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

(Mark One)

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

For the quarterly period ended March 31, 2016

OR

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

For the transition period from to

Commission file number: 001-34249

FARMER BROS. CO.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**95-0725980**
(State of Incorporation)	(I.R.S. Employer Identification No.)

13601 North Freeway, Suite 200, Fort Worth, Texas 76177
(Address of Principal Executive Offices; Zip Code)
888-998-2468
(Registrant's Telephone Number, Including Area Code)

20333 South Normandie Avenue, Torrance, California 90502
(Former Address, if Changed Since Last Report)

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of May 5, 2016, the registrant had 16,769,029 shares outstanding of its common stock, par value $1.00 per share, which is the registrant's only class of common stock.

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Item 1. Financial Statements

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

	March 31, 2016	June 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,330	$ 15,160
Restricted cash	—	1,002
Short-term investments	24,814	23,665
Accounts and notes receivable, net	46,568	40,161
Inventories	54,550	50,522
Income tax receivable	605	535
Short-term derivative assets	1,039	—
Prepaid expenses	4,091	4,640
Assets held for sale	9,326	—
Total current assets	154,323	135,685
Property, plant and equipment, net	100,871	90,201
Goodwill and intangible assets, net	6,541	6,691
Other assets	7,815	7,615
Deferred income taxes	751	751
Total assets	$ 270,301	$ 240,943
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 27,186	$ 27,023
Accrued payroll expenses	22,863	23,005
Short-term borrowings under revolving credit facility	307	78
Short-term obligations under capital leases	1,871	3,249
Short-term derivative liabilities	—	3,977
Deferred income taxes	1,390	1,390
Other current liabilities	6,941	6,152
Total current liabilities	60,558	64,874
Accrued pension liabilities	47,215	47,871
Accrued postretirement benefits	23,087	23,471
Accrued workers' compensation liabilities	11,383	10,964
Other long-term liabilities—capital leases	1,247	2,599
Other long-term liabilities	19,254	225
Deferred income taxes	1,000	928
Total liabilities	$ 163,744	$ 150,932
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, $1.00 par value, 500,000 shares authorized and none issued	$ —	$ —
Common stock, $1.00 par value, 25,000,000 shares authorized; 16,769,029 and 16,658,148 issued and outstanding at March 31, 2016 and June 30, 2015, respectively	16,769	16,658
Additional paid-in capital	38,171	38,143
Retained earnings	112,543	106,864
Unearned ESOP shares	(6,434)	(11,234)
Accumulated other comprehensive loss	(54,492)	(60,420)
Total stockholders' equity	$ 106,557	$ 90,011
Total liabilities and stockholders' equity	$ 270,301	$ 240,943

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Net sales	$ 134,468	$ 132,507	$ 410,220	$ 413,300
Cost of goods sold	81,908	85,938	254,173	265,468
Gross profit	52,560	46,569	156,047	147,832
Selling expenses	38,447	37,653	112,741	115,702
General and administrative expenses	10,977	6,618	29,951	22,513
Restructuring and other transition expenses	3,169	3,596	13,855	4,570
Net gain from sale of spice assets	(335)	—	(5,441)	—
Net (gains) losses from sales of assets	(4)	107	(163)	346
Operating expenses	52,254	47,974	150,943	143,131
Income (loss) from operations	306	(1,405)	5,104	4,701
Other income (expense):				
Dividend income	288	294	840	879
Interest income	139	364	359	543
Interest expense	(111)	(474)	(341)	(889)
Other, net	613	(1,569)	35	(2,163)
Total other income (expense)	929	(1,385)	893	(1,630)
Income (loss) before taxes	1,235	(2,790)	5,997	3,071
Income tax expense (benefit)	43	(218)	318	232
Net income (loss)	$ 1,192	$ (2,572)	$ 5,679	$ 2,839
Net income (loss) per common share—basic	$ 0.07	$ (0.16)	$ 0.34	$ 0.18
Net income (loss) per common share—diluted	$ 0.07	$ (0.16)	$ 0.34	$ 0.17
Weighted average common shares outstanding—basic	16,539,479	16,223,981	16,486,469	16,200,747
Weighted average common shares outstanding—diluted	16,647,415	16,223,981	16,614,275	16,343,138

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Net income (loss)	$ 1,192	$ (2,572)	$ 5,679	$ 2,839
Other comprehensive income (loss), net of tax:				
Unrealized losses on derivative instruments designated as cash flow hedges	(1,245)	(9,117)	(5,575)	(11,700)
Losses (gains) on derivative instruments designated as cash flow hedges reclassified to cost of goods sold	2,677	375	11,504	(9,467)
Total comprehensive income (loss), net of tax	$ 2,624	$ (11,314)	$ 11,608	$ (18,328)

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

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

	Nine Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	$ 5,679	$ 2,839
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,721	18,554
Provision for doubtful accounts	432	186
Restructuring and other transition expenses, net of payments	(1,939)	2,679
Deferred income taxes	72	96
Net (gains) losses from sales of assets	(5,604)	346
ESOP and share-based compensation expense	3,488	4,294
Net losses (gains) on derivative instruments and investments	11,839	(7,058)
Change in operating assets and liabilities:		
Restricted cash	1,002	(7,192)
Purchases of trading securities held for investment	(5,938)	(3,209)
Proceeds from sales of trading securities held for investment	4,909	2,151
Accounts and notes receivable	(6,503)	(2,255)
Inventories	(4,452)	13,659
Income tax receivable	(70)	(443)
Derivative (assets) liabilities, net	(11,580)	1,308
Prepaid expenses and other assets	865	1,287
Accounts payable	(997)	(15,166)
Accrued payroll expenses and other current liabilities	3,209	(6,207)
Accrued postretirement benefits	(384)	(691)
Other long-term liabilities	(337)	(666)
Net cash provided by operating activities	$ 9,412	$ 4,512
Cash flows from investing activities:		
Acquisition of business	—	(1,200)
Purchases of property, plant and equipment	(16,193)	(13,563)
Purchases of construction-in-progress assets under Texas facility lease	(13,492)	—
Proceeds from sales of property, plant and equipment	5,990	214
Net cash used in investing activities	$ (23,695)	$ (14,549)
Cash flows from financing activities:		
Proceeds from revolving credit facility	314	59,748
Repayments on revolving credit facility	(86)	(50,200)
Proceeds from Texas facility lease financing	13,492	—
Payment of financing costs	(8)	(244)
Payments of capital lease obligations	(2,710)	(2,999)
Proceeds from stock option exercises	1,610	1,267
Tax withholding payment related to net share settlement of equity awards	(159)	(116)
Net cash provided by financing activities	$ 12,453	$ 7,456
Net decrease in cash and cash equivalents	$ (1,830)	$ (2,581)
Cash and cash equivalents at beginning of period	$ 15,160	$ 11,993
Cash and cash equivalents at end of period	$ 13,330	$ 9,412

(continued on next page)

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (continued from previous page)
(In thousands)

	Nine Months Ended March 31,	
	2016	2015
Supplemental disclosure of non-cash investing and financing activities:		
Equipment acquired under capital leases	$ 190	$ 55
Net change in derivative assets and liabilities included in other comprehensive income (loss)	$ 5,929	$ (21,167)
Construction-in-progress assets under Texas facility lease	$ 5,662	$ —
Texas facility lease obligation	$ 5,662	$ —
Non-cash additions to equipment	$ 1,576	$ 148
Non-cash portion of earnout recognized	$ 335	$ —

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

Note 1. Summary of Significant Accounting Policies

Organization

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

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete consolidated financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals, unless otherwise indicated) considered necessary for a fair presentation of the interim financial data have been included. Operating results for the three and nine months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2016. Events occurring subsequent to March 31, 2016 have been evaluated for potential recognition or disclosure in the unaudited consolidated financial statements for the three and nine months ended March 31, 2016.

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2015, filed with the Securities and Exchange Commission (the "SEC") on September 14, 2015.

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 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.

Corporate Relocation Plan

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

Expenses related to the Corporate Relocation Plan included in "Restructuring and other transition expenses" in the Company's consolidated statements of operations include employee retention and separation benefits, facility-related costs, and other related costs such as travel, legal, consulting and other professional services. In order to receive the retention and/or separation benefits, impacted employees are required to provide service through their retention dates which vary from May 2015 through December 2016 or separation dates which vary from May 2015 through December 2016. A liability for such retention and separation benefits was recorded at the communication date in "Accrued payroll expenses" on the Company's consolidated balance sheets. Facility-related costs and other related costs are recognized in the period when the liability is incurred (see Note 2).

Facility Lease Obligation

On July 17, 2015, the Company entered into a lease agreement, as amended (the "Lease Agreement") with WF-FB NLTX, LLC, a Delaware limited liability company (the "Lessor"), to lease a 538,000 square foot facility to be constructed on

28.2 acres of land located in Northlake, Texas, which will include corporate offices, areas dedicated to manufacturing and distribution, as well as a lab. Principal design work for the New Facility was substantially completed in March 2016. The construction of the New Facility is estimated to be completed by the end of the second quarter of fiscal 2017 (see Note 3).

The New Facility will be constructed by Lessor, at its expense, in accordance with agreed upon specifications and plans determined as set forth in the Lease Agreement. Due to the Company's involvement in the construction of the New Facility, as the deemed general contractor, pursuant to Accounting Standards Codification ("ASC") 840, "Leases" ("ASC 840"), the Company is required to capitalize during the construction period the cash and non-cash assets (with the exception of the land which is not capitalized) contributed by Lessor for the construction as property, plant and equipment on the Company's consolidated balance sheets, with an offsetting liability for the same amount payable to Lessor included in "Other long-term liabilities."

A portion of the lease arrangement is allocated to the land for which the Company will accrue rent expense during the construction period. The amount of rent expense to be accrued is determined using the fair value of the leased land at construction commencement and the Company's incremental borrowing rate, and is recognized on a straight-line basis. Once rent payments commence under the Lease Agreement, all amounts in excess of the accrued rent expense will be recorded as a debt-service payment and recognized as interest expense and a reduction of the financing obligation.

Sale of Spice Assets

On December 8, 2015, the Company completed the sale of certain assets associated with the Company's manufacture, processing and distribution of raw, processed and blended spices and certain other culinary products (collectively, the "Spice Assets") to Harris Spice Company Inc., a California corporation ("Harris Spice") (see Note 4). The Company received $6.0 million in cash at closing, and is eligible to receive an earnout amount of up to $5.0 million over a three year period based upon a percentage of certain institutional spice sales by Harris Spice following the closing. Gain from the earnout is recognized when earned and when realization is assured beyond a reasonable doubt.

The Company has followed the guidance in ASC 205-20, "Presentation of Financial Statements—Discontinued Operations," as updated by Accounting Standards Update ("ASU") No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" and has not presented the sale of the Spice Assets as discontinued operations. The sale of the Spice Assets does not represent a strategic shift for the Company and is not expected to have a major effect on the Company's results of operations because the Company will continue to sell spice products to its direct store delivery customers ("DSD Customers").

Assets Held for Sale

The Company considers properties to be assets held for sale when (1) management commits to a plan to sell the property; (2) it is unlikely that the disposal plan will be significantly modified or discontinued; (3) the property is available for immediate sale in its present condition; (4) actions required to complete the sale of the property have been initiated; (5) sale of the property is probable and the Company expects the completed sale will occur within one year; and (6) the property is actively being marketed for sale at a price that is reasonable given the Company's estimate of current market value. Upon designation of a property as an asset held for sale, the Company records the property's value at the lower of its carrying value or its estimated fair value less estimated costs to sell and ceases depreciation (see Note 5).

Derivative Instruments

The Company purchases various derivative instruments to create economic hedges of its commodity price risk and interest rate risk. These derivative instruments consist primarily of forward and option contracts. The Company reports the fair value of derivative instruments on its consolidated balance sheets in "Short-term derivative assets," "Other assets," "Short-term derivative liabilities," or "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 cash held on deposit in margin accounts for coffee-related derivative instruments on a gross basis on its consolidated balance sheets in "Restricted cash" if restricted from withdrawal due to a net loss position in such margin accounts.

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

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

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

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

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

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

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

The fair value of derivative instruments is based upon broker quotes. At March 31, 2016 and June 30, 2015, approximately 90% and 94%, respectively, of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges (see Note 6).

Coffee Brewing Equipment and Service

The Company classifies certain expenses related to coffee brewing equipment provided to customers as cost of goods sold. These costs include the cost of the equipment as well as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts) and are considered directly attributable to the generation of revenues from its customers. Accordingly, such costs included in cost of goods sold in the accompanying consolidated financial

statements in the three months ended March 31, 2016 and 2015 were $7.0 million and $6.7 million, respectively. In addition, depreciation expense related to capitalized coffee brewing equipment reported in cost of goods sold in the three months ended March 31, 2016 and 2015 was $2.4 million and $2.6 million, respectively.

Coffee brewing equipment costs included in cost of goods sold in the nine months ended March 31, 2016 and 2015 were $20.4 million and $19.6 million, respectively. Depreciation expense related to capitalized coffee brewing equipment reported in cost of goods sold in the nine months ended March 31, 2016 and 2015 was $7.5 million and $7.8 million, respectively.

The Company capitalized coffee brewing equipment (included in machinery and equipment) in the amount of $5.7 million and $8.6 million in the nine months ended March 31, 2016 and 2015, respectively.

Revenue Recognition

The Company recognizes sales revenue when all of the following have occurred: (1) delivery; (2) persuasive evidence of an agreement exists; (3) pricing is fixed or determinable; and (4) collection is reasonably assured. When product sales are made “off-truck” to the Company’s customers at their places of business or products are shipped by third-party delivery "FOB Destination," title passes and revenue is recognized upon delivery. When customers pick up products at the Company's distribution centers, title passes and revenue is recognized upon product pick up.

Net Income (Loss) Per Common Share

Net income (loss) per share (“EPS”) represents net income (loss) attributable to common stockholders divided by the weighted-average number of common shares outstanding for the period, excluding unallocated shares held by the Company's Employee Stock Ownership Plan (“ESOP”) (see Note 16). Diluted EPS represents net income attributable to common stockholders divided by the weighted-average number of common shares outstanding, inclusive of the dilutive impact of common equivalent shares outstanding during the period. However, nonvested restricted stock awards (referred to as participating securities) are excluded from the dilutive impact of common equivalent shares outstanding in accordance with authoritative guidance under the two-class method. The nonvested restricted stockholders are entitled to participate in dividends declared on common stock as if the shares were fully vested and hence are deemed to be participating securities. Under the two-class method, net income attributable to nonvested restricted stockholders is excluded from net income attributable to common stockholders for purposes of calculating basic and diluted EPS.

Computation of EPS for the three months ended March 31, 2016 includes the dilutive effect of 107,936 shares issuable under stock options with exercise prices below the closing price of the Company’s common stock on the last trading day of the applicable period, but excludes 59,854 shares issuable under stock options with exercise prices above the closing price of the Company’s common stock on the last trading day of the applicable period because their inclusion would be anti-dilutive. Computation of EPS for the three months ended March 31, 2015 excludes a total of 557,818 shares issuable under stock options, because the Company incurred a net loss and including them would be anti-dilutive.

Computation of EPS for the nine months ended March 31, 2016 and 2015 includes the dilutive effect of 127,806 and 142,391 shares, respectively, issuable under stock options with exercise prices below the closing price of the Company’s common stock on the last trading day of the applicable period, but excludes 35,253 and 6,166 shares, respectively, issuable under stock options with exercise prices above the closing price of the Company’s common stock on the last trading day of the applicable period because their inclusion would be anti-dilutive.

Dividends

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

Impairment of Goodwill and Indefinite-lived Intangible Assets

The Company performs its annual impairment test of goodwill and/or other indefinite-lived intangible assets as of June 30. Goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually, as well as on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired.

Testing for impairment of goodwill is a two-step process. The first step requires the Company to compare the fair value of its reporting unit to the carrying value of the net assets of the reporting unit, including goodwill. If the fair value of the reporting unit is less than its carrying value, goodwill of the reporting unit is potentially impaired and the Company then completes step two to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill, which is the residual fair value remaining after deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized equal to the difference. As of March 31, 2016 and 2015, the Company determined that there were no events or circumstances that indicated impairment and, therefore, no goodwill impairment charges were recorded in the three and nine months ended March 31, 2016 or 2015.

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 value. There were no such events or circumstances during the three and nine months ended March 31, 2016 and 2015.

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

The Company reviews the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. There were no such events or circumstances during the three and nine months ended March 31, 2016 and 2015. The Company may incur certain other non-cash asset impairment costs in connection with the Corporate Relocation Plan.

Self-Insurance

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

The Company accounts for its accrued liability relating to workers' compensation claims on an undiscounted basis. The estimated gross undiscounted workers' compensation liability relating to such claims at March 31, 2016 and June 30, 2015, respectively, was $13.6 million and $13.4 million, and the estimated recovery from reinsurance was $2.2 million and $2.5 million, 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 March 31, 2016 and June 30, 2015, the Company had posted a $7.0 million letter of credit as a security deposit with the State of California Department of Industrial Relations Self-Insurance Plans for participation in the alternative security program for California self-insurers for workers' compensation liability and a $4.3 million letter of credit as a security deposit for self-insuring workers' compensation, general liability and auto insurance coverages outside of California.

The estimated liability related to the Company's self-insured group medical insurance at March 31, 2016 and June 30, 2015 was $1.0 million, recorded on an incurred but not reported basis, within deductible limits, based on actual claims and the average lag time between the date insurance claims are filed and the date those claims are paid.

General liability, product liability and commercial auto liability are insured through a captive insurance program. The Company retains the risk within certain aggregate amounts. Cost of the insurance through the captive program is accrued based on estimates of the aggregate liability claims incurred using certain actuarial assumptions and historical claims experience. The Company's liability reserve for such claims at March 31, 2016 and June 30, 2015 was $1.4 million and $0.8 million, respectively.

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

Recently Adopted Accounting Standards

None.

New Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 is being issued as part of the FASB's Simplification Initiative. The areas for simplification in ASU 2016-09 involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the areas for simplification apply only to nonpublic entities. For public business entities, the amendments in ASU 2016-09 are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. ASU 2016-09 is effective for the Company beginning July 1, 2017. Adoption of ASU 2016-09 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In March 2016, the FASB issued ASU No. 2016-05, "Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (a consensus of the FASB Emerging Issues Task Force" ("ASU 2016-05"). ASU 2016-05 clarifies that "a change in the counterparty to a derivative instrument that has been designated as the hedging instrument in an existing hedging relationship would not, in and of itself, be considered a termination of the derivative instrument" or "a change in a critical term of the hedging relationship." As long as all other hedge accounting criteria in ASC 815 are met, a hedging relationship in which the hedging derivative instrument is novated would not be discontinued or require redesignation. This clarification applies to both cash flow and fair value hedging relationships. For public business entities, ASU 2016-05 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early application is permitted including adoption in an interim period. ASU 2016-05 is effective for the Company beginning July 1, 2017. Adoption of ASU 2016-05 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which introduces a new lessee model that brings substantially all leases onto the balance sheet. In addition, while the new guidance retains most of the principles of the existing lessor model in GAAP, it aligns many of those principles with ASC 606, "Revenue From Contracts With Customers." For public business entities, ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Early application is permitted. ASU 2016-02 is effective for the Company beginning July 1, 2019. Adoption of ASU 2016-02 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"), which will require entities to present deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs") as noncurrent in a classified balance sheet. ASU 2015-17 simplifies the current guidance, which requires entities to separately present DTAs and DTLs as current and noncurrent in a classified balance sheet. For public business entities, the amendments in ASU 2015-17 are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early application is permitted as of the beginning of an interim or annual reporting period. ASU 2015-17 is effective for the Company beginning July 1, 2017. Adoption of ASU 2015-17 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In September 2015, the FASB issued ASU No. 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments” (“ASU 2015-16”). ASU 2015-16 eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment, including the effect on earnings of any amounts it would have recorded in previous periods if the accounting had been completed at the acquisition date. The guidance is effective for public business entities for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. ASU 2015-16 is effective for the Company beginning July

1, 2016. Adoption of ASU 2015-16 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In August 2015, the FASB issued ASU No. 2015-15, “Interest-Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements” (“ASU 2015-15”). ASU 2015-15 incorporates into the ASC an SEC staff announcement that the SEC staff will not object to an entity presenting the cost of securing a revolving line of credit as an asset, regardless of whether a balance is outstanding. The standard, as issued, did not address revolving lines of credit, which may not have outstanding balances. An entity that repeatedly draws on a revolving credit facility and then repays the balance could present the cost as a deferred asset and reclassify all or a portion of it as a direct deduction from the liability whenever a balance is outstanding. However, the SEC staff’s announcement provides a less-cumbersome alternative. Either way, the cost should be amortized over the term of the arrangement. ASU 2015-15 is effective for the Company beginning July 1, 2016. The SEC staff guidance is also effective for the Company beginning July 1, 2016. Adoption of ASU 2015-15 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In July 2015, the FASB issued ASU No. 2015-12, “Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965), (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient” ("ASU 2015-12”). ASU 2015-12 eliminates requirements that employee benefit plans measure the fair value of fully benefit-responsive investment contracts ("FBRICs") and provide the related fair value disclosures. As a result, FBRICs are measured, presented and disclosed only at contract value. Also, plans will be required to disaggregate their investments measured using fair value by general type, either on the face of the financial statements or in the notes, and self-directed brokerage accounts are one general type. Plans no longer have to disclose the net appreciation/depreciation in fair value of investments by general type or individual investments equal to or greater than 5% of net assets available for benefits. In addition, a plan with a fiscal year end that does not coincide with the end of a calendar month is allowed to measure its investments and investment-related accounts using the month end closest to its fiscal year end. The new guidance for FBRICs and plan investment disclosures should be applied retrospectively. The measurement date practical expedient should be applied prospectively. The guidance is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. ASU 2015-12 is effective for the Company beginning July 1, 2016. Adoption of ASU 2015-12 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In July 2015, the FASB issued ASU No. 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory” (“ASU 2015-11”). ASU 2015-11 simplifies the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. Entities will continue to apply their existing impairment models to inventories that are accounted for using last-in first-out or LIFO and the retail inventory method or RIM. Under current guidance, net realizable value is one of several calculations an entity needs to make to measure inventory at the lower of cost or market. ASU 2015-11 is effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted, and the guidance must be applied prospectively after the date of adoption. ASU 2015-11 is effective for the Company beginning July 1, 2017. Adoption of ASU 2015-11 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In May 2015, the FASB issued ASU No. 2015-07, “Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)” (“ASU 2015-07”). ASU 2015-07 removes the requirement to categorize investments for which the fair values are measured using the net asset value per share practical expedient within the fair value hierarchy. It also limits certain disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. ASU 2015-07 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. ASU 2015-07 is effective for the Company beginning July 1, 2016. The Company is in the process of assessing the impact of the adoption of ASU 2015-07 on its consolidated financial statements.

In May 2014, the FASB issued accounting guidance which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers under ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. On July 9, 2015, the FASB issued ASU No. 2015-14, "Revenue From Contracts with Customers (Topic 606): Deferral of the Effective Date," which defers the effective date of ASU 2014-09 by one year allowing early adoption as of the original effective date of January 1, 2017. The deferral results in the new accounting standard

being effective January 1, 2018. The Company is currently evaluating the impact of ASU 2014-09 on its results of operations, financial position and cash flows.

Note 2. Corporate Relocation Plan

On February 5, 2015, the Company announced the Corporate Relocation Plan pursuant to which the Company will close its Torrance facility and relocate these operations to a New Facility housing the Company's manufacturing, distribution, coffee lab and corporate headquarters. Approximately 350 positions were impacted as a result of the Torrance facility closure. The New Facility will be located in Northlake, Texas in the Dallas/Fort Worth area. The Company's decision resulted from a comprehensive review of alternatives designed to make the Company more competitive and better positioned to capitalize on growth opportunities.

The Company expects to close its Torrance facility in phases, and began the process in the spring of 2015. Through April 2015, coffee purchasing, roasting, grinding, packaging and product development took place at the Company's Torrance, California, Portland, Oregon and Houston, Texas production facilities. In May 2015, the Company moved the coffee roasting, grinding and packaging functions that had been conducted in Torrance to its Houston and Portland production facilities and in conjunction relocated its Houston distribution operations to its Oklahoma City distribution center. As of March 31, 2016, distribution continued to take place out of the Company's Torrance and Portland production facilities, as well as separate distribution centers in Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey. Effective September 15, 2015, the Company transferred a majority of its primary administrative offices from Torrance to Fort Worth, Texas, where the Company has leased 32,000 square feet of temporary office space. The transfer of the Company's primary administrative offices to this temporary office space was substantially completed in the second quarter of fiscal 2016. On December 8, 2015, the Company completed the sale of the Spice Assets to Harris Spice (see Note 4). Pursuant to a transitional co-packaging supply agreement, the Company will provide Harris Spice with certain transition services for a limited time period following closing of the sale. As a result, spice blending, grinding and packaging will continue to take place at the Company's Torrance production facility until the conclusion of the transition services, which is expected to occur during the fourth quarter of fiscal 2016. In December 2015, the Company announced its plans to replace its long-haul fleet operations with third party logistics ("3PL") and a vendor managed inventory initiative. The first phase of the 3PL program began in January 2016 and is expected to be fully implemented by the end of the fourth quarter of fiscal 2016. In April 2016, the Company entered into a purchase and sale agreement to sell its Torrance facility (see Note 5). Construction of and relocation to the New Facility are expected to be completed by the end of the second quarter of fiscal 2017.

Based on current assumptions and subject to continued implementation of the Corporate Relocation Plan as planned, the Company estimates that it will incur approximately $30.0 million in cash costs consisting of $17.0 million in employee retention and separation benefits, $5.0 million in facility-related costs and $8.0 million in other related costs.

Expenses related to the Corporate Relocation Plan in the three months ended March 31, 2016 consisted of $1.8 million in employee retention and separation benefits, $0.8 million in facility-related costs including lease of temporary office space and costs associated with the move of the Company's headquarters, and $0.6 million in other related costs including travel, legal, consulting and other professional services. Facility-related costs in the three months ended March 31, 2016 also included $0.2 million in non-cash depreciation expense associated with the Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities.

Expenses related to the Corporate Relocation Plan in the nine months ended March 31, 2016 consisted of $8.5 million in employee retention and separation benefits, $2.7 million in facility-related costs including lease of temporary office space and costs associated with the move of the Company's headquarters, and $2.7 million in other related costs including travel, legal, consulting and other professional services. Facility-related costs in the nine months ended March 31, 2016 also included $0.8 million in non-cash depreciation expense associated with the Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities.

Since adoption of the Corporate Relocation Plan through March 31, 2016, the Company has recognized a total of $23.2 million of the estimated $30.0 million in aggregate cash costs consisting of an aggregate of $15.0 million in employee retention and separation benefits, $2.5 million in facility-related costs and $5.7 million in other related costs. The remainder is expected to be recognized in the fourth quarter of fiscal 2016 and the first half of fiscal 2017. The Company may incur certain other non-cash asset impairment costs, postretirement benefit costs and pension-related costs.

The following table sets forth the activity in liabilities associated with the Corporate Relocation Plan for the nine months ended March 31, 2016:

(In thousands)	Balances, June 30, 2015	Additions	Payments	Non-Cash Settled	Adjustments	Balances, March 31, 2016
Employee-related costs(1)	$ 6,156	$ 8,455	$ 11,018	$ —	$ —	$ 3,593
Facility-related costs(2)	—	2,706	1,883	823	—	—
Other(3)	200	2,694	2,894	—	—	—
Total	$ 6,356	$ 13,855	$ 15,795	$ 823	$ —	$ 3,593
Current portion	6,356					3,593
Non-current portion	—					—
Total	$ 6,356					$ 3,593

(1) Included in "Accrued payroll expenses" on the Company's consolidated balance sheets.
(2) Non-cash settled facility-related costs represent depreciation expense associated with the Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities and included in "Property, plant and equipment, net" on the Company's consolidated balance sheets.
(3) Included in "Accounts payable" on the Company's consolidated balance sheets.

Note 3. Facility Lease Obligation

On July 17, 2015, the Company entered into the Lease Agreement pursuant to which the Company will lease a 538,000 square foot facility to be constructed on 28.2 acres of land located in Northlake, Texas, which will include corporate offices, areas dedicated to manufacturing and distribution, as well as a lab. The Lease Agreement was amended pursuant to the First Amendment to Lease Agreement, dated as of December 29, 2015 (the “First Amendment”), pursuant to which certain delivery dates under the Lease Agreement were extended, and the Second Amendment to Lease Agreement, dated as of March 10, 2016 (the “Second Amendment”), pursuant to which, among other things, the base rent schedule was increased from $49.6 million to $56.6 million, the option purchase price under the Lease Agreement was increased from 103% to 103.5%, and certain construction items submitted by the Company were approved by the Lessor.

Based on the final budget, which reflects substantial completion of the principal design work for the New Facility, the Company estimates that the construction costs for the New Facility will be approximately $55.0 million to $60.0 million plus an additional $35.0 million to $39.0 million in anticipated capital expenditures for machinery and equipment, furniture and fixtures, and related expenditures. As compared to the preliminary budget, the final budget reflects, among other things, an increase in facility size and scope of building design, including a larger warehouse and a larger manufacturing footprint; additional infrastructure and automation to support staged manufacturing and production line capacity allowing for future capacity growth; and certain other estimated landlord costs under the Lease Agreement. The majority of the construction costs associated with the New Facility are expected to be incurred in early fiscal 2017. Principal design work for the New Facility was substantially completed in March 2016. The construction of the New Facility is estimated to be completed by the end of the second quarter of fiscal 2017.

The New Facility will be constructed by Lessor, at its expense, in accordance with agreed upon specifications and plans determined as set forth in the Lease Agreement. Due to the Company's involvement in the construction of the New Facility, as the deemed general contractor, pursuant to ASC 840, the Company is required to capitalize during the construction period the cash and non-cash assets (with the exception of the land which is not capitalized) contributed by Lessor for the construction as property, plant and equipment on the Company’s consolidated balance sheets, with an offsetting liability for the same amount payable to Lessor included in "Other long-term liabilities."

The Company recorded an asset related to the facility lease obligation included in property, plant and equipment of $19.2 million at March 31, 2016. The facility lease obligation included in "Other long-term liabilities" on the Company’s consolidated balance sheet was $19.2 million at March 31, 2016 (see Note 13). There were no such amounts recorded at June 30, 2015. At March 31, 2016 and June 30, 2015, respectively, the Company had recorded $0 and $0.3 million in "Other receivables" included in "Accounts and notes receivable, net" on its consolidated balance sheets representing costs it incurred associated with the New Facility (see Note 9).

A portion of the lease arrangement is allocated to land for which the Company will accrue rent expense during the construction period. The amount of rent expense accrued is determined using the fair value of the leased land at construction commencement and the Company's incremental borrowing rate, and is recognized on a straight-line basis. Once rent payments commence under the Lease Agreement, all amounts in excess of accrued expense will be recorded as a debt-service payment and recognized as interest expense and a reduction of the financing obligation. Rent expense associated with the portion of the lease arrangement allocated to the land included in the Company's consolidated statements of operations in the three and nine months ended March 31, 2016 was $67,000 and $0.2 million, respectively. There was no comparable rent expense in the three and nine months ended March 31, 2015.

The Lease Agreement contains a purchase option exercisable at any time by the Company on or before ninety days prior to the scheduled completion date with an option purchase price equal to 103.5% of the total project cost as of the date of the option closing if the option closing occurs on or before July 17, 2016. The option purchase price will increase by 0.35% per month thereafter up to and including the date which is the earlier of (A) ninety days after the scheduled completion date and (B) December 31, 2016. Based upon, among other things, the final budget which includes amounts in respect of construction costs, acquisition of the land upon which the New Facility will be constructed, Lessor and Company fees and expenses (such as legal fees), and preliminary contingency amounts of $2.7 million, the Company estimates that, if it were to exercise the purchase option under the Lease Agreement on or before July 17, 2016, the option purchase price in lieu of the lease payments would be $58.6 million payable in the year ending June 30, 2017. The decision of whether to exercise the option or not will depend upon, among other things, whether the Company can consummate the sale of the Torrance facility at the negotiated price. If the Company does not exercise the purchase option by December 31, 2016, the obligation to pay annual base rent under the Lease Agreement will commence.

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

- the product of 7.50% and (a) the total estimated budget for the project, or (b) all construction costs outlined in the final budget on or prior to the scheduled completion date; or

- the product of 7.50% and the total project costs, to the extent that all components of the document delivery and completion requirement are fully satisfied on or prior to the scheduled completion date.

Based on the final budget, the Company estimates that the annual base rent would be approximately $4.2 million. The annual base rent will increase by 2% during each year of the lease term.

On July 17, 2015, the Company also entered into a Development Management Agreement (the "DMA") with Stream Realty Partners-DFW, L.P., a Texas limited partnership ("Developer"). Pursuant to the DMA, which was amended ("First Amendment to DMA") on January 5, 2016 to amend certain dates and on March 25, 2016 ("Second Amendment to DMA") to acknowledge satisfaction of certain project commencement conditions, the Company retained the services of Developer to manage, coordinate, represent, assist and advise the Company on matters concerning the pre-development, development, design, entitlement, infrastructure, site preparation and construction of the New Facility. The term of the DMA is from July 17, 2015 until final completion of the project. Pursuant to the DMA, the Company will pay Developer:

- a development fee of 3.25% of all development costs;

- an oversight fee of 2% of any amounts paid to the Company-contracted parties for any oversight by Developer of Company-contracted work;

- an incentive fee, the amount of which will be determined by the parties, if final completion occurs prior to the scheduled completion date; and

- an amount equal to $2.6 million as additional fee in respect of development services.

Note 4. Sale of Spice Assets

On December 8, 2015, the Company completed the sale of the Spice Assets to Harris Spice. Harris Spice acquired substantially all of the Company's personal property used exclusively in connection with the Spice Assets, including certain equipment; trademarks, tradenames and other intellectual property assets; contract rights under sales and purchase orders and certain other agreements; and a list of certain customers, other than the Company's DSD Customers, and assumed certain

liabilities relating to the Spice Assets. The Company received $6.0 million in cash at closing, and is eligible to receive an earnout amount of up to $5.0 million over a three year period based upon a percentage of certain institutional spice sales by Harris Spice following the closing. The Company recognized $0.4 million in earnout during the three and nine months ended March 31, 2016, of which $0.3 million was included in gain from sale of Spice Assets in each of the three and nine months ended March 31, 2016.

In connection with the sale of the Spice Assets, the Company and Harris Spice entered into certain other agreements, including (1) a transitional co-packaging supply agreement pursuant to which the Company, as the contractor, will provide Harris Spice with certain transition services for a six-month transitional period following the closing of the asset sale, and (2) an exclusive supply agreement pursuant to which Harris Spice will supply to the Company, after the closing of the asset sale, spice and culinary products that were previously manufactured by the Company on negotiated pricing terms. While title to the Spice Assets transferred at closing, certain of the assets purchased by Harris Spice are expected to be transferred to Harris Spice's own manufacturing facilities, in phases, during the transitional period. After the closing of the asset sale, the Company will continue to sell certain spice and other culinary products purchased from Harris Spice under that supply agreement to the Company's DSD Customers.

Note 5. Assets Held for Sale

The Company has listed for sale its Torrance facility and certain of its branch properties in Northern California. The Company is actively marketing these properties and has entered into purchase and sale agreements with prospective buyers. The Company expects these properties will be sold within one year. Accordingly, the Company has designated these properties as assets held for sale and recorded the carrying values of these properties in the aggregate amount of $9.3 million as "Assets held for sale" on the Company's consolidated balance sheet at March 31, 2016.

Note 6. Derivative Instruments

Derivative Instruments Held

Coffee-Related Derivative Instruments

The Company is exposed to commodity price risk associated with its PTF green coffee purchase contracts, which are described further in Note 1. 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 March 31, 2016 and June 30, 2015:

(In thousands)	March 31, 2016	June 30, 2015
Derivative instruments designated as cash flow hedges:		
Long coffee pounds	33,300	32,288
Derivative instruments not designated as cash flow hedges:		
Long coffee pounds	4,126	1,954
Less: short coffee pounds	563	—
Total	36,863	34,242

Coffee-related derivative instruments designated as cash flow hedges outstanding as of March 31, 2016 will expire within 21 months.

Effect of Derivative Instruments on the Financial Statements

Balance Sheets

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

	Derivative Instruments Designated as Cash Flow Hedges		Derivative Instruments Not Designated as Accounting Hedges	
(In thousands)	**March 31, 2016(1)**	**June 30, 2015(2)**	**March 31, 2016(1)**	**June 30, 2015(2)**
Financial Statement Location:				
Short-term derivative assets:				
Coffee-related derivative instruments	$ 874	$ 128	$ 231	$ 25
Long-term derivative assets:				
Coffee-related derivative instruments	$ 765	$ 136	$ —	$ 2
Short-term derivative liabilities:				
Coffee-related derivative instruments	$ 19	$ 4,128	$ 47	$ 2
Long-term derivative liabilities:				
Coffee-related derivative instruments	$ 257	$ 163	$ —	$ —

(1) Included in "Short-term derivative assets" and "Other assets" on the Company's consolidated balance sheet at March 31, 2016.
(2) Included in "Short-term derivative liabilities" and "Other long-term liabilities" on the Company's consolidated balance sheet at June 30, 2015.

Statements of Operations

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

	Three Months Ended March 31,		Nine Months Ended March 31,		
(In thousands)	**2016**	**2015**	**2016**	**2015**	**Financial Statement Classification**
Net losses recognized in accumulated other comprehensive income (loss) (effective portion)	$ (1,245)	$ (9,117)	$ (5,575)	$ (11,700)	AOCI
Net (losses) gains recognized in earnings (effective portion)	$ (2,677)	$ (375)	$ (11,504)	$ 9,467	Cost of goods sold
Net losses recognized in earnings (ineffective portion)	$ (84)	$ (89)	$ (568)	$ (259)	Other, net

For the three and nine months ended March 31, 2016 and 2015, there were no gains or losses recognized in earnings as a result of excluding amounts from the assessment of hedge effectiveness or as a result of reclassifications to earnings following the discontinuance of any cash flow hedges.

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	**2016**	**2015**	**2016**	**2015**
Net gains (losses) on coffee-related derivative instruments	$ 239	$ (1,834)	$ (455)	$ (2,690)
Net gains on investments	2	265	120	281
Net gains (losses) on derivative instruments and investments(1)	241	(1,569)	(335)	(2,409)
Other gains (losses), net	372	—	370	246
Other, net	$ 613	$ (1,569)	$ 35	$ (2,163)

(1) Excludes net (losses) gains on coffee-related derivative instruments designated as cash flow hedges recorded in cost of goods sold in the three and nine months ended March 31, 2016 and 2015.

Offsetting of Derivative Assets and Liabilities

The Company has agreements in place that allow for the financial right of offset for derivative assets and liabilities at settlement or in the event of default under the agreements. Additionally, the Company maintains accounts with its brokers to facilitate financial derivative transactions in support of its risk management activities. Based on the value of the Company's positions in these accounts and the associated margin requirements, the Company may be required to deposit cash into these broker accounts.

