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

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2019

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 or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1912 Farmer Brothers Drive, Northlake, Texas 76262
(Address of Principal Executive Offices; Zip Code)

888-998-2468
(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price at which the Farmer Bros. Co. common stock was sold on December 31, 2018 was $247.4 million.

As of September 3, 2019 the registrant had 17,092,634 shares outstanding of its common stock, par value $1.00 per share, which is the registrant's only class of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the registrant's definitive proxy statement to be filed with the U.S. Securities and Exchange Commission ("SEC") pursuant to Regulation 14A in connection with the registrant's 2019 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference into Part III of this report. Such Proxy Statement will be filed with the SEC not later than 120 days after the conclusion of the registrant's fiscal year ended June 30, 2019.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

PART I

Item 1. Business

Overview

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the “Company,” “we,” “us,” “our” or “Farmer Bros.”), is a national coffee roaster, wholesaler and distributor of coffee, tea and culinary products. We serve a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurant, department and convenience store chains, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors. With a robust product line, including organic, Direct Trade, Project D.I.R.E.C.T.® and other sustainably-produced coffees, iced and hot teas, cappuccino, spices, and baking/biscuit mixes, among others, we offer a comprehensive approach to our customers by providing not only a breadth of high-quality products, but also value added services such as market insight, beverage planning, and equipment placement and service. We were founded in 1912, incorporated in California in 1923, and reincorporated in Delaware in 2004. We completed the relocation of our corporate headquarters, product development lab, and manufacturing and distribution operations from Torrance, California to Northlake, Texas ("Northlake facility") in the fourth quarter of fiscal 2017. We operate in one business segment.

Products

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

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

Our owned brand products are sold primarily into the foodservice channel. Our primary brands include Farmer Brothers®, Artisan Collection by Farmer Brothers™, Superior®, Metropolitan™, China Mist® and Boyds®. Our Artisan coffee products include Direct Trade, Project D.I.R.E.C.T.®, Fair Trade Certified™, Rainforest Alliance Certified™, organic and proprietary blends. In addition, we sell whole bean and roast and ground flavored and unflavored coffee products under the Un Momento®, Collaborative Coffee®, Cain's™, McGarvey® and Boyds® brands and iced and hot teas under the China Mist® brand through foodservice distributors at retail. Our roast and ground coffee products are primarily sold in traditional packaging, including bags and fractional packages, as well as single-serve packaging. Our tea products are sold in traditional tea bags and sachets, as well as single-serve tea pods and capsules. For a description of the amount of net sales attributed to each of our product categories in fiscal 2019, 2018 and 2017, see *Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations* included in Part II, Item 7 of this report.

Business Strategy

Overview

We are a coffee company designed to deliver the coffee people want, the way they want it. We are focused on being a growing and profitable forward-thinking industry leader, championing coffee culture through understanding, leading, building and winning in the business of coffee. Through our sustainability, stewardship, environmental efforts, and leadership we are not only committed to serving the finest products available, considering the cost needs of the customer, but also insist on their sustainable cultivation, manufacture and distribution whenever possible.

In order to achieve our mission, we have had to grow existing capabilities and develop new ones over the years. More recently, we have undertaken initiatives such as, but not limited to, the following:

- develop new products in response to demographic and other trends to better compete in areas such as premium coffees and teas;
- expand production line capacity at the Northlake facility to integrate acquired product volumes and to support top-line growth;
- rethink aspects of our Company culture to improve productivity and employee engagement and to attract and retain talent;
- embrace sustainability across our operations, in the quality of our products, as well as, how we treat our coffee growers; and
- ensure our systems and processes provide high-quality products at a competitive cost, protection against cyber threats, and a safe environment for our employees and partners.

We differentiate ourselves in the marketplace through our product offerings and through our customer service model, with quality and sustainability as the underpinning, which includes:

- a wide variety of coffee product offerings and packaging options across numerous brands and three quality tiers-value, premium and specialty;
- consumer-branded coffee and tea products;
- channel-based expertise;
- beverage equipment placement and 24/7 service;
- hassle-free inventory and product procurement management;
- Direct-store-delivery ("DSD") customer service;
- merchandising support;
- product and menu insights; and
- a robust approach to social, environmental and economic sustainability throughout our business.

