s/ Scott Drake
Name: Scott Drake
Title: Chief Financial Officer

BOYD ASSETS CO., a Delaware corporation

By: /s/ Scott Drake
Name: Scott Drake\
Title: Chief Financial Officer

FBC FINANCE OMPANY, a California corporation

By: /s/ Scott Drake
Name: Scott Drake
Title: Chief Financial Officer

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

By: /s/ Scott Drake
Name: Scott Drake
Title: Chief Financial Officer

COFFEE BEAN INTERNATIONAL, INC., an Oregon corporation

By: /s/ Scott Drake
Name: Scott Drake
Title: Chief Financial Officer

CHINA MIST BRANDS, INC., a Delaware corporation

By: /s/ Scott Drake
Name: Scott Drake
Title: Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association as Agent and a Lender

By: /s/ Michael Gerard
Name: Michael Gerard
Title: Vice President

SUBSIDIARIES OF FARMER BROS. CO.

FBC Finance Company, a California corporation

Coffee Bean Holding Co., Inc., a Delaware corporation, the parent company of Coffee Bean International, Inc., an Oregon corporation

Coffee Bean International, Inc., an Oregon corporation

China Mist Brands, Inc., a Delaware corporation

Boyd Assets Co., a Delaware corporation

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-260973, 333-221346 and 333-213132 on Form S-3 and Registration Statement No. 333-261921, 333-251227, 333-251230, 333-218997, 333-207170 and 333-157169 on Form S-8 of our report dated September 9, 2021, relating to the consolidated financial statements of Farmer Bros. Co. and subsidiaries (the “Company”) appearing in this Annual Report on Form 10-K of the Company for the year ended June 30, 2022.

/s/ DELOITTE & TOUCHE LLP
Dallas, Texas
September 1, 2022

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated September 1, 2022, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Farmer Bros. Co. on Form 10-K for the year ended June 30, 2022. We consent to the incorporation by reference of said reports in the Registration Statements of Farmer Bros. Co. on Forms S-3 (File No. 333-260973, File No. 333-221346 and File No. 333-213132) and on Forms S-8 (File No. 333-261921, File No. 333-251230, File No. 333-251227, File No. 333-218997, File No. 333-207170, and File No. 333-157169).

/s/ Grant Thornton LLP

Dallas, Texas
September 1, 2022

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

I, Deverl Maserang certify that:

1. I have reviewed this Annual Report on Form 10-K of Farmer Bros. Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 1, 2022

/S/ DEVERL MASERANG

Deverl Maserang
President and Chief Executive Officer
(principal executive officer)

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

I, Scott R. Drake, certify that:

1. I have reviewed this Annual Report on Form 10-K of Farmer Bros. Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 1, 2022

/S/ SCOTT R. DRAKE

Scott R. Drake
Chief Financial Officer
(principal financial officer)

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

In connection with the Annual Report of Farmer Bros. Co. (the "Company") on Form 10-K for the fiscal year ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Deverl Maserang, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 1, 2022

/s/ DEVERL MASERANG

Deverl Maserang
President and Chief Executive Officer
(principal executive officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Farmer Bros. Co. (the "Company") on Form 10-K for the fiscal year ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott R. Drake, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: September 1, 2022

/S/ SCOTT R. DRAKE

Scott R. Drake
Chief Financial Officer
(principal financial officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.