The following table presents the Company's net exposure from its offsetting derivative asset and liability positions, as well as cash collateral on deposit with its counterparty as of the reporting dates indicated:

(In thousands)		**Gross Amount Reported on Balance Sheet**	**Netting Adjustments**	**Cash Collateral Posted**	**Net Exposure**
March 31, 2016	Derivative assets	$ 1,870	$ (323)	$ —	$ 1,547
	Derivative liabilities	$ 323	$ (323)	$ —	$ —
June 30, 2015	Derivative assets	$ 291	$ (291)	$ —	$ —
	Derivative liabilities	$ 4,292	$ (291)	$ 1,001	$ 3,000

Credit-Risk-Related Features

The Company does not have any credit-risk-related contingent features that would require it to post additional collateral in support of its net derivative liability positions. At March 31, 2016 and June 30, 2015, the Company had $0 and $1.0 million in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments. Changes in commodity prices and the number of coffee-related derivative instruments held could have a significant impact on cash deposit requirements under the Company's broker and counterparty agreements.

Cash Flow Hedges

Changes in the fair value of the Company's coffee-related derivative instruments designated as cash flow hedges, to the extent effective, are deferred in AOCI and reclassified into cost of goods sold in the same period or periods in which the hedged forecasted purchases affect earnings, or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. Based on recorded values at March 31, 2016, $3.4 million of net losses on coffee-related derivative instruments designated as cash flow hedges are expected to be reclassified into cost of goods sold within the next twelve months. These recorded values are based on market prices of the commodities as of March 31, 2016. Due to the volatile nature of commodity prices, actual gains or losses realized within the next twelve months may likely differ from these values.

Note 7. Investments

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	**2016**	**2015**	**2016**	**2015**
Total gains recognized from trading securities held for investment	$ 2	$ 265	$ 120	$ 281
Less: Realized gains (losses) from sales of trading securities held for investment	$ 17	$ —	$ (10)	$ 39
Unrealized (losses) gains from trading securities held for investment	$ (15)	$ 265	$ 130	$ 242

Note 8. Fair Value Measurements

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

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

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

Assets and liabilities measured and recorded at fair value on a recurring basis were as follows:

(In thousands)	Total	Level 1	Level 2	Level 3
March 31, 2016				
Preferred stock(1)	$ 24,814	$ 21,195	$ 3,619	$ —
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets(2)	$ 1,639	$ —	$ 1,639	$ —
Coffee-related derivative liabilities(2)	$ 276	$ —	$ 276	$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets(2)	$ 231	$ —	$ 231	$ —
Coffee-related derivative liabilities(2)	$ 47	$ —	$ 47	$ —

June 30, 2015	Total	Level 1	Level 2	Level 3
Preferred stock(1)	$ 23,665	$ 19,132	$ 4,533	$ —
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets(2)	$ 264	$ —	$ 264	$ —
Coffee-related derivative liabilities(2)	$ 4,290	$ —	$ 4,290	$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets(2)	$ 27	$ —	$ 27	$ —
Coffee-related derivative liabilities(2)	$ 2	$ —	$ 2	$ —

(1) Included in "Short-term investments" on the Company's consolidated balance sheets.
(2) The Company's coffee derivative instruments are traded over-the-counter and, therefore, classified as Level 2.

During the nine months ended March 31, 2016, there was one transfer of preferred stock from Level 1 to Level 2, resulting from a decrease in the quantity and quality of information related to trading activity and broker quotes for that security. The Company's coffee derivative instruments that were previously classified as Level 1 were appropriately reclassified as Level 2 because they are traded over-the-counter.

Note 9. Accounts and Notes Receivable, Net

(In thousands)	March 31, 2016	June 30, 2015
Trade receivables	$ 44,926	$ 38,783
Other receivables(1)(2)	2,714	2,021
Allowance for doubtful accounts	(1,072)	(643)
Accounts and notes receivable, net	$ 46,568	$ 40,161

(1) At March 31, 2016 and June 30, 2015, respectively, the Company had recorded $0 and $0.3 million in "Other receivables" included in "Accounts and notes receivable, net" on its consolidated balance sheets representing costs the Company incurred associated with the New Facility.
(2) At March 31, 2016 and June 30, 2015, respectively, the Company had recorded $0.4 million and $0 in "Other receivables" included in "Accounts and notes receivable, net" on its consolidated balance sheets representing earnout receivable from Harris Spice.

Note 10. Inventories

(In thousands)	March 31, 2016	June 30, 2015
Coffee:		
Processed	$ 15,503	$ 13,837
Unprocessed	12,227	11,968
Total	$ 27,730	$ 25,805
Tea and culinary products:		
Processed	$ 19,905	$ 17,022
Unprocessed	2,028	2,764
Total	$ 21,933	$ 19,786
Coffee brewing equipment parts	$ 4,887	$ 4,931
Total inventories	$ 54,550	$ 50,522

In addition to product cost, inventory costs include expenditures such as direct labor and certain supply and overhead expenses incurred in bringing the inventory to its existing condition and location. The “Unprocessed” inventory values stated in the above table represent the value of raw materials and the “Processed” inventory values represent all other products consisting primarily of finished goods.

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

Because the Company anticipates that its inventory levels at June 30, 2016 will decrease from June 30, 2015 levels, the Company recorded $0.8 million and $1.1 million in expected beneficial effect of the liquidation of LIFO inventory quantities in cost of goods sold in the three and nine months ended March 31, 2016, which increased net income for the three and nine months ended March 31, 2016 by $0.8 million and $1.1 million, respectively. In the three and nine months ended March 31, 2015, the Company recorded $0.7 million and $3.2 million, respectively, in expected beneficial effect of LIFO inventory liquidation in cost of goods sold which increased net income for the three and nine months ended March 31, 2015 by $0.7 million and $3.2 million, respectively.

Note 11. Employee Benefit Plans

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

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

Single Employer Pension Plans

The Company has a defined benefit pension plan, the Farmer Bros. Co. Pension Plan for Salaried Employees (the "Farmer Bros. Plan"), for employees hired prior to January 1, 2010 who are not covered under a collective bargaining agreement. The Company amended the Farmer Bros. Plan, freezing the benefit for all participants effective June 30, 2011. After the plan freeze, participants do not accrue any benefits under the Farmer Bros. Plan, and new hires are not eligible to participate in the Farmer Bros. Plan. As all plan participants became inactive following this pension curtailment, net (gain) loss is now amortized based on the remaining life expectancy of these participants instead of the remaining service period of these participants.

The Company also has two defined benefit pension plans for certain hourly employees covered under collective bargaining agreements (the "Brewmatic Plan" and the "Hourly Employees' Plan").

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
(In thousands)				
Service cost	$ 97	$ 97	$ 291	$ 291
Interest cost	1,546	1,415	4,638	4,245
Expected return on plan assets	(1,710)	(1,823)	(5,130)	(5,469)
Amortization of net loss(1)	370	303	1,110	909
Net periodic benefit cost (credit)	$ 303	$ (8)	$ 909	$ (24)

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

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost

	Fiscal	
	2016	2015
Discount rate	4.40%	4.15%
Expected long-term rate of return on plan assets	7.50%	7.50%

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

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2014. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2014 is 20 to 30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies.

Multiemployer Pension Plans

The Company participates in two multiemployer defined benefit pension plans that are union sponsored and collectively bargained for the benefit of certain employees subject to collective bargaining agreements, of which the Western Conference of Teamsters Pension Plan is individually significant. The Company makes contributions to these plans generally based on the number of hours worked by the participants in accordance with the provisions of negotiated labor contracts.

The risks of participating in multiemployer pension plans are different from single-employer plans in that: (i) assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (iii) if the Company stops participating in the multiemployer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

In fiscal 2012, the Company withdrew from the Local 807 Labor Management Pension Fund (the "Pension Fund") and recorded a charge of $4.3 million associated with withdrawal from this plan, representing the present value of the estimated withdrawal liability expected to be paid in quarterly installments of $0.1 million over 80 quarters. The $4.3 million estimated withdrawal liability, with the short-term and long-term portions reflected in current and long-term liabilities, respectively, is reflected on the Company's consolidated balance sheets at March 31, 2016 and June 30, 2015. On November 18, 2014, the Pension Fund sent the Company a notice of assessment of withdrawal liability in the amount of $4.4 million, which the Pension Fund adjusted to $4.9 million on January 5, 2015. The Company is in the process of negotiating a reduced liability amount. The Company has commenced quarterly installment payments to the Pension Fund of $91,000 pending the final settlement of the liability.

The Company may incur certain pension-related costs associated with the Corporate Relocation Plan. 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 eleven multiemployer defined contribution plans other than pension plans that provide medical, vision, dental and disability benefits for active, union-represented employees subject to collective bargaining agreements. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, and provide that participating employers make monthly contributions to the plans in an amount as specified in the collective bargaining agreements. Also, the plans provide that participants make self-payments to the plans, the amounts of which are negotiated through the collective bargaining process. The Company's participation in these plans is governed by collective bargaining agreements which expire on or before January 31, 2020.

401(k) Plan

The Company's 401(k) Plan is available to all eligible employees who have worked more than 1,000 hours during a calendar year and were employed at the end of the calendar year. Participants in the 401(k) Plan may choose to contribute a percentage of their annual pay subject to the maximum contribution allowed by the Internal Revenue Service. The Company's matching contribution is discretionary based on approval by the Company's Board of Directors. For the calendar years 2016 and 2015, the Company's Board of Directors approved a Company matching contribution of 50% of an employee's annual contribution to the 401(k) Plan, up to 6% of the employee's eligible income. The matching contributions (and any earnings thereon) vest at the rate of 20% for each participant's first 5 years of vesting service, subject to accelerated vesting under certain circumstances in connection with the Corporate Relocation Plan due to the closure of the Company’s Torrance facility or a reduction-in-force at another Company facility designated by the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans. A participant is automatically vested in the event of death, disability or attainment of age 65 while employed by the Company. Employees are 100% vested in their contributions. For employees subject to a collective bargaining agreement, the match is only available if so provided in the labor agreement.

The Company recorded matching contributions of $1.2 million and $1.1 million in operating expenses in the nine months ended March 31, 2016 and 2015, respectively.

Postretirement Benefits

The Company sponsors a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified retirees (“Retiree Medical Plan”). The plan provides medical, dental and vision coverage for retirees under age 65 and medical coverage only for retirees age 65 and above. Under this postretirement plan, the Company’s contributions toward premiums for retiree medical, dental and vision coverage for participants and dependents are scaled based on length of service, with greater Company contributions for retirees with greater length of service, subject to a maximum monthly Company contribution.

The Company also provides a postretirement death benefit ("Death Benefit") to certain of its employees and retirees, subject, in the case of current employees, to continued employment with the Company until retirement and certain other

conditions related to the manner of employment termination and manner of death. The Company records the actuarially determined liability for the present value of the postretirement death benefit. The Company has purchased life insurance policies to fund the postretirement death benefit wherein the Company owns the policy but the postretirement death benefit is paid to the employee's or retiree's beneficiary. The Company records an asset for the fair value of the life insurance policies which equates to the cash surrender value of the policies.

The Company may be required to recognize postretirement benefit costs in connection with the Corporate Relocation Plan.

Retiree Medical Plan and Death Benefit

The following table shows the components of net periodic postretirement benefit cost (credit) for the Retiree Medical Plan and Death Benefit for the three and nine months ended March 31, 2016 and 2015. Net periodic postretirement benefit credit (credit) for the three and nine months ended March 31, 2016 is based on employee census information and asset information as of June 30, 2015.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
(In thousands)				
Service cost	$ 347	$ 299	$ 1,041	$ 897
Interest cost	299	235	897	705
Amortization of net gain	(49)	(125)	(147)	(375)
Amortization of net prior service credit	(439)	(439)	(1,317)	(1,317)
Net periodic postretirement benefit cost (credit)	$ 158	$ (30)	$ 474	$ (90)

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

	Fiscal	
	2016	2015
Retiree Medical Plan discount rate	4.69%	4.29%
Death Benefit discount rate	4.74%	4.48%

Note 12. Bank Loan

On March 2, 2015, the Company, as Borrower, together with its wholly owned subsidiaries, Coffee Bean International, Inc., an Oregon corporation ("CBI"), FBC Finance Company, a California corporation, and Coffee Bean Holding Company, Inc., a Delaware corporation, as additional Loan Parties and as Guarantors, entered into a Credit Agreement (the “Credit Agreement”) and a related Pledge and Security Agreement (the “Security Agreement”) with JPMorgan Chase Bank, N.A. (“Chase”), as Administrative Agent, and SunTrust Bank (“SunTrust”), as Syndication Agent (collectively, the "Lenders") (capitalized terms used below are defined in the Credit Agreement).

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

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

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

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

The Credit Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including financial covenants relating to the maintenance of a fixed charge coverage ratio in certain circumstances. The Credit Agreement allows the Company to pay dividends, provided, among other things, certain Excess Availability requirements are met, and no event of default exists or has occurred and is continuing as of the date of any such payment and after giving effect thereto. The Credit Agreement also allows the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to the Company, and provides for customary events of default.

At March 31, 2016, the Company was eligible to borrow up to a total of $59.2 million under the Revolving Facility. At March 31, 2016, the Company had outstanding borrowings of $0.3 million, utilized $11.5 million of the letters of credit sublimit including $7.0 million as a security deposit for self-insuring California workers' compensation liability and $4.3 million as a security deposit for self-insuring workers' compensation, general liability and auto insurance coverages outside of California, and had excess availability under the Revolving Facility of $47.4 million. At March 31, 2016, the weighted average interest rate on the Company's outstanding borrowings under the Revolving Facility was 1.67%. At March 31, 2016, the Company was in compliance with all of the restrictive covenants under the Credit Agreement.

Note 13. Other Long-Term Liabilities

Other long-term liabilities include the following:

(In thousands)	March 31, 2016	June 30, 2015
Texas facility lease obligation(1)	$ 19,154	$ —
Derivative liabilities	—	25
Earnout payable—RLC Acquisition	100	200
Other long-term liabilities	$ 19,254	$ 225

(1) Facility lease obligation associated with the construction of New Facility (see Note 3).

Note 14. Share-based Compensation

On December 5, 2013, the Company's stockholders approved the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (the "Amended Equity Plan"), which is an amendment and restatement of, and successor to, the Farmer Bros. Co. 2007 Omnibus Plan. The principal change to the Amended Equity Plan was to limit awards under the plan to performance-based stock options and to restricted stock under limited circumstances.

Stock Options

The share-based compensation expense recognized in the Company's consolidated statements of operations is based on awards ultimately expected to vest. Compensation expense is recognized on a straight-line basis over the service period based on the estimated fair value of the stock options. The Company estimates the fair value of option awards using the Black-Scholes option valuation model, which requires management to make certain assumptions for estimating the fair value of stock options at the date of grant. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion the existing models may not necessarily provide a reliable single measure of the fair value of the Company's stock options. Although the fair value of stock options is determined using an

option valuation model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

Non-Qualified Stock Options with Time-Based Vesting ("NQOs")

In the nine months ended March 31, 2016, the Company granted 18,589 shares issuable upon the exercise of NQOs with a weighted average exercise price of $29.17 per share to eligible employees under the Amended Equity Plan which vest ratably over a three-year period. In the nine months ended March 31, 2015, the Company granted 13,123 shares issuable upon the exercise of NQOs with a weighted average exercise price of $23.44 per share to eligible employees under the Amended Equity Plan which vest ratably over a three-year period.

Following are the weighted average assumptions used in the Black-Scholes valuation model for NQOs granted during the nine months ended March 31, 2016.

	Nine Months Ended March 31, 2016
Weighted average fair value of NQOs	$ 12.74
Risk-free interest rate	1.71%
Dividend yield	—%
Average expected term	5.1 years
Expected stock price volatility	47.9%

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 nine months ended March 31, 2016:

Outstanding NQOs:	Number of NQOs	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2015	329,300	12.30	5.54	3.9	3,700
Granted	18,589	29.17	12.74	6.6	—
Exercised	(100,895)	12.99	5.59	—	1,574
Cancelled/Forfeited	(18,371)	13.45	6.17	—	—
Outstanding at March 31, 2016	228,623	13.28	6.05	3.8	3,336
Vested and exercisable, March 31, 2016	188,705	10.50	4.90	3.3	3,278
Vested and expected to vest, March 31, 2016	225,974	13.12	5.99	3.8	3,333

The aggregate intrinsic value outstanding at the end of each period in the table above represents the total pretax intrinsic value, based on the Company's closing stock price of $27.87 at March 31, 2016 and $23.50 at June 30, 2015, representing the last trading day of the applicable fiscal period, which would have been received by NQO holders had all award holders exercised their NQOs that were in-the-money as of that date. The aggregate intrinsic value of NQO exercises in the nine months ended March 31, 2016 represents the difference between the exercise price and the value of the Company's common stock at the time of exercise. NQOs outstanding that are expected to vest are net of estimated forfeitures.

A total of 43,225 shares issuable under NQOs vested during the nine months ended March 31, 2016. During each of the nine months ended March 31, 2016 and 2015, the Company received $1.3 million in proceeds from exercises of vested NQOs.

As of March 31, 2016 and June 30, 2015, there was $0.4 million of unrecognized compensation cost related to NQOs. The unrecognized compensation cost related to NQOs at March 31, 2016 is expected to be recognized over the weighted average

period of 2.3 years. Total compensation expense for NQOs in the three months ended March 31, 2016 and 2015 was $45,000 and $0.1 million, respectively. Total compensation expense for NQOs in the nine months ended March 31, 2016 and 2015 was $0.2 million and $0.3 million, respectively.

Non-Qualified Stock Options with Performance-Based and Time-Based Vesting ("PNQs")

In the nine months ended March 31, 2016, the Company granted 143,466 shares issuable upon the exercise of PNQs with a weighted average exercise price of $29.48 per share to eligible employees under the Amended Equity Plan. These PNQs vest over a three-year period with one-third of the total number of shares subject to each such PNQ becoming exercisable each year on the anniversary of the grant date, based on the Company's achievement of a modified net income target for fiscal 2016 ("FY16 Target") as approved by the Compensation Committee, subject to the participant's employment by the Company or service on the Board of Directors of the Company on the applicable vesting dates and the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement. But if actual modified net income for fiscal 2016 is less than the FY16 Target, then 20% of the total shares issuable under such grant will be forfeited.

Following are the weighted average assumptions used in the Black-Scholes valuation model for PNQs granted during the nine months ended March 31, 2016.

	Nine Months Ended March 31, 2016
Weighted average fair value of PNQs	$ 11.46
Risk-free interest rate	1.71%
Dividend yield	—%
Average expected term	4.9 years
Expected stock price volatility	42.5%

The following table summarizes PNQ activity for the nine months ended March 31, 2016:

Outstanding PNQs:	Number of PNQs	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2015	224,067	22.44	10.31	6.0	237
Granted	143,466	29.48	11.46	6.5	—
Exercised	(14,144)	21.20	10.45	—	107
Cancelled/Forfeited	(64,790)	23.20	10.37	—	—
Outstanding at March 31, 2016	288,599	25.83	10.86	6.0	588
Vested and exercisable, March 31, 2016	48,132	22.52	10.31	5.4	257
Vested and expected to vest, March 31, 2016	272,503	25.74	10.85	6.0	579

The aggregate intrinsic value outstanding at the end of each period in the table above represents the total pretax intrinsic value, based on the Company's closing stock price of $27.87 at March 31, 2016 and $23.50 at June 30, 2015, representing the last trading day of the applicable fiscal period, which would have been received by PNQ holders had all award holders exercised their PNQs that were in-the-money as of that date. The aggregate intrinsic value of PNQ exercises in the nine months ended March 31, 2016 represents the difference between the exercise price and the value of the Company's common stock at the time of exercise. PNQs outstanding that are expected to vest are net of estimated forfeitures.

As of March 31, 2016, the Company met the performance target for the first year of the fiscal 2014 and fiscal 2015 awards and expects that it will achieve the cumulative performance targets set forth in the PNQ agreements for the fiscal 2014, fiscal 2015 and fiscal 2016 awards. During the nine months ended March 31, 2016, 27,317 shares of PNQs vested. During the nine months ended March 31, 2016 and 2015, respectively, the Company received $0.3 million and $0 in proceeds from exercises of vested PNQs.

As of March 31, 2016 and June 30, 2015, there was $2.1 million and $1.5 million, respectively, in unrecognized compensation cost related to PNQs. The unrecognized compensation cost related to PNQs at March 31, 2016 is expected to be recognized over the weighted average period of 1.6 years. Total compensation expense for PNQs in the three months ended

March 31, 2016 and 2015 was $0.2 million and $0.1 million, respectively. Total compensation expense for PNQs in the nine months ended March 31, 2016 and 2015 was $0.3 million and $0.4 million, respectively.

Restricted Stock

In the nine months ended March 31, 2016, the Company granted 9,638 shares of restricted stock under the Amended Equity Plan with a weighted average grant date fair value of $29.91 per share to eligible employees and non-employee directors.

Shares of restricted stock generally vest at the end of three years for eligible employees and ratably over a period of three years for non-employee directors. During the nine months ended March 31, 2016, 24,841 shares of restricted stock vested, of which 5,177 shares were withheld to meet the employees' minimum statutory tax withholding and retired.

The following table summarizes restricted stock activity for the nine months ended March 31, 2016:

Outstanding and Nonvested Restricted Stock Awards:	Shares Awarded	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2015	47,082	16.48	1.2	1,106
Granted	9,638	29.91	3.0	288
Vested/Released(1)	(24,841)	14.08	—	747
Cancelled/Forfeited	(8,619)	13.06	—	—
Outstanding at March 31, 2016	23,260	25.88	2.1	648
Expected to vest, March 31, 2016	21,569	25.79	2.1	601

(1) Includes 5,177 shares that were withheld to meet the employees' minimum statutory tax withholding and retired.

The aggregate intrinsic value of shares outstanding at the end of each period in the table above represents the total pretax intrinsic value, based on the Company’s closing stock price of $27.87 at March 31, 2016 and $23.50 at June 30, 2015, representing the last trading day of the applicable fiscal period. Restricted stock that is expected to vest is net of estimated forfeitures.

Compensation expense is recognized on a straight-line basis over the service period based on the estimated fair value of the restricted stock. Compensation expense recognized in the each of the three months ended March 31, 2016 and 2015 was $0.1 million. Compensation expense recognized in the nine months ended March 31, 2016 and 2015 was $0.1 million and $0.2 million, respectively. As of March 31, 2016 and June 30, 2015, there was approximately $0.5 million of unrecognized compensation cost related to restricted stock. The unrecognized compensation cost related to the restricted stock at March 31, 2016 is expected to be recognized over the weighted average period of 2.2 years.

Note 15. Income Taxes

The Company's effective tax rates for the three and nine months ended March 31, 2016 were 3.5% and 5.3%, respectively. The Company’s effective tax rates for the three and nine months ended March 31, 2015 were 7.8% and 7.5%, respectively.

The Company's effective tax rates for the current and prior year periods were lower than the U.S. statutory rate of 35% primarily due to the impact of the Company's net operating losses to offset taxable income. As net operating losses are used, the corresponding valuation allowance is decreased.

The Company evaluates its deferred tax assets quarterly to determine if a valuation allowance is required. The Company considered whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets would or would not ultimately be realized in future periods. In making this assessment, significant weight was given to evidence that could be objectively verified such as recent operating results and less consideration was given to less objective indicators such as future earnings projections.

After consideration of positive and negative evidence, including the recent history of losses, the Company cannot conclude that it is more likely than not that it will generate future earnings sufficient to realize the Company's net deferred tax

assets. Accordingly, the Company is maintaining a valuation allowance against its net deferred tax assets. The Company decreased its valuation allowance by $0.6 million in the three months ended March 31, 2016 to $82.5 million. The valuation allowance at June 30, 2015 was $84.9 million.

The Company will continue to monitor all available evidence, both positive and negative, in determining whether it is more likely than not that the Company will realize its net deferred tax assets.

As of March 31, 2016 and June 30, 2015, the Company had no unrecognized tax benefits. The Internal Revenue Service is currently auditing the Company's tax year ended June 30, 2013.

Note 16. Net Income (Loss) Per Common Share

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands, except share and per share data)	**2016**	**2015**	**2016**	**2015**
Net income (loss) attributable to common stockholders—basic	$ 1,190	$ (2,561)	$ 5,673	$ 2,829
Net income (loss) attributable to nonvested restricted stockholders	2	(11)	6	10
Net income (loss)	$ 1,192	$ (2,572)	$ 5,679	$ 2,839
Weighted average common shares outstanding—basic	16,539,479	16,223,981	16,486,469	16,200,747
Effect of dilutive securities:				
Shares issuable under stock options	107,936	—	127,806	142,391
Weighted average common shares outstanding—diluted	16,647,415	16,223,981	16,614,275	16,343,138
Net income (loss) per common share—basic	$ 0.07	$ (0.16)	$ 0.34	$ 0.18
Net income (loss) per common share—diluted	$ 0.07	$ (0.16)	$ 0.34	$ 0.17

Note 17. Commitments and Contingencies

Facility Lease Obligation

On July 17, 2015, the Company entered into the Lease Agreement, as amended, with Lessor pursuant to which the Company will lease a 538,000 square foot facility to be constructed on 28.2 acres of land located in Northlake, Texas (see Note 3).

The Company recorded an asset related to the facility lease obligation included in property, plant and equipment of $19.2 million at March 31, 2016. The facility lease obligation included in "Other long-term liabilities" on the Company’s consolidated balance sheet was $19.2 million at March 31, 2016. There were no such amounts recorded at June 30, 2015 (see Note 13).

Contractual obligations for the remainder of fiscal 2016 and future fiscal years are as follows:

	Contractual Obligations						
(In thousands)	**Capital Lease Obligations**	**Operating Lease Obligations**	**New Facility Lease Obligation(1)**	**Pension Plan Obligations**	**Postretirement Benefits Other Than Pension Plans**	**Revolving Credit Facility**	**Purchase Commitments(2)**
Three months ending June 30,							
2016	$ 1,170	$ 1,148	$ —	$ 1,898	$ 269	$ 307	$ 30,696
Year Ending June 30,							
2017	1,598	3,836	2,197	7,828	1,171	—	34,617
2018	900	3,088	4,438	8,137	1,306	—	—
2019	144	2,346	4,526	8,407	1,480	—	—
2020	51	1,185	4,617	8,687	1,555	—	—
Thereafter	4	395	60,202	47,033	8,950	—	—
		$ 11,998	$ 75,980	$ 81,990	$ 14,731	$ 307	$ 65,313
Total minimum lease payments	$ 3,867						
Less: imputed interest (0.82% to 10.7%)	(749)						
Present value of future minimum lease payments	$ 3,118						
Less: current portion	1,871						
Long-term capital lease obligations	$ 1,247						

(1) Includes estimated minimum lease payments commencing December 31, 2016 for the New Facility under the Lease Agreement assuming the purchase option thereunder is not exercised. Calculation of the annual base rent under the Lease Agreement shown in the table is based on the final budget. If the Company were to exercise the purchase option under the Lease Agreement on or before July 17, 2016, the estimated option purchase price in lieu of the lease payments would be $58.6 million payable in the year ending June 30, 2017 (see Note 3).

(2) 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 March 31, 2016. 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.

Non-cancelable Purchase Orders

As of March 31, 2016, the Company had committed to purchase green coffee inventory totaling $59.8 million under fixed-price contracts, other inventory totaling $5.3 million and equipment totaling $0.2 million under non-cancelable purchase orders.

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

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q are not based on historical fact and are forward-looking statements within the meaning of federal securities laws and regulations. These statements are based on management's current expectations, assumptions, estimates and observations of future events and include any statements that do not directly relate to any historical or current fact; actual results may differ materially due in part to the risk factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2015 filed with the Securities and Exchange Commission (the "SEC") on September 14, 2015 (the "2015 10-K"). These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "could," "assumes" and other words of similar meaning. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. We intend these forward-looking statements to speak only at the time of this report and do not undertake to update or revise these statements as more information becomes available except as required under federal securities laws and the rules and regulations of the SEC. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, the timing and success of implementation of the Company's corporate relocation plan, the successful completion of the sale of the Company's Torrance facility, the diversion of management time on the Corporate Relocation Plan and other transaction-related issues, the timing and success of the Company in realizing estimated savings from third party logistics and vendor managed inventory, the realization of the Company's cost savings estimates, the relative effectiveness of compensation-based employee incentives in causing improvements in Company performance, the capacity to meet the demands of our large national account customers, the extent of execution of plans for the growth of Company business and achievement of financial metrics related to those plans, the success of the Company to retain and/or attract qualified employees, the effect of the capital markets as well as other external factors on stockholder value, fluctuations in availability and cost of green coffee, competition, organizational changes, changes in the strength of the economy, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, changes in the quality or dividend stream of third parties' securities and other investment vehicles in which we have invested our assets, as well as other risks described in this report and other factors described from time to time in our filings with the SEC. The results of operations for the three and nine months ended March 31, 2016 are not necessarily indicative of the results that may be expected for any future period.

Corporate Relocation Plan

On February 5, 2015, we announced a plan approved by our Board of Directors on February 3, 2015, pursuant to which we will close our Torrance, California facility and relocate these operations to a new facility (the "New Facility") housing our manufacturing, distribution, coffee lab and corporate headquarters (the "Corporate Relocation Plan"). Approximately 350 positions are impacted as a result of the Torrance facility closure. The New Facility will be located in Northlake, Texas in the Dallas/Fort Worth area. Our decision resulted from a comprehensive review of alternatives designed to make the Company more competitive and better positioned to capitalize on growth opportunities.

We expect to close our Torrance facility in phases, and we began the process in the spring of 2015. Through April 2015, coffee purchasing, roasting, grinding, packaging and product development took place at our Torrance, California, Portland, Oregon and Houston, Texas production facilities. In May 2015, we moved the coffee roasting, grinding and packaging functions that had been conducted in Torrance to our Houston and Portland production facilities and in conjunction relocated our Houston distribution operations to our Oklahoma City distribution center. As of March 31, 2016, distribution continued to take place out of our Torrance and Portland production facilities, as well as separate distribution centers in Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey. Effective September 15, 2015, we transferred a majority of our primary administrative offices from Torrance to Fort Worth, Texas, where we have leased 32,000 square feet of temporary office space. The transfer of our primary administrative offices to this temporary office space was substantially completed in the second quarter of fiscal 2016. On December 8, 2015, we completed the sale of certain assets associated with our manufacture, processing and distribution of raw, processed and blended spices and certain other culinary products (collectively, the "Spice Assets") to Harris Spice Company Inc., a California corporation ("Harris Spice"). Pursuant to a transitional co-packaging supply agreement, we will provide Harris Spice with certain transition services for a limited time period following closing of the sale. As a result, spice blending, grinding and packaging will continue to take place at our Torrance production facility until the conclusion of the transition services, which is expected to occur during the fourth quarter

of fiscal 2016. In December 2015, we announced our plans to replace our long-haul fleet operations with third party logistics ("3PL") and a vendor managed inventory initiative. The first phase of the 3PL program began in January 2016 and is expected to be fully implemented by the end of the fourth quarter of fiscal 2016. In April 2016, we entered into a purchase and sale agreement to sell our Torrance facility. Construction of and relocation to the New Facility are expected to be completed by the end of the second quarter of fiscal 2017.

Based on current assumptions and subject to continued implementation of the Corporate Relocation Plan as planned, we estimate that we will incur approximately $30.0 million in cash costs consisting of $17.0 million in employee retention and separation benefits, $5.0 million in facility-related costs and $8.0 million in other related costs.

Expenses related to the Corporate Relocation Plan in the three months ended March 31, 2016 consisted of $1.8 million in employee retention and separation benefits, $0.8 million in facility-related costs including lease of temporary office space and costs associated with the move of the Company's headquarters, and $0.6 million in other related costs including travel, legal, consulting and other professional services. Facility-related costs in the three months ended March 31, 2016 also included $0.2 million in non-cash depreciation expense associated with the Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities.

Expenses related to the Corporate Relocation Plan in the nine months ended March 31, 2016 consisted of $8.5 million in employee retention and separation benefits, $2.7 million in facility-related costs including lease of temporary office space and costs associated with the move of the Company's headquarters, and $2.7 million in other related costs including travel, legal, consulting and other professional services. Facility-related costs in the nine months ended March 31, 2016 also included $0.8 million in non-cash depreciation expense associated with the Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities.

Since adoption of the Corporate Relocation Plan through March 31, 2016, we have recognized a total of $23.2 million of the estimated $30.0 million in aggregate cash costs consisting of an aggregate of $15.0 million in employee retention and separation benefits, $2.5 million in facility-related costs and $5.7 million in other related costs. The remainder is expected to be recognized in the fourth quarter of fiscal 2016 and the first half of fiscal 2017. We may incur certain other non-cash asset impairment costs, postretirement benefit costs and pension-related costs.

The following table sets forth the activity in liabilities associated with the Corporate Relocation Plan for the nine months ended March 31, 2016:

(In thousands)	Balances, June 30, 2015	Additions	Payments	Non-Cash Settled	Adjustments	Balances, March 31, 2016
Employee-related costs(1)	$ 6,156	$ 8,455	$ 11,018	$ —	$ —	$ 3,593
Facility-related costs(2)	—	2,706	1,883	823	—	—
Other(3)	200	2,694	2,894	—	—	—
Total	$ 6,356	$ 13,855	$ 15,795	$ 823	$ —	$ 3,593
Current portion	6,356					3,593
Non-current portion	—					—
Total	$ 6,356					$ 3,593

(1) Included in "Accrued payroll expenses" on the Company's consolidated balance sheets.
(2) Non-cash settled facility-related costs represent depreciation expense associated with the Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities and included in "Property, plant and equipment, net" on the Company's consolidated balance sheets.
(3) Included in "Accounts payable" on the Company's consolidated balance sheets.

Facility Lease Obligation

On July 17, 2015, we entered into a lease agreement, as amended (the "Lease Agreement") with WF-FB NLTX, LLC, a Delaware limited liability company (the "Lessor"), to lease a 538,000 square foot facility to be constructed on 28.2 acres of land located in Northlake, Texas, which will include corporate offices, areas dedicated to manufacturing and distribution, as well as a lab. The Lease Agreement was amended pursuant to the First Amendment to Lease Agreement, dated as of December 29, 2015 (the "First Amendment"), pursuant to which certain delivery dates under

the Lease Agreement were extended, and the Second Amendment to Lease Agreement, dated as of March 10, 2016 (the “Second Amendment”), pursuant to which, among other things, the base rent schedule was increased from $49.6 million to $56.6 million, the option purchase price under the Lease Agreement was increased from 103% to 103.5%, and certain construction items submitted by the Company were approved by the Lessor. The foregoing summary of the First Amendment and the Second Amendment does not purport to be complete and is subject to, and qualified in its entirety by reference to the full text of the First Amendment and the Second Amendment which are filed with this Quarterly Report on Form 10-Q as Exhibit 10.36 and Exhibit 10.37, respectively. Principal design work for the New Facility was substantially completed in March 2016. The construction of the New Facility is estimated to be completed by the end of the second quarter of fiscal 2017.

The New Facility will be constructed by Lessor, at its expense, in accordance with agreed upon specifications and plans determined as set forth in the Lease Agreement. Due to our involvement in the construction of the New Facility, as the deemed general contractor, pursuant to Accounting Standards Codification (“ASC”) 840, “Leases,” we are required to capitalize during the construction period the cash and non-cash assets (with the exception of the land which is not capitalized) contributed by Lessor for the construction as property, plant and equipment on our consolidated balance sheets with an offsetting liability for the same amount payable to Lessor included in "Other long-term liabilities." We recorded an asset related to the facility lease obligation included in property, plant and equipment of $19.2 million at March 31, 2016. The facility lease obligation included in "Other long-term liabilities" on our consolidated balance sheet was $19.2 million at March 31, 2016. There were no such amounts recorded at June 30, 2015. At March 31, 2016 and June 30, 2015, respectively, we recorded $0 and $0.3 million in “Other receivables” included in "Accounts and notes receivable, net" on our consolidated balance sheets representing costs we incurred associated with the New Facility.

A portion of the lease arrangement is allocated to the land for which we will accrue rent expense during the construction period. The amount of rent expense to be accrued is determined using the fair value of the leased land at construction commencement and our incremental borrowing rate, and is recognized on a straight-line basis. Once rent payments commence under the Lease Agreement, all amounts in excess of accrued rent expense will be recorded as a debt-service payment and recognized as interest expense and a reduction of the financing obligation. Rent expense associated with the portion of the lease arrangement allocated to the land included in our consolidated statements of operations in the three and nine months ended March 31, 2016 was $67,000 and $0.2 million, respectively. There was no comparable rent expense in the three and nine months ended March 31, 2015.

The Lease Agreement contains a purchase option exercisable at any time by us on or before ninety days prior to the scheduled completion date with an option purchase price equal to 103.5% of the total project cost as of the date of the option closing if the option closing occurs on or before July 17, 2016. The option purchase price will increase by 0.35% per month thereafter up to and including the date which is the earlier of (A) ninety days after the scheduled completion date and (B) December 31, 2016. Based upon, among other things, the final budget which includes amounts in respect of construction costs, acquisition of the land upon which the New Facility will be constructed, Lessor and Company fees and expenses (such as legal fees), and preliminary contingency amounts of $2.7 million, we estimate that, if we were to exercise the purchase option under the Lease Agreement on or before July 17, 2016, the option purchase price in lieu of the lease payments would be $58.6 million payable in the year ending June 30, 2017. The decision of whether to exercise the option or not will depend upon, among other things, whether we can consummate the sale of the Torrance facility at the negotiated price. If we do not exercise the purchase option by December 31, 2016, the obligation to pay rent under the Lease Agreement will commence. The initial term of the lease is for 15 years from the rent commencement date with six options to renew, each with a renewal term of 5 years. The annual base rent under the Lease Agreement will be an amount equal to:

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

Based on the final budget, we estimate that the annual base rent would be approximately $4.2 million. The annual base rent will increase by 2% during each year of the lease term.

On July 17, 2015, we also entered into a Development Management Agreement (the “DMA”) with Stream Realty Partners-DFW, L.P., a Texas limited partnership (“Developer”). Pursuant to the DMA, which was amended ("First Amendment to DMA") on January 5, 2016, to amend certain dates and on March 25, 2016 ("Second Amendment to DMA") to acknowledge satisfaction of certain project commencement conditions, we retained the services of Developer to manage, coordinate, represent, assist and advise us on matters concerning the pre-development,

development, design, entitlement, infrastructure, site preparation and construction of the New Facility. The foregoing summary of the First Amendment to DMA and the Second Amendment to DMA does not purport to be complete and is subject to, and qualified in its entirety by reference to the full text of the First Amendment to DMA and the Second Amendment to DMA which are filed with this Quarterly Report on Form 10-Q as Exhibit 10.39 and Exhibit 10.40, respectively. The term of the DMA is from July 17, 2015 until final completion of the project. Pursuant to the DMA, we will pay Developer:

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

Sale of Spice Assets

On December 8, 2015, we completed the sale of the Spice Assets to Harris Spice. Harris Spice acquired substantially all of our personal property used exclusively in connection with the Spice Assets, including certain equipment; trademarks, tradenames and other intellectual property assets; contract rights under sales and purchase orders and certain other agreements; and a list of certain customers, other than our direct store delivery customers (“DSD Customers”), and assumed certain liabilities relating to the Spice Assets. We received $6.0 million in cash at closing, and we are eligible to receive an earnout amount of up to $5.0 million over a three year period based upon a percentage of certain institutional spice sales by Harris Spice following the closing. Gain from the earnout is recognized when earned and when realization is assured beyond a reasonable doubt. We recognized $0.4 million in earnout during the three and nine months ended March 31, 2016, of which $0.3 million was included in gain from sale of Spice Assets in each of the three and nine months ended March 31, 2016.