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

Strategic Initiatives

We are focused on the following strategies to capitalize on our state-of-the-art Northlake facility, reduce costs and better position the Company for growth:

Build our Value Proposition with our Customers

- *Commercial Brewing Equipment Service.* From installation, to preventative maintenance, and timely repair execution, our customers count on us to meet their equipment needs. Our trained service technicians provide reliable, consistent service coverage across a wide geographic area giving us a competitive advantage. In fiscal 2019, we repurposed a fully dedicated equipment remanufacturing center in Oklahoma City enabling us to restore used equipment to like-new condition enabling us to better manage equipment costs for us and our customers. In addition, we are investing in systems and processes to enable a more efficient go-to-market in fiscal 2020.
- *Customer Fill Rates.* Providing our customers the product they want, when they want it, is key to customer satisfaction and retention. We are investing in systems and processes to improve our fill rates, an example being the new branch replenishment tool we are rolling out in fiscal 2020 to assist our field team in ordering the right inventory. We believe our stockkeeping unit ("SKU") optimization project will support higher fill rates, while delivering on-trend products our customers demand.
- *Customer Service.* We have partnered with a leading contact/call center provider to enable us to manage our equipment service program. In fiscal 2020, we are planning expansion of this partnership to provide support to our DSD route business to enable quick resolution of issues and drive better visibility on customer inquiries. We believe this will enable better customer response and help us to improve customer retention.

Capitalize on State-of-the-Art Facility

- *New Facility Investment.* In fiscal 2017, we completed construction of and relocation to our state-of-the-art Northlake facility. In fiscal 2018, we began a project to expand our production lines at the Northlake facility. We are focused on leveraging our investment in the Northlake facility to produce the highest quality coffee in response to the market shift to premium and specialty coffee, support the transition of acquired product volumes, and create opportunities for customer acquisition and sustainable long-term growth.
- *Safe Quality Food ("SQF") Certification.* We are committed to the highest standards in food quality and safety. In fiscal 2018, the Northlake facility received SQF certification, joining our Portland and Houston SQF-certified facilities. SQF is a Global Food Safety Initiative-based system that strengthens our commitment to supply safe quality coffee products and comply with food safety legislation. Required by many of our national account customers, SQF certification at the Northlake facility marks an important step that will allow us the production platform to increase volume for national account customers as needed.

Reduce Costs to Compete More Effectively

- *Acquisition Integration*. Through our recent acquisitions we have worked to reduce costs by integrating the acquired businesses into our existing corporate and operational structure. Eliminating redundant functions, merging delivery networks and combining production processing and facilities have resulted in added synergies and efficiencies compared to their pre-acquisition cost structures.
- *New Facility*. We undertook the relocation of our corporate headquarters, product development lab, and manufacturing and distribution operations from Torrance, California to Northlake, Texas, in part, to pursue improved production efficiency to allow us to provide a more cost-competitive offering of high-quality products. We believe the ongoing improvements in production efficiency will allow us to operate at a lower cost, generally over the long term.
- *DSD Restructuring Plan.* As a result of an ongoing operational review of various initiatives within our DSD selling organization, we have reorganized our DSD operations in an effort to streamline operations and improve selling effectiveness and financial results. We continue to analyze our sales organization and evaluate other potential restructuring opportunities in light of our strategic priorities.

- *Supply Chain.* In recent years, we have undertaken efforts to streamline our supply chain, including replacing our long-haul fleet operations with third-party logistics (“3PL“), resulting in a reduction in our fuel consumption and empty trailer miles, while improving our intermodal and trailer cube utilization; using vendor managed inventory arrangements to reconfigure our packaging methodology and reduce waste; and engaging third-party warehouse management services at the Northlake facility to facilitate cost savings by leveraging the third party's expertise in opening new facilities, implementing lean management practices, improving performance on certain key performance metrics, and standardizing best practices.
- *Telematics*. In an effort to make our DSD fleet more fuel-efficient, we installed telematics monitoring devices in our delivery trucks, allowing us to see contributing factors to our transportation-related carbon footprint. Installation of telematics monitoring devices has resulted in reduced idling time, a cut in rapid acceleration, and a reduction in fuel expenditures.