We have followed the guidance in ASC 205-20, "Presentation of Financial Statements — Discontinued Operations," as updated by Accounting Standards Update ("ASU") No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" and have not presented the sale of the Spice Assets as discontinued operations. The sale of the Spice Assets does not represent a strategic shift for us and is not expected to have a major effect on our results of operations because we will continue to sell spice products to our DSD Customers.

In connection with the sale of the Spice Assets, we and Harris Spice entered into certain other agreements, including (1) a transitional co-packaging supply agreement pursuant to which we, as the contractor, will provide Harris Spice with certain transition services for a six-month transitional period following the closing of the asset sale, and (2) an exclusive supply agreement pursuant to which Harris Spice will supply to us, after the closing of the asset sale, spice and culinary products that were previously manufactured by us on negotiated pricing terms. While title to the Spice Assets transferred at closing, certain of the assets purchased by Harris Spice are expected to be transferred to Harris Spice's own manufacturing facilities, in phases, during the transitional period. After the closing of the asset sale, we will continue to sell certain spice and other culinary products purchased from Harris Spice under that supply agreement to our DSD Customers.

Assets Held for Sale

We consider properties to be assets held for sale when (1) management commits to a plan to sell the property; (2) it is unlikely that the disposal plan will be significantly modified or discontinued; (3) the property is available for immediate sale in its present condition; (4) actions required to complete the sale of the property have been initiated; (5) sale of the property is probable and we expect the completed sale will occur within one year; and (6) the property is actively being marketed for sale at a price that is reasonable given our estimate of current market value. We have listed for sale our Torrance facility and certain of our branch properties in Northern California. We are actively marketing these properties and have entered into purchase and sale agreements with prospective buyers. We expect these properties will be sold within one year. Accordingly, we have designated these properties as assets held for sale and recorded the carrying values of these properties in the aggregate amount of $9.3 million as "Assets held for sale" on our consolidated balance sheet at March 31, 2016.

We have entered into a Purchase and Sale Agreement for the sale of our Torrance facility for an aggregate sale price of $43.0 million. In connection with the Purchase and Sale Agreement, the Buyer agreed to pay an aggregate

deposit of $2.0 million. The deposit may be retained by the Seller if the transaction does not close as a result of the Buyer's breach or default under the Purchase and Sale Agreement. The Purchase and Sale Agreement contains representations, warranties and covenants of the parties, closing conditions, termination provisions and other provisions customary for similar transactions. The closing of the sale of the Torrance facility is estimated to take place on June 30, 2016, unless otherwise extended as set forth in the Purchase and Sale Agreement. Pursuant to the Purchase and Sale Agreement, we are entitled to lease back the Torrance facility for an initial term of four months, subject to two one-month extensions at our option. The foregoing summary does not purport to be complete and is subject to, and qualified in its entirety by reference to the full text of the Purchase and Sale Agreement which is filed with this Quarterly Report on Form 10-Q as Exhibit 10.41.

Liquidity and Capital Resources

Credit Facility

On March 2, 2015, we, as Borrower, together with our wholly owned subsidiaries, Coffee Bean International, Inc., an Oregon corporation ("CBI"), FBC Finance Company, a California corporation, and Coffee Bean Holding Company, Inc., a Delaware corporation, as additional Loan Parties and as Guarantors, entered into a Credit Agreement (the “Credit Agreement”) and a related Pledge and Security Agreement (the “Security Agreement”) with JPMorgan Chase Bank, N.A. (“Chase”), as Administrative Agent, and SunTrust Bank (“SunTrust”), as Syndication Agent (collectively, the "Lenders") (capitalized terms used below are defined in the Credit Agreement).

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

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

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

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

The Credit Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including financial covenants relating to the maintenance of a fixed charge coverage ratio in certain circumstances. The Credit Agreement allows us to pay dividends, provided, among other things, certain Excess Availability requirements are met, and no event of default exists or has occurred and is continuing as of the date of any such payment and after giving effect thereto. The Credit Agreement also allows the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to us, and provides for customary events of default.

At March 31, 2016, we were eligible to borrow up to a total of $59.2 million under the Revolving Facility. At March 31, 2016, we had outstanding borrowings of $0.3 million, utilized $11.5 million of the letters of credit sublimit, and had excess availability under the Revolving Facility of $47.4 million. At March 31, 2016, the weighted average interest rate on our outstanding borrowings under the Revolving Facility was 1.67%. At March 31, 2016, we were in compliance with all of the restrictive covenants under the Credit Agreement.

At April 30, 2016, we had estimated outstanding borrowings of $0.3 million, utilized $11.5 million of the letters of credit sublimit, and had excess availability under the Revolving Facility of $47.4 million. At April 30, 2016, the weighted average interest rate on our outstanding borrowings under the Revolving Facility was 1.67%.

Liquidity

We generally finance our operations through cash flows from operations and borrowings under our Revolving Facility described above. As of March 31, 2016, we had $13.3 million in cash and cash equivalents and $24.8 million in short-term investments. We believe our Revolving Facility, to the extent available, in addition to our cash flows from operations and other liquid assets, the net proceeds from the sale of the Spice Assets, and the expected net proceeds from the sale of our Torrance facility, including additional anticipated proceeds from the disposal of miscellaneous fixed assets relating to the Torrance facility, collectively, will be sufficient to fund our working capital and capital expenditure requirements for the next 12 to 18 months including the expected capital expenditures associated with the Corporate Relocation Plan, construction costs for the New Facility and anticipated capital expenditures for machinery and equipment, furniture and fixtures, and related expenditures.

We generate cash from operating activities primarily from cash collections related to the sale of our products. Net cash provided by operating activities was $9.4 million in the nine months ended March 31, 2016 compared to $4.5 million in the nine months ended March 31, 2015. Net cash provided by operating activities in the nine months ended March 31, 2016 was primarily due to higher net income and a higher level of cash inflows from operating activities resulting primarily from proceeds from sales of short-term investments and higher accruals for incentive compensation payments to eligible employees, partially offset by higher cash outflows from purchase of short-term investments, and increases in derivative assets, accounts receivable and inventory balances. Net cash provided by operating activities in the nine months ended March 31, 2016 included the release of restriction on $1.0 million in cash held in coffee-related derivative margin accounts, as we had a net gain position in such accounts. Net cash provided by operating activities in the nine months ended March 31, 2015 was primarily due to lower net income and a higher level of cash outflows from operating activities primarily from payments of accounts payable balances and payroll expenses including a reversal of previously accrued incentive compensation for eligible employees, partially offset by a decrease in derivative assets. In addition, timing differences between the receipt or payment of cash and recognition of the related net (losses) gains from derivative instruments contributed to the differences in cash from operations in the reported periods. In the nine months ended March 31, 2016, non-cash net losses from derivative instruments contributed to the increase in cash flows from operations. In the nine months ended March 31, 2015, non-cash net gains from derivative instruments contributed to the decrease in cash flows from operations.

Net cash used in investing activities was $23.7 million in the nine months ended March 31, 2016 compared to $14.5 million in the nine months ended March 31, 2015. Net cash used in investing activities in the nine months ended March 31, 2016 included $16.2 million for purchases of property, plant and equipment and $13.5 million in purchases of construction-in-progress assets in connection with the construction of the New Facility as the deemed owner under the lease arrangement, offset by proceeds from sales of assets of $6.0 million, including $5.3 million in proceeds from the sale of the Spice Assets, compared to $13.6 million for purchases of property, plant and equipment offset by proceeds from sales of assets, primarily equipment, of $0.2 million in the nine months ended March 31, 2015.

Net cash provided by financing activities was $12.5 million in the nine months ended March 31, 2016 compared to $7.5 million in the nine months ended March 31, 2015. Net cash provided by financing activities in the nine months ended March 31, 2016 included $13.5 million in proceeds from lease financing in connection with the construction of the New Facility as the deemed owner under the lease arrangement, and net borrowings on our credit facility of $0.2 million, compared to net borrowings of $9.5 million in the nine months ended March 31, 2015. Proceeds from stock option exercises during the nine months ended March 31, 2016 were $1.6 million compared to $1.3 million in the nine months ended March 31, 2015. Net cash provided by financing activities in the nine months ended March 31, 2016 was partially offset by $2.7 million used to pay capital lease obligations and $8,000 used to pay financing cost obligations associated with the Revolving Facility. Net cash provided by financing activities in the nine months ended March 31, 2015 was partially offset by $3.0 million used to pay capital lease obligations and $0.2 million used to pay financing cost obligations associated with the Revolving Facility.

Based on current assumptions and subject to continued implementation of the Corporate Relocation Plan as planned, we estimate that we will incur approximately $30.0 million in cash costs consisting of $17.0 million in employee retention and separation benefits, $5.0 million in facility-related costs and $8.0 million in other related costs. Since adoption of the Corporate Relocation Plan through March 31, 2016, we have recognized a total of $23.2 million of the estimated $30.0 million in aggregate cash costs consisting of an aggregate of $15.0 million in employee retention and separation benefits, $2.5 million in facility-related costs and $5.7 million in other related costs. The

remainder is expected to be recognized in the fourth quarter of fiscal 2016 and the first half of fiscal 2017. We may incur certain other non-cash asset impairment costs, postretirement benefit costs and pension-related costs.

In the nine months ended March 31, 2016, we capitalized $16.2 million in property, plant and equipment purchases, which included $5.7 million in expenditures to replace normal wear and tear of coffee brewing equipment, $7.1 million in expenditures for vehicles, and machinery and equipment, $1.9 million in expenditures for machinery and equipment for the New Facility, $0.2 million in building and facility improvements and $1.3 million in IT-related expenditures. Our capital expenditures unrelated to the Corporate Relocation Plan and the New Facility for the remainder of fiscal 2016 are expected to include expenditures to replace normal wear and tear of coffee brewing equipment, vehicles, machinery and equipment and IT-related expenditures.

Based on the final budget, which reflects substantial completion of the principal design work for the New Facility, we estimate that the construction costs for the New Facility will be approximately $55.0 million to $60.0 million plus an additional $35.0 million to $39.0 million in anticipated capital expenditures for machinery and equipment, furniture and fixtures, and related expenditures. As compared to the preliminary budget, the final budget reflects, among other things, an increase in facility size and scope of building design, including a larger warehouse and a larger manufacturing footprint; additional infrastructure and automation to support staged manufacturing and production line capacity allowing for future capacity growth; and certain other estimated landlord costs under the Lease Agreement. The majority of the construction costs associated with the New Facility are expected to be incurred in early fiscal 2017.

We recorded an asset related to the facility lease obligation included in property, plant and equipment of $19.2 million at March 31, 2016. The facility lease obligation included in "Other long-term liabilities" on our consolidated balance sheet was $19.2 million at March 31, 2016. There were no such amounts recorded at June 30, 2015. The Lease Agreement contains a purchase option exercisable at any time by us on or before ninety days prior to the scheduled completion date with an option purchase price equal to 103.5% of the total project cost as of the date of the option closing if the option closing occurs on or before July 17, 2016. The option purchase price will increase by 0.35% per month thereafter up to and including the date which is the earlier of (A) ninety days after the scheduled completion date and (B) December 31, 2016. Based upon, among other things, the final budget which includes amounts in respect of construction costs, acquisition of the land upon which the New Facility will be constructed, Lessor and Company fees and expenses (such as legal fees), and preliminary contingency amounts of $2.7 million, we estimate that, if we were to exercise the purchase option under the Lease Agreement on or before July 17, 2016, the option purchase price in lieu of the lease payments would be $58.6 million payable in the year ending June 30, 2017. The decision of whether to exercise the option or not will depend upon, among other things, whether we can consummate the sale of the Torrance facility at the negotiated price. If we do not exercise the purchase option by December 31, 2016, the obligation to pay annual base rent under the Lease Agreement will commence. Based on the final budget, we estimate that the annual base rent would be approximately $4.2 million. The annual base rent will increase by 2% during each year of the lease term..

Our working capital is composed of the following:

(In thousands)	March 31, 2016	June 30, 2015
Current assets(1)(2)(3)	$ 154,323	$ 135,685
Current liabilities	60,558	64,874
Working capital	$ 93,765	$ 70,811

(1) At March 31, 2016 and June 30, 2015, respectively, we recorded $0 and $0.3 million in "Other receivables" included in "Accounts and notes receivable, net" on our consolidated balance sheets representing costs we incurred associated with the New Facility.

(2) At March 31, 2016 and June 30, 2015, respectively, we had recorded $0.4 million and $0 in "Other receivables" included in "Accounts and notes receivable, net" on our consolidated balance sheets representing earnout receivable from Harris Spice.

(3) At March 31, 2016, we recorded the carrying value of our Torrance facility and certain of our branch properties in Northern California listed for sale in the aggregate amount of $9.3 million in "Assets held for sale" on our consolidated balance sheet.

Contractual Obligations

The amounts disclosed in our 2015 10-K include our commitments and contractual obligations. Significant changes since June 30, 2015 were as follows:

Facility Lease Obligation

We recorded an asset related to the facility lease obligation included in property, plant and equipment of $19.2 million at March 31, 2016. The facility lease obligation included in "Other long-term liabilities" on our consolidated balance sheet was $19.2 million at March 31, 2016. There were no such amounts recorded at June 30, 2015.

The following table contains information regarding total contractual obligations as of March 31, 2016, including capital leases:

	Payment due by period				
(In thousands)	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 Years
Contractual obligations:					
Capital lease obligations(1)	$ 3,867	$ 1,170	$ 2,498	$ 195	$ 4
Operating lease obligations	11,998	1,148	6,924	3,531	395
New Facility lease obligation(2)	75,980	—	6,635	9,143	60,202
Pension plan obligations	81,990	1,898	15,965	17,094	47,033
Postretirement benefits other than pension plans	14,731	269	2,477	3,035	8,950
Revolving credit facility	307	307	—	—	—
Purchase commitments(3)	65,313	30,696	34,617	—	—
Total contractual obligations	$ 254,186	$ 35,488	$ 69,116	$ 32,998	$ 116,584

(1) Includes imputed interest of $0.7 million.

(2) Includes estimated minimum lease payments commencing December 31, 2016 for the New Facility under the Lease Agreement assuming the purchase option thereunder is not exercised. Calculation of the annual base rent under the Lease Agreement shown in the table is based on the final budget. If the Company were to exercise the purchase option under the Lease Agreement on or before July 17, 2016, the estimated option purchase price in lieu of the lease payments would be $58.6 million payable in the year ending June 30, 2017.

(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 March 31, 2016. 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.

Non-cancelable Purchase Orders

As of March 31, 2016, we had committed to purchase green coffee inventory totaling $59.8 million under fixed-price contracts, other inventory totaling $5.3 million and equipment totaling $0.2 million under non-cancelable purchase orders.

Results of Operations

Net sales in the three months ended March 31, 2016 increased $2.0 million, or 1.5%, to $134.5 million from $132.5 million in the three months ended March 31, 2015. Net sales in the nine months ended March 31, 2016 decreased $3.1 million, or 0.7%, to $410.2 million from $413.3 million in the nine months ended March 31, 2015. The increase in net sales in the three months ended March 31, 2016 was primarily due to an increase in net sales of our coffee (roast & ground) and spice products, resulting from higher volumes sold, and an increase in net sales of culinary and other beverages, resulting from pricing and product mix changes compared to the same period in the prior fiscal year. The increase in net sales in the three months ended March 31, 2016 was partially offset by a decrease in net sales of coffee (frozen) and tea, primarily due to lower volumes sold. Net sales in the nine months ended March 31, 2016 decreased compared to the same period in the prior year, primarily due to a decrease in net sales of coffee and tea products, partially offset by an increase in net sales of spice products and other beverages. Net sales in the three and nine months ended March 31, 2016, included $3.8 million and $3.2 million in price decreases, respectively, to customers utilizing commodity-based pricing arrangements, where the changes in the green coffee commodity costs are passed on to the customer. The change in net sales in the three and nine months ended March 31, 2016 as compared to the same period in the prior fiscal year was due to the following:

(In millions)	Three Months Ended March 31, 2016 vs. March 31, 2015	Nine Months Ended March 31, 2016 vs. March 31, 2015
Effect of change in unit sales	$ 1.3	$ 0.2
Effect of pricing and product mix changes	$ 0.7	(3.3)
Total increase (decrease) in net sales	$ 2.0	$ (3.1)

Total unit sales increased 6% in the three months ended March 31, 2016 as compared to the same period in the prior fiscal year primarily due to an increase in unit sales of our coffee (roast & ground) and spice products, offset, in part, by a decrease in unit sales of tea, culinary products and other beverages. In the three months ended March 31, 2016, we processed and sold approximately 22.8 million pounds of green coffee as compared to approximately 20.9 million pounds of green coffee processed and sold in the same period of the prior fiscal year. There were no new product category introductions in the three months ended March 31, 2016 or 2015 which had a material impact on our net sales.

Total unit sales were flat in the nine months ended March 31, 2016 as compared to the same period in the prior fiscal year with increases in unit sales of our coffee (roast & ground) and spice products, offset, in part, by decreases in unit sales of coffee (frozen), tea, culinary products and other beverages. In the nine months ended March 31, 2016, we processed and sold approximately 67.4 million pounds of green coffee as compared to approximately 66.8 million pounds of green coffee processed and sold in the same period of the prior fiscal year. There were no new product category introductions in the nine months ended March 31, 2016 or 2015 which had a material impact on our net sales.

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

	Three Months Ended March 31,			
	2016		2015	
(In thousands)	$	% of total	$	% of total
Net Sales by Product Category:				
Coffee (Roast & Ground)	$ 82,568	61%	$ 82,076	62%
Coffee (Frozen)	8,907	7%	9,092	7%
Tea (Iced & Hot)	6,159	4%	6,512	5%
Culinary	13,220	10%	13,150	10%
Spice	8,381	6%	7,751	5%
Other beverages(1)	14,430	11%	13,055	10%
Net sales by product category	133,665	99%	131,636	99%
Fuel surcharge	803	1%	871	1%
Net sales	$ 134,468	100%	$ 132,507	100%

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

(In thousands)	Nine Months Ended March 31, 2016 $	2016 % of total	2015 $	2015 % of total
Net Sales by Product Category:				
Coffee (Roast & Ground)	$ 252,020	61%	$ 255,600	62%
Coffee (Frozen)	27,145	7%	27,952	7%
Tea (Iced & Hot)	18,420	4%	20,719	5%
Culinary	40,198	10%	40,797	10%
Spice	25,428	6%	23,855	5%
Other beverages(1)	44,488	11%	41,594	10%
Net sales by product category	407,699	99%	410,517	99%
Fuel surcharge	2,521	1%	2,783	1%
Net sales	$ 410,220	100%	$ 413,300	100%

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

Cost of goods sold in the three months ended March 31, 2016 decreased $(4.0) million, or 4.7%, to $81.9 million, or 60.9% of net sales, from $85.9 million, or 64.9% of net sales, in the three months ended March 31, 2015. Cost of goods sold in the nine months ended March 31, 2016 decreased $(11.3) million, or 4.3%, to $254.2 million, or 62.0% of net sales, from $265.5 million, or 64.2% of net sales, in the nine months ended March 31, 2015. The decrease in cost of goods sold in the three and nine months ended March 31, 2016 was primarily due to lower coffee commodity costs compared to the same period in the prior fiscal year, increased supply chain efficiencies realized primarily through the consolidation of our former Torrance coffee production volumes into our Houston manufacturing facility, and other supply chain improvements.

Because we anticipate that our inventory levels at June 30, 2016 will decrease from June 30, 2015 levels , we recorded $0.8 million and $1.1 million, respectively, in expected beneficial effect of the liquidation of LIFO inventory quantities in cost of goods sold for the three and nine months ended March 31, 2016 which increased net income in the three and nine months ended March 31, 2016 by $0.8 million and $1.1 million, respectively. In the three and nine months ended March 31, 2015, we recorded $0.7 million and $3.2 million, respectively, in expected beneficial effect of LIFO inventory liquidation in cost of goods sold which increased net income for the three and nine months ended March 31, 2015 by $0.7 million and $3.2 million, respectively.

Gross profit in the three months ended March 31, 2016 increased $6.0 million, or 12.9%, to $52.6 million from $46.6 million in the three months ended March 31, 2015, due to the increase in net sales and the decrease in cost of goods sold. Gross margin increased to 39.1% in the three months ended March 31, 2016 from 35.1% in the three months ended March 31, 2015, primarily due to lower coffee commodity costs compared to same period in the prior fiscal year and supply chain efficiencies realized primarily through the consolidation of our former Torrance coffee production volumes into our Houston manufacturing facility. Gross profit in the three months ended March 31, 2016 and 2015 included the beneficial effect of the liquidation of LIFO inventory quantities in the amount of $0.8 million and $0.7 million, respectively. Gross profit in the nine months ended March 31, 2016 increased $8.2 million, or 5.6%, to $156.0 million from $147.8 million in the nine months ended March 31, 2015, primarily due to lower coffee commodity costs as compared to the same period in the prior fiscal year and supply chain efficiencies realized primarily through the consolidation of our former Torrance coffee production volumes into our Houston manufacturing facility, partially offset by the decrease in net sales. Gross profit in the nine months ended March 31, 2016 and 2015, respectively, included the beneficial effect of the liquidation of LIFO inventory quantities in the amount of $1.1 million and $3.2 million. Gross margin increased to 38.0% in the nine months ended March 31, 2016 from 35.8% in the nine months ended March 31, 2015, primarily due to lower coffee commodity costs compared to the same period in the prior fiscal year and supply chain efficiencies realized primarily through the consolidation of our former Torrance coffee production volumes into our Houston manufacturing facility.

In the three months ended March 31, 2016, operating expenses increased $4.3 million to $52.3 million, or 38.9% of net sales, as compared to $48.0 million, or 36.2% of net sales, in the three months ended March 31, 2015. Operating expenses in the three months ended March 31, 2016 increased primarily due to $4.4 million and $0.8 million increases in general and administrative expenses and selling expenses, respectively, partially offset by a $(0.4) million decrease in restructuring and other transition expenses associated with the Corporate Relocation Plan, as compared to the three months ended March 31, 2015. The increase in general and administrative expenses in the three months ended March

31, 2016 was primarily due to higher accrual for incentive compensation to eligible employees as compared to a reduction in accrual for incentive compensation to eligible employees in the prior year period and an increase in retiree medical costs. The increase in selling expenses in the three months ended March 31, 2016 was primarily due to higher accrual for incentive compensation to eligible employees as compared to a reduction in accrual for incentive compensation to eligible employees in the prior year period and higher costs associated with a minor re-alignment of our DSD organization, partially offset by lower fuel, freight and depreciation expense. Operating expenses in the three months ended March 31, 2016 also reflected $4,000 in net gains from sales of assets, primarily equipment, as compared to $0.1 million in net losses from sales of assets, primarily equipment, in the three months ended March 31, 2015.

In the nine months ended March 31, 2016, operating expenses increased $7.8 million to $150.9 million, or 36.8% of net sales, as compared to $143.1 million, or 34.6% of net sales, in the nine months ended March 31, 2015. Operating expenses in the nine months ended March 31, 2016 increased primarily due to a $9.3 million increase in restructuring and other transition expenses associated with the Corporate Relocation Plan, and a $7.4 million increase in general and administrative expenses, partially offset by net gains from sales of assets of $5.6 million including the net gain from the sale of the Spice Assets of $5.4 million, and a decrease in selling expenses of $3.0 million as compared to the nine months ended March 31, 2015. The increase in general and administrative expenses in the nine months ended March 31, 2016 was primarily due to higher accrual for incentive compensation to eligible employees as compared to a reduction in accrual for incentive compensation to eligible employees in the prior year period and an increase in employee and retiree medical costs. The decrease in selling expenses in the nine months ended March 31, 2016 was primarily due to lower fuel and freight expenses and lower depreciation expense, partially offset by higher accrual for incentive compensation to eligible employees and expenses due to the minor re-alignment of our DSD operations, as compared to the same period in the prior fiscal year.

Income from operations in the three months ended March 31, 2016 was $0.3 million as compared to loss from operations of $(1.4) million in the three months ended March 31, 2015, primarily due to the increase in gross profit, partially offset by higher general and administrative expenses and selling expenses. Income from operations in the nine months ended March 31, 2016 was $5.1 million as compared to $4.7 million in the nine months ended March 31, 2015, primarily due to the increase in gross profit and net gains on sales of assets and the decrease in selling expenses, partially offset by the increase in restructuring and other transition expenses incurred in connection with the Corporate Relocation Plan and the increase in general and administrative expenses.

Total other income in the three months ended March 31, 2016 was $0.9 million as compared to total other expense of $(1.4) million in the three months ended March 31, 2015. Total other income in the three months ended March 31, 2016 was primarily due to lower interest expense of $0.1 million and $0.4 million in miscellaneous income, as compared to total other expense in the three months ended March 31, 2015 which included $0.5 million in interest expense and $(1.8) million in net losses on coffee-related derivative instruments. Total other income in the nine months ended March 31, 2016 was $0.9 million as compared to total other expense of $(1.6) million in the nine months ended March 31, 2015, primarily due to lower interest expense in the nine months ended March 31, 2016 and $(2.7) million in net losses on coffee-related derivative instruments in the nine months ended March 31, 2015.

Net gains on coffee-related derivative instruments recorded in "Other, net" in the three months ended March 31, 2016 included $0.3 million in net gains on coffee-related derivative instruments not designated as accounting hedges and $(0.1) million in net losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness. Net losses on coffee-related derivative instruments recorded in "Other, net" in the three months ended March 31, 2015 included $(1.7) million in net losses on coffee-related derivative instruments not designated as accounting hedges and $(0.1) million in net losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness. Net losses on coffee-related derivative instruments recorded in "Other, net" in the nine months ended March 31, 2016 included $0.1 million in net gains on coffee-related derivative instruments not designated as accounting hedges and $(0.6) million in net losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness. Net losses on coffee-related derivative instruments recorded in "Other, net" in the nine months ended March 31, 2015 included $(2.4) million in net losses on coffee-related derivative instruments not designated as accounting hedges and $(0.3) million in net losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness.

In the three months ended March 31, 2016 and March 31, 2015, we recorded income tax expense of $43,000 and income tax benefit of $(0.2) million, respectively. In the nine months ended March 31, 2016 and 2015, we recorded income tax expense of $0.3 million and $0.2 million, respectively.

As of June 30, 2015, our valuation allowance was $84.9 million. In the three months ended March 31, 2016, we decreased our valuation allowance by $0.6 million to $82.5 million. We will continue to monitor all available evidence, both positive and negative, in determining whether it is more likely than not that we will realize our net deferred tax assets.

As a result of the foregoing factors, net income in the three months ended March 31, 2016 was $1.2 million, or $0.07 per diluted common share, compared to net loss of $(2.6) million, or $(0.16) per common share, in the three months ended March 31, 2015. Net income in the nine months ended March 31, 2016 was $5.7 million, or $0.34 per diluted common share, compared to net income of $2.8 million, or $0.17 per diluted common share, in the nine months ended March 31, 2015.

Non-GAAP Financial Measures

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

"*Non-GAAP net income"* is defined as net income excluding the impact of:

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

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

"*Adjusted EBITDA"* is defined as net income excluding the impact of:

- income taxes;
- interest expense;
- depreciation and amortization expense;
- ESOP and share-based compensation expense;
- non-cash impairment losses;
- non-cash pension withdrawal expense;
- other similar non-cash expenses;
- restructuring and other transition expenses; and
- net gains and losses from sales of assets.

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

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

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

Set forth below is a reconciliation of reported net income to Non-GAAP net income and reported net income (loss) per common share—diluted to Non-GAAP net income per diluted common share (unaudited):

	Three Months Ended March 31,		Nine Months Ended March 31,	
($ in thousands, except per share data)	**2016**	**2015**	**2016**	**2015**
Net income (loss), as reported(1)	$ 1,192	$ (2,572)	$ 5,679	$ 2,839
Restructuring and other transition expenses, net of tax of zero	3,169	3,596	13,855	4,570
Net gain from sale of spice assets, net of tax of zero	(335)	—	(5,441)	—
Net (gains) losses from sales of assets, net of tax of zero	(4)	107	(163)	346
Non-GAAP net income	$ 4,022	$ 1,131	$ 13,930	$ 7,755
Net income (loss) per common share—diluted, as reported	$ 0.07	$ (0.16)	$ 0.34	$ 0.17
Impact of restructuring and other transition expenses, net of tax of zero	$ 0.19	$ 0.22	$ 0.83	$ 0.28
Impact of net gain from sale of spice assets, net of tax of zero	$ (0.02)	$ —	$ (0.32)	$ —
Impact of (gains) losses from sales of assets, net of tax of zero	$ —	$ 0.01	$ (0.01)	$ 0.02
Non-GAAP net income per diluted common share	$ 0.24	$ 0.07	$ 0.84	$ 0.47

(1) Includes $0.8 million and $0.7 million in beneficial effect of liquidation of LIFO inventory quantities in the three months ended March 31, 2016 and 2015, respectively. Includes $1.1 million and $3.2 million in beneficial effect of liquidation of LIFO inventory quantities in the nine months ended March 31, 2016 and 2015, respectively.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
Net income (loss), as reported(1)	$ 1,192	$ (2,572)	$ 5,679	$ 2,839
Income tax expense (benefit)	43	(218)	318	232
Interest expense	111	474	341	889
Depreciation and amortization expense(2)	5,234	6,135	15,721	18,554
ESOP and share-based compensation expense	837	1,414	3,488	4,294
Restructuring and other transition expenses(3)	3,169	3,596	13,855	4,570
Net gain from sale of spice assets	(335)	—	(5,441)	—
Net (gains) losses from sales of assets	(4)	107	(163)	346
Adjusted EBITDA	$ 10,247	$ 8,936	$ 33,798	$ 31,724
Adjusted EBITDA Margin	7.6%	6.7%	8.2%	7.7%

(1) Includes $0.8 million and $0.7 million in beneficial effect of liquidation of LIFO inventory quantities in the three months ended March 31, 2016 and 2015, respectively. Includes $1.1 million and $3.2 million in beneficial effect of liquidation of LIFO inventory quantities in the nine months ended March 31, 2016 and 2015, respectively.

(2) Excludes in the three and nine months ended March 31, 2016, respectively, $0.2 million and $0.8 million in depreciation expense associated with the Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities.

(3) Includes in the three and nine months ended March 31, 2016, respectively, $0.2 million and $0.8 million in depreciation expense associated with the Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

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

The following table demonstrates the impact of varying interest rate changes based on our preferred securities holdings and market yield and price relationships at March 31, 2016. This table is predicated on an "instantaneous" change in the general level of interest rates and assumes predictable relationships between the prices of our preferred securities holdings and the yields on U.S. Treasury securities. At March 31, 2016, we had no futures contracts or put options with respect to our preferred securities portfolio designated as interest rate risk hedges.

($ in thousands)	Market Value of Preferred Securities at March 31, 2016	Change in Market Value
Interest Rate Changes		
–150 basis points	$ 25,738	$ 924
–100 basis points	$ 25,534	$ 720
Unchanged	$ 24,814	$ —
+100 basis points	$ 23,938	$ (876)
+150 basis points	$ 23,512	$ (1,302)

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

At March 31, 2016, we had outstanding borrowings of $0.3 million, utilized $11.5 million of the letters of credit sublimit, and had excess availability under the Revolving Facility of $47.4 million. At March 31, 2016, the weighted average interest rate on the Company's outstanding borrowings under the Revolving Facility was 1.67%.

Commodity Price Risk

We are exposed to commodity price risk arising from changes in the market price of green coffee. We value green coffee inventory on the LIFO basis. In the normal course of business we hold a large green coffee inventory and enter into forward commodity purchase agreements with suppliers. We are subject to price risk resulting from the volatility of green coffee prices. Due to competition and market conditions, volatile price increases cannot always be passed on to our customers.

We purchase over-the-counter coffee derivative instruments to enable us to lock in the price of green coffee commodity purchases. These derivative instruments also may be entered into at the direction of the customer under commodity-based pricing arrangements to effectively lock in the purchase price of green coffee under such customer arrangements, in certain cases up to 24 months or longer in the future. We account for certain coffee-related derivative instruments as accounting hedges in order to minimize the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods.

When we designate coffee-related derivative instruments as cash flow hedges, we formally document the hedging instruments and hedged items, and measure at each balance sheet date the effectiveness of our hedges. The effective portion of the change in fair value of the derivative is reported as AOCI and subsequently reclassified into cost of goods sold in the period or periods when the hedged transaction affects earnings. In the three months ended March 31, 2016 and 2015, we reclassified $2.7 million and $0.4 million in net losses, respectively, into cost of goods sold from AOCI. In the nine months ended March 31, 2016 and 2015, we reclassified $(11.5) million and $9.5 million in net gains, respectively, into cost of goods sold from

AOCI. Any ineffective portion of the derivative's change in fair value is recognized currently in “Other, net.” Gains or losses deferred in AOCI associated with terminated derivative instruments, derivative instruments that cease to be highly effective hedges, derivative instruments for which the forecasted transaction is reasonably possible but no longer probable of occurring, and cash flow hedges that have been otherwise discontinued remain in AOCI until the hedged item affects earnings. If it becomes probable that the forecasted transaction designated as the hedged item in a cash flow hedge will not occur, we recognize any gain or loss deferred in AOCI in “Other, net” at that time. In each of the three months ended March 31, 2016 and 2015, we recognized in "Other, net" $(0.1) million in net losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness. In the nine months ended March 31, 2016 and 2015, we recognized in "Other, net" $(0.6) million and $(0.3) million, respectively, in net losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness.

For derivative instruments that are not designated in a hedging relationship, and for which the normal purchases and normal sales exception has not been elected, the changes in fair value are reported in “Other, net.” In the three months ended March 31, 2016 and 2015, we recorded in "Other, net" net gains of $0.3 million and net losses of $(1.7) million, respectively, on coffee-related derivative instruments not designated as accounting hedges. In the nine months ended March 31, 2016 and 2015, we recorded in "Other, net" $0.1 million in net gains and $(2.4) million in net losses, respectively, on coffee-related derivative instruments not designated as accounting hedges.

The following table summarizes the potential impact as of March 31, 2016 to net income and OCI from a hypothetical 10% change in coffee commodity prices. The information provided below relates only to the coffee-related derivative instruments and does not include, when applicable, the corresponding changes in the underlying hedged items:

	Increase (Decrease) to Net Income		Increase (Decrease) to OCI	
(In thousands)	10% Increase in Underlying Rate	10% Decrease in Underlying Rate	10% Increase in Underlying Rate	10% Decrease in Underlying Rate
Coffee-related derivative instruments(1)	$ 512	$ (512)	$ 4,484	$ (4,484)

(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 March 31, 2016. These contracts are not included in the sensitivity analysis above as the underlying price has been fixed.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

As of March 31, 2016, 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 on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

Management has determined that there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

On August 31, 2012, CERT filed an amendment to a private enforcement action adding a number of companies as defendants, including CBI, which sell coffee in California. The suit alleges that the defendants have failed to issue clear and reasonable warnings in accordance with Proposition 65 that the coffee they produce, distribute and sell contains acrylamide. This lawsuit was filed in Los Angeles Superior Court (the "Court"). CERT has demanded that the alleged violators remove acrylamide from their coffee or provide Proposition 65 warnings on their products and pay $2,500 per day for each and every violation while they are in violation of Proposition 65.

Acrylamide is produced naturally in connection with the heating of many foods, especially starchy foods, and is believed to be caused by the Maillard reaction, though it has also been found in unheated foods such as olives. With respect to coffee, acrylamide is produced when coffee beans are heated during the roasting process-it is the roasting itself that produces the acrylamide. While there has been a significant amount of research concerning proposals for treatments and other processes aimed at reducing acrylamide content of different types of foods, to our knowledge there is currently no known strategy for reducing acrylamide in coffee without negatively impacting the sensorial properties of the product.

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

To date, the pleadings stage of the case has been completed. The Court has phased trial so that the "no significant risk level" defense, the First Amendment defense, and the preemption defense will be tried first. Fact discovery and expert discovery on these "Phase 1" defenses have been completed, and the parties filed trial briefs. Trial commenced on September 8, 2014, and testimony completed on November 4, 2014, for the three Phase 1 defenses. Following two continuances, the Court heard on April 9, 2015 final arguments on the Phase 1 issues. On July 25, 2015, the Court issued its Proposed Statement of Decision with respect to Phase 1 defenses against the defendants, which was confirmed, on September 2, 2015 in the Final Statement of Decision. The Court has stated that all defendants would be included in "Phase 2," though this remains unresolved, including the extent of the involvement or participation in discovery. Following permission from the Court, on October 14, 2015 the Joint Defense Group filed a writ petition for an interlocutory appeal. In late December 2015, plaintiff's counsel served letters proposing a new plan to file the anticipated motion for summary adjudication and a new set of discovery on all defendants. On January 14, 2016, the Court of Appeals denied the Joint Defense Group's writ petition thereby denying the interlocutory appeal. On February 16, 2016, CERT filed a motion for summary adjudication arguing that based upon facts that had been stipulated by defendants, CERT had proven its prima facie case and all that remains is a determination of whether any affirmative defenses are available to defendants. On March 16, 2016, the Court reinstated the stay on discovery for all defendant parties except for the four largest defendants, so the Company is not currently obligated to participate in discovery. Following a hearing on April 20, 2016, the Court granted CERT's motion for summary adjudication on its prima facie case. CERT is expected to file its motion for summary adjudication of affirmatives defenses, and the deadline for defendants' opposition will be set at a June 6, 2016 hearing. At this time, the Company is not able to predict the probability of the outcome or estimate of loss, if any, related to this matter.

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

On July 24, 2015, former Company employee Hernandez filed a putative class action complaint for damages alleging a single cause of action for unfair competition under the California Business & Professions Code. The claim purports to seek disgorgement of profits for alleged violations of various provisions of the California Labor Code relating to: failing to pay overtime, failing to provide meal breaks, failing to pay minimum wage, failing to pay wages timely during employment and

upon termination, failing to provide accurate and complete wage statements, and failing to reimburse business-related expenses. Hernandez's complaint seeks restitution in an unspecified amount and injunctive relief, in addition to attorneys' fees and expenses. Hernandez alleges that the putative class is all "current and former hourly-paid or non-exempt individuals" for the four (4) years preceding the filing of the complaint through final judgment, and Hernandez also purports to reserve the right to establish sub-classes as appropriate. On November 12, 2015, a separate putative class representative, Monica Zuno, filed claim under the same class action; the Court has related this case to the Hernandez case. On November 17, 2015, the unified case was assigned to a judge, and this judge ordered the stay on discovery to remain intact until after a decision on the Company's demurrer action. The plaintiff filed an Opposition to the Demurrer and, in response, on January 5, 2016, the Company filed a reply to this Opposition to the Demurrer. On February 2, 2016, the Court held a hearing on the demurrer. and found in our favor, sustaining the demurrer in its entirety without leave to amend as to the plaintiff Hernandez, and so dismissing Hernandez's claims and the related putative class. Claims on behalf of the plaintiff Zuno remain at this time, pending the filing of an amended complaint on behalf of this remaining plaintiff and reduced putative class. The Court has lifted the stay on discovery and has set August 12, 2016 for a status conference. At this time, we are not able to predict the probability of the outcome or estimate of loss, if any, related to this matter.

Item 6. Exhibits

See Exhibit Index.

SIGNATURES

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

FARMER BROS. CO.

By: /s/ MICHAEL H. KEOWN

Michael H. Keown
President and Chief Executive Officer
(chief executive officer)
May 6, 2016

By: /s/ ISAAC N. JOHNSTON, JR.

Isaac N. Johnston, Jr.
Treasurer and Chief Financial Officer
(principal financial and accounting officer)
May 6, 2016

EXHIBIT INDEX

2.1	Asset Purchase Agreement, dated as of November 16, 2015, by and between Farmer Bros. Co. and Harris Spice Company Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 30, 2015 and incorporated herein by reference).*
3.1	Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the SEC on September 16, 2014 and incorporated herein by reference).
3.2	Amended and Restated Bylaws (filed herewith).
3.3	Certificate of Elimination (filed as Exhibit 3.3 to the Company's Registration Statement on Form 8-A/A filed with the SEC on September 24, 2015 and incorporated herein by reference).
4.1	Specimen Stock Certificate (filed as Exhibit 4.1 to the Company's Registration Statement on Form 8-A/A filed with the SEC on September 24, 2015 and incorporated herein by reference).
10.1	Credit Agreement, dated as of March 2, 2015, by and among Farmer Bros. Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K for the period ended March 6, 2015 and incorporated herein by reference).
10.2	Pledge and Security Agreement, dated as of March 2, 2015, by and among Farmer Bros. Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc. and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K for the period ended March 6, 2015 and incorporated herein by reference).
10.3	Farmer Bros. Co. Pension Plan for Salaried Employees (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed with the SEC on November 5, 2012 and incorporated herein by reference).**
10.4	Amendment No. 1 to Farmer Bros. Co. Retirement Plan effective June 30, 2011 (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the SEC on September 12, 2011 and incorporated herein by reference).**
10.5	Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Retirement Plan, effective as of December 6, 2012 (filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed with the SEC on May 6, 2013 and incorporated herein by reference).**
10.6	Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2013 filed with the SEC on February 10, 2014 and incorporated herein by reference).**
10.7	Amendment to Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 10, 2014 and incorporated herein by reference).**
10.8	Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, as adopted by the Board of Directors on December 9, 2010 and effective as of January 1, 2010 (filed herewith).**
10.9	Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 2012 (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 filed with the SEC on September 7, 2012 and incorporated herein by reference).**
10.10	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).**

10.11	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).**
10.12	ESOP Loan Agreement including ESOP Pledge Agreement and Promissory Note, dated March 28, 2000, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed herewith).
10.13	Amendment No. 1 to ESOP Loan Agreement, dated June 30, 2003, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed herewith).
10.14	ESOP Loan Agreement No. 2 including ESOP Pledge Agreement and Promissory Note, dated July 21, 2003 between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed herewith).
10.15	Employment Agreement, dated March 9, 2012, by and between Farmer Bros. Co. and Michael H. Keown (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 13, 2012 and incorporated herein by reference).**
10.16	Employment Agreement, dated as of April 1, 2013, by and between Farmer Bros. Co. and Mark J. Nelson (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).**
10.17	Amendment No. 1 to Employment Agreement, dated as of January 1, 2014, by and between Farmer Bros. Co. and Mark J. Nelson (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 5, 2014 and incorporated herein by reference).**
10.18	Amendment No. 2 to Employment Agreement, dated as of November 23, 2015, between Farmer Bros. Co. and Mark J. Nelson (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 30, 2015 and incorporated herein by reference).**
10.19	Employment Agreement, dated as of December 2, 2014, by and between Farmer Bros. Co. and Barry C. Fischetto (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 5, 2014 and incorporated herein by reference).**
10.20	Employment Agreement, effective as of May 27, 2015, by and between Farmer Bros. Co. and Scott W. Bixby (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 20, 2015 and incorporated herein by reference).**
10.21	Employment Agreement, effective as of August 6, 2015, by and between Farmer Bros. Co. and Thomas J. Mattei, Jr. (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K filed with the SEC on September 14, 2015 and incorporated herein by reference).**
10.22	Employment Agreement, dated as of September 25, 2015, by and between Farmer Bros. Co. and Isaac N. Johnston Jr. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 29, 2015 and incorporated herein by reference).**
10.23	Separation Agreement, dated as of July 16, 2014, by and between Farmer Bros. Co. and Mark A. Harding (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 17, 2014 and incorporated herein by reference).**
10.24	Farmer Bros. Co. 2007 Omnibus Plan, as amended (as approved by the stockholders at the 2012 Annual Meeting of Stockholders on December 6, 2012) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 12, 2012 and incorporated herein by reference).**
10.25	Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (as approved by the stockholders at the 2013 Annual Meeting of Stockholders on December 5, 2013) (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 11, 2013 and incorporated herein by reference).**

10.26	Addendum to Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (filed as Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 9, 2015 and incorporated herein by reference).**
10.27	Form of Farmer Bros. Co. 2007 Omnibus Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).**
10.28	Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 18, 2013 and incorporated herein by reference).**
10.29	Form of Farmer Bros. Co. 2007 Omnibus Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).**
10.30	Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on December 18, 2013 and incorporated herein by reference).**
10.31	Stock Ownership Guidelines for Directors and Executive Officers (filed as Exhibit 10.32 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 10, 2014 and incorporated herein by reference).**
10.32	Form of Target Award Notification Letter (Fiscal 2015) under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 17, 2014 and incorporated herein by reference).**
10.33	Form of Change in Control Severance Agreement for Executive Officers of the Company (with schedule of executive officers attached) (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on September 29, 2015 and incorporated herein by reference).**
10.34	Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on December 5, 2013 (with schedule of indemnitees attached) (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 29, 2015 and incorporated herein by reference).**
10.35	Lease Agreement, dated as of July 17, 2015, by and between Farmer Bros. Co. as Tenant, and WF-FB NLTX, LLC as Landlord (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2015 and incorporated herein by reference).
10.36	First Amendment to Lease Agreement dated as of December 29, 2015, by and between Farmer Bros. Co. as Tenant, and WF-FB NLTX, LLC as Landlord (filed herewith).
10.37	Amendment No. 2 to Lease Agreement dated as of March 10, 2016, by and between Farmer Bros. Co. as Tenant, and WF-FB NLTX, LLC as Landlord (filed herewith).
10.38	Development Management Agreement dated as of July 17, 2015, by and between Farmer Bros. Co., as Tenant and Stream Realty Partners-DFW, L.P., as Developer (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2015 and incorporated herein by reference).
10.39	First Amendment to Development Management Agreement dated as of January 1, 2016, by and between Farmer Bros. Co., as Tenant and Stream Realty Partners-DFW, L.P., as Developer (filed herewith).
10.40	Second Amendment to Development Management Agreement dated as of March 25, 2016, by and between Farmer Bros. Co., as Tenant and Stream Realty Partners-DFW, L.P., as Developer (filed herewith).
10.41	Agreement of Purchase and Sale and Joint Escrow Instructions, dated as of April 11, 2016, by and between Farmer Bros. Co. as Seller, and Bridge Acquisition, LLC as Buyer (filed herewith).

31.1	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Principal Financial and Accounting Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Principal Financial and Accounting Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016, formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements (furnished herewith).

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* Pursuant to Item 601(b)(2) of Regulation S-K, the schedules and/or exhibits to this agreement have been omitted. The Registrant undertakes to supplementally furnish copies of the omitted schedules and/or exhibits to the Securities and Exchange Commission upon request.

** Management contract or compensatory plan or arrangement.

Exhibit 3.2

AMENDED AND RESTATED BY-LAWS

OF

FARMER BROS. CO.

a Delaware Corporation

(Adopted as of April 19, 2011)

TABLE OF CONTENTS

BY-LAWS

OF

FARMER BROS. CO.

a Delaware Corporation

(hereinafter called the "Corporation")

ARTICLE I

OFFICES

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

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

ARTICLE II

MEETINGS OF STOCKHOLDERS

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

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

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

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

To be timely, a stockholder’s notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provided, however, that in the event that the Annual Meeting is called for a date that is not within thirty (30)

days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs.

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

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

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

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

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case

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

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

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

2.5 Special Meetings. Unless otherwise required by law or by the certificate of incorporation of the Corporation, as amended and restated from time to time (the "Certificate of Incorporation"), Special Meetings of Stockholders, for any purpose or

purposes, may be called by either (i) the Chairman of the Board of Directors, if there be one, (ii) the Chief Executive Officer, (iii) the President or (iv) the Board of Directors. At a Special Meeting of Stockholders, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

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

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

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

2.9 Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before any meeting of the stockholders, other than the election of directors, shall be decided by the vote of the holders of a majority of the total number of votes of the Corporation’s capital stock represented and entitled to vote thereat, voting as a single class. Unless otherwise provided in the Certificate of Incorporation, and subject to Section 2.12 of this Article II, each stockholder represented at a meeting of the stockholders shall be entitled to cast one (1) vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy as provided in Section 2.10 of this Article II. The Board of Directors, in its discretion, or the officer of the Corporation

presiding at a meeting of the stockholders, in such officer's discretion, may require that any votes cast at such meeting shall be cast by written ballot.

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

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

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

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

2.11 List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting (i) either at a place within the city where the

meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held or (ii) during ordinary business hours, at the principal place of business of the Corporation. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

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

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

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

2.15 Inspectors of Election. In advance of any meeting of the stockholders, the Board of Directors, by resolution, the Chairman of the Board of

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

ARTICLE III

DIRECTORS

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

3.2 Vacancies. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of

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

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

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

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

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

3.7 Quorum. Except as otherwise required by law or the Certificate of Incorporation, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the

act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

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

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

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

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

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

ARTICLE IV

OFFICERS

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

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

Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors or by a committee of the Board of Directors.

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

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

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

4.6 President. If the President is designated by the Board of Directors as the Chief Operating Officer of the Corporation, he shall be the chief administrative officer of the Corporation and shall, subject to the control of the Board of Directors and the direction of the Chief Executive Officer, conduct the day-to-day activities of the

Corporation. The Chief Operating Officer also shall have such other powers and perform such other duties as may from time to time be assigned to him by the Chief Executive Officer. In the absence of the Chief Executive Officer, the Chief Operating Officer shall have the powers and perform the duties of the Chief Executive Officer. Unless otherwise provided by resolution of the Board of Directors, the Chief Operating Officer shall have the power to bind the Corporation to obligations.

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

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

4.9 Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and

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

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

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

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

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

ARTICLE V

STOCK

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

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

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

Corporation on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate.

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

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

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

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

ARTICLE VI

NOTICES

6.1 Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a

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

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

ARTICLE VII

GENERAL PROVISIONS

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

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

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

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

ARTICLE VIII

INDEMNIFICATION

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

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

application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

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

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

8.5 Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 8.3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to the Court of Chancery of the State of Delaware or any other court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise

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

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

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

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

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

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

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

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

ARTICLE IX

AMENDMENTS

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

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

Adopted as of: April 19, 2011

Exhibit 10.8

FARMER BROS. CO.
AMENDED AND RESTATED
EMPLOYEE STOCK OWNERSHIP PLAN

Effective January 1, 2000

as Amended by Amendment No. 1
(Effective as of January 1, 2002)

as Amended by Amendment No. 2
(Effective as of January 1, 2003)

as Amended by Amendment No. 3
(Effective as of December 17, 2003)

Restated with Conforming Amendments and
Approved and Adopted as So Restated with Conforming Amendments,
By the Board of Directors On December 9, 2004
(Effective as of January 1, 2004)

Amended and Restated
By the Board of Directors on December 9, 2010
(Effective as of January 1, 2010)

FARMER BROS. CO.
AMENDED AND RESTATED
EMPLOYEE STOCK OWNERSHIP PLAN

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FARMER BROS. CO.
EMPLOYEE STOCK OWNERSHIP PLAN

Article 1. DEFINITIONS

1.01 *"Account"* means the Account established for a Member pursuant to Section 9.03 into which shall be credited the contributions made on a Member's behalf, Company Stock released from the Suspense Account for the Member, and earnings on those contributions and that Company Stock.

1.02 *"Affiliate"* means any company which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which also includes as a member the Company; any trade or business under common control (as defined in Section 414(c) of the Code) with the Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Section 414(o) of the Code. Notwithstanding the foregoing, for purposes of Sections 1.27 and 3.03, the definitions in Sections 414(b) and (c) of the Code shall be modified by substituting the phrase "more than 50 percent" for the phrase "at least 80 percent" each place it appears in Section 1563(a)(1) of the Code.

1.03 *"Annual Dollar Limit"* means $150,000, as adjusted from time to time for cost of living in accordance with Section 401(a)(17)(B) of the Code. The Annual Dollar Limit for Plan Years beginning after December 31, 2001, shall not exceed $200,000,

as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code.

1.04 *"Beneficiary"* means any person, persons or entity designated by a Member to receive any benefits payable in the event of the Member's death. However, a married Member's spouse shall be the Member's Beneficiary unless or until he or she elects another Beneficiary with Spousal Consent. If no Beneficiary designation is in effect at the Member's death, or if no person, persons or entity so designated survives the Member, the Member's surviving spouse, if any, shall be deemed to be the Beneficiary; otherwise the Beneficiary shall be the personal representative of the estate of the Member.

1.05 *"Board of Directors"* means the Board of Directors of the Company or any authorized committee thereof.

1.06 *"Break in Service"* means an event affecting forfeitures, which shall occur when an Employee is credited with less than 500 Hours of Service in any Plan Year. However, if an Employee is absent from work immediately following his or her active employment, irrespective of whether the Employee's employment is terminated, because of the Employee's pregnancy, the birth of the Employee's child, the placement of a child with the Employee in connection with the adoption of that child by the Employee or for purposes of caring for that child for a period beginning immediately following that birth or placement, a Break in Service shall occur only if the Member does not return to work within one (1) year of the date he or she began his or her leave from active employment for the above-stated reasons. A Break in

Service shall not occur during an approved leave of absence or during a period of qualified military service that is included in the Employee's Vesting Service pursuant to Section 1.32.

1.07 *"Code"* means the Internal Revenue Code of 1986, as amended from time to time.

1.08 *"Committee"* means the persons named by the Board of Directors to administer and supervise the Plan as provided in Article 9.

1.09 *"Company"* means Farmer Bros. Co.

1.10 *"Company Stock"* means the shares of common stock of the Company or shares of preferred or preference stock of the Company that are convertible into such common stock provided that, in either event, such stock is an "employer security" within the meaning of Section 409(1) of the Code.

1.11 *"Compensation"* means wages as defined under Section 3401(a) of the Code (for purposes of income tax withholding at the source), but determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed. However, notwithstanding the foregoing, for purposes of this Plan, Compensation shall: (a) include any amounts not includible in income as salary deferral reductions pursuant to Section 401(k) of the Code or pursuant to a cafeteria plan as defined in Section 125 of the Code; (b) include any imputed income for automobile allowance or company-paid life insurance for the Member (including amounts for which the Employer or Affiliated Employer is required to furnish a written statement pursuant to Section 6052 of the Code); and (c) not exceed the maximum statutory Annual

Dollar Limit. Notwithstanding the foregoing, Compensation shall not include any amount paid as remuneration after a Member’s Severance Date unless it is regular compensation for services performed during employment (within the meaning of Treas Reg. § 1.415(c)-(2)(e)(3)(ii)), or payment for unused accrued vacation or sick leave (within the meaning of Treas. Reg. § 1.415(c)-2(c)(3)(iii)(A)), and is paid by the later of 2-1/2 months after severance of employment or the end of the Plan Year in which such severance from employment occurred.

1.12 *"Disability"* means total and permanent physical or mental disability, as determined under the Company's long-term disability program as in effect from time to time.

1.13 *"Effective Date"* means January 1, 2000.

1.14 *"Eligible Employee"* means an Employee regularly employed by an Employer who receives stated compensation other than a pension, severance pay, retainer, or fee under contract; however, the term "Eligible Employee" excludes (a) any person who is included in a unit of Employees covered by a collective bargaining agreement which does not provide for his or her membership in the Plan, and (b) any non-resident alien with no US-source income. In addition, any person classified as an independent contractor or consultant by the Employer shall, during such period, be excluded from the definition of Eligible Employee, regardless of such person's reclassification for such period by the Internal Revenue Service for tax withholding purposes.

1.15 *"Employee"* means any individual who is employed by the Employer or an Affiliate as a common law employee of the Employer or Affiliate, regardless of whether the individual is an "Eligible Employee," and any Leased Employee.

1.16 *"Employer"* means the Company or any successor by merger, purchase or otherwise, with respect to its Employees; or any other company participating in the Plan as provided in Section 12.03, with respect to its Employees.

1.17 *"Employer Contributions"* means all amounts contributed pursuant to Section 3.01 of the Plan.

1.18 *"ERISA"* means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.19 *"Financed Shares"* means shares of Company Stock, whether allocated or unallocated, which have been purchased by means of an Exempt Loan.

1.20 *"Hour of Service"* means, with respect to any applicable computation period,

(a) each hour for which the Employee is paid or entitled to payment for the performance of duties for the Employer or an Affiliate; and

(b) each hour for which the Employee is paid or entitled to payment by the Employer or an Affiliate on account of a period during which no duties are performed, whether or not the employment relationship has terminated, due to vacation, holiday, illness, incapacity (including Disability), layoff, jury duty, military duty or leave of absence, but not more than 501 hours for any single continuous period; and each

hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer or an Affiliate, excluding any hour credited under (a) or (b), which shall be credited to the computation period or periods to which the award, agreement or payment pertains rather than to the computation period in which the award, agreement or payment is made.

No hours shall be credited on account of any period during which the Employee performs no duties and receives payment solely for the purpose of complying with unemployment compensation, workers' compensation or disability insurance laws. The Hours of Service credited shall be determined as required by Title 29 of the Code of Federal Regulations, Sections 2530.200b-2(b) and (c). Notwithstanding the forgoing, solely to the extent required by law, an Employee who is absent from employment because of an authorized leave of absence under the Family and Medical Leave Act of 1993 shall receive credit for Hours of Service during such absence.

1.21 *"Leased Employee"* means any person performing services for the Employer or an Affiliate as a leased employee as defined in Section 414(n) of the Code. In the case of any person who is a Leased Employee before or after a period of service as an Eligible Employee, the entire period during which he or she has performed services as a Leased Employee shall be counted as service as an Eligible Employee for all purposes of the Plan, except that he or she shall not, by reason of that status, become a Member of the Plan.

1.22 *"Member"* means any person included in the membership of the Plan as provided in Article 2.

1.23 *"Plan"* means the Farmer Bros. Co. Employee Stock Ownership Plan, as set forth in this document or as amended from time to time.

1.24 *"Plan Year"* means the 12-month period beginning on any January 1.

1.25 *"Retirement"* means termination of employment from an Employer and all Affiliates after the earlier of (a) attainment of age 65 or (b) attainment of age 55 and completion of ten (10) years of Vesting Service or (c) the earliest retirement date available to a Member under any defined benefit plan of the Employer or an Affiliate in which the Member is a participant.

1.26 *"Severance Date"* means the earlier of (a) the date an Employee quits, retires, is discharged or dies, or (b) the last day of an authorized leave of absence, or if later, the first anniversary of the date on which an Employee is first absent from service, with or without pay, for any reason such as vacation, sickness, Disability, layoff or leave of absence.

1.27 *"Suspense Account"* means the account comprised of unallocated shares of Company Stock maintained in accordance with Section 5.03.

1.28 *"Spousal Consent"* means the written consent of a Member's spouse to the Member's designation of a specified Beneficiary. The spouse's consent shall be witnessed by a Plan representative or notary public. The consent of the spouse shall also acknowledge the effect on him or her of the Member's election. The requirement for Spousal Consent may be waived by the Committee if it believes there is no spouse, that the spouse cannot be located, that a legal separation has occurred, or because of such other circumstances as may be established by applicable law.

1.29 *"Trust"* or *"Trust Fund"* means the fund established by the Board of Directors as part of the Plan into which contributions are to be made and from which benefits are to be paid in accordance with the terms of the Plan.

1.30 *"Trustee"* means the trustee or trustees holding the funds of the Plan as provided in Article 10.

1.31 *"Valuation Date"* means, for so long as there is a generally recognized market for Company Stock, each business day. If at any time there shall be no generally recognized market for Company Stock, then "Valuation Date" shall mean the last day of the Plan Year and such other date as of which the Committee shall determine the investment experience of the Trust Fund and adjust the Member's Accounts accordingly.

1.32 *"Vesting Service"* means the summation of the Years of Service an Employee has been credited since the Employee's hire date.

Notwithstanding the foregoing, the following apply for purposes of crediting vesting within this section:

(a) Vesting Service with respect to qualified military service will be provided in accordance with Code Section 414(u). The period of qualified military service shall be treated as Hours of Service for determination of Years of Service for vesting purposes;

(b) If an Employee's employment terminates after he or she has vested in his or her Account pursuant to Section 6.01 and he or she is reemployed, his or her Vesting Service after reemployment shall be aggregated with his or her previous period or periods of Vesting Service; and

(c) If an Employee’s employment terminates before he or she has vested in his or her Account pursuant to Section 6.01 and he or she is reemployed after he or she has incurred a Break in Service, his or her Vesting Service after reemployment shall be aggregated with his or her previous period or periods of Vesting Service (other than Vesting Service not required to be aggregated pursuant to this paragraph (c) by reason of a prior termination of employment) if the date of such reemployment is prior to the date as of which such Employee had incurred five (5) consecutive Breaks in Service.

1.33 *"Year of Service"*. An Employee shall earn one (1) Year of Service for each Plan Year during which he/she is credited with at least one thousand (1,000) Hours of Service.

ARTICLE 2. MEMBERSHIP

2.01 *Membership*

Each Eligible Employee shall become a Member on the Plan's Effective Date as long as he or she is at least age eighteen (18). Each Eligible Employee who is at least eighteen (18) on his or her hire date shall become a Member on his or her hire date. Each other Eligible Employee shall become a Member on the first day of the Plan Year coinciding with or immediately following the date he or she has attained his or her 18th birthday.

2.02 *Reemployment of Former Eligible Employees and Former Members*

Any person reemployed by the Employer as an Eligible Employee, who was previously a Member or who was previously eligible to become a Member, shall become a Member immediately upon reemployment. Any person reemployed by the Employer as an Eligible Employee, who was not previously eligible to become a Member, shall become a Member upon completing the eligibility requirements described in Section 2.01.

2.03 *Transferred Members*

Notwithstanding any provision of the Plan to the contrary, a Member who remains in the employ of the Employer or an Affiliate but ceases to be an Eligible

Employee shall continue to be a Member of the Plan but shall only be eligible to receive allocations of Employer Contributions with respect to Compensation.

2.04 *Termination of Membership*

A Member's membership shall terminate on his or her Severance Date unless he or she is entitled to benefits under the Plan, in which event his or her membership shall terminate when those benefits are distributed to him or her in full.

ARTICLE 3. CONTRIBUTI0NS

3.01 *Employer Contributions*

(a) The Employer may make Employer Contributions to the Plan on account of any Plan Year, in Company Stock or cash, in the manner and amount to be determined by the Board of Directors. Employer Contributions shall be made on behalf of each Member who (i) is an Eligible Employee on the last day of the Plan Year and who completed at least 1,000 Hours of Service during such Plan Year; or (ii) is an Eligible Employee who terminated employment during such Plan Year by reason of death, Disability, or Retirement. At the time of determining an Employer Contribution for a Plan Year, the Board of Directors may specify a target percentage of Compensation with respect to allocations for such Plan Year. In no event, however, shall the Employer Contributions for any Plan Year exceed the maximum amount deductible from the Employer's income for that Plan Year under Section 404(a)(3)(A) of the Code or any statute of similar

import. The Employer Contributions shall be paid to the Trust Fund no later than the time (including extensions) prescribed by law for the filing of the Employer's federal income tax return for the year for which the contributions are made;

(b) Except as provided in Section 5.04, shares of Company Stock released from the Suspense Account for that Plan Year and any Employer Contributions for that Plan Year not used to repay an Exempt Loan shall be allocated as of the last Valuation Date (or such earlier Valuation Date as the Committee shall determine) in the Plan Year to the Accounts of Members on behalf of whom contributions were made for that Plan Year pursuant to paragraph (a), in the ratio that the Compensation of each such Member bears to the total Compensation of all such Members for the Plan Year, subject to the limitations described in Section 3.03. In no event shall more than one-third of the Employer Contributions to the Plan be allocated to Members who are highly compensated employees as defined in Section 414(q) of the Code; and

(c) Notwithstanding paragraphs (a) and (b) above, each Employer may make an additional Employer Contribution to the Plan, in Company Stock or cash, at a time and in an amount determined by the Board of Directors. Such contribution, or shares of Company Stock released from the Suspense Account by reason of the use of such contribution

to repay an Exempt Loan, shall be allocated to the Accounts of Members who were entitled to an allocation under paragraph (b) for the preceding Plan Year and who terminated employment during the period beginning with the first day of the Plan Year in which such additional contribution is made and ending on a date specified by the Board of Directors at the time of determining the additional contribution, and to such Members who have not terminated service, in an amount which, when added to the initial allocation for the preceding Plan Year, results in a total allocation for such Plan Year equal to the target percentage of each such Member's Compensation for the preceding Plan Year which had been specified by the Board of Directors when determining the Employer Contribution under paragraph (a). Any allocation of an additional contribution made pursuant to this paragraph (c) shall be made as of the last Valuation Date in the Plan Year preceding the Plan Year in which such contribution is made unless otherwise specified by the Board of Directors, shall be subject to the limitation of Section 3.03, and shall comply with the last sentence of paragraph (b).

3.02 *Member Contributions*

No Member shall be required or permitted to make any contributions under this Plan.

3.03 *Maximum Annual Additions*

(a) The annual addition to a Member's Account for any Plan Year, which shall be considered the "limitation year" for purposes of Section 415 of the Code, when added to the Member's annual addition for that Plan Year under any other qualified defined contribution plan of the Employer or an Affiliate, shall not exceed an amount which is equal to the lesser of (i) 25 percent of his or her aggregate remuneration for that Plan Year or (ii) $30,000, as adjusted pursuant to Section 415(d) of the Code. Notwithstanding the foregoing, for limitation years beginning on or after January 1, 2002, the annual additions that may be contributed or allocated to a Member's Account under the Plan shall not exceed the lesser of:

(i) Forty Thousand Dollars ($40,000), as adjusted for increases in the cost of living under Section 415(d) of the Code, or

(ii) One Hundred Percent (100%) of the Member's aggregate remuneration for that Plan Year.

The compensation limit referred to in (ii) above shall not apply to any contribution for medical benefits after separation from service (within the meaning of 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an annual addition;

(b) For purposes of this Section, the "annual addition" to a Member's Account under this Plan or any other qualified defined contribution plan (including a deemed qualified defined contribution plan under

a qualified defined benefit plan) maintained by the Employer or an Affiliate shall be the sum of:

(i) the total contributions made on the Member's behalf by the Employer and all Affiliates;

(ii) all Member contributions, exclusive of any rollover contributions;

(iii) forfeitures;

(iv) amounts described in Sections 415(l)(1) and 419A(d)(2) allocated to the Member; and

(v) Employer Contributions to the Plan which are deductible under Section 404(a)(9)(B) of the Code and charged against a Member’s Account.

The reinvestment of dividends on Company Stock pursuant to Code Section 404(k)(2)(A)(iii)(II) does not give rise to an annual addition.

Annual additions shall not include the allocation of the excess amounts remaining in the Suspense Account subsequent to a sale of Company Stock from such account. Annual additions shall not include a restorative payment in accordance with Treas. Reg. § 1.415(c)-1(b)(2)(C) that is made to restore losses to the Plan resulting from actions by a fiduciary for which there is a reasonable risk of liability for breach of fiduciary duty under ERISA or other applicable federal and state law.

Notwithstanding the foregoing, if no more than one-third of Employer Contributions to the Plan for a year which are deductible under Section 404(a)(9) of the Code are allocated to Highly Compensated Employees (within the meaning of Section 414(q) of the Code), the limitations imposed herein shall not apply to:

Forfeitures of Employer securities (within the meaning of Section 409 of the Code) under the Plan if such securities were acquire with the proceeds of an Exempt Loan; or

(c) For purposes of this Section, the term "remuneration" with respect to any Member shall mean the wages, salaries and other amounts paid in respect of such Member by the Employer or an Affiliate for personal services actually rendered to the extent includible in gross income, plus amounts contributed by the Employer pursuant to a salary reduction agreement which are not includible in the gross income of the Employee under Section 125 (including any “deemed” Code Section 125 compensation, as defined in Treas. Reg. § 1.415(c)-2(g)(6)), 402(g) or 457 of the Code, but shall exclude deferred compensation, stock options and other amounts that receive special tax benefits under the Code that are listed in Treas. Reg. §1.415(c)-2(c). In the event Company Stock, is released from a Member’s Suspense Account and allocated to the Member’s Account for a Plan Year, the Committee may determine for such year that the annual

addition shall be calculated on the basis of the fair market value of the Company Stock so released and allocated on the Valuation Date coincident with the release date, if the annual addition, as so calculated is lower than the annual addition calculated on the basis of Employer Contributions. Notwithstanding the foregoing, any amount paid after severance from employment shall not be treated as Compensation unless it is regular compensation for services performed during employment (within the meaning of Treas Reg. § 1.415(c)-(2)(e)(3)(ii)), or payment for unused accrued vacation or sick leave (within the meaning of Treas. Reg. § 1.415(c)-2(c)(3)(iii)(A)), and is paid by the later of 2-1/2 months after severance of employment or the end of the Plan Year in which such severance from employment occurred;

(d) In the event that the Committee determines that the allocation of a contribution would cause the restriction imposed by paragraph (a) to be exceeded, allocations shall be reduced in the following order, but only to the extent necessary to satisfy such restrictions:

(i) first, the annual additions under any other qualified defined contribution plan maintained by an Employer or an Affiliate; and

(ii) second, the annual additions under this Plan.

(e) If the annual addition to a Member's Account for any Plan Year, prior to the application of the limitation set forth in paragraph (a) above, exceeds that limitation due to a reasonable error in estimating a Member's annual compensation or in determining the amount of Employer Contributions that may be made with respect to a Member under Section 415 of the Code, or as the result of the allocation of forfeitures, the amount of contributions credited to the Member's Account in that Plan Year shall be adjusted to the extent necessary to satisfy that limitation in accordance with the following order of priority:

(i) first, the annual additions under any other qualified defined contribution plan maintained by an Employer or an Affiliate; and

(ii) second, the annual additions under this Plan.

If it becomes necessary to make an adjustment in annual additions to a Member's Account under this Plan, either because of the limitations as applied to this Plan alone or as applied to this Plan in combination with another plan, the excess annual addition under this Plan with respect to the affected Member shall be reallocated proportionately in the same manner as Employer Contributions are allocated to the Accounts of other Members until the annual addition to the Account of each Member reaches the limits of Section 415 of the Code. If such limits are reached and there are

remaining excess Employer Contributions, such contributions shall be placed in an unallocated suspense account and allocated in subsequent years before any Employer Contributions are made.

If the total annual additions on behalf of a Member for a limitation year exceed the limitations described herein, then the excess amounts may be corrected in accordance with the Internal Revenue Service Employee Plans Compliance Resolution System as set forth in Revenue Procedures 2006-27 and 2008-50 or any superseding guidance, or in accordance with the preamble to the final Code Section 415 regulations as published in the Federal Register on April 5, 2007. The provisions of Section 415 of the Code and the Regulations promulgated thereunder are hereby incorporated by reference to the extent not provided above.

3.04 *Return of Contributions*

(a) If all or part of the Employer's deductions for contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the contributions to which that disallowance applies shall be returned to the Employer without interest but reduced by any investment loss attributable to those contributions, provided that the contribution is returned within one year after the disallowance of deduction. For this purpose, all contributions made by the Employer are expressly declared to be conditioned upon their deductibility under Section 404 of the Code; and

(b) The Employer may recover without interest the amount of its contributions to the Plan made on account of a mistake of fact, reduced by any investment loss attributable to those contributions, if recovery is made within one year after the date of those contributions.

ARTICLE 4. VALUATION OF THE ACCOUNTS

4.01 *Investment of the Trust Fund*

(a) Except to the extent used to repay an Exempt Loan, Employer Contributions to the Plan shall be invested in shares of Company Stock. Consistent with the Plan's status as an employee stock ownership plan under Section 4975(e)(7) of the Code, the Trustee may keep such amounts of cash, securities or other property as it, in its sole discretion, shall deem necessary or advisable as part of the Trust Fund, all within the limitations specified in the trust agreement; and

(b) Dividends, interest, and other distributions received on the assets held by the Trustee in respect to the Trust Fund shall be reinvested in the Trust Fund, except as otherwise may be provided in Article 5 with respect to dividends on Company Stock.

4.02 *Valuation of the Trust Fund*

The Trustee shall value the Trust Fund at least annually as of the last day of the Plan Year. On each such annual Valuation Date there shall be allocated to the Account of each Member his or her proportionate share of the increase or

decrease in the fair market value of his or her Account in the Trust Fund. Whenever an event (other than the occurrence of the last day of the Plan Year) requires a determination of the value of the Member's Account, the value shall be computed as of the Valuation Date coincident with the date of determination, subject to the provisions of Section 4.03.

4.03 *Right to Change Procedures*

The Committee reserves the right to change from time to time the procedures used in valuing the Account or crediting (or debiting) the Account if it determines, after due deliberation and upon the advice of counsel and/or the current record keeper, that such an action is justified in that it results in a more accurate reflection of the fair market value of assets. In the event of a conflict between the provisions of this Article and such new administrative procedures, those new administrative procedures shall prevail.

4.04 *Statement of Account*

At least once a year, each Member shall be furnished with a statement setting forth the value of his or her Account and the vested portion of his or her Account.

4.05 *Plan Expenses*

To the extent the Company does not choose to pay for them, all routine Plan administrative expenses for such services as Account recordkeeping, required audits and governmental filings shall be paid by the Plan.

ARTICLE 5. ACQUISITION OF COMPANY STOCK WITH PROCEEDS OF AN EXEMPT LOAN

5.01 *Purchase of Company Stock*

(f) The Plan is an employee stock ownership plan (an "ESOP"), which is designed to invest primarily in qualified employer securities, including the acquisition of Company Stock with the proceeds of an Exempt Loan; and

(g) Company Stock acquired by the Trustee hereunder may be purchased on an established securities market, from the Company or from any other person or entity. However, Company Stock acquired from a "disqualified person," as defined in Section 4975(e)(2) of the Code, may not be purchased at a price in excess of "adequate consideration," as defined in Section 3(18) of ERISA.

5.02 *Exempt Loan*

An Exempt Loan shall be used primarily for the benefit of Members and their Beneficiaries, shall be for a specific term, shall bear a reasonable rate of interest, and shall not be payable on demand, except in the event of default. In the event of default, the value of Plan assets transferred in satisfaction of the Exempt Loan shall not exceed the amount of default. An Exempt Loan may be secured by a collateral pledge of the Company Stock acquired with the proceeds of such loan, contributions (other than contributions of Company Stock) that are made under the ESOP to meet its obligations under the Exempt Loan and earnings attributable to such collateral and the investment of such contributions, but no other assets of the Trust may be pledged as collateral for the Exempt Loan and no lender shall

have recourse against any assets of the Trust, except to the extent permitted under Reg. §54.4975-7(b)(5). Any pledge of Company Stock shall provide for the release of shares so pledged on a pro rata basis as principal and interest on the Exempt Loan are repaid by the Trustee; provided however, that an alternative method of releasing such stock from encumbrance may be utilized if permitted by applicable regulations under Section 4975 of the Code and the Committee adopts such method. Such stock shall be allocated as provided in Section 3.01(b).

5.03 *Suspense Account; Dividends on Unallocated Stock*

(a) Company Stock acquired with the proceeds of an Exempt Loan shall be held in the Suspense Account and shall be allocated to the Members' Accounts based on the release of Company Stock from the Suspense Account. During the term of the Exempt Loan, a number of shares of Company Stock shall be released per Plan Year equal to the number of shares in the Suspense Account multiplied by a fraction, the numerator of which shall be the amount of principal and interest paid by the Trustee on the Exempt Loan for the Plan Year, and the denominator of which shall be the sum of the numerator and the aggregate principal and interest to be paid by the Trustee on the Exempt Loan for all future Plan Years; provided, however, that an alternative method of releasing such stock from encumbrance may be utilized if permitted by applicable regulations under Section 4975 of the Code and the Committee adopts such method. For this purpose,

the number of future years under the Exempt Loan must be definitely ascertainable and must be determined without taking into account any possible extensions or renewal periods. If the interest rate under the Exempt Loan is variable, the interest to be paid in future years shall be computed by using the interest rate applicable as of the end of the calendar year. Shares may also be released from the Suspense Account more frequently than annually, provided in such event that the total number of shares of Company Stock released during a Plan Year shall not be less than the number of shares that would have been released from the Suspense Account during such Plan Year if such release had occurred on an annual basis; and

(b) Any cash dividends received by the Trustee on shares of Company Stock held in the Suspense Account shall be applied to the payment of any outstanding obligations of the Trust under any Exempt Loan (and shall be invested in an interest bearing or other fixed income investment pending such payment) unless, in the sole discretion of the Committee, the Trustee is directed to use such dividends to buy additional shares of Company Stock. Any shares of Company Stock released from the Suspense Account due to application of such dividends to the repayment of an Exempt Loan or purchased using such dividends shall be allocated to Members' Accounts on the basis set forth in Section 3.01(b).

5.04 *Dividends on Allocated Shares*

Unless, in the sole discretion of the Committee, the Trustee is directed that dividends that are payable with respect to Company Stock that is allocated to a Member's Account may be (a) accumulated in the Member's Account and used to buy additional Company Stock, (b) paid directly to the Member in cash (to the extent such direct payment may be effectuated), or (c) paid to the Trust and distributed by the Trustee in cash to the Member not later than 90 days after the close of the Plan Year in which paid to the Trust, then such dividends shall be applied to the payment of outstanding obligations of the Trust under any Exempt Loan; provided however, that this provision shall only be effective if Company Stock with a fair market value not less than the amount of dividends so applied is allocated to the Member's Account for the Plan Year in which the dividends were paid to the Trust. The excess, if any, of the fair market value of Company Stock released from the Suspense Account by reason of the application of dividends described in this Section 5.04 over the fair market value of Company Stock allocated to a Member's Account pursuant to the proviso in the immediately preceding sentence shall be allocated among Members' Accounts on the basis set forth in Section 3.01(b).

ARTICLE 6. VESTED PORTION OF ACCOUNTS

6.01 *Vesting Schedule*

(c) A Member shall be vested in, and have a nonforfeitable right to, his or her Account upon completion of five (5) years of Vesting Service; and

(d) Notwithstanding the foregoing, a Member shall be 100 percent vested in, and have a nonforfeitable right to, his or her Account upon death, Disability, or the later of the attainment of his or her 55th birthday or the tenth anniversary of the date he or she becomes a Member.

6.02 *Disposition of Forfeitures*

Upon termination of employment of a Member who was not vested in his or her Account, his or her Account shall be forfeited. The Member shall be deemed to have received a distribution of the zero, vested benefit upon his or her termination of employment. If the former Member is reemployed by the Employer or an Affiliate before incurring a period of Break in Service of five years, his or her Account shall be restored. The Committee shall direct the Trustee to apply any amounts forfeited pursuant to this Section to (a) restore amounts previously forfeited by the Member but required to be reinstated upon resumption of employment, (b) reduce Employer contributions, or (c) reallocate to Members in the same manner as contributions under Section 3.01(b). If forfeitures arising during any Plan Year are insufficient to restore forfeited amounts to the Accounts of Members pursuant to this Section 6.02, the Employer shall contribute the balance required for that purpose.

ARTICLE 7. DISTRIBUTION AND TRANSFERS OF ACCOUNT

7.01 *Eligibility*

(c) Upon a Member's termination of employment, the vested portion of his or her Account, as determined under Article 6, shall be distributed as provided in this Article; and

(d) An eligible Member may, in accordance with Section 7.04, request a transfer or distribution, whichever is applicable, from his or her Account, whether or not he or she has terminated employment.