Portfolio of Products

- *Optimize Product Portfolio.* Since fiscal 2018, we have undertaken efforts to optimize our SKU count reducing our total SKU count by more than 26.7%. We continue to evaluate the productivity of our product assortment in order to optimize our portfolio.

Strategic Investment in Assets and Evaluation of Cost Structure

- *Market Opportunities.* We believe we are well-positioned to continue to pursue growth through additional, opportunistic M&A activity to deliver aligned brands, customers and innovation. Our recent acquisitions have added to our product portfolio, improved our growth potential, deepened our distribution footprint and increased our capacity utilization at our production facilities.
- *Asset Utilization.* We continue to look for ways to deploy our personnel, systems, assets and infrastructure to create or enhance stockholder value. Areas of focus have included corporate staffing and structure, methods of procurement, logistics, inventory management, supporting technology, and real estate assets.
- *Investment in Technology*. We have invested in technology and process improvements to improve our efficiency and the effectiveness of our sales and distribution network. In recent years, we have completed our advanced routing software initiatives for our last mile delivery and we continue to invest in our hand-held sales and inventory management device for our delivery drivers.
- *Branch Consolidation and Property Sales*. We evaluate our branch operation structure on an ongoing basis to identify opportunities to streamline the supply chain and reduce costs. In an effort to streamline our branch operations, in the last three fiscal years, we have sold branch properties in Texas, Southern California, Washington and other states.

Corporate Capabilities and Alignment to Create Stockholder Value

- *Investment in Human Resources.* Our senior leadership team brings a proven track record of strategic and operational leadership capabilities. We have also added experienced and vibrant talent to our team and continue to benefit from our in-house expertise in sustainability, acquisition and integration, and operations.
- *Commitment to Employee Wellness.* We are committed to creating a healthier and happier workforce which we believe contributes to our success. We have received certifications as a Fit-Friendly Worksite and a Blue Zone Workplace based on the activities and environment created in our workplace to support healthy living and promote wellness of our associates.
- *Employee Development.* We have invested in a Learning Management System to enable training facilitation and tracking of training modules to support the development of employees at all levels and functions within the organization. In recent years, we have deployed courses to our Quality, Manufacturing and Maintenance functions and we intend to expand our focus to include critical training modules that impact our entire workforce. We recently completed a Talent Planning Process of all exempt level employees across the organization. We calibrated the assessment of talent and created and began to execute on succession charts for all critical roles to ensure we have the right talent and capabilities to support the business today and in the future.

- *Performance Driven Culture.* In fiscal 2019, we continued to pursue greater alignment of employee individual goals with Company goals under our compensation plans in order to focus the entire organization on the effort to create value for our stockholders.
- *Product Development Lab.* The Northlake facility includes a product development lab where we are focused on developing innovative products in response to industry trends and customer needs. Recent new products developed includes Artisan and Metro Single Origin coffees, cold brew coffees, Artisan hot teas and on trend seasonal coffees and cappuccinos.

Expand Sustainability Leadership

- *Sustainability.* We believe that our collective efforts in measuring our social and environmental impact, creating programs for waste, water and energy reduction, promoting partnerships in our supply chain that aim at supply chain stability and food security, and focusing on employee engagement place us in a unique position to help retailers and foodservice operators create differentiated coffee and tea programs that can include sustainable supply chains, direct trade purchasing, training and technical assistance, recycling and composting networks, and packaging material reductions. During fiscal 2019, we made the Carbon Disclosure Project's Climate leadership level for our efforts to reduce Scope 1, 2 and 3 emissions (direct emissions, indirect emissions from consumption of purchased electricity, heat or steam and other indirect emissions). Further, in fiscal 2019, we published our annual sustainability report based on the Global Reporting Initiative’s comprehensive compliance standard. In addition, China Mist is a member of the Ethical Tea Partnership (the “ETP”), a non-profit organization that works to improve the sustainability of the tea sector, the lives of tea workers and farmers, and the environment in which tea is produced. As a member of the ETP, China Mist sources all of its tea from tea plantations that are certified, monitored, and regularly audited by the ETP.
- *Science-Based Carbon Reduction Targets.* We believe combating climate change is critical to the future of our company, the coffee industry, coffee growers and the world. In fiscal 2019 we re-set our science based carbon reduction targets to include the acquisitions of Boyd Coffee, China Mist, and West Coast Coffee. With this new baseline, we established more ambitious goals in line with efforts to limit global warming to 1.5°C. Setting approved targets places us among those responsible businesses that are making measurable contributions to incorporate sustainability within their business strategy.
- *Zero Waste to Landfill.* Achieving zero waste in our production and distribution facilities is a significant step in reaching our overall sustainability goals. In fiscal 2019 we maintained our goal of 90% waste diversion for our primary production and distribution facilities. To accomplish this goal, we implemented ambitious recycling and composting guidelines across these facilities. The enhanced efforts resulted in an approximate 80% reduction from previous years, meeting the Zero Waste International Alliance requirements for diverting waste sent to landfills in these locations.
- *LEED® Certified Facilities.* Our Portland production and distribution facility was one of the first in the Northwest to achieve LEED® Silver Certification. Our corporate offices in Northlake, Texas achieved LEED® Silver Certification.
- *Expansion of Project D.I.R.E.C.T.® Program.* In fiscal 2019, we continued to grow our direct trade sourcing model, Project D.I.R.E.C.T. ®. Project D.I.R.E.C.T . ® is an impact-based product or raw material sourcing framework that utilizes data-based sustainability metrics to influence an inclusive, collaborative approach to sustainability along the supply chain. To evaluate whether coffee is Project D.I.R.E.C.T . ® , we follow an outcome-based evaluation framework. The result of this evaluation impacts where we invest our resources within our supply chain and has led to an increased level of transparency for us. Project D.I.R.E.C.T . ® represents a growing part of our coffee portfolio.
- *Green Coffee Traceability.* We are committed to the inclusion of more sustainably-sourced coffees in our supply chain. Regulatory and reputational risks can increase when customers, roasters and suppliers cannot see back into their supply chain. To address these concerns, as well as to deepen our commitment to the longevity of the coffee industry, we track traceability levels from all green coffee suppliers on a per-contract basis. During fiscal 2019, we established a system for coffee suppliers to provide information on a per contract basis. This helps us to bring

transparency to our supply chain, rank our suppliers, and also to identify opportunities to select trusted providers, cooperatives, mills, exporters, etc., when offering sustainable coffees to our customers.

- *Supplier Sustainability.* We are committed to working with suppliers who share our social, environmental and economic sustainability goals. Regulatory and reputational risks can increase when suppliers are not held to the same strict standards to which we hold ourselves. To address this concern, we annually survey all green coffee suppliers along with our top suppliers of processed coffee and non-coffee products to assess their social, environmental, and economic sustainability practices and alignment with the United Nations Global Compact, a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, documenting 96% compliance with United Nations Global Compact practices from all respondents. In fiscal 2019 we adopted new Supplier Standards of Engagement. These Standards of Engagement set minimum standards for Suppliers that are designed to provide Farmer Bros. visibility into all aspects of its supply chain and meets these objectives. These Standards of Engagement also serve as Supplier’s Certificate of Compliance, executed by the undersigned Supplier, representing Supplier's receipt and acknowledgment of the Standards of Engagement and agreement to comply with the same.