7.02 *Time of Distribution*

(a) Except as otherwise provided in this Article, distribution of the vested portion of a Member's Account shall commence as soon as administratively practicable, but not more than one (1) year following the later of (i) the last day of the Plan Year in which a Member incurs a Break in Service or (ii) the Member's 65th birthday (but, unless the Member otherwise elects, in accordance with Section 401(a)(14) of the Code, in no event later than the 60th day following the close of the Plan Year in which the latest of the following occurs: (1) the Member’s 65th birthday; (2) the tenth anniversary of the date on which the Member commenced participation under this Plan; or (3) the Member terminates employment with all Employers);

(b) A Member whose employment is terminated for any reason shall be entitled, upon written request, in accordance with procedures

established by the Committee, to receive distribution of the entire vested interest in the Member's Account in accordance with either this Section 7.02 or Section 7.06. If the value of the vested portion of a Member's Account exceeds $5,000 and he or she does not consent in writing within 60 days (or such other period prescribed by the Committee) of his or her Severance Date to an immediate distribution to be made as soon thereafter as administratively practicable, distribution of the vested interest in the Member's Account shall be made as soon as practicable following the Valuation Date coincident with the earliest of:

(iii) receipt by the Committee at least sixty (60) days (or such other period prescribed by the Committee) prior to such Valuation Date of the Member's written request for payment;

(iv) the Member's attainment of age 65; or

(v) the Member's death.

In the event an allocation of Employer Contributions and/or forfeitures is made to the Member's Account pursuant to Article 3 or Article 6 following the date on which a distribution is made hereunder, distribution of such contributions and/or forfeitures shall be made to the Member or Beneficiary in a single sum as soon as practicable following the date on which such allocation is made;

(c) In the case of the death of a Member before the distribution of his or her Account, the vested portion of his or her Account shall be distributed to the Member's Beneficiary as soon as administratively practicable following the Valuation Date coincident with or next following the Member's date of death; and

(d) The amount of a distribution made pursuant to this Section 7.02 shall be determined as of the applicable Valuation Date.

7.03 *Form and Manner of Distribution*

(a) Distributions shall be paid in a single sum consisting of shares of Company Stock or cash, at the election of the Member or his or her Beneficiary. Unless the Member or Beneficiary elects to receive the distribution in Company Stock, such distribution shall be paid entirely in cash. If the distribution is made in Company Stock, any unpaid dividends which may be due and any balance in the Account representing fractional shares will be paid in cash. If the distribution is to be made in cash, and, if the Committee in its discretion determines that there is insufficient cash in the Plan, or that it is not desirable or appropriate to distribute some or all of such cash from the Plan, the Trustee will, as soon as practicable following its receipt of notice of such distribution, and of

appropriate instructions, from the Committee, sell the shares held in the Member's Account and otherwise held by the Plan to the extent

necessary. Such Member or Beneficiary shall thereafter receive, entirely in cash, such distribution;

(b) Shares of Company Stock distributed to Members pursuant to Section 7.03 (a) that at the time of such distribution are not readily tradable on an established market shall be subject to a put option which shall permit the Member to sell such stock to the Company at any time during two option periods at the fair market value of such shares (as of the most recent Valuation Date). The first period shall be for at least 60 days beginning on the date of distribution. The second period shall be for at least 60 days beginning on the first Valuation Date in the calendar year following the year in which the distribution was made. The Company or the Committee may direct the Trustee to purchase shares tendered to the Company under a put option. Payment for any shares of stock sold under a put option shall be made in a lump sum or in substantially equal annual installments over a period not exceeding five years, with interest payable at a reasonable rate (as determined by the Committee). Except as may be permitted under applicable law or regulations, the rights of a distributee of Company Stock under this Section 7.03(b) shall survive the repayment of any relevant Exempt Loan, the termination of the Plan, and any amendment of the Plan; and

(c) Notwithstanding the preceding and at the discretion of the Committee, any portion of a Member's vested Account which consists of Financed Shares shall not be distributed until any outstanding Exempt Loan has been completely repaid.

7.04 *Diversification of Account*

(a) Each eligible Member (including each former Employee of an Employer) may make an annual election to transfer his or her Account to a plan designated for such purpose by the Committee. The election to effect such transfer shall be granted with respect to a period of six Plan Years ("Election Period") commencing with the Plan Year in which occurs the later of the Member's attainment of age 55 or the Member's completion of ten years of participation in the Plan. For each Plan Year within the Member's Election Period a Member may elect, within 90 days of the close of such Plan Year, to transfer all or a portion of his or her Account which is subject to this Section 7.04 ("Diversification Amount"). The amount in the Account subject to this Section 7.04 shall be the excess of (i) over (ii) as follows:

(i) 25% of the sum of (A) the balance of the Member's Account, determined as of the close of such Plan Year, and (B) the distributions received by and transfers made as result of his or her prior elections (provided that "50%" shall be substituted

for "25%" for his or her final election within the Election Period), minus; and

(ii) the distribution received by and transfers made by the Member pursuant to his or her prior elections.

(b) Notwithstanding Section 7.04(a) above, the Committee may allow Members the following diversification options in lieu of transfer to another plan:

(i) Transfer the Diversification Amount to an individual retirement account (IRA);

(ii) Reallocate, at the discretion of the Member, the Diversification Amount among at least three (3) alternate investment options as chosen by the Committee for this purpose; or

(iii) Distribute the Diversification Amount in a single lump-sum payment directly to the Member.

(c) If a Member elects to receive or have transferred an amount described in paragraph (a) or (b) above, such distribution or transfer shall be made within 90 days after the close of the applicable annual Election Period.

7.05 *Age 70½ Required Distribution*

(a) Notwithstanding any provision of the Plan to the contrary, if a Member is a 5-percent owner (as defined in Section 416(i) of the Code), distribution of the Member's Account shall begin no later than the April 1 following the calendar year in which he or she attains age 70½. No minimum distribution payments will be made to a Member under the provisions of Section 401(a)(9) of the Code if the Member is not a 5-percent owner as defined above. However, if a Member who is not a 5-percent owner (as defined in Section 416(i) of the Code) attains age 70½ prior to January 1, 2000 and remains in service after the April 1 following the calendar year in which he or she attains age 70½, he or she may elect to have the provisions of paragraph (b) apply as if the Member was a 5-percent owner. Such election shall be made in accordance with such administrative procedures as the Committee shall prescribe;

(b) In the event a Member is required to begin receiving payments while in service under the provisions of paragraph (a) above, the Member may elect to receive payments while in service in accordance with option (i) or (ii), as follows:

(i) A Member may receive one lump-sum payment on or before the Member's required beginning date equal to his or her entire Account balance and annual lump-sum payments thereafter of amounts accrued during each calendar year; or

(ii) A Member may receive annual payments of the minimum amount necessary to satisfy the minimum distribution requirements of Section 401(a)(9) of the Code. Such minimum amount will be determined on the basis of the joint life expectancy of the Member and his or her Beneficiary. Such life expectancy will be recalculated once each year; however, the life expectancy of the Beneficiary will not be recalculated if the Beneficiary is not the Member's spouse.

An election under this Section shall be made by a Member by giving written notice to the Committee within the 90-day period prior to his or her required beginning date. The commencement of payments under this Section shall not constitute an annuity starting date for purposes of Sections 72, 401(a)(11) and 417 of the Code. Upon the Member's subsequent termination of employment, payment of the Member's Account shall be made in accordance with the provisions of Section 7.02. In the event a Member fails to make an election under this Section, payment shall be made in accordance with clause (ii) above;

(c) *Distribution Made After December 31, 2000*. With respect to age 70½ required distributions made under the Plan for calendar years beginning on or after January 1, 2001, the Plan will apply the minimum distribution requirements of Section 401(a)(9) of the Code in accordance with the regulations under Section 401(a)(9) that were

proposed on January 7, 2001, notwithstanding any provision of the Plan to the contrary. This amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under Section 401(a)(9) or such other date as may be specified in guidance published by the Internal Revenue Service; and

(d) *Minimum Distribution Requirements For Plan Years Beginning on or after January 1, 2003*

(1) General Rules

(i) *Effective Date*. The provisions of this subsection will apply for purposes of determining required minimum distributions for Plan Years beginning with the 2003 calendar year. Required minimum distributions for Plan Years ending prior to January 1, 2003 shall be determined pursuant to subsection (c) above;

(ii) *Precedence*. The requirements of this Article will take precedence over any inconsistent provisions of the Plan; and

(iii) *Requirements of Treasury Regulations Incorporated*. All distributions required under this Article will be determined and made in accordance with the Treasury regulations under Section 401(a)(9) of the Code.

(2) Time and Manner of Distribution

(i) *Required Commencement Date*. The Member's entire interest will be distributed, or begin to be distributed, to the Member no later than the date stipulated in Subsection 7.05(a) above;

(ii) *Death of Member Before Distributions Begin*. If the Member dies before distributions begin, the Member's entire interest will be distributed, or begin to be distributed, no later than as follows:

(A) If the Member's surviving spouse is the Member's sole Designated Beneficiary, then, except as provided in any other section of the Plan, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Member died, or by December 31 of the calendar year in which the Member would have attained age 70½, if later;

(B) If the Member's surviving spouse is not the Member's sole Designated Beneficiary, then, except as provided in any other section of the Plan, distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Member died;

(C) If there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, the Member's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Member's death; and

(D) If the Member's surviving spouse is the Member's sole Designated Beneficiary and the surviving spouse dies after the Member but before distributions to the surviving spouse begin, this section, other than subsection (A) above, will apply as if the surviving spouse were the Member.

For purposes of this section and Section 7.05(d)(3) below, unless Subsection 7.05(d)(2)(ii)(D) applies, distributions are considered to begin on the Member's Required Commencement Date. If Subsection 7.05(d)(2)(ii)(D) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Subsection 7.05(d)(2)(ii)(A). If distributions under an annuity purchased from an insurance company irrevocably commence to the Member before the Member's Required Commencement Date (or to the Member's surviving spouse before the date distributions are required to begin to the surviving spouse under Subsection 7.05(d)(2)(ii)(A)), the date distributions are considered to begin is the date distributions actually commence.

(iii) *Forms of Distribution*. Unless the Member's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Commencement Date, as of the first Distribution Calendar Year distributions will be made in accordance with Plan Sections 7.05(d)(3) and 7.05(d)(4). If the Member's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations.

(1) Required Minimum Distributions During Member's Lifetime

(i) *Amount of Required Minimum Distribution For Each Distribution Calendar Year*. During the Member's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of:

(A) The quotient obtained by dividing the Member's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Member's age as of the Member's birthday in the Distribution Calendar Year; or

(B) If the Member's sole Designated Beneficiary for the Distribution Calendar Year is the Member's spouse, the quotient obtained by dividing the Member's Account Balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Member's and spouse's attained ages as of the Member's and spouse's birthdays in the Distribution Calendar Year.

(ii) *Lifetime Required Minimum Distributions Continue Through Year of Member's Death*. Required minimum distributions will be determined under this Section 7.05(d)(3) beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Member's date of death.

(2) Required Minimum Distributions After Member's Death.

(i) Death On or After Date Distributions Begin

(A) *Member Survived by Designated Beneficiary*. If the Member dies on or after the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Member's death is the quotient obtained by dividing the Member's

Account Balance by the longer of the remaining Life Expectancy of the Member or the remaining Life Expectancy of the Member's Designated Beneficiary, determined as follows:

(I) The Member's remaining Life Expectancy is calculated using the age of the Member in the year of death, reduced by one for each subsequent year;

(II) If the Member's surviving spouse is the Member's sole Designated Beneficiary, the remaining Life Expectancy of the surviving spouse is calculated for each Distribution Calendar year after the year of the Member's death using the surviving spouse's age as of the spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving spouse's death, the remaining Life Expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year; and

(III) If the Member's surviving spouse is not the Member's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the beneficiary in the year following the year of the Member's death, reduced by one for each subsequent year.

(B) *No Designated Beneficiary*. If the Member dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Member's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Member's death is the quotient obtained by dividing the Member's Account Balance by the Member's remaining Life Expectancy calculated using the age of the Member in the year of death, reduced by one for each subsequent year.

(ii) Death Before Date Distributions Begin.

(A) *Member Survived by Designated Beneficiary*. Except as otherwise provided in the Plan, if the Member dies before the date distributions begin and there is a

Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Member's death is the quotient obtained by dividing the Member's Account Balance by the remaining Life Expectancy of the Member's Designated Beneficiary, determined as provided in Section 7.05(d)(4);

(B) *No Designated Beneficiary*. If the Member dies before the date distributions begin and there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, distribution of the Member's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death; and

(C) *Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin*. If the Member dies before the date distributions begin, the Member's surviving spouse is the Member's sole Designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 7.05(d)(2)(ii)(A), this

Section 7.05(d)(4)(ii) will apply as if the surviving spouse were the Member.

(e) *Definitions* – The following definitions apply to Section 7.05(d) only.

(i) *Designated Beneficiary*. The individual who is designated as the Beneficiary under Plan Section 1.05 and is the Designated Beneficiary under Section 401(a)(9) of the Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations;

(ii) *Distribution Calendar Year*. A calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year that contains the Member's Required Commencement Date. For distributions beginning after the Member's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin under Section 7.05(d)(2)(ii). The required minimum distribution for the Member's first Distribution Calendar Year will be made on or before the Member's Required Commencement Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Member's Required Commencement Date occurs,

will be made on or before December 31 of that Distribution Calendar Year;

(iii) *Life Expectancy*. Life Expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations;

(iv) *Member's Account Balance*. The Account Balance as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account Balance as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The Account Balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the Distribution Calendar Year if distributed or transferred in the valuation calendar year; and

(v) *Required Commencement Date*. The date specified in Section 7.05(a) of the Plan.

7.06 *Small Benefits*

(a) Notwithstanding any provision of the Plan to the contrary, a lump-sum payment shall be made in lieu of all vested benefits if the value

of the vested portion of the Member's Account as of his or her termination of employment amounts to $5,000 or less (prior to March 28, 2005) or $1,000 or less (on or after March 28, 2005). The lump-sum payment shall automatically be made as soon as administratively practicable following the Member's termination of employment but not later than ninety (90) days after the Plan Year end in which he or she incurs a Break in Service.

(b) Any distribution in excess of $1,000 (on or after January 1, 2011) shall be made by transferring the amount to be distributed to an individual retirement plan designated by the Committee in accordance with Section 404(a) of ERISA and the regulations thereunder, unless the Member or Beneficiary entitled to receive the distribution elects (1) to receive the distribution directly, or (2) to have the distribution paid directly to another Eligible Retirement Plan as described in Section 402(c)(8)(B) of the Code.

7.07 *Status of Account Pending Distribution*

Until completely distributed under Section 7.03 or 7.05, the Account of a Member who is entitled to a distribution shall continue to be invested as part of the funds of the Plan.

7.08 *Proof of Death and Right of Beneficiary or Other Person*

The Committee may require and rely upon such proof of death and such evidence of the right of any Beneficiary or other person to receive the value of the Account

of a deceased Member as the Committee may deem proper and its determination of the right of that Beneficiary or other person to receive payment shall be conclusive.

7.09 *Distribution Limitation*

Notwithstanding any other provision of this Article 7, all distributions from this Plan shall conform to the regulations issued under Section 401(a)(9) of the Code, including the incidental death benefit provisions of Section 401(a)(9)(G) of the Code. Further, such regulations shall override any Plan provision that is inconsistent with Section 401(a)(9) of the Code.

7.10 *Direct Rollover of Certain Distributions*

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. The following definitions apply to the terms used in this Section:

(a) "Eligible rollover distribution" means any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the

distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more, any distribution to the extent such distribution is required under Section 401(a)(9) of the Code, and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities);

(b) "Eligible retirement plan" means an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity. Effective January 1, 2002, an eligible retirement plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse

or former spouse who is an alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code;

(c) "Distributee" means an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse; and

(d) "Direct rollover" means a payment by the Plan to the eligible retirement plan specified by the distributee.

7.11 *Waiver of Notice Period*

Except as provided in the following sentence, if the value of the vested portion of a Member's Account exceeds $5,000 ($1,000 on or after March 28, 2005), an election by the Member to receive a distribution prior to age 65 shall not be valid unless the written election is made (i) after the Member has received the notice required under Section 1.411(a)-11(c) of the Treasury regulations and (ii) not less than thirty (30) days and not more than one hundred eighty (180) days before the effective date of the commencement of the distribution as prescribed by said regulations. If such distribution is one to which Sections 401(a)(11) and 417 of the Code do not apply, such distribution may commence less than 30 days after the notice required under Section 1.411(a)-11(c) of the Treasury regulations is given, provided that:

(a) the Committee clearly informs the Member that he or she has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option); and

(b) the Member, after receiving the notice under Sections 411 and 417, affirmatively elects a distribution.

ARTICLE 8. VOTING

8.01 *Voting Company Stock*

(e) Notwithstanding any other provision of this Plan to the contrary, if any, but subject to the provisions of this Article, the Trustee shall have no discretion or authority to vote Company Stock held in the trust by the Trustee on any matter presented for a vote by the stockholders of the Company except in accordance with timely directions received by the Trustee from Members who have Company Stock allocated to their Accounts under the Plan. Each Member who has allocated Company Stock shall, as the named fiduciary for this purpose, direct the Trustee with respect to the vote of the Company Stock allocated to the Member's Account and the Trustee shall follow the directions of those Members who provide timely instructions to the Trustee;

(f) With respect to Company Stock held in the Trust by the Trustee but not allocated to the Accounts of Members, and with respect to Company Stock otherwise allocated to Accounts of Members but for

which no voting directions are timely received by the Trustee, the Trustee shall vote a percentage of such shares in favor of the proposed transaction that is equal to the percentage of allocated Common Stock in Members' Accounts for which voting directions are timely received from Members that are in favor of such transaction, the Trustee shall vote a percentage of such shares against the proposed transaction equal to the percentage of allocated Common Stock in Members' Accounts for which voting directions are timely received from Members that are not in favor of such transaction, and the Trustee shall abstain from voting a percentage of shares for or against the proposed transaction equal to the percentage of allocated Common Stock in Members' Accounts for which abstention voting directions are timely received from the Members;

(g) In the event a court of competent jurisdiction shall issue any order or any opinion to the Plan, the Company or the Trustee, which shall, in the opinion of counsel to the Company or the Trustee, invalidate under ERISA, in all circumstances or in any particular circumstances, any provision or provisions of this Section 8.01 regarding the manner in which Company Stock held in the Trust shall be voted or cause any such provisions or provision to conflict with ERISA, then, upon notice thereof to the Company or the Trustee, as the case may be, such invalid or conflicting provisions of this Section 8.01 shall be

given no further force or effect. In such circumstances the Trustee shall nevertheless have no discretion to vote allocated shares of Company Stock held in the Trust unless required under such order or opinion but shall follow instructions received from Members and not invalidated;

(h) In the event that any option, right, warrant, or similar property derived from or attributable to the ownership of the Company Stock allocated to Members shall be granted, distributed, or otherwise issued which is and shall become exercisable, each Member (or Beneficiary) shall be entitled to direct the Trustee, in writing, to sell, exercise, distribute, or retain any such option, right, warrant, or similar property. The securities acquired by the Trustee upon such exercise shall be held in a special account or accounts. For all Plan purposes, all options, rights, warrants, or similar property described in this paragraph (d) of Section 8.01 hereof shall be treated as income added to the appropriate Accounts of Members (or Beneficiaries). If, within a reasonable period of time after the form soliciting direction from a Member (or Beneficiary), has been sent, no written directions shall have been received by the Trustee from such Member (or Beneficiary), the Trustee shall, in its sole discretion, sell, exercise, or retain and keep unproductive of income such option, right, warrant, or similar property for which no response has been received from

such Member (or Beneficiary) and also for options, rights, warrants, or similar property derived from, or attributable to, the ownership of Company Stock not yet allocated to any Member's (or Beneficiary's) Account; and

(i) The Trustee shall, in accordance with timely directions received by the Trustee from the Committee in its sole discretion, sell, exercise, or retain and keep unproductive of income such option, right, warrant, or similar property attributable to unallocated Company Stock held in the Suspense Account.

8.02 *Shareholder Communication*

Notwithstanding anything to the contrary in this Article 8, the Company shall make any and all communications or distributions required under the Shareholder Communications Act of 1985 and any rules thereunder.

ARTICLE 9. ADMINISTRATION OF PLAN

9.01 *Appointment of Committee*

The general administration of the Plan and the responsibility for carrying out the provisions of the Plan shall be placed in a Committee consisting of not more than five (5) members, all of whom shall be appointed and serve at the pleasure of the Board of Directors. Any person who is appointed a member of the Committee shall signify his or her acceptance by filing written acceptance with the Board of Directors and the secretary of the Committee. Any member of the Committee

may resign by delivering his or her written resignation to the Board of Directors and the secretary of the Committee.

9.02 *Duties of Committee*

The Committee shall elect a chairman from their number and a secretary who may be but need not be one of the members of the Committee; may appoint from their number such subcommittees with such powers as they shall determine; may authorize one or more of their number or any agent to execute or deliver any instrument or make any payment on their behalf; may retain counsel, employ agents and provide for such clerical, accounting, and consulting services as they may require in carrying out the provisions of the Plan; and may allocate among themselves or delegate to other persons all or such portion of their duties under the Plan, other than those granted to the Trustee under the trust agreement adopted for use in implementing the Plan, as they, in their sole discretion, shall decide. The Board of Directors, in its sole and absolute discretion, may delegate any or all of the duties of the Committee to the Trustee as it may determine from time to time, upon the Trustee's acceptance of such duties.

9.03 *Individual Account*

The Committee shall maintain, or cause to be maintained, records showing the individual balances in each Member's Account. However, maintenance of those records and Accounts shall not require any segregation of the funds of the Plan.

9.04 *Meetings*

The Committee shall hold meetings upon such notice, at such place or places, and at such time or times as it may from time to time determine.

9.05 *Action of Majority*

Any act which the Plan authorizes or requires the Committee to do may be done by a majority of its members. The action of that majority expressed from time to time by a vote at a meeting or in writing without a meeting shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all members of the Committee at the time in office.

9.06 *Compensation and Bonding*

No member of the Committee shall receive any compensation from the Plan for his or her services as such. Except as may otherwise be required by law, no bond or other security need be required of any member in that capacity in any jurisdiction.

9.07 *Establishment of Rules*

Subject to the limitations of the Plan, the Committee from time to time shall establish rules for the administration of the Plan and the transaction of its business. The Committee shall have discretionary authority to construe and interpret the Plan (including, but not limited to, determination of an individual's eligibility for Plan participation, the right and amount of any benefit payable under the Plan and the date on which any individual ceases to be a Member). The determination of the Committee as to the interpretation of the Plan or any

disputed question shall be conclusive and final to the extent permitted by applicable law.

9.08 *Prudent Conduct*

The Committee shall use that degree of care, skill, prudence and diligence that a prudent man acting in a like capacity and familiar with such matters would use in his conduct of a similar situation.

9.09 *Service In More Than One Fiduciary Capacity*

Any individual, entity or group of persons may serve in more than one fiduciary capacity with respect to the Plan and/or the funds of the Plan.

9.10 *Limitation of Liability*

The Employer, the Board of Directors, the directors of an Employer, the Committee, and any officer, employee or agent of the Employer shall not incur any liability individually or on behalf of any other individuals or on behalf of the Employer for any act or failure to act, made in good faith in relation to the Plan or the funds of the Plan. However, this limitation shall not act to relieve any such individual or the Employer from a responsibility or liability for any fiduciary responsibility, obligation or duty under Part 4, Title I of ERISA.

9.11 *Indemnification*

The Committee, the Board of Directors, and the officers, employees and agents of the Employer shall be indemnified against any and all liabilities arising by reason of any act, or failure to act, in relation to the Plan or the funds of the Plan,

including, without limitation, expenses reasonably incurred in the defense of any claim relating to the Plan or the funds of the Plan, and amounts paid in any compromise or settlement relating to the Plan or the funds of the Plan, except for actions or failures to act made in bad faith. The foregoing indemnification shall be from the funds of the Plan to the extent of those funds and to the extent permitted under applicable law; otherwise from the assets of the Employer.

9.12 *Named Fiduciary*

For purposes of ERISA, the Committee shall be the named fiduciary of the Plan except or until otherwise determined by the Board of Directors.

9.13 *Claims Procedure*

The claims procedure hereunder shall be as provided herein:

(a) *Claim*. A Member or Beneficiary or other person who believes that he or she is being denied a benefit to which he or she is entitled (hereinafter referred to as "Claimant") may file a written request for such benefit with the Committee setting forth his claim;

(b) *Response to Claim*. The Committee shall respond within ninety (90) days of receipt of the claim. However, upon written notification to the Claimant, the response period may be extended for an additional ninety (90) days for reasonable cause. If the claim is denied in whole or in part, the Claimant shall be provided with a written opinion using nontechnical language setting forth:

(i) The specific reason or reasons for the denial;

(ii) The specific references to pertinent Plan provisions on which the denial is based;

(iii) A description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or such information is necessary;

(iv) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; and

(v) The time limits for requesting a review.

(c) *Request for Review.* Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Committee review the determination. The Claimant or his duly authorized representative may review the pertinent documents and submit issues and comments in writing for consideration by the Committee. If the Claimant does not request a review of the determination within such sixty (60) day period, he shall be barred from challenging the determination; and

(d) *Review and Decision.* The Committee shall review the determination within sixty (60) days after receipt of a Claimant's request for review; provided, however, that for reasonable cause such period may be

extended to no more than one hundred twenty (120) days. After considering all materials presented by the Claimant, the Committee will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent Plan provisions on which the decision is based.

9.14 *Committee's Decision Final*

Subject to applicable law, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Committee made by the Committee in good faith shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known and the Committee shall make such adjustment on account thereof as it considers equitable and practicable.

ARTICLE 10. MANAGEMENT OF FUNDS

10.01 *Trust Agreement*

All the funds of the Plan shall be held by a Trustee appointed from time to time by the Board of Directors under a trust agreement adopted, or as amended, by the Board of Directors for use in providing the benefits of the Plan and paying its expenses not paid directly by the Employer. The Employer shall have no liability for the payment of benefits under the Plan nor for the administration of the funds paid over to the Trustee.

10.02 *Exclusive Benefit Rule*

Except as otherwise provided in the Plan, no part of the corpus or income of the funds of the Plan shall be used for, or diverted to, purposes other than for the exclusive benefit of Members and other persons entitled to benefits under the Plan and paying the expenses of the Plan not paid directly by the Employer. No person shall have any interest in, or right to, any part of the earnings of the funds of the Plan, or any right in, or to, any part of the assets held under the Plan, except as and to the extent expressly provided in the Plan.

ARTICLE 11. GENERAL PROVISIONS

11.01 *Nonalienation*

(f) Except as required by any applicable law or by paragraph (c), no benefit under the Plan shall in any manner be anticipated, assigned or alienated, and any attempt to do so shall be void. However, payment shall be made in accordance with the provisions of any judgment, decree, or order which:

(i) creates for, or assigns to, a spouse, former spouse, child or other dependent of a Member the right to receive all or a portion of the Member's benefits under the Plan for the purpose of providing child support, alimony payments or marital property rights to that spouse, child or dependent;

(ii) is made pursuant to a State domestic relations law;

(iii) does not require the Plan to provide any type of benefit, or any option, not otherwise provided under the Plan; and

(iv) otherwise meets the requirements of Section 206(d) of ERISA, as amended, as a "qualified domestic relations order", as determined by the Committee.

(g) Notwithstanding anything herein to the contrary, if the amount payable to the alternate payee under the qualified domestic relations order is less than $5,000, such amount shall be paid in one lump sum as soon as practicable following the qualification of the order. If the amount exceeds $5,000, it may be paid as soon as practicable following the qualification of the order if the qualified domestic relations order so provides and the alternate payee consents thereto; otherwise it may not be payable before the earlier of (i) the Member's termination of employment or (ii) the Member's attainment of age 50; and

(h) A Member's benefit under the Plan shall be offset or reduced by the amount the Member is required to pay to the Plan under the circumstances set forth in Section 401(a)(13)(C) of the Code.

11.02 *Conditions of Employment Not Affected by Plan*

The establishment of the Plan shall not confer any legal rights upon any Eligible Employee or other person for a continuation of employment, nor shall it interfere with the rights of the Employer to discharge any Eligible Employee and to treat him or her without regard to the effect which that treatment might have upon him or her as a Member or potential Member of the Plan.

11.03 *Facility of Payment*

If the Committee shall find that a Member or other person entitled to a benefit is unable to care for his or her affairs because of illness or accident or because he or she is a minor, the Committee may direct that any benefit due him or her, unless claim shall have been made for the benefit by a duly appointed legal representative, be paid to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides. Any payment so made shall be a complete discharge of the liabilities of the Plan for that benefit.

11.04 *Erroneous Allocation*

Notwithstanding any provision of the Plan to the contrary, if a Member's Account is credited with an erroneous amount due to a mistake in fact or law, the Committee shall adjust such Account in such equitable manner as it deems appropriate to correct the erroneous allocation.

11.05 *Information*

Each Member, Beneficiary or other person entitled to a benefit, before any benefit shall be payable to him or her or on his or her account under the Plan, shall file with the Committee the information that it shall require to establish his or her rights and benefits under the Plan.

11.06 *Top-Heavy Provisions Prior to January 1, 2002*

(a) The following definitions apply to the terms used in this Section:

(i) "applicable determination date" means the last day of the preceding Plan Year;

(ii) "top-heavy ratio" means the ratio of (A) the value of the aggregate of the Accounts under the Plan for key employees to (B) the value of the aggregate of the Accounts under the Plan for all key employees and non-key employees;

(iii) “key employee” means an Employee who is in a category of employees determined in accordance with the provisions of Sections 416(i)(1) and (5) of the Code and any regulations thereunder, and where applicable, on the basis of the Employee's statutory compensation from the Employer or an Affiliate;

(iv) “non-key employee” means any Employee who is not a key employee;

(v) “applicable Valuation Date” means the Valuation Date coincident with or immediately preceding the last day of the preceding Plan Year;

(vi) “required aggregation group” means any other qualified plan(s) of the Employer or an Affiliate in which there are members who are key employees or which enable(s) the Plan to meet the requirements of Section 401(a)(4) or 410 of the Code; and

(vii) “permissive aggregation group” means each plan in the required aggregation group and any other qualified plan(s) of the Employer or an Affiliate in which all members are non-key employees, if the resulting aggregation group continues to meet the requirements of Sections 401(a)(4) and 410 of the Code.

(e) For purposes of this Section, the Plan shall be "top-heavy" with respect to any Plan Year if as of the applicable determination date the top-heavy ratio exceeds 60 percent. The top-heavy ratio shall be determined as of the applicable Valuation Date in accordance with Sections 416(g)(3) and (4) of the Code and Article 5 of this Plan, and shall take into account any contributions made after the applicable Valuation Date but before the last day of the Plan Year in which the applicable Valuation Date occurs. For purposes of determining whether the Plan is top-heavy, the Account balances under the Plan will be combined with the Account balances or the present value of accrued benefits under each other plan in the required aggregation group, and, in the Employer's discretion, may be combined with the account balances or the present value of accrued benefits under any other qualified plan in the permissive aggregation group. Distributions made with respect to a Member under the Plan during the five-year period ending on the applicable determination date shall

be taken into account for purposes of determining the top-heavy ratio; distributions under plans that terminated within such five-year period shall also be taken unto account, if any such plan contained key employees and therefore would have been part of the required aggregation group;

(f) The following provisions shall be applicable to Members for any Plan Year with respect to which the Plan is top-heavy:

(i) In lieu of the vesting requirements specified in Section 6.01, a Member shall be vested in, and have a nonforfeitable right to, his or her Account in accordance with the following schedule:

Years of Vesting Service	*Nonforfeitable Percentage*
less than 2 years	0%
2 years	20
3 years	40
4 years	60
5 or more years	100

provided that in no event shall the vested portion of his or her Account be less than the vested portion determined under Section 6.01; and

(ii) An additional Employer contribution shall be allocated on behalf of each Member (and each Eligible Employee eligible to become a Member) who is a non-key employee, and who

has not separated from service as of the last day of the Plan Year, to the extent that the contributions made on his or her behalf under Section 3.01 for the Plan Year would otherwise be less than 3 percent of his or her remuneration. However, if the greatest percentage of remuneration contributed on behalf of a key employee under Section 3.01 for the Plan Year would be less than 3 percent, that lesser percentage shall be substituted for "3 percent" in the preceding sentence. Notwithstanding the foregoing provisions of this subparagraph (ii), no minimum contribution shall be made under this Plan with respect to a Member (or an Employee eligible to become a Member) if the required minimum benefit under Section 416(c)(1) of the Code is provided to him or her by any other qualified pension plan of the Employer or an Affiliate. For the purposes of this subparagraph (ii), remuneration has the same meaning as set forth in Section 3.03(c).

(g) If the Plan is top-heavy with respect to a Plan Year and ceases to be top-heavy for a subsequent Plan Year, the following provisions shall be applicable:

(vi) If a Member has completed at least three years of Vesting Service on or before the last day of the most recent Plan Year

for which the Plan was top-heavy, the vesting schedule set forth in paragraph (b)(i) shall continue to be applicable; and

(vii) If a Member has completed at least two, but less than three, years of Vesting Service on or before the last day of the most recent Plan Year for which the Plan was top-heavy, the vesting provisions of Section 6.01 shall again be applicable; provided, however, that in no event shall the vested percentage of a Member's Account be less than the percentage determined under paragraph (b)(i) above as of the last day of the most recent Plan Year for which the Plan was top-heavy.

11.07 *Top-Heavy Provisions After December 31, 2001*

(c) *Effective Date*. This Section 11.07 shall apply for purposes of determining whether the Plan is a top-heavy plan under Section 416(g) of the Code for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefits requirements of Section 416(c) of the Code for such years. This section amends the above Section 11.06 of the Plan;

(d) *Determination of Top-Heavy Status*. Key employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual compensation greater than $130,000 (as adjusted under Section 416(i)(1) of the

Code for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having annual compensation of more than $150,000. For this purpose, annual compensation means compensation within the meaning of Section 415(c)(3) of the Code. The determination of who is a key employee will be made in accordance with Section 416(i) of the Code and the applicable regulations and other guidance of general applicability issued thereunder; and

(e) *Determination of Present Values and Amounts*. This Section 11.07(c) shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of Employees as of the determination date.

(iii) *Distributions During Year Ending on the Determination Date*. The present values of accrued benefits and the amounts of Account balances of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Section 416(g)(2) of the Code during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Section 416(g)(2)(A)(i) of the

Code. In the case of a distribution made for a reason other than separation from service, death, or Disability, this provision shall be applied by substituting "5-year period" for "1-year period"; and

(iv) *Employees not performing services during the year ending on the determination date*. The accrued benefits and Accounts of any individual who has not performed services for the Employer during the 1-year period ending on the determination date shall not be taken into account.

(f) *Minimum Benefits*

(viii) *Matching Contributions*. Employer matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Section 416(c)(2) of the Code and the Plan. The preceding sentence shall apply with respect to matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Section 401(m) of the Code; and

(ix) *Contributions under other plans*. The Employer may provide in the adoption agreement that the minimum benefit requirement shall be met in another plan (including another plan that consists solely of a cash or deferred arrangement which meets the requirements of Section 401(k)(12) of the Code and matching contributions with respect to which the requirements of Section 401(m)(11) of the Code are met).

11.08 *Prevention of Escheat*

If the Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Committee may, no earlier than three years from the date such payment is due, mail a notice of such due and owing payment to the last known address of such person, as shown on the records of the Committee or the Employer. If such person has not made written claim therefor within three months of the date of the mailing, the Committee may, if it so elects and upon receiving advice from counsel to the Plan, direct that such payment and all remaining payments otherwise due such person be canceled on the records of the Plan and the amount thereof applied to reduce the contributions of the Employer. Upon such cancellation, the Plan and the Trust shall have no further liability therefor except that, in the event such person or his or her Beneficiary later notifies the Committee of his or her whereabouts and requests the payment or payments due to him or her under the Plan, the amount so applied shall be paid to him or her in accordance with the provisions of the Plan.

11.09 *Written Elections*

Any elections, notifications or designations made by a Member pursuant to the provisions of the Plan shall be made in writing and filed with the Committee in a time and manner determined by the Committee under rules uniformly applicable to all Employees similarly situated. The Committee reserves the right to change from time to time the time and manner for making notifications, elections or designations by Members under the Plan if it determines after due deliberation that such action is justified in that it improves the administration of the Plan. In the event of a conflict between the provisions for making an election, notification or designation set forth in the Plan and such new administrative procedures, those new administrative procedures shall prevail.

11.10 *Construction*

(c) The Plan shall be construed, regulated and administered under ERISA and the laws of the State of California, except where ERISA controls; and

(d) The titles and headings of the Articles and Sections in this Plan are for convenience only. In the case of ambiguity or inconsistency, the text rather than the titles or headings shall control.

ARTICLE 12. AMENDMENT, MERGER AND TERMINATION

12.01 *Amendment of Plan*

The Board of Directors reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate, to amend in whole or in part any

or all of the provisions of the Plan. The Committee may amend the Plan, provided such amendments would not significantly increase the cost of the Plan, change the level of benefits provided under the Plan or modify the underlying policy reflected by the Plan and provided, further, that notwithstanding the above, the Committee may adopt any amendment necessary to maintain the Plan's qualified status under the applicable provisions of the Code. However, no amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of persons entitled to benefits under the Plan. No amendment shall be made which has the effect of decreasing the balance of the Account of any Member or of reducing the nonforfeitable percentage of the balance of the Account of a Member below the nonforfeitable percentage computed under the Plan as in effect on the date on which the amendment is adopted, or if later, the date on which the amendment becomes effective. Any action to amend the Plan by the Board of Directors shall be taken in such manner as may be permitted under the by-laws of the Company, and any action to amend the Plan by the Committee shall be taken at a meeting held in person or by telephone or other electronic means or by unanimous written consent in lieu of a meeting.

12.02 *Merger, Consolidation or Transfer*

The Plan may not be merged or consolidated with, and its assets or liabilities may not be transferred to, any other plan unless each person entitled to benefits under the Plan would, if the resulting plan were then terminated, receive a benefit

immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation, or transfer if the Plan had then terminated.

12.03 *Additional Participating Employers*

(a) If any company is or becomes an Affiliate, the Board of Directors may include the Employees of that Affiliate in the membership of the Plan upon appropriate action by that Affiliate necessary to adopt the Plan unless the Board of Directors or its delegate provides otherwise. In that event, or if any persons become Eligible Employees of an Employer as the result of merger or consolidation or as the result of acquisition of all or part of the assets or business of another company, the Board of Directors shall determine to what extent, if any, previous service with .the Affiliate shall be recognized under the Plan, but subject to the continued qualification of the Trust for the Plan as tax-exempt under the Code; and

(b) Any Affiliate may terminate its participation in the Plan upon appropriate action by it. In that event the funds of the Plan held on account of Members in the employ of that Affiliate, and any unpaid balances of the Accounts of all Members who have separated from the employ of that Affiliate, shall be determined by the Committee. Those funds shall be distributed as provided in Section 12.04 if the Plan should be terminated, or shall be segregated by the Trustee as a

separate trust, pursuant to certification to the Trustee by the Committee, continuing the Plan as a separate plan for the employees of that Affiliate under which the board of directors of that Affiliate shall succeed to all the powers and duties of the Board of Directors, including the appointment of the members of the Committee.