Charitable Activities

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

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

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

Industry and Market Leadership

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

- *Coffee Industry Leadership.* Through our dedication to the craft of sourcing, blending and roasting coffee, and our participation and/or leadership positions with the SCA, National Coffee Association, Coalition for Coffee Communities, International Women's Coffee Alliance, Pacific Coast Coffee Association, Roasters Guild and World Coffee Research, we work to help shape the future of the coffee industry. We believe that due to our commitment to the industry, large retail and foodservice operators are drawn to working with us. We were among the first coffee roasters in the nation to receive SCA certification of a state-of-the-art coffee lab and operate Public Domain®, a specialty coffeehouse in Portland, Oregon. We also received SCA certification for our product development lab at the Northlake facility.
- *Market Insight and Consumer Research.* We have developed a market insight capability internally that reinforces our business-to-business positioning as a thought leader in the coffee and tea industries. We provide trend insights

that help our customers create winning products and integrated marketing strategies. Within this, we are focused on understanding key demographic groups such as Millennials, Hispanics, and other key demographic groups, as well as key channel trends.

Raw Materials and Supplies

Our primary raw material is green coffee, an exchange-traded agricultural commodity that is subject to price fluctuations. Over the past five years, the coffee "C" market near month price per pound ranged from approximately $0.96 to $1.90. The coffee "C" market near month price as of June 30, 2019 and 2018 was $1.10 and $1.15 per pound, respectively. Our principal packaging materials include cartonboard, corrugated and plastic. We also use a significant amount of electricity, natural gas, and other energy sources to operate our production and distribution facilities.

We purchase green coffee beans from multiple coffee regions around the world. Coffee "C" market prices in fiscal 2019 traded in a $0.35 cent range during the year, and averaged 22% below the historical average for the past five years. There can be no assurance that green coffee prices will remain at these levels in the future. Some of the Arabica coffee beans we purchase do not trade directly on the commodity markets. Rather, we purchase these coffee beans on a negotiated basis from coffee brokers, exporters and growers, including Direct Trade and Fair Trade Certified™ sources and Rainforest Alliance Certified™ farms. Fair Trade Certified™ provides an assurance that farmer groups are receiving the Fair Trade minimum price and an additional premium for certified organic products through arrangements with cooperatives. Direct Trade products provide similar assurance except that the arrangements are provided directly to individual coffee growers instead of to cooperatives, providing these farmers with price premiums and dedicated technical assistance to improve farm conditions and increase both quality and productivity of sustainable coffee crops, at the individual farm level. Rainforest Alliance Certified™ coffee is grown using methods that help promote and preserve biodiversity, conserve scarce natural resources, and help farmers build sustainable lives. Our business model strives to reduce the impact of green coffee price fluctuations on our financial results and to protect and stabilize our margins, principally through customer arrangements and derivative instruments, as further explained in Note 6, *Derivative Instruments*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Intellectual Property

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

Seasonality

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

Distribution

We operate production facilities in Northlake, Texas; Houston, Texas; Portland, Oregon; and Hillsboro, Oregon. Distribution takes place out of the Northlake facility, the Portland and Hillsboro facilities, as well as separate distribution centers in Northlake, Illinois; Moonachie, New Jersey; and Scottsdale, Arizona. Our products reach our customers primarily in the following ways: through our nationwide DSD network of 380 delivery routes and 104 branch warehouses as of June 30, 2019, or direct-shipped via common carriers or third-party distributors. DSD sales are primarily made "off-truck" to our customers at their places of business. We operate a large fleet of trucks and other vehicles to distribute and deliver our products through our DSD network, and we rely on 3PL service providers for our long-haul distribution. We maintain inventory levels at each branch warehouse to promote minimal interruption in supply. We also sell coffee and tea products directly to consumers through our websites and sell certain products at retail and through foodservice distributors.

Customers

We serve a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurant, department and convenience store chains, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors. Although no single customer accounted for 10% or more of our net sales in any of the last three fiscal years, we have a number of large national account customers, the loss of or reduction in sales to one or more of which is likely to have a material adverse effect on our results of operations. During fiscal 2019, our top five customers accounted for approximately 13.3% of our net sales and no one customer exceed 10% of our net sales.

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

Competition

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

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

Working Capital

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

Regulatory Environment

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

Employees

On June 30, 2019, we employed approximately 1,521 employees, 421 of whom are subject to collective bargaining agreements expiring on or before June 30, 2022.

Other

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

Available Information

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

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

Although coffee “C” market prices in fiscal 2019 averaged 22% below the historical average for the past five years, there can be no assurance that green coffee prices will remain at these levels in the future. There can be no assurance that our purchasing practices and hedging activities will mitigate future price risk. As a result, increases in the cost of green coffee could have an adverse impact on our profitability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Selling products for human consumption involves inherent legal risks. Our success depends on our ability to provide customers with high-quality products and service. Although we take measures to ensure that we sell only fresh products, we have no control over our products once they are purchased by our customers. Clean water is critical to the preparation of coffee, tea and other beverages. We have no ability to ensure that our customers use a clean water supply to prepare these beverages. Instances or reports of food safety issues involving our products, whether or not accurate, such as unclean water supply, food or beverage-borne illnesses, tampering, contamination, mislabeling, or other food or beverage safety issues, including due to the failure of our third-party co-packers to maintain the quality of our products and to comply with our product specifications, could damage the value of our brands, negatively impact sales of our products, and potentially lead to product recalls, production interruptions, product liability claims, litigation or damages. A significant product liability claim against us, whether or not successful, or a widespread product recall may reduce our sales and harm our business.

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

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

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

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

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

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

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

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

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

We have a number of large national account customers, the loss of or reduction in sales to one or more of which is likely to have a material adverse effect on our results of operations. During fiscal 2019, our top five customers accounted for approximately 13% of our net sales. We generally do not have long-term contracts with the majority of our customers. Accordingly, the majority of our customers can stop purchasing our products at any time without penalty and are free to purchase products from our competitors. There can be no assurance that our customers will continue to purchase our products in the same mix or quantities or on the same terms as they have in the past. In addition, because of the competitive environment facing many of our customers and industry consolidation which has produced large customers with increased buying power and negotiating strength, our customers have increasingly sought to improve their profitability through pricing concessions and more favorable trade terms. To the extent we provide pricing concessions or favorable trade terms, our margins would be reduced. If we are unable to continue to offer terms that are acceptable to our customers, they may reduce purchases of our products which would adversely affect our financial performance. Requirements that may be imposed on us by our customers, such as sustainability, inventory management or product specification requirements, may have an adverse effect on our results of operations. Additionally, our customers may face financial difficulties, bankruptcy or other business disruptions that may impact their operations and their purchases from us and may affect their ability to pay us for products which could adversely affect our sales and profitability.

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

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

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

Our success largely depends on the efforts and abilities of our executive officers and other key personnel. In the past several months, we have experienced significant turnover in our senior management ranks, including our former CEO. The lack of management continuity could adversely affect our ability to successfully manage our business and execute our strategy, as well as result in operational and administrative inefficiencies and added costs, and may make recruiting for future management positions more difficult. We must continue to recruit, retain, motivate and develop management and other employees sufficiently to maintain our current business and support our projected growth and strategic initiatives. This may require significant investments in training, coaching and other career development and retention activities. Activities related to identifying, recruiting, hiring and integrating qualified individuals require significant time and attention. We may also need to invest significant amounts of cash and equity to attract talented new employees, and we may never realize returns on these investments. Competition for talent is intense, and we might not be able to identify and hire the personnel we need to continue to evolve and grow our business. If we are not able to effectively retain and grow our talent, our ability to achieve our strategic objectives will be adversely affected, which may impact our financial condition and results of operations. Further, any unplanned turnover or failure to develop or implement an adequate succession plan for our senior management and other key employees, could deplete our institutional knowledge base, erode our competitive advantage, and negatively affect our business, financial condition and results of operations. We do not maintain key person life insurance policies on any of our executive officers.

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

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

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

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

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

As of June 30, 2019 and 2018, we had outstanding borrowings under our credit facility of $92.0 million and $89.8 million, respectively, with excess availability of $55.7 million and $25.3 million, respectively. We may incur significant indebtedness in the future, including through additional borrowings under the credit facility, exercise of the accordion feature under the credit facility to increase the revolving commitment by up to an additional $75.0 million, through the issuance of debt securities, or otherwise.

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

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

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

Our credit facility also contains financial covenants relating to the maintenance of a maximum total net leverage ratio and a minimum interest expense coverage ratio. Our ability to meet those covenants may be affected by events beyond our control, and there can be no assurance that we will meet those covenants. The breach of any of these covenants could result in a default under the credit facility.