12.04 *Termination of Plan*

The Board of Directors, by action taken at a meeting held in person or by telephone or other electronic means, or by unanimous written consent in lieu of a meeting, may terminate the Plan or completely discontinue Employer contributions under the Plan for any reason at any time. In case of termination or partial termination of the Plan, or complete discontinuance of Employer contributions to the Plan, the rights of affected Members to their Accounts under the Plan as of the date of the termination or discontinuance shall be nonforfeitable. In the event of the Plan's termination, the total amount in each Member's Account shall be distributed to him or her if permitted by law or continued in trust for his or her benefit, as the Committee shall direct.

ARTICLE 13. ADOPTION

13.01 *Execution.*

To record the adoption of this Amended and Restated Plan, by unanimous vote of the Company's Board of Directors at its regularly scheduled and noticed meeting on December 9, 2010, effective as of January 1, 2010, the Company has caused this document to be executed on the 17th day of December, 2010.

By /s/ Jeffrey Wahba
Jeffrey Wahba
Chief Financial Officer

ESOP LOAN AGREEMENT

This Loan Agreement (the "Agreement") dated March 28, 2000 is entered into by and between FARMER BROS. CO., a California corporation ("Lender"), and WELLS FARGO BANK, N.A., (the "Trustee") as trustee for the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHJP PLAN (the "Borrower" or the "ESOP").

RECITALS

The Lender has adopted an employee stock ownership plan to purchase and hold FARMER BROS. CO. stock on behalf of the eligible employees of Lender. The ESOP is intended to qualify as an employee stock ownership plan under section 4975(e)(7) of the Internal Revenue Code of 1986, as amended (the "Code"), and Section 407(d)(6) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The ESOP provides that the ESOP may obtain loans to purchase shares of Lender's stock. It is intended that loans made under this Agreement shall qualify for an exemption under Section 4975(d) of the Code from being a prohibited transaction under Section 4975(c) of the Code.

The Lender is willing to lend and Borrower is willing to borrow up to $50,000,000 (the "Principal Amount") in order to finance the Borrower's purchases of up to 300,000 shares of FARMER BROS. CO. stock. The undersigned therefore agree to the following:

ARTICLE 1: The ESOP Loan:

1.1 Subject to the terms set forth herein, the Lender agrees to lend to the Borrower the Principal Amount, or such portion of the Principal Amount as the Borrower elects to receive from time to time under Section 1.2 of this Agreement (the "Loan").

1.2 During the period commencing with the date hereof and ending on December 31, 2002, the Borrower may elect from. time to time to receive from Lender all or any portion of the Principal Amount (an "Advance"), less the portion of the Principal Amount previously advanced to the Borrower hereunder which is outstanding at the time of such election. Amounts Advanced and repaid may be reborrowed prior to December 31, 2002. An election to receive an Advance shall be made by the Borrower in writing to the Lender and shall specify the amount of the Advance requested and the date on which the Borrower requests that such funds be made available. Such date shall be no less than three business days prior to the date the notice of such election is received by the Lender, unless the Lender in its sole discretion waives such requirement.

1.3 The Borrower hereby agrees that it will use the entire proceeds of each Advance within a reasonable time after receipt to acquire FARMER BROS. CO. stock through open market purchases or from the Lender or any shareholder of Lender. If for any reason such purchases cannot be effected within a reasonable time, the Borrower must make a principal prepayment of the Loan with all such unused proceeds.

1.4 Borrower's indebtedness is evidenced by a Promissory Note of even date (the "Note") in the form attached hereto as Exhibit "A". The Lender shall enter upon the schedule attached to the Note the date and principal amount of each Advance.

1.5 Interest shall accrue on the balance of unpaid principal from the date of each Advance until the payment due date as described in the Note.

1.6 To secure payment of the Promissory Note, Borrower grants Lender a security interest in the shares purchased with the loan proceeds under the ESOP Pledge Agreement attached hereto as Exhibit "B".

1.7 The Borrower shall make principal and interest payments to the Lender according to the terms of the Note. The date and amount of each payment, principal or interest, shall be entered on the schedule to the Note.

1.8 The Lender agrees to make contributions to the ESOP in cash or by cancellation of indebtedness from time to time and in amounts sufficient to permit the Borrower to make timely repayments of principal and interest due under the terms of the Note. Subject to the preceding sentence, the amount and timing of such contribution(s) shall be at the sole discretion of the Lender, after considering the amount of each annual payment of principal and interest, the amount of any cash dividends received by the ESOP on Lender's stock and the amount, if any, of non-Lender investments held by the ESOP. The Lender shall not be required to make contributions to the ESOP in amounts in excess of the limitations under Sections 404(a) and 415(c) of the Code. The Borrower agrees that so long as any interest or principal amount remains payable on the Loan, Borrower will use all cash contributions, earnings thereon and cash dividends received by the ESOP to make payments on the Loan. Borrower's obligation to make payments on the Loan is limited to the excess of the aggregate of such contributions, earnings and dividends over prior Loan payments. Lender shall have no recourse against Borrower’s assets other than such excess contributions, earnings and dividends and the shares of FARMER BROS. CO. stock then pledged under the ESOP Pledge Agreement.

1.9 The Borrower may prepay principal or interest without premium or penalty, any such prepayment shall be applied to the principal installments in the inverse order of maturities.

1.10 The ESOP may elect to apply the proceeds from the sale of any Shares remaining subject to pledge to pay principal and interest due on the Loan in the event of the termination of the ESOP or if the ESOP ceases to be an employee stock ownership plan under Section 4975(e)(7) of the Code.

ARTICTE 2: The Borrower Represents and Warrants as Follows:

2.1 The Borrower has duly authorized the execution; delivery and performance of this Agreement, the Note, and the ESOP Pledge Agreement and any other documents in connection with the Loan. These documents that have been or will be executed and delivered pursuant to this Agreement constitute valid, binding obligations of the ESOP, each enforceable according to its terms.

2.2 The Borrower is an employee stock ownership plan established by the Lender and has all requisite power and authority, as described in the ESOP plan document, to execute, deliver and perform its obligations under this Agreement.

2.3 . All of the proceeds of the Loan will be used by the Trustee to purchase for the ESOP shares of "employer securities" as defined in Section 409(1) of the Code, subject to Section 1.3 above.

2.4 This Agreement is executed by Wells Fargo Bank, N.A. Solely in its capacity as Trustee of the Farmer Bros. Co. Employee Stock Ownership Plan pursuant to directions from the ESOP.

ARTICLE 3· The Lender Represents and Warrants as Follows:

2.5 The Lender is a corporation duly incorporated and validly existing and in good standing under the laws of the State of California.

2.6 The Lender has all requisite power and authority to deliver and perform its obligations under this Agreement. The Lender has taken all corporate action to establish the ESOP and to authorize this Agreement. This Agreement has been duly executed and delivered by the Lender and is a legal, valid and binding obligation of the Lender.

3.1 Neither the execution of this Agreement nor the fulfillment of any of the Lender's obligations under this Agreement will conflict with or result in a breach or violation of or constitute any default under any known rule, law, regulation, order contract or agreement of the Lender.

ARTICLE 4· Miscellaneous:

4.1 No amendment or waiver of any provision of the Agreement shall be effective unless set forth in an instrument in writing and signed by both parties to this Agreement.

4.2 No delay or omission of Lender in exercising any right or remedy under this Agreement shall impair such right or remedy or be construed to be a waiver of any default of an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude other or further exercise thereof or the exercise of any other right or remedy; and no waiver, amendment or other variation of the terms, conditions or provisions of this Agreement whatsoever shall be valid unless in writing signed by the Lender, and then only to the extent in such writing specifically set forth. All rights and remedies described in this Agreement, the Note or other Loan documents shall be cumulative and all shall be available to the Lender until all terms and conditions of the debt have been satisfied-.

4.3 This instrument, including the Exhibits hereto, is the entire Agreement between the parties hereto with respect to the Loan and all representations, warranties, agreements or undertakings heretofore or contemporaneously made, which are not set forth herein, are superseded hereby.

4.4 This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors or assigns.

4.5 Any notice, consent, approval or directions required or permitted to be given hereunder shall be in writing and shall be deemed duly given and received upon personal delivery to the addressee stated below or if mailed, forty-eight (48) hours after deposit in the United States Mail, first class postage and addressed as required below:

LENDER:

Treasurer's Office FARMER BROS. CO.
20333 South Normandie Avenue Torrance, CA 90502

BORRO\VER:

Administrative Committee
Farmer Bros. Co. Employee Stock Ownershlp Plan 20333 South Normandie Avenue
Torrance, CA 90502

WTIB A COPY TO TRUSTEE:

Wells Fargo Bank, N.A. Institutional Trust, E2818-l01 707 Wilshire Boulevard
Los Angeles, CA

4.6 All Exhibits are incorporated herein.

IN WITNESS WHEREOF, the parties have executed this ESOP Loan Agreement as of the date first above written. LENDER:

FARMER BROS. CO., a California corporation

By: /s/ Roy E. Farmer
Roy E. Farmer, President

By: /s/ Johns E. Simmons
John E. Simmons, Treasurer

BORROWER:

FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN

By: / Signature not legible

By: /s/ Armine Mirzayan

WELLS FARGO BANK, N.A. (the "Trustee") as trustee for the
FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN

ESOP PLEDGE AGREEMENT

This ESOP Pledge Agreement (the "Pledge Agreement") dated March 28, 2000 is entered into by and between FARMER BROS. CO., a California corporation (the "Lender") and the FARMER BROS. CO. EMPLOYEE STOCK OWNERSIDP PLAN (the "Borrower" or the "ESOP") and WELLS FARGO BANK, N.A. (the "Pledge Holder").

In accordance with the terms and conditions of the ESOP Loan Agreement (the "Agreement") and the Promissory Note (the "Note") of even date herewith, the Borrower desires to purchase securities with the proceeds of loan advances from the Lender (the "Loan"). Under the Agreement, Borrower agrees to borrow and Lender agrees to lend up to $50,000,000 to purchase up to 300,000 shares of FARMER BROS. CO. common stock ("Shares").

In consideration of Lender making loan advances to Borrower for purchase of Shares, and as security for the Note and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Borrower hereby pledges and grants to Lender a first priority security interest in all Shares now or hereafter acquired by Borrower with Loan proceeds as continuing security for the full performance and payment of the Secured Obligation. Borrower transfers to the Lender all of Borrower's right, title and interest in and to the pledged Shares, to be held in the physical possession of the Pledge Holder upon the terms and conditions set forth in this Agreement.

The Secured Obligation consists of payment of all of Borrower's indebtedness to Lender Note and all renewals, extensions, modifications and notations thereof. ·

1. Until this Agreement is terminated, Borrower shall:

   1.1 Deliver to Pledge Holder all Shares purchased with Loan proceeds.

   1.2 Not create, incur or suffer to exist any lien, encumbrance or security interest against the Shares except the security interest created by this Pledge Agreement.

2. Lender agrees as follows:

   2.1 Except upon the occurrence of an Event of Default, as defined below, Lender shall not sell, exchange or otherwise dispose of any of the Shares without the prior consent of the Borrower, which shall not be withheld unreasonably.

   2.2 Within ten (!0) days after each payment of principal under the Loan, Lender shall cause the Pledge Holder to release a number of the Shares held hereunder. The number of Shares to be released shall be calculated by multiplying the number of Shares held by the Pledge Holder immediately before the release by a fraction the numerator of which is the amount of the latest principal payment and the denominator of which is the sum of the numerator and the remaining unpaid principal balance of the Loan.

3. So long as no Event of Default, as defined below, has occurred and is continuing:

   3.1 Borrower shall have the right to vote the Shares, grant or withhold consent, or exercise any other right or privilege with respect to the Shares allowed under Article 8 of the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN (the "Plan Document").

4. The Pledge Holder:

4.1 Lender hereby appoints WELLS FARGO BANK, N.A. to act as Pledge Holder.

4.2 Borrower will deliver to the Pledge Holder the Shares acquired with the proceeds of the Loan advances.

4.3 The Shares will be held in a segregated account by the Pledge Holder for the benefit of the Lender accordance with the terms and conditions of this Pledge Agreement.

4.4 The-Fledge Holder shall release from the pledge the number of Shares required by Section 2.2 as calculated by the Lender.

4.5 The Lender may remove the Pledge Holder and substitute another entity or person to function as Pledge Holder. Upon receipt by a Pledge Holder of any such notice of removal and substitution, said Pledge Holder shall transfer to the successor Pledge Holder Shares, documents of title, and related books and records.

5. Event of Default:

5.1 If the Borrower fails to make any installment of principal or interest due under the Note within ten (10) days after receipt of wriitten notice of non-payment from Lender, an Event of Default shall have occurred.

6. Upon Occurrence of an Event of Default:

6.1 Lender shall have all rights and remedies afforded a secured party and all other rights and remedies available under applicable Jaw, all of which shall be cumulative, but subject to all limitations set forth herein, or in the Agreement or Note, or under Section 4975 of the Internal Revenue Code of 1986, as amended, or under the Employee Retirement Income Security Act of 1974, as amended.

6.2 Title: Lender shall have the right at any time after the occurrence of an Event of Default to repurchase, sell or otherwise convert to cash all or any portion of the Shares of FARMER BROS. CO. common stock remaining subject to pledge, provided that such Shares may be so applied only in an amount necessary to cure the Event of Default. The proceeds of any sale of Shares shall be applied first to the payment of the Lender's reasonable expenses incurred in effecting such sale or other disposition, including but not limited to attorney's fees, and thereafter to Borrower's liabilities under the Note. Any surplus remaining with the Lender after payment of such expenses and liabilities shall be returned to the Borrower.

IN WITNESS WHEREOF, the parties hereto have executed this Pledge Agreement as of the date first above written.

PLEDGEE:
FARMER BROS. CO., a California corporation

By:/s/ John E. Simmons

PLEDGE HOLDER:
WELLS FARGO BANK N.A.

By:/s/ Roy E. Farmer By:/s/ Signature not legible

PLEDGOR:
WELLS FARGO BANK, N.A., as Trustee for the
FARMER BROS. CO. EMPLOYEE STOCK
OWNERSHIP PLAN

By: /s/ Signature not legible
/s/ Armine Mirzayan

PROMISSORY NOTE

$50,000,000 March 28, **2000**

For value received, the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHJP PLAN ("Borrower") promises to pay to the order of FARMER BROS. CO., a California corporation ("Lender"), at 20333 South Normandie Avenue, Torrance, California, or at such other place as the holder of this Note may designate, the principal sum of Fifty Million Dollars ($50,000,000.00) or such lesser amount as has been advanced by Lender as may be set forth on the attached schedule (the "Schedule"), with interest thereon as follows:

Each advance shall bear interest from the date made at the interest rate then applicable under this Note. The interest rate shall be an annual rate equal to 1.5% per annum over the "90-day Commercial Paper Rate" determined initially on the date of the frrst advance and thereafter adjusted quarterly on the first business day of each calendar quarter. The 90-day Commercial Paper Rate is the United States commercial paper rate for said number of days as last published in The Wall Street Journal as of the date of the frrst advance or as of an adjustment date, as applicable. Interest shall be computed and paid on the basis of a 360-day year for the actual number of days elapsed. Unpaid interest shall bear interest as principal. The initial advance is
$13,287,304.90.

Principal is payable in annual installments on December 15 of each year beginning December 15, 2000 in an amolUlt equal to the unpaid principal balance divided by the number of years remaining lllltil maturity of this Note on December 15, 20 l5 when the entire unpaid principal balance shall be due and payable. Interest on unpaid principal shall be paid annually on December 15 concurrently with principal installments.

Payments shall be applied first to interest then accrued and the remainder to principal whereupon interest shall cease on principal so paid. Principal and interest shall be payable in lawful money of the United States of America.

This Note evidences the indebtedness incurred by the Borrower to the Lender under the ESOP Loan Agreement dated March 28, 2000 by and between the Borrower and the Lender (the "Agreement") the terms of which are made a part hereof.

This Note may be prepaid in whole or in part at any time, without premium or penalty. Partial prepayments shall be applied in inverse order of maturity.

Except as otherwise provided in the Agreement, payments of principal and interest hereunder shall be made by the Borrower only from cash contributions (or contributions in the form of cancellation of indebtedness), from any earnings attributable to such contributions and from any cash dividends paid on the shares of FARMER BROS. CO. common stock purchased with the proceeds of the loan evidenced hereby. Lender's recourse is limited as provided in Section 1.8 of the Agreement.

This Note is not subject to acceleration. In the event of default in payment of any installment of principal or interest due lUlder this Note (which will not be deemed to have occurred if such default occurs as a result of a default by Lender under Section 1.8 of the Agreement), the liability of Borrower is limited to the amount of such installment.

This Note is collateralized by a pledge of stock under ESOP Pledge Agreement of even date herewith. This Note is governed by the Jaws of the State of California, except to the extent

preempted by federal Jaws.

FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN

By: / Signature not legible

By: /s/ Armine Mirzayan

WELLS FARGO BANK, N.A. as trustee for the
FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN

..

SCHEDULE TO PROMISSORY NOTE

Date

Amount of Borrowing

Amount of Repayment

Unpaid Principal Balance

Principal Interest

Exhibit 10.13

AMENDMENT NO.1 TO ESOP LOAN AGREEMENT

This Amendment No. 1 to ESOP Loan Agreement ("Amendment") is made and entered into by and between Farmer Bros. Co., a California corporation, as Lender and Wells Fargo Bank, N.A. as trustee for the Farmer Bros. Co. Employee Stock Ownership Plan as the Borrower.

RECITALS

A. Lender and Borrower have entered into an ESOP Loan Agreement dated March 28, 2000 (the "Loan Agreement") which provides that advances can be made by Lender to Borrower through a period ending on December 31, 2002.

B. Lender and Borrower desire to amend the Loan Agreement to extend the date for advances through and including July 31, 2003.

NOW; THEREFORE, it is agreed as follows:

1. Section 1.2 of the Loan Agreement is amended by changing the date December 31, 2002, as it appears in both places in Section 1.2, to July 31, 2003.

2. In all other respects the Loan Agreement is ratified and approved.

IN WITNESS· WHEREOF, the parties have executed this Amendment on the date set forth below effective as of December 31,2002.

Dated: June 26, 2003 Farmer Bros. Co.

By: /s/ Roy E. Farmer
Roy E. Farmer, President

By: /s/ John E. Simmons
John E. Simmons, Treasurer

Dated: June 26, 2003 Farmer Bros. Co. Stock Ownership Plan

Wells Fargo, N.A., as trustee for the Farmer Bros. Co. Employee Stock Ownership Plan

By:/s/ E. Pigott

Title: Vice President

Exhibit 10.14

ESOP LOAN AGREEMENT NO. 2

This ESOP Loan Agreement No. 2 (the "Second Agreement") dated as of July 21, 2003 is entered into by and between FARMER BROS. CO., a California corporation ("Lender"), and WELLS FARGO BANK, N.A., (the "Trustee") as trustee for the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN (the "Borrower" or the "ESOP").

RECITALS

A. The Lender has adopted an employee stock ownership plan to purchase and hold FARMER BROS. CO. stock on behalf of the eligible employees of Lender. The ESOP is intended to qualify as an employee stock ownership plan under section 4975(c)(7) of the Internal Revenue Code of 1986, as amended (the "Code"), and Section 407(d)(6) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The ESOP provides that the ESOP may obtain loans to purchase shares of Lender's stock. It is intended that loans made under this Agreement shall qualify for an exemption under Section 4975(d) of the Code from being a prohibited transaction under Section 4975(c) of the Code.

B. Pursuant to the ESOP Loan Agreement dated March 28, 2000 as amended by Amendment No. 1 to ESOP Loan Agreement ("First Agreement"), as of the date hereof the ESOP has acquired 170,426 shares of the 300,000 shares of the Company's common stock for which a loan was authorized by the First Agreement.

C. The provisions for loan advances under the First Agreement expired on July 31, 2003.

D. On July 21, 2003 Lender's Board of Directors authorized a loan to the ESOP, without limitation as to amount, to purchase the remainder (129,574 shares) of the 300,000 originally authorized. Such remaining shares are called "Shares" herein.

E. The ESOP Plan Committee by action dated October 6, 2003 has authorized the execution of the Second Agreement.

ARTICLE 1: The ESOP Loan

1.1 Subject to the terms set forth herein, the Lender agrees to lend to the Borrower the Principal Amount, or such portion of the Principal Amount as the Borrower elects to receive from time to time under Section 1.2 of this Second Agreement (the "Loan").

1.2 During the period commencing with the date hereof and ending on July 31, 2005, the Borrower may elect from time to time to receive from Lender an advance (an "Advance"). Amounts Advanced and repaid may be reborrowed prior to July 31, 2005. An election to receive an Advance shall be made by the Borrower in writing to the Lender and shall specify the amount of the Advance requested and the date on which the Borrower requests that such funds be made available. Such date shall be no less than three business days prior to the date the notice of such election is received by the Lender, unless the Lender in its sole discretion waives such requirement.

1.3 The Borrower hereby agrees that it will use the entire proceeds of each Advance within a reasonable time after receipt to acquire Shares through open market purchases or from the Lender or any shareholder of Lender. If for any reason such purchases cannot be effected within a reasonable time, the Borrower must make a principal prepayment of the Loan with all such unused proceeds.

1.4 Borrower's indebtedness is evidenced by a Promissory Note of even date (the "Note") in the form attached hereto as Exhibit "A". The Lender shall

enter upon the schedule attached to the Note the date and principal amount of each Advance.

1.5 Interest shall accrue on the balance of unpaid principal from the date of each Advance until the payment due date as described in the Note.

1.6 To secure payment of the Promissory Note, Borrower grants Lender a security interest in the Shares purchased with the loan proceeds under the ESOP Pledge Agreement attached hereto as Exhibit “B”.

1.7 The Borrower shall make principal and interest payments to the Lender according to the terms of the Note. The date and amount of each payment, principal or interest, shall be entered on the schedule to the Note.

1.8 The Lender agrees to make contributions to the ESOP in cash or by cancellation of indebtedness from time to time and in amounts sufficient to permit the Borrower to make timely repayments of principal and interest due under the terms of the Note. Subject to the preceding sentence, the amount and timing of such contribution(s) shall be at the sole discretion of the Lender, after considering the amount of each annual payment of principal and interest, the amount of any cash dividends received by the ESOP on Lender’s stock and the amount, if any, of non-Lender investments held by the ESOP. The Lender shall not be required to make contributions to the ESOP in amounts in excess of the limitations under Sections 404(a) and 415 (c) of the Code. The Borrower agrees that so long as any interest or principal amount remains payable on the Loan, Borrower will use all cash contributions, earnings thereon and cash dividends received by the ESOP to make payments on the Loan. Borrower’s obligation to make payments on the Loan is limited to the excess of the aggregate of such contributions, earnings and dividends over prior Loan payments. Lender shall have no recourse against Borrower’s assets other than such excess contributions, earnings and dividends and the Shares then pledged under the ESOP Pledge Agreement.

1.9 The Borrower may prepay principal or interest without premium or penalty, any such prepayment shall be applied to the principal installments in the inverse order of maturities.

1.10 The ESOP may elect to apply the proceeds from the sale of any Shares remaining subject to pledge to pay principal and interest due on the Loan in the event of the termination of the ESOP or if the ESOP ceases to be an employee stock ownership plan under Section 4975(e)(7) of the Code.

ARTICLE 2: The Borrower Represents And Warrants As Follows:

2.1 The Borrower has duly authorized the execution, delivery and performance of this Agreement, the Note and the ESOP Pledge Agreement and any other documents in connection with the Loan. These documents that have been or will be executed and delivered pursuant to this Agreement constitute valid, binding obligations of the ESOP, each enforceable according to its terms.

2.2 The Borrower is an employee stock ownership plan established by the Lender and has all requisite power and authority, as described in the ESOP plan document, to execute, deliver and perform its obligations under this Agreement.

2.3 All of the proceeds of the Loan will be used by the Trustee to purchase for the ESOP shares of “employer securities” as defined in Section 409(l) of the Code, subject to Section1.3 above.

2.4 This Agreement is executed by Wells Fargo Bank, N.A. solely in its capacity as Trustee of the Farmer Bros. Co. Employee Stock Ownership Plan pursuant to directions from the ESOP.

ARTICLE 3: The Lender Represents And Warrants As Follows:

3.1 The Lender is a corporation duly incorporated and validly existing and in good standing under the laws of the State of California.

3.2 The Lender has all requisite power and authority to deliver and perform its obligations under this Agreement. The Lender has taken all corporate action to establish the ESOP and to authorize this Agreement. This Agreement has been duly executed and delivered by the Lender and is a legal, valid and binding obligation of the Lender.

3.3 Neither the execution of this Agreement nor the fulfillment of any of the Lender's obligations under this Agreement will conflict with or result in a breach or violation of or constitute any default under any known rule, law, regulation, order contract or agreement of the Lender.

ARTICLE 4: Miscellaneous

4.1 No amendment or waiver of any provision of the Agreement shall be effective unless set forth in an instrument in writing and signed by both parties to this Agreement.

4.2 No delay or omission of Lender in exercising any right or remedy under this Agreement shall impair such right or remedy or be construed to be a waiver of any default of an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude other or further exercise thereof or the exercise of any other right or remedy; and no waiver, amendment or other variation of the terms, conditions or provisions of this Agreement whatsoever shall be valid unless in writing signed by the Lender, and then only to the extend such writing specifically set forth. All rights and remedies described in this Agreement, the Note or other Loan documents shall be cumulative and all shall be available to the Lender until all terms and conditions of the debt have been satisfied.

4.3 This instrument, including the Exhibits hereto, is the entire agreement between the parties hereto with respect to the loan and all representations, warranties, agreements or undertakings heretofore or contemporaneously made, which are not set forth herein, are superceded hereby.

4.4 This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors or assigns.

4.5 Any notice, consent, approval or directions required or permitted to be given hereunder shall be in writing and shall be deemed duly given and received upon personal delivery to the addressee stated below or if mailed, forty-eight (48) hours after deposit in the United States Mail, first class postage and addressed as required below:

"LENDER"

Treasurer's Office
Farmer Bros. Co.
20333 South Normandie Avenue
Torrance, CA 90502

"BORROWER"

Administrative Committee
Farmer Bros. Co. Employee Stock Ownership Plan
20333 South Normandie Avenue
Torrance, CA 90502

With a copy to “TRUSTEE”

Wells Fargo Bank, N.A.
Employee Benefit Trust
707 Wilshire Boulevard
Los Angeles, CA 90017

4.6 All Exhibits are incorporated herein.

4.7 The Trustee’s personal assets shall not be liable for any act or omission of the Trustee except in the case of gross negligence or willful misconduct.

IN WITNESS WHEREOF, the parties have executed this Second Agreement as of the date first above written.

“LENDER”
Farmer Bros. Co.

By: /s/Roy E. Farmer
Roy E. Farmer, President

By: /s/John E. Simmons
John E. Simmons, Treasurer

“BORROWER”
Farmer Bros. Co. Employee Stock Ownership Plan
by Wells Fargo Bank, N.A., Trustee

By: /s/ E. Pigott
Title: Vice President

By: /s/ E.L. Yeany
Title: Vice President

PROMISSORY NOTE

For value received, the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN (“Borrower’) promises to pay to the order of FARMER BROS. CO., a California corporation (“Lender”), at 20333 South Normandie Avenue, Torrance, California or at such other place as the holder of this Note may designate, such amount as has been advanced by Lender as may be set forth on the attached schedule (the “Schedule”), with interest thereon as follows:

Each advance shall bear interest from the date made at the interest rate then applicable under this Note. The interest rate shall be an annual rate equal to 1.5% per annum over the “90-day Commercial Paper Rate” determined initially on the date of the first advance and thereafter adjusted quarterly on the first business day of each calendar quarter. The 90-day Commercial Paper Rate is the United States commercial paper rate for said number of days as last published in The Wall Street Journal as of the date of the first advance or as of an adjustment date, as applicable.

Interest shall be computed and paid on the basis of a 360-day year for the actual number of days elapsed. Unpaid interest shall bear interest as principal.

Principal is payable in annual installments on December 15 of each year beginning December 15, 2003 in an amount equal to the unpaid principal balance divided by the number of years remaining until maturity of this Note on

December 15, 2018 when the entire unpaid principal balance shall be due and payable. Interest on unpaid principal shall be paid annually on December 15 concurrently with principal installments.

Payments shall be applied first to interest then accrued and the remainder to principal whereupon interest shall cease on principal so paid. Principal and interest shall be payable in lawful money of the United States of America.

This Note evidences the indebtedness incurred by Borrower to the Lender under the ESOP Loan Agreement No. 2 dated as of July 21, 2003 by and between the Borrower and the Lender (the "Agreement") the terms of which are made a part hereof.

This Note may be prepaid in whole or in part at any time, without premium or penalty. Partial prepayments shall be applied in inverse order of maturity.

Except as otherwise provided in the Agreement, payments of principal and interest hereunder shall be made by the Borrower only from cash contributions (or contributions in the form of cancellation of indebtedness), from any earnings attributable to such contributions and from any cash dividends paid on the shares of FARMER BROS. CO. common stock purchased with the proceeds of the loan evidenced hereby. Lender's recourse is limited as provided in Section 1.8 of the Agreement.

This Note is not subject to acceleration. In the event of default in payment of any installment of principal or interest due under this Note (which will not be deemed to have occurred if such default occurs as a result of a default by Lender under Section 1.8 of the Agreement), the liability of Borrower is limited to the amount of such installment.

This Note is collateralized by a pledge of stock under an ESOP Pledge Agreement of even date herewith.

This Note is governed by the laws of the State of California, except to the extent preempted by federal laws.

Dated: July 21, 2003

Farmer Bros. Co. Employee Stock Ownership Plan

by Wells Fargo Bank, N.A,. as Trustee

By: /s/ E. Pigott

/

Title: Vice President

By: /s/ E.L. Yeany

Title: Vice President

SCHEDULE TO PROMISSORY NOTE

Date	Amount of Borrowing	Amount of Repayment		Unpaid Principal Balance
		Principal	Interest	

ESOP PLEDGE AGREEMENT

This ESOP Pledge Agreement (the "Pledge Agreement") dated as of July 21, 2003 is entered into by and between FARMER BROS. CO., a California corporation (the "Lender") and the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN (the "Borrower" or the "ESOP") and WELLS FARGO BANK, N.A. (the "Pledge Holder").

In accordance with the terms and conditions of the ESOP Loan Agreement No. 2 dated as of July 21, 2003 (the "Agreement) and the Promissory Note (the "Note") of even date herewith, the Borrower desires to purchase securities with the proceeds of loan advances from the Lender (the "Loan"). Under the Agreement, Borrower agrees to borrow and Lender agrees to lend funds to enable the ESOP to purchase up to 129,574 shares of the Company's common stock ("Shares") over and above the 170,426 shares purchased under the original ESOP Loan Agreed dated March 28, 2000.

In consideration of Lender making loan advances to Borrower for purchase of Shares, and as security for the Note and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Borrower hereby pledges and grants to lender a first priority security interest in all Shares now or hereafter acquired by Borrower with Loan proceeds as continuing security for the full performance and payment of the Secured Obligation. Borrower transfers to the Lender all of Borrower's right, title and interest in and to the pledged Shares, to be held in the physical possession of the Pledge Holder upon the terms and conditions set forth in this Agreement.

The Secured Obligation consists of payment of all of Borrower's indebtedness to Lender Note and all renewals, extensions, modifications and novations thereof.

1. Until this Agreement is termination, Borrower shall:

1.1 Deliver to Pledge Holder all Shares purchased with Loan proceeds.

1.2 Not create, incur or suffer to exist any lien, encumbrance or security interest against the Shares except the security interest created by this Pledge Agreement.

2. Lender agrees as follows:

2.1 Except upon the occurrence of an Event of Default, as defined below, Lender shall not sell, exchange or otherwise dispose of any of the Shares without the prior consent of the Borrower, which shall not be withheld unreasonably.

2.2 Within ten (10) days after each payment of principal under the Loan, Lender shall cause the Pledge Holder to release a number of the Shares held hereunder. The number of Shares to be released shall be calculated by multiplying the number of Shares held by the Pledge Holder immediately before the release by a fraction the numerator of which is the amount of the latest principal and interest payment and denominator of which is the sum of the numerator and the remaining unpaid principal and interest payments of the Loan.

3. So long as no Event of Default, as defined below, has occurred and is continuing:

3.1 Borrower shall have the right to vote the Shares, grant or withhold consent, or exercise any other right or privilege with respect to the Shares allowed under Article 8 of the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN (the “Plan Document”).

4. The Pledge Holder agrees as follows:

4.1 Lender hereby appoints WELLS FARGO BANK, N.A., to act as Pledge Holder and Pledge Holder accepts such appointment.

4.2 Borrower will deliver to the Pledge Holder the Shares acquired with the proceeds of the Loan advances.

4.3 The Shares will be held in a segregated account by the Pledge Holder for the benefit of the Lender in accordance with the terms and conditions of this Pledge Agreement.

4.4 The Pledge Holder shall release from the pledge the number of Shares required by Section 2.2.

4.5 The Lender may remove the Pledge Holder and substitute another entity or person to function as Pledge Holder. Upon receipt by a Pledge Holder of any such notice of removal and substitution, said Pledge Holder shall transfer to the successor Pledge Holder Shares, documents of title, and related books and records.

5. Event of Default:

5.1 If the Borrower fails to make any installment of principal or interest due under the Note within ten (10) days after receipt of written notice of non-payment from Lender, an Event of Default shall have occurred.

6. Upon Occurrence of an Event of Default:

6.1 Lender shall have all rights and remedies afforded a secured party and all other rights and remedies available under applicable law, all of which shall

be cumulative, but subject to all limitations set forth herein, or in the Agreement, or Note, or under Section 4975 of the Internal Revenue Code of 1986, as amended, or under the Employee Retirement Income Security Act of 1974, as amended.

6.2 The Lender shall have the right at any time after the occurrence of an Event of Default to repurchase, sell or otherwise convert to cash all or any portion of the Shares remaining subject to pledge, provided that such Shares may be so applied only in an amount necessary to cure the Event of Default. The proceeds of any sale of Shares shall be applied first to the payment of the Lender's reasonable expenses incurred in effecting such sale or other disposition, including but not limited to attorneys' fees, and thereafter to Borrower's liabilities under the Note, Any surplus remaining with the Lender after payment of such expenses and liabilities shall be returned to the Borrower.

IN WITNESS WHEREOF, the parties hereto have executed this Pledge Agreement as of the date first above written.

"PLEDGEE"

FARMER BROS. CO., a California corporation

By: /s/Roy E. Farmer
Roy E. Farmer, President

By: /s/John E. Simmons
John E. Simmons, Treasurer

"PLEDGOR"

FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN
by WELLS FARGO BANK, N.A., as Trustee

By: _____
Title: _____

By: _____
Title: _____

"PLEDGE HOLDER"

WELLS FARGO BANK, N.A.

By: _____
Title: _____

By: _____
Title: _____

Exhibit 10.36

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT, dated as of December 29, 2015 (this "***Amendment***"), is made by and between **WF-FB NLTX, LLC**, a Delaware limited liability company ("***Landlord***"), and **FARMER BROS. CO.**, a Delaware corporation, ("***Tenant***"). Capitalized terms used but not otherwise defined in this Amendment have the respective meanings assigned to such term as in the Lease (as defined below).

WHEREAS, Landlord and Tenant are the current parties to that certain Lease Agreement dated as of July 17, 2015 (as amended, supplemented or otherwise modified, the "***Lease***").

WHEREAS, Landlord and Tenant desire to amend Exhibit D to the Lease to extend the date for delivery and approval of: i) the Construction Contracts, ii) the Plans and Specifications, iii) the Final Budget, and iv) the Estimated Completion Date.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby covenant and agree as follows:

1. Section 2(a) of Exhibit D to the Lease is hereby amended and restated in its entirety as follows:

> "a. On or before the Effective Date, Tenant has submitted to Landlord true, correct and complete copies of the preliminary design drawings and specifications described in Schedule 1-A attached hereto (the "***Preliminary Plans***") and the Preliminary Budget attached hereto as Schedule 1-B, each of which have been reviewed and approved by Landlord. On or before February 28, 2016 Tenant shall have submitted to Landlord, and Landlord shall have approved (which approval shall not be unreasonably withheld, conditioned or delayed), (i) the Construction Contracts, (ii) the final construction drawings and plans and specifications, based on the Preliminary Plans, for the to-be-developed Construction Project as provided in the Construction Contracts (the "***Plans and Specifications***"); (iii) the Final Budget, (which must be based on the Preliminary Budget and may not exceed the total amount of Construction Costs outlined in the Preliminary Budget), and (iv) the estimated date of Substantial Completion of the Construction Project (the "***Estimated Completion Date***"), which Estimated Completion Date may not be later than December 31, 2016. If Tenant elects in its sole and absolute discretion to acquire any payment and performance bonds securing any of the Construction Contracts, Tenant shall name Landlord as a dual obligee thereunder."

2. No Other Amendment. Except as amended by the foregoing, the Lease remains in full force and effect. Nothing in this Amendment shall be construed as altering the definition of "Scheduled Completion Date" in Exhibit D to the Lease. This Amendment shall, upon its execution and delivery, constitute a part of the Lease.

3. Conditions. This Amendment shall not be effective until Landlord shall have received counterparts of this Amendment duly executed by Tenant.

4. Estoppel; Representations and Warranties. Landlord and Tenant make the following representations and warranties, which representations and warranties shall survive the execution and delivery hereof:

a. The Lease remains in full force and effect;

b. The Lease and this Amendment have been duly authorized, executed and delivered by Landlord and Tenant, constitute legal, valid and binding obligations of Landlord and Tenant, and do not violate any provisions of any agreement or judicial order to which Landlord or Tenant is a party or to which it is subject.

5. Governing Law. This Amendment shall be governed by, and construed in accordance with the same laws governing the Lease.

6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by fax or electronic mail shall be effective as delivery of an original executed counterpart of this Amendment.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

LANDLORD:

WF-FB NLTX, LLC,
a Delaware limited liability company

By: /s/ John D. Altmeyer
Name: John D. Altmeyer
Title: Manager

TENANT:

FARMER BROS. CO.,
a Delaware corporation

By: /s/ Barry C. Fischetto
Name: BARRY C. FISCHETTO
Title: SVP Operations, Farmer Brothers

Exhibit 10.37

SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT, dated as of March 10, 2016 (this "***Amendment***"), is made by and between **WF-FB NLTX, LLC**, a Delaware limited liability company ("***Landlord***"), and **FARMER BROS. CO.**, a Delaware corporation ("***Tenant***").

WHEREAS, Landlord and Tenant are the current parties to that certain Lease Agreement dated as of July 17, 2015, as amended by that certain First Amendment to Lease Agreement between Landlord and Tenant dated as of December 29, 2015 (as amended, supplemented or otherwise modified, the "***Lease***"). Capitalized terms used but not otherwise defined in this Amendment have the respective meanings assigned to such term as in the Lease.

WHEREAS, Section 2(b) of the Work Letter requires Tenant to obtain Landlord's prior written consent before agreeing to any Material Modification of the Preliminary Budget. Tenant has requested an increase to the Preliminary Budget (the "***Increase***") and Landlord has agreed, subject to the terms and conditions of this Amendment.

WHEREAS, on or before February 28, 2016 Tenant submitted, and Landlord approved, the Plans and Specifications, the Final Budget and the Estimated Completion Date pursuant to Section 2(a) of the Work Letter; however, Landlord has not yet approved the Construction Contracts.