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

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

We need sufficient sources of liquidity to fund our working capital requirements, service our outstanding indebtedness and finance business opportunities. Without sufficient liquidity, we could be forced to curtail our operations, or we may not be able to pursue business opportunities. The principal sources of our liquidity are funds generated from operating activities, available cash, and our credit facility. In recent periods, significant acquisition costs, large capital investments along with the underperformance of our business has resulted in a decrease in funds from operating activities, which has weakened our liquidity position. Should our operating performance continue to deteriorate, we will have less cash inflows from operations available to meet our financial obligations or to fund our other liquidity needs. In addition, if such deterioration were to lead to the closure of leased facilities, we would need to fund the costs of terminating those leases. If we are unable to generate sufficient cash flows from operations in the future to satisfy these financial obligations, we may be required to, among other things:

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

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

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

Our operating results may fluctuate from period to period as a result of a number of factors, including variations in our operating performance or the performance of our competitors, changes in accounting principles, fluctuations in the price and supply of green coffee, fluctuations in the selling prices of our products, the success of our hedging strategy, research reports and changes in financial estimates by analysts about us, or competitors or our industry, our inability or the inability of our competitors to meet analysts' projections or guidance, strategic decisions by us or our competitors, such as acquisitions, capital investments or changes in business strategy, the depth and liquidity of the market for our common stock, adverse outcomes of litigation, changes in or uncertainty about economic conditions, conditions or trends in our industry, geographies, or customers, activism by any large stockholder or group of stockholders, speculation by the investment community regarding our business, actual or anticipated growth rates relative to our competitors, terrorist acts, natural disasters, perceptions of the investment opportunity associated with our common stock relative to other investment alternatives, competition, changes in consumer preferences and market trends, seasonality, our ability to retain and attract customers, our ability to manage inventory and fulfillment operations and maintain gross margin, and other factors described elsewhere in this risk factors section. Fluctuations in our operating results due to these factors or for any other reason could cause the market price of our common stock to decline.

In addition, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market price of equity securities issued by many companies. In the past, some companies that have had volatile market prices for their securities have been subject to class action or derivative lawsuits. The filing of a lawsuit against us, regardless of the outcome, could have a negative effect on our business, financial condition and results of operations, as it could result in substantial legal costs, a diversion of management's attention and resources, and require us to make substantial payments to satisfy judgments or to settle litigation. Accordingly, we believe that period-to-period comparisons of our operating results are not necessarily meaningful, and such comparisons should not be relied upon as indicators of future performance.

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

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

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

As of June 30, 2019, we had 14,700 shares of Series A Convertible Participating Cumulative Perpetual Preferred Stock, par value $1.00 per share ("Series A Preferred Stock"), outstanding. The Series A Preferred Stock could adversely affect the holders of our common stock in certain circumstances. On an as converted basis, holders of Series A Preferred Stock are entitled to vote together with the holders of our common stock and are entitled to share in the dividends on common stock, when declared. The Series A Preferred Stock pays a dividend, when, as and if declared by our Board of Directors, of 3.5% APR of the stated value per share payable in four quarterly installments in arrears, and has an initial stated value of $1,000 per share, adjustable up or down by the amount of undeclared and unpaid dividends or subsequent payment of accumulated dividends thereon, respectively, and a conversion premium of 22.5%. We may mandatorily convert all of the Series A Preferred Stock one year from the date of issue. The holder may convert 20%, 30% and 50% of the Series A Preferred Stock at the end of the first, second and third year, respectively, from the date of issue. In the future, we may offer additional equity, equity-linked or debt securities, which may have rights, preferences or privileges senior to our common stock. As a result, our common stocholders may experience dilution. Any of the foregoing could have a material adverse effect on the holders of our common stock.