WHEREAS, to memorialize the conditions of Landlord's written consent to the Material Modification occasioned by the Increase, to memorialize the status and timing of submission and approval of the above-described construction-related items, and to make certain other clarifications to the Lease and Work Letter, Landlord and Tenant hereby desire to amend (i) Exhibit B of the Lease, (ii) Schedule 1-B of the Work Letter, (iii) Section 45 of the Lease, (iv) Section 2(a) of the Work Letter and (v) Section 1 of the Work Letter.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby covenant and agree as follows:

1. Amendment to Base Rent Schedule on Exhibit B of Lease. Exhibit B of the Lease is hereby amended to increase the $49,600,000.00 appearing in Subsection (i) to $56,600,000.00.

2. Amendment to Preliminary Budget on Schedule 1-B of Work Letter. Schedule 1-B of the Work Letter is hereby deleted and replaced with the revised Schedule 1-B attached hereto to this Amendment.

3. Increase in Option Purchase Price Percentage. In consideration of Landlord's agreements in Sections 1 and 2 above, Section 45(b) of the Lease is hereby amended to increase the Option Purchase Price percentage from One Hundred Three Percent (103%) to One Hundred Three and Five Tenths of One Percent (103.5%).

4. Approvals of Construction-Related Items. Landlord and Tenant acknowledge that pursuant to Section 2(a) of the Work Letter, on or before February 28, 2016 Tenant submitted, and Landlord approved, (a) the Plans and Specifications, (b) the Final Budget (which is the same as the revised Preliminary Budget attached hereto as Schedule 1-B), and (c) the Estimated Completion Date (which is September 20, 2016). Since the Construction Contracts have not yet been approved, Section 2(a) of the Work Letter is hereby amended to provide that the date by which the Construction Contracts are to be submitted to and approved by Landlord is extended from February 28, 2016 to March 31, 2016.

5. Definitions of Construction Contracts and Contractor. The definition of "Construction Contracts" in Section 1(iii) of the Work Letter is hereby amended to change "Contractor" to "EMJ Corporation". Clause (b) of the definition of "Contractor" in Section 1(vii) of the Work Letter is hereby amended to change "EMJ construction" to "EMJ Corporation".

6. Payment of Costs of Additional Mechanical and Electrical Work. Tenant has advised Landlord that it intends to insert into the proposed Guaranteed Maximum Price Amendment to the Construction Contract the addition of certain production area mechanical and electrical distribution work in the amount of $2,106,140 (the "Additional M&E Work"), which Additional M&E Work was previously to have been performed by the Haskell Company but will now instead be performed by EMJ Corporation. The cost of such Additional M&E Work is not included in the Final Budget. Accordingly, for the avoidance of doubt, Tenant agrees that its obligation under Section 5 of the Work Letter to fully pay and perform its obligations under the Construction Contracts includes an obligation to pay for the Additional M&E work from sources other than disbursements by Landlord under Section 3 of the Work Letter.

7. No Other Amendment. Except as amended by the foregoing, the Lease remains in full force and effect. Nothing in this Amendment shall be construed as altering the definition of "Scheduled Completion Date" in Exhibit D to the Lease. This Amendment shall, upon its execution and delivery, constitute a part of the Lease.

8. Conditions. This Amendment shall not be effective until Landlord shall have received counterparts of this Amendment duly executed by Tenant.

9. Estoppel; Representations and Warranties. Landlord and Tenant make the following representations and warranties, which representations and warranties shall survive the execution and delivery hereof:

a. The Lease remains in full force and effect;

b. The Lease and this Amendment have been duly authorized, executed and delivered by Landlord and Tenant, constitute legal, valid and binding obligations of Landlord and Tenant, and do not violate any provisions of any agreement or judicial order to which Landlord or Tenant is a party or to which it is subject.

10. Governing Law. This Amendment shall be governed by, and construed in accordance with the same laws governing the Lease.

11. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by fax or electronic mail shall be effective as delivery of an original executed counterpart of this Amendment.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

LANDLORD:

WF-FB NLTX, LLC,
a Delaware limited liability company

By: /s/ John D. Altmeyer
Name: John D. Altmeyer
Title: Manager

TENANT:

FARMER BROS. CO.,
a Delaware corporation

By: /s/ Michael H. Keown
Name: MICHAEL H. KEOWN
Title: President & CEO

SCHEDULE 1-B

Preliminary Budget

Exhibit 10.39

FIRST AMENDMENT TO DEVELOPMENT MANAGEMENT AGREEMENT

This First Amendment to Development Management Agreement (this "**Amendment**") is made and entered into effective as of January 5, 2016, by and between **STREAM REALTY PARTNERS-DFW, L.P.**, a Texas limited partnership ("**Developer**"), and **FARMER BROS. CO.**, a Delaware corporation ("**Tenant**").

RECITALS

A. Developer and Tenant entered into that certain Development Management Agreement dated as of July 17, 2015 (as amended, supplemented or otherwise modified, the "**Development Agreement**"), regarding the Project to be constructed on approximately 28.132 acres of land leased by Tenant and located at the northeast corner of Interstate 35 and State Highway 114 in the Town of Northlake, Denton County, Texas, as more particularly described in the Development Agreement. Capitalized terms used herein and not defined herein shall have the meanings given to them in the Development Agreement.

B. Developer and Tenant desire to amend the Development Agreement to extend the Outside Date, which is the date for satisfying certain conditions necessary to continue with the development of the Project under the Development Agreement.

AGREEMENTS

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, Developer and Tenant hereby agree as follows:

1. **Outside Date**. Section 1.3 of the Development Agreement is amended to provide that the "Outside Date" shall be March 31, 2016.

2. **Continuance of Development Agreement; Binding Effect; Governing Law**. All provisions of the Development Agreement, as amended hereby, shall remain in full force and effect and unchanged, except as provided herein. If any provision of this Amendment conflicts with the Development Agreement, the provisions of this Amendment shall control. This Amendment is binding upon and shall inure to the benefit of Developer and Tenant, and their respective successors and permitted assigns. This Amendment shall be governed by and construed in accordance with the laws of the State of Texas.

3. **Counterparts**. This Amendment may be executed in any number of counterparts (including execution by facsimile, PDF or other electronic transmission, which shall be deemed to be original signatures of the signers for all purposes) with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same document. Signature pages may be detached from the counterparts and attached to a single copy of this consent to physically form one document.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

DEVELOPER:

STREAM REALTY PARTNERS-DFW, L.P.,
a Texas limited partnership

By: Belland-McVean-Jackson Interests II, L.L.C., a Texas limited liability company,
its general partner

By:/s/ Chris Jackson
Name: Chris Jackson
Title: Member

TENANT:

FARMER BROS. CO., a Delaware corporation

By: /s/ Barry Fischetto
Name: Barry Fischetto
Title: SVP Operations

Exhibit 10.40

SECOND AMENDMENT TO DEVELOPMENT MANAGEMENT AGREEMENT

This Second Amendment to Development Management Agreement (this "**Amendment**") is made and entered into effective as of March 25, 2016 (the "**Amendment Date**"), by and between **STREAM REALTY PARTNERS-DFW, L.P.**, a Texas limited partnership ("**Developer**"), and **FARMER BROS. CO.**, a Delaware corporation ("**Tenant**").

RECITALS

A. Developer and Tenant entered into that certain Development Management Agreement dated as of July 17, 2015, as amended by that certain First Amendment to Development Management Agreement dated as of January 5, 2016 (as amended, supplemented or otherwise modified, the "**Development Agreement**"), regarding the Project to be constructed on approximately 28.132 acres of land leased by Tenant and located at the northeast corner of Interstate 35 and State Highway 114 in the Town of Northlake, Denton County, Texas, as more particularly described in the Development Agreement. Capitalized terms used herein and not defined herein shall have the meanings given to them in the Development Agreement.

B. Developer and Tenant desire to amend the Development Agreement to acknowledge the satisfaction of the Project Commencement Conditions.

AGREEMENTS

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, Developer and Tenant hereby agree as follows:

1. **Satisfaction of Project Commencement Conditions**. Pursuant to Section 1.3 of the Development Agreement, Developer and Tenant acknowledge and agree that as of the Amendment Date the Project Commencement Conditions have been satisfied as follows:

(a) **Approval of Project Commencement Items**.

(1) **Approved Plans.** Developer and Tenant have approved (a) RGA Architects Plans for the Farmer Brothers Company New Corporate Headquarters, GMP Set dated February 1, 2016, and sealed on October 16, 2015, (b) Gensler Architects Plans for Farmer Brothers Coffee Corporate HQ Relocation, GMP Set dated December 31, 2015, issued for Revised Pricing (not stamped), and (c) GMP Specifications, Farmer Brothers Company, New Corporate Headquarters, issued to EMJ Corporation on February 1, 2016, and agree that same collectively constitutes the "Approved Plans" under the Development Agreement.

(2) **Approved Project Budget.** Developer and Tenant have approved the project budget attached hereto as **Exhibit "A"**, and agree that same constitutes the "Approved Project Budget" under the Development Agreement.

(3) **Approved Project Schedule.** Developer and Tenant have approved the project schedule attached hereto as **Exhibit "B"**, and agree that same constitutes the "Approved Project Schedule" under the Development Agreement.

(4) **Scheduled Completion Date.** Developer and Tenant agree that the Scheduled Completion Date is September 20, 2016, as set forth in the Construction Contracts.

(5) **Construction Contracts.** Developer and Tenant have approved the Standard Form of Agreement between Owner and Design-Builder, AIA Document A141-2014, between Tenant, as Owner, and EMJ Corporation, as Design-Builder, dated as of September 4, 2015, as amended by that certain Guaranteed Maximum Price Amendment, AIA Document A133 – 2009 Exhibit A, dated as of March 11, 2016, and agree that same collectively constitutes the "Construction Contracts" under the Development Agreement.

(6) **Contract Documents.** Developer and Tenant have approved all Contract Documents that are in effect as of the Amendment Date.

(b) **Building Permit.** An unconditional building permit for the construction of the Project was issued by the Town of Northlake on October 20, 2015, a copy of which is attached hereto as **Exhibit "C"**.

(c) **Notice to Proceed.** Tenant gave a notice to proceed to commence work under the General Contract on September 8, 2015, a copy of which is attached hereto as **Exhibit "D"**.

2. **Amendment to Definition of "Lease".** The definition of term "Lease" in Recital A of the Development Management Agreement is hereby amended to mean that certain Lease Agreement dated as of July 17, 2015 by and between Landlord and Tenant, as amended by that certain First Amendment to Lease Agreement dated as of December 29, 2015, and as further amended by that certain Second Amendment to Lease Agreement dated as of March 10, 2016.

3. **Continuance of Development Agreement; Binding Effect; Governing Law**. All provisions of the Development Agreement, as amended hereby, shall remain in full force and effect and unchanged, except as provided herein. If any provision of this Amendment conflicts with the Development Agreement, the provisions of this Amendment shall control. This Amendment is binding upon and shall inure to the benefit of Developer and Tenant, and their respective successors and permitted assigns. This Amendment shall be governed by and construed in accordance with the laws of the State of Texas.

4. **Counterparts**. This Amendment may be executed in any number of counterparts (including execution by facsimile, PDF or other electronic transmission, which shall be deemed to be original signatures of the signers for all purposes) with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same document. Signature pages may be detached from the counterparts and attached to a single copy of this consent to physically form one document.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

DEVELOPER:

STREAM REALTY PARTNERS-DFW, L.P.,
a Texas limited partnership

By: Belland-McVean-Jackson Interests II, L.L.C., a Texas limited liability company,
its general partner

By: /s/ Chris Jackson
Name: Chris Jackson
Title: Member

TENANT:

FARMER BROS. CO.,
a Delaware corporation

By:/s/ Isaac N. Johnston
Name: Isaac N. Johnston
Title: CFO, Farmer Bros. Co.

Exhibit “A”

Approved Project Budget

Exhibit “B”

Approved Project Schedule

Exhibit “C”

Building Permit

Exhibit “D”

Notice to Proceed

Exhibit 10.41

AGREEMENT OF PURCHASE AND SALE AND JOINT ESCROW INSTRUCTIONS

BETWEEN

FARMER BROS. CO.,
a Delaware corporation,

AS SELLER

and
BRIDGE ACQUISITION, LLC,
a Delaware limited liability company,

AS BUYER

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AGREEMENT OF PURCHASE AND SALE
AND JOINT ESCROW INSTRUCTIONS
(20333 South Normandie Avenue)

I

SUMMARY AND DEFINITION OF BASIC TERMS

This Agreement of Purchase and Sale and Joint Escrow Instructions (the "**Agreement**"), dated as of the Effective Date set forth in Section 1 of the Summary of Basic Terms, below, is made by and between BRIDGE ACQUISITION, LLC, a Delaware limited liability company ("**Buyer**"), and FARMER BROS. CO., a Delaware corporation ("**Seller**"). The terms set forth below shall have the meanings set forth below when used in the Agreement.

TERMS OF AGREEMENT (first reference in the Agreement)	DESCRIPTION
1. **Effective Date** (Introductory Paragraph):	April 8, 2016.
2. **Buildings** (Recital A):	The buildings located on the Land situated in the City of Los Angeles, County of Los Angeles, California, with a street address of 20333 South Normandie Avenue, Los Angeles, California.
3. **Broker** (Section 15):	Cushman & Wakefield of California, Inc.
4. **Buyer's Notice Address** (Section 14):	c/o Bridge Development Partners, LLC 1334 Park View Avenue, Suite 310 Manhattan Beach, CA 90266 Attn: Mr. Brian Wilson Fax No.: (310) 853-8423 Email: bwilson@bridgedev.com *With a copy to*: Allen Matkins Leck Gamble Mallory & Natsis LLP 1900 Main Street, Fifth Floor Irvine, California 92614-7321 Attn: Drew Emmel, Esq. Fax No.: (949) 553-8354 Email: demmel@allenmatkins.com
5. **Purchase Price** (Section 2.1):	$43,000,000.00
6. **Initial Deposit** (Section 2.2.1):	$500,000.00
7. **Additional Deposit** (Section 2.2.2):	$1,500,000.00

8. **Escrow Holder** and **Escrow Holder's Notice Address** (Section 3):	First American National Title Company 3281 E. Guasti Road, Suite 440 Ontario, California 91761 Attn: Christine Siegel Senior Commercial Closer Phone No.: (909) 510-6208 Email: csiegel@firstam.com Escrow Number: NCS-730562
9. **Contingency Date** (Section 4.1):	April 18, 2016.
10. **Closing Date** (Section 3.2):	June 30, 2016.
11. **Title Company** (Section 4.2):	First American National Title Company 3281 E. Guasti Road, Suite 440 Ontario, California 91761 Attn: Wendy Hagen VP, Senior National Underwriter Phone No.: (909) 510-6225 Email: whagen@firstam.com Title Order Number: NCS-730562
12. **Seller's Representative** (Section 11.9):	Tom Mattei

II

RECITALS

A. Seller owns that certain parcel of land more particularly described on **Exhibit A** attached hereto (the "**Land**"), which Land is improved with the Buildings.

B. Seller desires to sell and convey to Buyer and Buyer desires to purchase and acquire from Seller all of Seller's right, title and interest in and to the following:

i. The Land and all of Seller's interest in all rights, privileges, easements and appurtenances benefiting the Land and/or the "Improvements," as defined below, including, without limitation, Seller's interest, if any, in all mineral and water rights and all easements, rights-of-way and other appurtenances used or connected with the beneficial use or enjoyment of the Land and/or the Improvements (the Land, the Improvements and all such rights, privileges, easements and appurtenances are sometimes collectively hereinafter referred to as the "**Real Property**");

ii. The Buildings, associated parking and landscaped areas and all other improvements located on the Land (the "**Improvements**"); and

iii. To the extent assignable, any intangible property used or useful in connection with the foregoing, contract rights, warranties, guaranties, licenses, permits, entitlements, governmental approvals and certificates of occupancy which benefit the Real Property, the Improvements, and/or the Personal Property but excluding any of the same that reference "Farmer Bros. Co." "Farmer Brothers" or any other similar name (the "**Intangible Personal**

Property"). The Real Property, the Improvements, and the Intangible Personal Property are sometimes collectively hereinafter referred to as the "**Property**."

C. Buyer will have the opportunity to conduct all due diligence with regard to the Property as set forth in Sections 4.1 and 4.2, below (collectively, the "**Due Diligence Investigations**").

III

AGREEMENT

NOW, THEREFORE, in consideration of the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller hereby agree as follows, and hereby instruct Escrow Holder as follows.

1. Purchase and Sale. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Property upon the terms and conditions set forth in this Agreement.

2. Purchase Price.

2.1 Purchase Price. Buyer shall pay the Purchase Price for the Property as hereinafter provided in this Section 2.

2.2 Deposit.

2.2.1 Initial Deposit. Within two (2) business days following the "Opening of Escrow," as that term is defined in Section 3.1, below, Buyer shall deliver to Escrow Holder the Initial Deposit. The Initial Deposit shall be deposited by Escrow Holder in an interest-bearing account at a federally insured institution as Escrow Holder and Seller deem appropriate and consistent with the timing requirements of this Agreement. The interest thereon shall accrue to the benefit of the party (or parties) receiving the Deposit (or any portions thereof) pursuant to the terms of this Agreement, and Buyer and Seller hereby acknowledge that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity. The term Deposit hereunder shall include all interest so earned thereon. Buyer agrees to provide its Federal Tax Identification Number to Escrow Holder upon the opening of Escrow. As consideration for Seller's agreement to enter into this Agreement, a portion of the Initial Deposit equal to Two Hundred Fifty Thousand and No/100 Dollars ($250,000.00) shall become non-refundable immediately upon receipt, except as otherwise provided in this Agreement (such immediately non-refundable portion of the Initial Deposit being the "**NR Deposit**"). Provided that Buyer has not previously terminated this Agreement pursuant to Section 4.1.4, below, then concurrently with the expiration of the "Property Approval Period," as that term is defined in Section 4.1.2, below, the remainder of the Initial Deposit shall become non-refundable, except as otherwise provided in this Agreement. If prior to the expiration of the Property Approval Period Buyer has delivered Buyer's Termination Notice, then this Agreement shall be automatically terminated and (*x*) Seller shall retain the NR Deposit as earned consideration for Seller entering into this Agreement, and (*y*) the balance of the

Initial Deposit, together with all interest accrued thereon, shall be returned to Buyer. If this Agreement has not been so terminated, then, after the expiration of the Property Approval Period, the entirety of the Initial Deposit (including the NR Deposit and any interest accrued thereon) shall be: (i) applied and credited toward payment of the Purchase Price at the Close of Escrow, or (ii) retained by Seller as liquidated damages pursuant to Section 16.2, below, or (iii) returned to Buyer if (A) this Agreement is terminated, and the provisions of Section 4.4 or Section 11.9 applies, or (B) this Agreement is terminated because of a breach by Seller.

2.2.2 Additional Deposit. Within two (2) business days following the expiration of the Property Approval Period, and provided Buyer has not previously delivered Buyer's Termination Notice, Buyer shall deliver to Escrow Holder the Additional Deposit (the Additional Deposit, together with the Initial Deposit, shall be hereafter referred to collectively as the "**Deposit**"). Upon receipt by Escrow Holder, the Additional Deposit shall become non-refundable except as otherwise provided in this Agreement. The Additional Deposit together with interest accrued thereon shall be (i) applied and credited toward payment of the Purchase Price at the Close of Escrow, or (ii) retained by Seller as liquidated damages pursuant to Section 16.2, below, or (iii) returned to Buyer if (A) this Agreement is terminated and the provisions of Section 4.4 or Section 11.9 applies, or (B) this Agreement is terminated because of a breach by Seller.

2.3 Cash Balance. On or before one (1) business day prior to the Closing Date, Buyer shall deposit with Escrow Holder cash by means of a confirmed wire transfer through the Federal Reserve System or cashier's check in the amount of the balance of the Purchase Price, plus Buyer's share of expenses and prorations as described in this Agreement.

3. Escrow and Title.

3.1 Opening of Escrow. Buyer and Seller shall promptly deliver a fully executed original of this Agreement to Escrow Holder (which delivery may be in counterparts), and the date of Escrow Holder's receipt thereof is referred to as the "**Opening of Escrow**"; provided, however, the parties' electronic delivery of such counterparts may be used for the Opening of Escrow to the extent their "wet-ink" original counterparts are concurrently delivered to Escrow Holder via Federal Express or other overnight courier or personal delivery. Seller and Buyer shall execute and deliver to Escrow Holder any additional or supplementary instructions as may be necessary or convenient to implement the terms of this Agreement and close the transactions contemplated hereby, provided such instructions are consistent with and merely supplement this Agreement and shall not in any way modify, amend or supersede this Agreement. Such supplementary instructions, together with the escrow instructions set forth in this Agreement, as they may be amended from time to time by the parties, shall collectively be referred to as the "**Escrow Instructions**." The Escrow Instructions may be amended and supplemented by such standard terms and provisions as the Escrow Holder may request the parties hereto to execute; provided, however, that the parties hereto and Escrow Holder acknowledge and agree that in the event of a conflict between any provision of such standard terms and provisions supplied by the Escrow Holder and the Escrow Instructions, the Escrow Instructions shall prevail.

3.2 Close of Escrow/Closing. For purposes of this Agreement, the "**Close of Escrow**" or the "**Closing**" shall mean the date on which the Deed (as defined in Section 5.1.1,

below) is recorded in the Official Records of the County where the Land is located (the "**Official Records**"). The Close of Escrow shall occur on the Closing Date, unless otherwise extended as set forth in this Agreement. Buyer's and Seller's failure to perform their respective material obligations hereunder, including, without limitation, the timely delivery by Buyer of the balance of the Purchase Price, shall constitute a material and non-curable default under this Agreement. Notwithstanding any provision to the contrary set forth in this Agreement, Seller and Buyer acknowledge and agree that Seller has elected to continue to occupy the Property after the Closing Date, and as specified in Sections 5.1.3 and 5.2.2 of this Agreement, the parties shall execute that certain Post-Closing NNN Lease-Back Building Lease in the form attached hereto as **Exhibit D** (the "**Lease-Back Lease**") and deliver to Escrow pursuant to Section 5 below.

3.3 Title Insurance. At the Close of Escrow, and as a condition thereto, the Title Company shall issue to Buyer an ALTA extended coverage Owner's Policy of Title Insurance (the "**Title Policy**") with liability in the amount of the Purchase Price, showing title to the Property vested in Buyer, subject only to (i) the preprinted standard exceptions in such Title Policy, (ii) exceptions approved or deemed approved by Buyer pursuant to Section 4.2, (iii) non-delinquent real property taxes and special assessments, (iv) any exceptions arising from Buyer's actions, and (v) any matters which would be disclosed by an accurate survey or physical inspection of the Property (collectively, the "**Permitted Exceptions**"). Buyer shall be responsible to deliver to the Title Company an ALTA survey of the Property, at Buyer's expense to the extent of a new ALTA survey or any further work required in connection with the ALTA survey previously commissioned by Seller and provided to Buyer (the "**ALTA Survey**"). Buyer shall pay the additional premium for extended coverage in excess of a standard CLTA policy and any endorsements requested by Buyer. The Property Approval Period and Close of Escrow shall not be extended due to Buyer's Title Policy requirements. Notwithstanding the foregoing, if Buyer fails to provide an ALTA survey for the Property acceptable to the Title Company for purposes of issuing the Title Policy, then the Title Policy to be issued on the Close of Escrow shall be an ALTA extended coverage Owner's Policy of Title Insurance which shall include a general survey exception.

4. Contingencies; Conditions Precedent to the Close of Escrow.

4.1 Buyer's Review.

4.1.1 Delivery of Due Diligence Materials by Seller. Prior to the date of this Agreement, Seller has made available to Buyer and Buyer's representatives vis-à-vis Seller's online due diligence room relating to the Property, for Buyer's inspection and copying at Buyer's expense, any environmental studies, soils studies, plans, specifications, maps, past surveys and other similar materials relating to the physical and environmental condition of the Property ("**Reports**"), excluding any confidential or proprietary materials or information (including, without limitation, budgets, financial analyses or projections, appraisal reports, organizational, financial and other documents relating to Seller or its affiliates, or any report or studies that have been superseded by subsequent reports or studies). Seller makes no representations or warranties regarding the sufficiency, truthfulness, completeness or accuracy of the Reports or that the Reports are complete copies of the same. Buyer acknowledges and understands that all such materials made available by Seller are only for Buyer's convenience in making its own examination and

determination prior to the Contingency Date as to whether it wishes to purchase the Property, and, in so doing, Buyer shall rely exclusively upon its own independent investigation, verification and evaluation of every aspect of the Property and not upon any of the Reports or materials supplied by Seller.

Without limiting the generality of the foregoing, prior to the date of this Agreement, Seller has also made available vis-à-vis Seller's online due diligence room relating to the Property for review and copying, at Buyer's expense, the following due diligence items (together with the Reports, collectively, "**Due Diligence Items**"): (i) to the extent in the possession of Seller or Seller's property manager, any plans and specifications for the Property, (ii) copies of all service contracts or service agreements relating to the operation and maintenance of the Property (but expressly excluding any contracts Seller determines are "master contracts" affecting properties other than the Property) (collectively, the "**Contracts**"); (iii) property tax bills for the last two (2) fiscal tax years (or, if the Property has been owned by Seller for less than two (2) years, for such period of Seller's ownership), and the property tax bill for the current year to the extent in the possession of Seller; (iv) operating statements for the Property for the last two (2) calendar years and the current year-to-date; and (v) to the extent in the possession of Seller, any existing ALTA survey. In no event shall Seller be obligated to provide to Buyer any confidential or proprietary information, any appraisal or other valuation information or any documents or information subject to attorney-client privilege or that constitute attorney work product. Seller acknowledges Buyer may desire to discuss or otherwise inquire about matters related to the Property with various governmental entities and utilities and other third parties (the "**Third Parties**"). In this regard, Buyer is permitted to contact all necessary Third Parties, and discuss Due Diligence Items with such Third Parties (subject to Buyer's confidentiality obligations hereunder and in that certain Confidentiality Agreement dated as of January 6, 2016 and signed by Buyer in connection with its investigations of the Property (the "**Confidentiality Agreement**")); provided, however, that Buyer shall first provide Seller with written notice and a reasonable opportunity to be present at such contact or discussions at a time and location reasonably convenient to Seller.

4.1.2 Entry Rights. Between the Effective Date and the Contingency Date (the "**Property Approval Period**") and thereafter until the Closing unless this Agreement is terminated, Buyer shall continue to have the right to review and investigate the Due Diligence Items, the physical and environmental condition of the Property, the character, quality, value and general utility of the Property, the zoning, land use, environmental and building requirements and restrictions applicable to the Property, the state of title to the Property, and any other factors or matters relevant to Buyer's decision to purchase the Property. Buyer, in Buyer's sole and absolute discretion, may determine whether or not the Property is acceptable to Buyer within the Property Approval Period. Buyer shall provide Seller with at least one (1) business day's prior written notice of its desire to enter upon the Real Property for inspection and/or testing and any such inspections or testing shall be conducted at a time (including weekends to the extent Seller has a representative reasonably available to be present on such weekends) and manner reasonably approved by Seller and to minimize disruption or interference with any occupants of the Property. Seller shall have the right to be present at any such inspections or testings. Prior to conducting any inspections or testing, Buyer or its consultants shall deliver to Seller a certificate of insurance naming Seller as additional insured (on a primary, non-contributing basis) evidencing commercial general liability and property

damage insurance with limits of not less than Two Million Dollars ($2,000,000) in the aggregate for liability coverage (plus Medical Expenses coverage with a limit of not less than Five Thousand and No/100 Dollars ($5,000.00) per incident), and not less than Two Million Dollars ($2,000,000) in the aggregate for property damage. In addition, prior to conducting any inspections or testing, Buyer or its consultants shall also deliver to Seller proof of Worker's Compensation and Employer's Liability Insurance with minimum limits of not less than One Million and No/100 Dollars ($1,000,000.00) each accident/employee/disease. Notwithstanding the foregoing, Buyer shall not be permitted to undertake any air or paint sampling or any intrusive or destructive testing of the Property, including, without limitation, a "Phase II" environmental assessment (collectively, the "**Intrusive Tests**"), without in each instance first obtaining Seller's prior written consent thereto, which consent Seller may give or withhold in Seller's sole and absolute discretion; provided, however, notwithstanding the foregoing approval standard for Intrusive Tests, and notwithstanding that the same may include or otherwise constitute Intrusive Tests, (i) a geotechnical investigation pursuant to the pre-approved scope of work attached hereto as **Exhibit F-1** shall be permitted, (ii) a soil vapor survey pursuant to the pre-approved scope of work attached hereto as **Exhibit F-2** shall be permitted; (iii) soil sampling pursuant to the pre-approved scope of work attached hereto as **Exhibit F-3** shall be permitted, (iv) arsenic and pesticide sampling pursuant to the pre-approved scopes of work attached hereto as **Exhibit F-4** and **Exhibit F-5** shall be permitted, and (v) a commercially reasonable, Seller-approved survey and assessment of asbestos containing materials, lead-based paint, and similar materials within the Buildings shall be permitted, and Seller's review and approval of a scope of work for any such ACM/LBP survey and assessment shall not be unreasonably withheld, conditioned or delayed; provided, however, it shall be deemed reasonable for Seller to withhold or condition the same to the extent it would present a discernable health or safety risk to Seller or its employees, visitors or guests that cannot be mitigated or addressed in a commercially reasonable manner by precautions undertaken by Buyer or its consultants. Buyer shall restore the Property to its original condition immediately after any and all testing and inspections conducted by or on behalf of Buyer. Buyer hereby indemnifies and holds Seller, the Seller Group (as defined below), and the Property harmless from any and all costs, loss, damages or expenses of any kind or nature arising out of or resulting from any entry and/or activities upon the Property by Buyer and/or Buyer's agents, employees, contractors or consultants; provided, however, such indemnification obligation shall not be applicable to the extent of Buyer's mere discovery of any pre-existing adverse physical condition at the Property. Buyer's indemnification obligations under this section shall survive the Close of Escrow or any termination of this Agreement.

4.1.3 Contracts. Buyer shall not assume any Contracts from Seller, and Seller shall provide written notice of termination to applicable third parties with respect to such Contracts on or before the expiration of the term of the Lease-Back Lease, if applicable.

4.1.4 Termination. If Buyer determines that it disapproves the Property, then Buyer shall have the right to terminate this Agreement by delivering written notice thereof to Seller and Escrow Holder (the "**Buyer's Termination Notice**") prior to 5:00 p.m. (Pacific time) on the Contingency Date, and upon such timely delivery of such Buyer's Termination Notice this Agreement shall be automatically terminated and the Deposit (less the NR Deposit, but together with all interest accrued thereon), shall be returned to Buyer. In the event Buyer fails to timely deliver the Buyer's Termination Notice to Seller and Escrow Holder on or before the expiration of

the Property Approval Period, then the same shall constitute Buyer's waiver of the above-described termination right and all matters set forth in Sections 4.1.1 and 4.1.2, above, shall be deemed to be approved, and this Agreement shall continue in full force and effect. Notwithstanding the above-referenced outside date for the timely delivery of Buyer's Termination Notice, with regard only to the specific issue of access to the Property from Normandie Avenue across a railroad right of way benefitting Union Pacific Railroad, to the extent Buyer is unable to satisfy itself in its sole and absolute discretion with regard to the continued ability to utilize the existing railway crossing, Buyer shall be deemed to have timely delivered Buyer's Termination Notice to the extent the same is delivered to Seller and Escrow holder on or before 5:00 p.m. (Pacific time) on the date which is the earlier to occur of (i) May 2, 2016, or (ii) the date which is five (5) business days following Buyer's receipt of a complete copy of the document file maintained by Union Pacific Railroad (and as confirmed by Union Pacific Railroad) for such existing railway crossing, and upon such deemed timely delivery of Buyer's Termination Notice this Agreement shall be automatically terminated and the Deposit (less the NR Deposit, but together with all interest accrued thereon), shall be returned to Buyer.

4.1.5 Due Diligence Materials. In the event Buyer does not purchase the Property for any reason, within five (5) days after the date this Agreement is terminated Buyer shall return to Seller all documents, information and other materials supplied by Seller to Buyer, and, at Seller's written request, without warranty or representation of any kind, any inspection reports, studies, surveys, and other reports and/or test results relating to the Property which were developed by Buyer or prepared by consultants retained by Buyer in contemplation of this Agreement.

4.2 Title Report and Additional Title Matters. Prior to the date hereof, Seller delivered to Buyer a preliminary title report for the Property (the "**PTR**"), and copies of all underlying title documents described in the PTR. Buyer shall have until April 11, 2016 (the "**Interim Date**") to provide written notice (the "**Title Notice**") to Seller and Escrow Holder of any matters shown by the PTR which are not satisfactory to Buyer. If Seller has not received such written notice from Buyer by the Interim Date, that shall be deemed Buyer's unconditional approval of the condition of title to the Property. Except as provided hereinbelow, Seller shall have until (3) business days prior to the Closing Date to make such arrangements or take such steps as the parties shall mutually agree to satisfy Buyer's objection(s); provided, however, that, except with respect to liens secured by deeds of trust securing loans made to Seller, mechanics' liens relating to work authorized by Seller, judgment liens against Seller, and delinquent taxes (herein "**Monetary Liens**", which Seller agrees to have removed on or before the Closing Date), Seller shall have no obligation whatsoever to expend or agree to expend any funds, to undertake or agree to undertake any obligations or otherwise to cure or agree to cure any title objections. To the extent Buyer timely delivers a Title Notice, then Seller shall deliver, within five (5) business days of its receipt of such Title Notice, written notice to Buyer and Escrow Holder identifying which disapproved items (other than Monetary Liens) Seller shall undertake to cure or not cure ("**Seller's Response**"). If Seller does not timely deliver a Seller's Response, Seller shall be deemed to have elected to not remove or otherwise cure any exceptions disapproved by Buyer. If Seller elects, or is deemed to have elected, not to remove or otherwise cure an exception disapproved in Buyer's Title Notice, Buyer shall have until the Contingency Date to notify Seller and Escrow Holder, in writing, of Buyer's election to either waive the objection or terminate this Agreement and the Escrow. If Seller and Escrow Holder

have not received written notice from Buyer by the Contingency Date, that shall be deemed Buyer's waiver of Buyer's objection and election to proceed with Closing; provided, however, Buyer's timely delivery of Buyer's Termination Notice in accordance with Section 4.1.4, above, shall be deemed Buyer's disapproval of the actual or deemed Seller Response. Except for Monetary Liens, all matters shown in the PTR and any survey of the Property obtained by Buyer with respect to which Buyer fails to give a Title Notice on or before the Interim Date shall be deemed to be approved by Buyer.

4.3 Conditions Precedent to Buyer's Obligations:

4.3.1 Title Policy. On or before the Closing, Title Company shall have committed to issue to Buyer the Title Policy described in Section 3.3.

4.3.2 Seller's Performance. Seller shall have duly performed in all material respects each and every covenant of Seller hereunder.

4.3.3 Accuracy of Representations and Warranties. On the Closing Date, all representations and warranties made by Seller in Section 11 shall be true and correct in all material respects as if made on and as of the Closing Date, except for (i) any inaccuracies therein actually known by Buyer prior to the Contingency Date, or (ii) any changes in circumstances contemplated by Section 11.9 of this Agreement.

4.4 Failure of Conditions Precedent to Buyer's Obligations. Buyer's obligations with respect to the transactions contemplated by this Agreement are subject to the satisfaction of the conditions precedent to such obligations for Buyer's benefit set forth in Section 4.3. If Buyer terminates this Agreement by notice to Seller because of the failure of such conditions precedent, then (i) Escrow Holder shall return the Deposit (including the portion of the Deposit referred to as the NR Deposit) to Buyer (plus interest accrued on the Deposit only while held by Escrow Holder) in accordance with Buyer's written instructions within five (5) business days following Buyer's delivery of a written termination notice to Seller and Escrow Holder, (ii) Seller and Buyer shall each pay one-half (1/2) of any Escrow cancellation fees or charges, and (iii) except for Buyer's indemnity and confidentiality obligations and any other provisions under the Agreement which expressly survive termination of the Agreement, the parties shall have no further rights or obligations to one another under this Agreement.

4.5 Conditions Precedent to Seller's Obligations. The Close of Escrow and Seller's obligations with respect to the transactions contemplated by this Agreement are subject to the timely satisfaction or waiver of the following conditions: (i) Buyer shall have duly performed in all material respects each and every covenant of Buyer hereunder, and (ii) Buyer's representations and warranties set forth in this Agreement shall be true and correct in all material respects as of the Closing Date as if made on and as of the Closing Date. Without limitation of the foregoing, Buyer shall have timely delivered the Purchase Price pursuant to the provisions of Section 2, above.

5. Deliveries to Escrow Holder.

5.1 Seller's Deliveries. Seller hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) business day prior to the Closing Date (or other

date specified) the following funds, instruments and documents, the delivery of each of which shall be a condition to the Close of Escrow:

5.1.1 Deed. A Grant Deed (the "**Deed**") in the form of **Exhibit B** attached hereto, duly executed and acknowledged in recordable form by Seller, conveying Seller's interest in the Real Property to Buyer;

5.1.2 Non-Foreign Certifications. Certificates duly executed by Seller in the forms of **Exhibits C-1** and **C-2** attached hereto (the "**Tax Certificates**");

5.1.3 Lease-Back Lease. Subject to Section 3.2, if applicable, two (2) counterparts of the Lease-Back Lease;

5.1.4 General Assignment. Two (2) counterparts of a General Assignment duly executed by Seller in the form of **Exhibit E** attached hereto (the "**General Assignment**"); and

5.1.5 Proof of Authority. Such proof of Seller's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Seller to act for and bind Seller, as may be reasonably required by Title Company.

5.2 Buyer's Deliveries. Buyer hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) business day prior to the Closing Date the following funds, instruments and documents, the delivery of each of which shall be a condition to the Close of Escrow:

5.2.4 Buyer's Funds. The balance of the Purchase Price, and such additional funds, if any, necessary to comply with Buyer's obligations hereunder regarding prorations, credits, costs and expenses;

5.2.5 Lease-Back Lease. Subject to Section 3.2, if applicable, two (2) counterparts of the Lease -Back duly executed by Buyer;

5.2.6 General Assignment. Two (2) counterparts of the General Assignment duly executed by Buyer; and

5.2.7 Proof of Authority. Such proof of Buyer's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Buyer to act for and bind Buyer, as may be reasonably required by Title Company.

6. Deliveries Upon Close of Escrow. Upon the Close of Escrow, Escrow Holder shall promptly undertake all of the following:

6.1 Tax Filings. The Title Company shall file the information return for the sale of the Property required by Section 6045 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder.

6.2 Prorations. Prorate all matters referenced in Section 8 based upon the statement delivered into Escrow signed by the parties;

6.3 Recording. Cause the Deed and any other documents which the parties hereto may direct, to be recorded in the Official Records in the order directed by the parties;

6.4 Seller Funds. Deduct all items chargeable to the account of Seller pursuant to Section 7, below. If, as the result of the net prorations and credits pursuant to Section 8, amounts are to be charged to the account of Seller, deduct the total amount of such charges from the Purchase Price (unless Seller elects to deposit additional funds for such items in Escrow); and if amounts are to be credited to the account of Seller, disburse such amounts to Seller, or in accordance with Seller's instructions, at Close of Escrow. Disburse the Purchase Price to Seller (less the amount of any net prorations and credits to be charged to the account of Seller), or as otherwise directed by Seller, promptly upon the Close of Escrow in accordance with Seller's wire transfer instructions.

6.5 Buyer Funds. Disburse from funds deposited by Buyer with Escrow Holder towards payment of all items and costs (including, without limitation, the Purchase Price, which shall be disbursed in accordance with Section 6.4 above and this Section 6.5) chargeable to the account of Buyer pursuant hereto in payment of such items and costs and disburse the balance of such funds, if any, to Buyer;

6.6 Documents to Seller. Deliver to Seller counterpart originals of the Lease-Back Lease, if applicable, and the General Assignment executed by Buyer and a conformed recorded copy of the recorded Deed;

6.7 Documents to Buyer. Deliver to Buyer an original of the Tax Certificates, and counterpart originals of the Lease-Back Lease, if applicable, and General Assignment appropriately executed by Seller, a conformed recorded copy of the Deed, and, when issued, the Title Policy;

6.8 Title Policy. Direct the Title Company to issue the Title Policy to Buyer; and

7. Costs and Expenses. Seller shall pay through Escrow (i) that portion of the Title Policy premium for standard CLTA owner's coverage, (ii) all documentary transfer taxes, and (iii) one-half (½) of the Escrow Holder's fee. In addition, Seller shall pay outside of Escrow all legal and professional fees and costs of attorneys and other consultants and agents retained by Seller. Buyer shall pay through Escrow (w) all document recording charges, (x) the additional Title Policy premium for ALTA extended coverage and any title endorsements requested by Buyer, (y) one-half (½) of the Escrow Holder's fee, and (z) all charges for the ALTA Survey. Buyer shall pay outside of Escrow all costs and expenses related to the Due Diligence Investigations, and all legal and professional fees and costs of attorneys and other consultants and agents retained by Buyer.

8. Prorations. The following prorations between Seller and Buyer shall be made by Escrow Holder computed as of the Close of Escrow:

8.1 Ad Valorem Taxes. All real estate and personal property taxes attributable to the Property will be prorated at Closing. Seller shall be charged with all such taxes up to, but not including, the Closing Date. If the applicable tax rate and assessments for the Property have not been established for the year in which Closing occurs, the proration of real estate and/or personal property taxes, as the case may be, will be based upon the rate and assessments for the preceding year, subject to initial adjustment as provided in Section 8.3 below. All taxes imposed because of a change of use of the Property after Closing will be paid by Buyer. Real property tax refunds and credits received after the Closing which are attributable to a fiscal tax year prior to the Closing shall belong to Seller, and those which are attributable to the fiscal tax year in which the Closing occurs shall be prorated based upon the date of Closing.

8.2 Operating Expenses. All utility service charges for electricity, heat and air conditioning service, other utilities, elevator maintenance, common area maintenance, taxes other than real estate taxes such as rental taxes, other expenses incurred in operating the Property that Seller customarily pays, and any other costs incurred in the ordinary course of business or the management and operation of the Property, shall be prorated on an accrual basis. Seller shall pay all such expenses that accrue prior to the Close of Escrow and Buyer shall pay all such expenses accruing on the Close of Escrow and thereafter. Seller and Buyer shall use commercially reasonable efforts to obtain billings and meter readings as of the Close of Escrow to aid in such prorations.

8.3 Proration Statement. At least two (2) business days prior to the Close of Escrow, the parties shall agree upon all of the prorations to be made and submit a statement to Escrow Holder setting forth the same. In the event that any prorations, apportionments or computations made under this Section 8 shall require final adjustment, then the parties shall make the appropriate adjustments promptly when accurate information becomes available and either party hereto shall be entitled to an adjustment to correct the same, but in no event shall such final adjustment occur later than one hundred eighty (180) days following the Close of Escrow (other than with respect to a final ceconciliation). Any corrected adjustment or proration shall be paid in cash to the party entitled thereto. The provisions of this Section 8 shall survive the Close of Escrow.

9. Covenants of Seller. Seller hereby covenants with Buyer, as follows:

9.1 Contracts. Between the Effective Date and the Closing Date, Seller shall not enter into any new Contracts or any amendments or modifications to the existing Contracts (collectively, "**New Contracts**") which would prevent Seller from terminating such New Contractors prior to the expiration of the term of the Lease-Back Lease, and Seller shall cause any existing Contracts and New Contracts to be terminated no later than the expiration of the term of the Lease-Back Lease. Buyer shall not assume any New Contracts. Without limiting the generality of the foregoing, Seller will provide Buyer with copies of all New Contracts.

9.2 Operation in the Ordinary Course. Subject to Sections 9.1 above, from the date of this Agreement until the Close of Escrow, Seller shall (i) operate and manage the Property in the ordinary course, consistent with Seller's past practices, and in accordance with applicable Governmental Regulations (but with regard to such Governmental Regulations, only to the extent

the same (A) are presently being actively enforced by the applicable governmental agencies having jurisdiction over the Property, such that failure to so comply would (if it were known by such governmental agencies), threaten the Certificate of Occupancy for the Property, or applicable portion thereof, would constitute a health hazard, or would otherwise be required to be remedied, and (B) are not the subject of Buyer's then-existing demolition plans for the Property, unless and to the extent such failure would subject Buyer to penalties from the applicable governmental agencies pursuant to an enforcement action contemplated by item (A) hereinabove), and (ii) maintain all present services and amenities. All Intangible Personal Property shall be conveyed to Buyer by Seller at the Close of Escrow free from any liens, encumbrances or security interests of any kind or nature other than the Permitted Exceptions.

9.3 Buyer's Approval/Entitlement Efforts. From and following the expiration of the Property Approval Period and Buyer's delivery of the entirety of the Deposit in accordance with Section 2.2.2 of this Agreement, Seller agrees to reasonably cooperate with Buyer in connection its efforts to obtain approvals and/or entitlements for its post-Closing development of the Property (e.g., signing applications to the extent required of the then-current owner of the Property); provided, however, in connection with the foregoing, Buyer shall pay all costs associated with such efforts (and shall reimburse Seller for any reasonable, third-party costs and expenses incurred in connection therewith), and Buyer shall remain primarily liable under this Agreement and indemnify Seller from any liability in connection with such approval and/or entitlement efforts.

9.4 Union Pacific Railroad Crossing Efforts. From and following the Effective Date, Seller agrees to use diligent, commercially reasonable efforts to timely cooperate with Buyer in connection its efforts to obtain certainty with regard to the continued ability to utilize the existing railway crossing between Normandie Avenue and the Property (e.g., making submissions, as reasonably requested by Buyer, to Union Pacific Railroad and applicable governmental agencies regarding such crossing and Property access; authorizing Buyer, as the prospective owner of the Property, to have discussions with the applicable third parties relating thereto; and signing applications, document requests, etc., to the extent required of the then-current owner of the Property); provided, however, in connection with the foregoing, Buyer shall pay all costs associated with such efforts (and shall reimburse Seller for any reasonable, third-party costs and expenses incurred in connection therewith), and Buyer shall remain primarily liable under this Agreement and indemnify Seller from any liability in connection with such efforts.

10. AS-IS Sale and Purchase. Buyer acknowledges, by its initials as set forth below, that the provisions of this Section 10 have been required by Seller as a material inducement to enter into the contemplated transactions, and the intent and effect of such provisions have been explained to Buyer by Buyer's counsel and have been understood and agreed to by Buyer.

10.1 Buyer's Acknowledgment. As a material inducement to Seller to enter into this Agreement and to convey the Property to Buyer, Buyer hereby acknowledges and agrees that:

10.1.1 AS-IS. Except as otherwise expressly set forth in this Agreement, and subject to Seller's representation and warranties set forth in Section 11 of this Agreement (e.g., the covenants set forth in Section 9 of this Agreement), Buyer is purchasing the Property in its existing condition, "AS-IS, WHERE-IS, WITH ALL FAULTS," and upon the Closing Date has made or has waived all inspections and investigations of the Property and its vicinity which Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property.

__/S/_____
Buyer's Initials

10.1.2 No Representations. Other than the express representations and warranties of Seller contained in Section 11 of this Agreement and the "Other Documents," as that term is defined in Section 16.4 below, neither Seller, nor any person or entity acting by or on behalf of Seller, nor any partner, officer, director, employee, agent, affiliate, successor or assign of Seller (collectively, the "**Seller Group**") has made any representation, warranty, inducement, promise, agreement, assurance or statement, directly or indirectly, oral or written, of any kind to Buyer upon which Buyer has or is relying, or in connection with which Buyer has made or will make any decisions concerning the Property or its vicinity including, without limitation, its use, condition, value, compliance with "Governmental Regulations," as that term is defined below, the existence or absence of Hazardous Substances on or under the Property, or the permissibility, feasibility, or convertibility of all or any portion of the Property for any particular use or purpose, including, without limitation, its present or future prospects for sale, lease, development, occupancy or suitability as security for financing. As used in this Agreement, the following definitions shall apply: (i) the term "**Governmental Regulations**" means any laws (including Environmental Laws, as that term is defined below), ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, Hazardous Substances, occupational health and safety, handicapped access, water, earthquake hazard reduction, and building and fire codes) of any governmental or quasi-governmental body or agency claiming jurisdiction over the Property, (ii) the term "**Environmental Laws**" shall mean all federal, state and local laws, ordinances, rules and regulations now or hereafter in force, as amended from time to time, and all federal and state court decisions, consent decrees and orders interpreting or enforcing any of the foregoing, in any way relating to or regulating human health or safety, or industrial hygiene or environmental conditions, or protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, and includes, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq., and the Clean Water Act, 33 U.S.C. § 1251, et seq., (iii) "**Hazardous Substances**" shall mean any substance or material that is described as a toxic or hazardous substance, waste or material or a pollutant or contaminant, or words of similar import, in any of the Environmental Laws, and includes asbestos, petroleum (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), petroleum-based products and petroleum additives and derived substances, lead-based paint, mold, fungi or bacterial matter, polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive matter, medical waste, and chemicals which may cause cancer or reproductive toxicity.

/S/
Buyer's Initials

10.1.3 No Implied Warranties. Excluding any representation or warranty set forth in Section 11 of this Agreement or in the Other Documents, Seller hereby specifically disclaims: (a) all warranties implied by law arising out of or with respect to any aspect or element of the Property, including, without limitation, all implied warranties of merchantability, habitability and/or fitness for a particular purpose; and (b) any warranty, guaranty or representation, oral or written, past, present or future, of, as to, or concerning (i) the nature and condition of the Property or other items conveyed hereunder, including, without limitation, the water, soil, and geology, the suitability thereof and of the Property or other items conveyed hereunder for any and all activities and uses which Buyer may elect to conduct thereon, the existence of any environmental hazards or conditions thereon (including but not limited to the presence of asbestos or other Hazardous Substances) or compliance with applicable Environmental Laws; (ii) the nature and extent of any right-of-way, lease, possession, lien, encumbrance, license, reservation, condition or otherwise; and (iii) the compliance of the property or other items conveyed hereunder or its operation with any Governmental Regulations.

/S/
Buyer's Initials

10.1.4 Information Supplied by Seller. Buyer specifically acknowledges and agrees that, except as expressly contained in Section 11 of this Agreement and the Other Documents, the Seller has made no representation or warranty of any nature concerning the accuracy or completeness of any documents delivered or made available for inspection by Seller to Buyer, including, without limitation, the Due Diligence Items, and that Buyer has undertaken such inspections of the Property as Buyer deems necessary and appropriate and that Buyer is relying solely upon such investigations and not on any of the Due Diligence Items or any other information provided to Buyer by or on behalf of Seller. As to the Due Diligence Items, Buyer specifically acknowledges that they have been prepared by third parties with whom Buyer has no privity and Buyer acknowledges and agrees that no warranty or representation, express or implied, has been made, nor shall any be deemed to have been made, to Buyer with respect thereto, either by the Seller Group or by any third parties that prepared the same, unless and to the extent that Buyer obtains, at Buyer's expense, a reliance letter or other express authorization that Buyer may rely on such Due Diligence Materials from the preparer thereof.

/S/
Buyer's Initials

10.1.5 Release. As of the Close of Escrow, Buyer and the Buyer Parties hereby fully and irrevocably release the Seller Group from any and all claims that the Buyer Parties may have or thereafter acquire against the Seller Group for any cost, loss, liability, damage, expense, demand, action or cause of action ("**Claims**") arising from or related to any matter of any nature relating to, and condition of, the Property including any latent or patent construction defects, errors or omissions, compliance with law matters, Hazardous Substances and other environmental matters within, under or upon, or in the vicinity of the Property, including, without limitation, any

Environmental Laws. The foregoing release by Buyer and the Buyer Parties shall include, without limitation, any Claims Buyer and/or the Buyer Parties may have pursuant to any statutory or common law right Buyer may have to receive disclosures from Seller, including, without limitation, any disclosures as to the Property's location within areas designated as subject to flooding, fire, seismic or earthquake risks by any federal, state or local entity, the presence of Hazardous Substances on or beneath the Property, the need to obtain flood insurance, the certification of water heater bracing and/or the advisability of obtaining title insurance, or any other condition or circumstance affecting the Property, its financial viability, use or operation, or any portion thereof. This release includes claims of which Buyer is presently unaware or which Buyer does not presently suspect to exist in its favor which, if known by Buyer, would materially affect Buyer's release of the Seller Group. In connection with the general release set forth in this Section 10.1.5, Buyer specifically waives the provisions of California Civil Code Section 1542, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

__/S/____
Buyer's Initials

Notwithstanding anything to the contrary set forth in this Section 10.1.5, the foregoing release is not intended to and does not cover (i) any claims arising from a breach of Seller's representations or warranties set forth in Section 11 of this Agreement or (ii) any other breach by Seller of an express obligation of Seller under this Agreement or the Other Documents which by its terms survives the Close of Escrow.

10.1.6 Natural Hazard Disclosure. Buyer and Seller acknowledge that Seller is required to disclose if any of the Property lies within the following natural hazard areas or zones: (i) a special flood hazard area designated by the Federal Emergency Management Agency; (ii) an area of potential flooding; (iii) a very high fire hazard severity zone; (iv) a wild land area that may contain substantial forest fire risks and hazards; (v) an earthquake fault or special studies zone; or (vi) a seismic hazard zone. Buyer acknowledges that Seller will cause the Title Company to employ the services of PZR or another reputable vendor ("**Natural Hazard Expert**") to examine the maps and other information specifically made available to the public by government agencies and to report the results of its examination to Buyer in writing. The written report prepared by the Natural Hazard Expert regarding the results of its examination fully and completely discharges Seller from its disclosure obligations referred to herein, and, for the purposes of this Agreement, the provisions of Civil Code Section 1103.4 regarding the non-liability of Seller for errors and/or omissions not within its personal knowledge shall be deemed to apply, and the Natural Hazard Expert shall be deemed to be an expert dealing with matters within the scope of its expertise with respect to the examination and written report regarding the natural hazards referred to above.

10.1.7 Section 25359.7. Buyer acknowledges and agrees that the sole inquiry and investigation Seller conducted in connection with the environmental condition of the Property is to obtain the environmental report(s) which are part of the Due Diligence Items and

that, for purposes of California Health and Safety Code Section 25359.7, Seller has acted reasonably in relying upon said inquiry and investigation, and the delivery of this Agreement constitutes written notice to Buyer under such code section.

10.2 Survival. This Section 10 shall survive any termination of this Agreement and the Closing.

11. Seller's Representations and Warranties. Seller represents and warrants to Buyer as of the date of the Effective Date as follows:

11.1 Formation; Authority. Seller is duly incorporated, validly existing, and in good standing under laws of the state of its formation. Seller has full corporate power and authority to enter into this Agreement and the instruments referenced herein and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Seller have been duly and validly authorized by all necessary corporate action on the part of Seller and all required consents and approvals that are required for the execution, delivery and performance of this Agreement by Seller have been duly obtained. All requisite action has been taken by Seller in connection with the entering into of this Agreement and the instruments referenced herein and the consummation of the transactions contemplated hereby. The individual(s) executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms and conditions hereof and thereof.

11.2 No Conflict. Neither the execution and delivery of this Agreement and the documents and instruments referenced herein, nor the occurrence of the obligations set forth herein, nor the consummation of the transaction contemplated herein, nor compliance with the terms of this Agreement and the documents and instruments referenced herein conflict with or result in the material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note, or other evidence of indebtedness or any other material agreement or instrument to which Seller is a party.

11.3 Bankruptcy. Seller has not (a) commenced a voluntary case, or had entered against it a petition, for relief under any federal bankruptcy act or any similar petition, order or decree under any federal or state law or statute relative to bankruptcy, insolvency or other relief for debtors, (b) caused, suffered or consented to the appointment of a receiver, trustee, administrator, conservator, liquidator, or similar official in any federal, state, or foreign judicial or non-judicial proceeding, to hold, administer and/or liquidate all or substantially all of its assets, or (c) made an assignment for the benefit of creditors.

11.4 Prohibited Persons and Transactions. Neither Seller nor any of its affiliates, nor any of their respective members, and none of their respective officers or directors is, nor prior to Closing or the earlier termination of this Agreement, will they become, a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of OFAC (including those named on OFAC's Specially Designated Blocked Persons List) or under any U.S. statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or other governmental action.

11.5 Leases. There are no leases, licenses or other similar occupancy agreements with respect to the leasing or occupancy of the Property.

11.6 Legal Compliance. Except as otherwise disclosed in the Due Diligence Items or any other information delivered to Buyer, to Seller's knowledge (i) Seller has not received any written notice from any governmental agency that the Property or any condition existing thereon or any present use thereof currently violates in any material respect any Governmental Regulations applicable to the Property, including those relating to Environmental Laws and/or Hazardous Substances, and (ii) Seller is otherwise unaware of any condition existing on, or any present use of, the Property that currently violates such Environmental Laws and/or Hazardous Substances.

11.7 Litigation. To Seller's knowledge, and except as otherwise disclosed in the Due Diligence Items or any other information delivered to Buyer, Seller has not received written notice of any litigation, arbitration or other legal or administrative suit, action, proceeding or investigation of any kind pending or threatened in writing against or involving Seller relating to the Property or any part thereof, including, but not limited to, any condemnation action relating to the Property or any part thereof.

11.8 Foreign Person. Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder.

11.9 Subsequent Changes. If Seller becomes aware of any fact or circumstance prior to the Closing Date which would materially and adversely change one of its foregoing representations or warranties, then Seller will promptly give notice of such changed fact or circumstance to Buyer. Upon Buyer actually becoming aware of any fact which would materially and adversely change any of the representations or warranties contained in this Section 11 or would otherwise constitute a breach thereof by Seller, Buyer, as its sole remedy, shall have the option of (i) waiving the breach of warranty or change, and proceeding with the Close of Escrow, or (ii) terminating this Agreement, in which event the Deposit and any other funds deposited by Buyer into the Escrow and all interest earned thereon shall be returned to Buyer. Any such election shall be made by Buyer not later than the earlier of (A) five (5) business days from Buyer actually becoming aware of such fact or (B) the Closing Date. Notwithstanding the foregoing, if Buyer elects to proceed under clause (ii) above, Seller shall have the right, in its sole discretion, within three (3) business days following receipt of such election from Buyer, to elect by written notice to Buyer to cure such matter prior to Closing (and Seller shall have the right to delay the Closing for up to thirty (30) days to effectuate such cure). If Seller makes such foregoing election and proceeds to actually cure such matter in the time required above, then Buyer's original notice under clause (ii) above shall be deemed Buyer's election to not terminate this Agreement and proceed pursuant to clause (i) above. If Buyer does not so elect to terminate this Agreement pursuant to this Section 11.9, then Buyer shall be deemed to have (i) elected to waive its rights to terminate this Agreement pursuant to this Section 11.9, (ii) elected to acquire the Property on the terms set forth in this Agreement, and (iii) waived all remedies at law or in equity with respect to any representations or warranties resulting from the facts or circumstances disclosed by Seller in its notice to Buyer or of which Buyer actually becomes aware prior to Closing and Seller's representations and warranties set forth in this Agreement shall be deemed to have been modified by all such disclosures. In no

event shall Seller be liable to Buyer for (except to the extent expressly elected by Seller pursuant to this Section 11.9, above), or be deemed to be in default under this Agreement by reason of, any breach of a representation or warranty that results from any change that (i) occurs between the Effective Date and the Closing Date, and (ii) is not due to the voluntary or negligent acts or omissions of Seller in violation of this Agreement.

11.10 Seller's Knowledge. Whenever phrases such as "**to Seller's knowledge**" or "**Seller has no knowledge**" or similar phrases are used in the foregoing representations and warranties, they will be deemed to refer exclusively to matters within the current actual (as opposed to constructive) knowledge of the Seller's Representative. No duty of inquiry or investigation on the part of Seller or Seller's Representative will be required or implied by the making of any representation or warranty which is so limited to matters within Seller's actual knowledge, and in no event shall Seller's Representative have any personal liability therefor.

11.11 Environmental Reports. To Seller's knowledge, Seller has provided Buyer with copies of all reports and other documents containing material information regarding Hazardous Substances affecting the Property, excluding any such reports or other documents that were subsequently superseded by a report or document provided to Buyer.

11.12 Survival. All of the foregoing representations and warranties of Seller will survive Closing for a period of nine (9) months after the Closing Date. No claim for a breach of any representation or warranty of Seller will be actionable or payable if (i) Buyer does not notify Seller in writing of such breach and commence a "legal action" thereon within said nine (9) months, or (ii) the breach in question results from or is based on a condition, state of facts or other matter which was actually known to Buyer prior to Closing.

12. Buyer's Representations and Warranties. In addition to any express agreements of Buyer contained herein, the following constitute representations and warranties of Buyer:

12.1 Formation; Authority. Buyer is duly formed, validly existing and in good standing under the laws of the state of its formation. Buyer has full corporate power and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Buyer have been duly and validly authorized by all necessary corporate action on the part of Buyer and all required consents and approvals that are required for the execution, delivery and performance of this Agreement by Buyer have been duly obtained. All requisite corporate action has been taken by Buyer in connection with the entering into this Agreement and the instruments referenced herein, and the consummation of the transactions contemplated hereby. The individuals executing this Agreement and the instruments referenced herein on behalf of Buyer have the legal power, right and actual authority to bind Buyer to the terms and conditions hereof and thereof.

12.2 No Conflict. Neither the execution and delivery of this Agreement and the documents and instruments referenced herein, nor the occurrence of the obligations set forth herein, nor the consummation of the transaction contemplated herein, nor compliance with the terms of this Agreement and the documents and instruments referenced herein conflict with or result in the material breach of any terms, conditions or provisions of, or constitute a default under, any bond,

note, or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease or other agreement or instrument to which Buyer is a party.

12.3 Bankruptcy. Buyer has not (a) commenced a voluntary case, or had entered against it a petition, for relief under any federal bankruptcy act or any similar petition, order or decree under any federal or state law or statute relative to bankruptcy, insolvency or other relief for debtors, (b) caused, suffered or consented to the appointment of a receiver, trustee, administrator, conservator, liquidator, or similar official in any federal, state, or foreign judicial or non-judicial proceeding, to hold, administer and/or liquidate all or substantially all of its assets, or (c) made an assignment for the benefit of creditors.

12.4 Prohibited Persons and Transactions. Neither Buyer nor any of its affiliates, nor any of their respective members, and none of their respective officers or directors is, nor prior to Closing or the earlier termination of this Agreement, will they become, a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of OFAC (including those named on OFAC's Specially Designated Blocked Persons List) or under any U.S. statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or other governmental action.

13. Casualty and Condemnation.

13.1 Casualty. In the event that prior to the Close of Escrow there is any damage to the Real Property, or any part thereof, Seller shall, subject to the following sentence, repair or replace such damage prior to the Close of Escrow. Notwithstanding the preceding sentence, in the event Seller elects not to or is unable to repair or replace such damage, Seller shall notify Buyer in writing of such fact and Buyer shall thereafter accept the Real Property in its then condition, and proceed with the transaction contemplated by this Agreement and Buyer shall receive an abatement or reduction in the Purchase Price in the amount of the deductible for the applicable insurance coverage, and Buyer shall be entitled to an assignment of all of Seller's rights to any insurance proceeds payable by reason of such damage or destruction, other than rental abatement/rent loss insurance attributable to the period of time prior to the Closing which shall be retained by or paid to Seller. In the event Seller does not repair or replace such damages, Seller shall not compromise, settle or adjust any claims to such proceeds without Buyer's prior written consent.

13.2 Condemnation. In the event that prior to the Close of Escrow, any portion of the Real Property is subject to a taking by any public or governmental authority, Buyer shall accept the Real Property in its then condition and proceed with the consummation of the transaction contemplated by this Agreement, in which event Buyer shall be entitled to an assignment of all of Seller's rights to any award or proceeds payable in connection with such taking (other than any award or proceeds applicable to pre-Closing periods, for example in the case of a temporary taking). In the event of any such taking, Seller shall not compromise, settle or adjust any claims to such award without Buyer's prior written consent.

13.3 Notice of Casualty and Condemnation. Seller agrees to give Buyer prompt written notice of any taking of, proposed taking of, damage to or destruction of the Real Property.

14. Notices. All notices, consents, requests, reports, demands or other communications hereunder (collectively, "**Notices**") shall be in writing and may be given personally or by Federal Express (or other reputable overnight delivery service) as follows:

To Seller:	Farmer Bros. Co. 13601 North Freeway, Suite 200 Fort Worth, TX 76177 Attn: Thomas J. Mattei, Jr. E-mail: tmattei@farmerbros.com
With copies to:	Allen Matkins Leck Gamble Mallory & Natsis LLP 1901 Avenue of the Stars, Suite 1800 Los Angeles, California 90067 Attn: Peter J. Roth, Esq. Email: proth@allenmatkins.com
To Buyer:	At Buyer's Notice Address set forth in the Summary and Definition of Basic Terms.
To Escrow Holder:	At Escrow Holder's Address set forth in the Summary and Definition of Basic Terms.

or to such other address or such other person as the addressee party shall have last designated by Notice to the other party. Any Notice will be deemed given on the date of receipted delivery, the date of refusal to accept delivery, or when delivery is first attempted but cannot be made due to a change of address for which no Notice was given. Notwithstanding the foregoing, to the extent a Notice is (i) delivered via electronic mail, and (ii) the original of which is delivered personally or via overnight delivery service as identified hereinabove, then such Notice shall be deemed given upon the date of transmission of such e-mail. In any event, the party delivering Notice shall use commercially reasonable efforts to provide a courtesy copy of each such Notice to the receiving party via electronic mail (provided that such email notice shall not constitute a formal notice under the terms of this Section 14).

15. Broker Commissions. Upon the Close of Escrow, Seller shall pay a real estate brokerage commission to Broker with respect to this Agreement in accordance with Seller's separate agreement with said Broker, and Seller hereby agrees to indemnify, defend and hold Buyer free and harmless from and against any and all commissions or other claims Broker may assert in connection with the transactions contemplated by this Agreement. Seller represents and warrants to Buyer, and Buyer represents and warrants to Seller, that no other broker or finder has been engaged by it, respectively, in connection with any of the transactions contemplated by this Agreement, or to its knowledge is in any way connected with any of such transactions. In the event of any additional claims for brokers' or finders' fees or commissions in connection with the negotiation, execution or consummation of this Agreement, then as a covenant which shall survive the termination of this Agreement or the Close of Escrow, Buyer shall indemnify, save harmless and defend Seller from and against such claims if they shall be based upon any statement or representation or agreement

by Buyer, and Seller shall indemnify, save harmless and defend Buyer if such claims shall be based upon any statement, representation or agreement made by Seller.

16. Default.

16.1 Default by Seller. In the event that Seller fails to perform any of the material covenants or agreements contained herein which are to be performed by Seller, Buyer may, at its option and as its exclusive remedy, either (i) subject to the terms of Section 11.9 above, terminate this Agreement by giving written notice of termination to Seller whereupon (A) Escrow Holder will return to Buyer the Deposit, (B) Seller shall reimburse Buyer for its reasonable, third-party costs and expenses actually incurred following the Effective Date in connection with this Agreement and the Property, up to a maximum, cumulative total of Two Hundred Fifty Thousand and No/100 Dollars ($250,000.00), and (C) both Buyer and Seller will be relieved of any further obligations or liabilities hereunder, except for those obligations which expressly survive any termination hereof, or (ii) Buyer may seek specific performance of this Agreement. The Parties hereby acknowledge that Buyer may elect the remedy in subsection (i) above throughout the term of this Agreement (i.e., either before or after the Property Approval Period to the extent of such an uncured, material failure by Seller). If Buyer elects the remedy in subsection (ii) above, Buyer must commence and file such specific performance action in the appropriate court not later than thirty (30) days following the scheduled Closing Date. Except as specifically set forth in this Section 16.1, Buyer does hereby specifically waive any right to pursue any other remedy at law or equity for such default of Seller, including, without limitation, any right to seek, claim or obtain damages, punitive damages or consequential damages.

16.2 Default by Buyer. IN THE EVENT THE CLOSE OF ESCROW DOES NOT OCCUR AS HEREIN PROVIDED BY REASON OF ANY MATERIAL DEFAULT OF BUYER, BUYER AND SELLER AGREE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH SELLER MAY SUFFER. THEREFORE BUYER AND SELLER DO HEREBY AGREE THAT A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT THAT SELLER WOULD SUFFER IN THE EVENT THAT BUYER DEFAULTS AND FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY IS AND SHALL BE AN AMOUNT EQUAL TO THE DEPOSIT, TOGETHER WITH THE ACCRUED INTEREST THEREON; AND, AS SELLER'S SOLE AND EXCLUSIVE REMEDY (WHETHER AT LAW OR IN EQUITY), SAID AMOUNT SHALL BE DISBURSED TO SELLER AS THE FULL, AGREED AND LIQUIDATED DAMAGES FOR A MATERIAL BREACH OF THIS AGREEMENT BY BUYER WHICH RESULTS IN THE CLOSE OF ESCROW NOT OCCURRING, ALL OTHER CLAIMS TO DAMAGES OR OTHER REMEDIES IN RESPECT OF BUYER'S BREACH OF THIS AGREEMENT BEING HEREIN EXPRESSLY WAIVED BY SELLER. SUCH PAYMENT OF THE DEPOSIT IS NOT INTENDED AS A PENALTY, BUT AS FULL LIQUIDATED DAMAGES. NOTHING CONTAINED IN THIS SECTION SHALL LIMIT SELLER'S RIGHT TO RECEIVE REIMBURSEMENT FOR COSTS AND EXPENSES PURSUANT TO SECTION 18.5 BELOW, NOR WAIVE OR AFFECT BUYER'S INDEMNITY AND CONFIDENTIALITY OBLIGATIONS.

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SELLER'S INITIALS BUYER'S INITIALS

16.3 Indemnities; Defaults after Closing or Termination. The limitations on the parties' remedies set forth in Sections 16.1 and 16.2, above, will not be deemed to prohibit either party from (i) specifically seeking indemnification from the other for any matter with respect to which such other party has agreed hereunder to provide indemnification or from seeking damages from such other party in the event such other party fails or refuses to provide such indemnification; (ii) subject to the terms, conditions and limitations of this Agreement, seeking damages incurred during the period of time after Closing that a representation or warranty given as of the Closing Date by the other party hereunder survives Closing, for the other party's breach of such representation or warranty discovered after such Closing; or (iii) subject to the terms, conditions and limitations of this Agreement seeking damages or such equitable relief as may be available for the other party's failure to perform after any termination of this Agreement any obligation hereunder which expressly survives such termination; provided, however, that in no event whatsoever will either party be entitled to recover from the other any punitive, consequential or speculative damages under or in connection with this Agreement. This Section 16.3 shall survive any termination of this Agreement and the Closing.

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SELLER'S INITIALS BUYER'S INITIALS

16.4 Limited Liability. Notwithstanding anything to the contrary herein, Buyer on its own behalf and on behalf of its agents, members, partners, employees, representatives, officers, directors, agents, related and affiliated entities, successors and assigns (collectively, the "**Buyer Parties**") hereby agrees that in no event or circumstance shall any of the members, partners, employees, representatives, officers, directors, agents, property management company, affiliated or related entities of Seller or Seller's property management company, have any personal liability under this Agreement. Seller on its own behalf and on behalf of its agents, members, partners, employees, representatives, related and affiliated entities, successors and assigns hereby agrees that in no event or circumstance shall any of the Buyer Parties have any personal liability under this Agreement. Notwithstanding anything to the contrary contained herein: (i) the maximum aggregate liability of Seller, and the maximum aggregate amount which may be awarded to and collected by Buyer (including, without limitation, for any breach of any representation, warranty and/or covenant of Seller) under this Agreement or any documents executed pursuant hereto or in connection herewith, including, without limitation, the Exhibits attached hereto (collectively, the "**Other Documents**") shall, under no circumstances whatsoever, exceed Two Million and No/100 Dollars ($2,000,000.00) (the "**CAP Amount**"); and (ii) no claim by Buyer alleging a breach by Seller of any representation, warranty and/or covenant of Seller contained herein or any of the Other Documents may be made, and Seller shall not be liable for any judgment in any action based upon any such claim, unless and until such claim, either alone or together with any other claims by Buyer alleging a breach by Seller of any such representation, warranty and/or covenant, is for an aggregate amount in excess of $50,000.00 (the "**Floor Amount**"), in which event Seller's liability respecting any final judgment concerning such claim or claims shall be for the entire amount thereof, subject to the CAP Amount set forth in clause (i) above; provided, however, that if any such final judgment

is for an amount that is less than or equal to the Floor Amount, then Seller shall have no liability with respect thereto. This Section 16.4 shall survive any termination of this Agreement and the Closing.

17. Assignment. Buyer may not assign, transfer or convey its rights and obligations under this Agreement or in the Property without the prior written consent of Seller, and no such approved assignment shall relieve Buyer from its liability under this Agreement until Buyer's assignee has fully performed all of Buyer's obligations hereunder and Close of Escrow has occurred, at which time Buyer shall be released from any further obligations or responsibilities under this Agreement, except for those obligations or responsibilities which specifically survive the Close of Escrow. Seller consents in advance, upon receipt of reasonable supporting documentation, to an assignment by Buyer to any entity controlling, controlled by, or under common control with Buyer. Any assignee shall assume all of Buyer's obligations hereunder and succeed to all of Buyer's rights and remedies hereunder and any assignment and assumption must be in writing and delivered to Seller at least five (5) business days prior to the Closing Date.

18. Miscellaneous.

18.1 Governing Law. The parties hereto expressly agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California.

18.2 Partial Invalidity. If any term or provision or portion thereof of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision or portion thereof to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

18.3 Waivers. No waiver of any breach of any covenant or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

18.4 Successors and Assigns. Subject to the provisions of Section 17, this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

18.5 Professional Fees. In the event of the bringing of any action or suit by a party hereto against another party hereunder by reason of any breach of any of the covenants, agreements or provisions on the part of the other party arising out of this Agreement, then in that event the prevailing party shall be entitled to have and recover of and from the other party all costs and expenses of the action or suit and any appeals therefrom, and enforcement of any judgment in connection therewith, including actual attorneys' fees, accounting and engineering fees, and any other professional fees resulting therefrom. This Section 18.5 shall survive any termination of this Agreement and the Closing.

18.6 Entire Agreement. This Agreement (including all Exhibits attached hereto), together with the Confidentiality Agreement is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter hereof and supersedes all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented or terminated, nor may any obligations hereunder be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall constitute a single instrument. The parties do not intend to confer any benefit hereunder on any person, firm or corporation other than the parties hereto.

18.7 Time of Essence/Business Days. Seller and Buyer hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof and that failure to timely perform any of the terms, conditions, obligations or provisions hereof by either party shall constitute a material breach of and a non-curable (but waivable) default under this Agreement by the party so failing to perform. Unless the context otherwise requires, all periods terminating on a given day, period of days, or date shall terminate at 5:00 p.m. (Pacific time) on such date or dates, and references to "days" shall refer to calendar days except if such references are to "business days" which shall refer to days which are not Saturday, Sunday or a legal holiday. Notwithstanding the foregoing, if any period terminates on a Saturday, Sunday or a legal holiday, under the laws of the State of California, the termination of such period shall be on the next succeeding business day.

18.8 Construction. Headings at the beginning of each paragraph and subparagraph are solely for the convenience of the parties and are not a part of the Agreement. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. Unless otherwise indicated, all references to sections are to this Agreement. All exhibits referred to in this Agreement are attached and incorporated by this reference. In the event the date on which Buyer or Seller is required to take any action under the terms of this Agreement is not a business day, the action shall be taken on the next succeeding business day.

18.9 No Third-Party Beneficiary. The provisions of this Agreement and of the documents to be executed and delivered at Closing are and will be for the benefit of Seller and Buyer only and are not for the benefit of any third party; and, accordingly, no third party shall have the right to enforce the provisions of this Agreement or of the documents to be executed and delivered at Closing.

19. 1031 Exchange. Upon the request of a party hereto (the "**Requesting Party**"), the other party (the "**Cooperating Party**") shall cooperate with the Requesting Party in Closing the sale of the Property in accordance with this Agreement so as to qualify such transaction as an exchange of like-kind property; provided, however, the Cooperating Party shall not be required to take title to any exchange property and the Cooperating Party will not be required to agree to or assume any covenant, obligation or liability in connection therewith, except as set forth in Section

3.2 above, the Closing hereunder shall not be delayed as a result of, or conditioned upon, such exchange, the Requesting Party shall pay all costs associated with such exchange, and the Requesting Party shall remain primarily liable under this Agreement and indemnify the Cooperating Party from any liability in connection with such exchange. The provisions of this Section 19 shall survive the Closing.

20. Confidentiality. Buyer agrees to continue to comply with the terms of the Confidentiality Agreement with respect to all Confidential Information, including, without limitation, the amount of consideration being paid by Buyer for the Property. Buyer shall refrain from generating or participating in any publicity or press release regarding this transaction without the prior written consent of Seller. Seller shall continue to have all of the remedies provided in the Confidentiality Agreement in connection with Buyer's breach of the terms thereof. The provisions of this Section 20 shall survive any termination of this Agreement, but shall terminate as of, and shall not survive, the Closing.

[*remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

"SELLER" FARMER BROS. CO.,
a Delaware corporation

By: /s/ Isaac N. Johnston, Jr.
Name: ISAAC N. JOHNSTON, JR.
Title: CFO, FARMER BROTHERS

"BUYER" BRIDGE ACQUISITION, LLC,
a Delaware limited liability company

By: /s/ Brian Wilson
Name: BRIAN WILSON
Title: Manager

JOINDER BY ESCROW HOLDER

Escrow Holder (as defined in Section 8 of Article I above) hereby acknowledges that it has received this Agreement executed by the Seller and Buyer and accepts the obligations of and instructions for the Escrow Holder set forth herein. Escrow Holder agrees to disburse and/or handle the Deposit, the Purchase Price and all closing documents in accordance with this Agreement.

Dated: April 13, 2016

FIRST AMERICAN NATIONAL TITLE COMPANY

By: /s/ Christine Seigel
Name: CHRISTINE SIEGEL
Title: Sr. Commercial Closer

EXHIBIT 31.1

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

I, Michael H. Keown certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Farmer Bros. Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2016

/s/ MICHAEL H. KEOWN

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

EXHIBIT 31.2

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

I, Isaac N. Johnston, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Farmer Bros. Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2016

/S/ ISAAC N. JOHNSTON, JR.

Isaac N. Johnston, Jr.
Treasurer and Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report of Farmer Bros. Co. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael H. Keown, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 6, 2016

/s/ MICHAEL H. KEOWN

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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

In connection with the Quarterly Report of Farmer Bros. Co. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Isaac N. Johnston, Jr., Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a)or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 6, 2016

/s/ ISAAC N. JOHNSTON, JR.

Isaac N. Johnston, Jr.
Treasurer and Chief Financial Officer
(principal accounting and 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.