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

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

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

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

At June 30, 2019, the projected benefit obligation under our single employer defined benefit pension plans exceeded the fair value of plan assets. The difference between the projected benefit obligation and the fair value of plan assets, or the funded status of the plans, significantly affects the net periodic benefit cost and ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, mix of plan asset investments, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic benefit cost, increase our future funding requirements and require payments to the Pension Benefit Guaranty Corporation. In addition, facility closings may trigger cash payments or previously unrecognized obligations under our defined benefit pension plans, and the cost of such liabilities may be significant or may compromise our ability to close facilities or otherwise conduct cost reduction initiatives on time and within budget. A significant increase in future funding requirements could have a negative impact on our financial condition and results of operations.

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

Our ability to effectively manage our business, maintain information accuracy and efficiency, comply with regulatory, financial reporting, legal and tax requirements, and coordinate the production, distribution and sale of our products depends significantly on the reliability, capacity and integrity of information technology systems, software and networks. We are also dependent on enterprise resource planning software for some of our information technology systems and support. The failure of these systems to operate effectively and continuously for any reason could result in delays in processing replenishment orders from our branch warehouses, an inability to record input costs or product sales accurately or at all, an impaired understanding of our operations and results, an increase in operating expenses, reduced operational efficiency, loss of customers or other business disruptions, all of which could negatively affect our business and results of operations. To date, we have not experienced a material breach of cyber security, however our computer systems have been, and will likely continue to be, subjected to unauthorized access or phishing attempts, computer viruses, malware, ransomware or other malicious codes. These threats are constantly evolving and this increases the difficulty of timely detection and successful defense. As a result, security, backup, disaster recovery, administrative and technical controls, and incident response measures may not be adequate or implemented properly to prevent cyber-attacks or other security breaches to our systems. Failure to effectively allocate and manage our resources to build, sustain, protect and upgrade our information technology infrastructure could result in transaction errors, processing inefficiencies, the loss of customers, reputational damage, litigation, business disruptions, or the loss of sensitive or confidential data through security breach or otherwise. Significant capital investments could be required to remediate any potential problems or to otherwise protect against security breaches or to address problems caused by breaches. In addition, if our customers or suppliers experience a security breach or system failure, their businesses could be disrupted or negatively affected, which may result in a reduction in customer orders or disruption in our supply chain, which would adversely affect our results of operations.

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

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

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

At June 30, 2019, we had approximately $146.8 million in federal and $113.4 million in state NOL carryforwards that will begin to expire in the years ending June 30, 2030 and June 30, 2020, respectively. If an ownership change as defined in Section 382 of the Internal Revenue Code (the "Code") occurs with respect to our capital stock, our ability to use NOLs to offset taxable income would be subject to certain limitations. Generally, an ownership change occurs under Section 382 of the Code if certain persons or groups increase their aggregate ownership by more than 50 percentage points of our total capital stock over a rolling three-year period. If an ownership change occurs, our ability to use NOLs to reduce taxable net income is generally limited to an annual amount based on the fair market value of our stock immediately prior to the ownership change multiplied by the long-term tax-exempt interest rate. If an ownership change were to occur, use of our NOLs to reduce payments of federal taxable net income may be deferred to later years within the 20-year carryover period; however, if the carryover period for any loss year expires, the use of the remaining NOLs for the loss year will be prohibited. Future changes in our stock ownership, some of which may be outside of our control, could result in an ownership change under Section 382 of the Code. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire, decrease in value or otherwise be unavailable to offset future income tax liabilities. As a result, we may be unable to realize a tax benefit from the use of our NOLs, even if we generate a sufficient level of taxable net income prior to the expiration of the NOL carry forward periods.

Future impairment charges could adversely affect our operating results.

At June 30, 2019, we had $28.9 million in long-lived intangible assets, including recipes, non-compete agreements, customer relationships, trade names, trademarks and a brand name, and goodwill of $36.2 million, associated with completed acquisitions. Acquisitions are based on certain target analysis and due diligence procedures designed to achieve a desired return or strategic objective. These procedures often involve certain assumptions and judgment in determining the acquisition price. After consummation of an acquisition, unforeseen issues could arise that adversely affect anticipated returns or that are otherwise not recoverable as an adjustment to the purchase price. Even after careful integration efforts, actual operating results may vary significantly from initial estimates. We perform an asset impairment analysis on an annual basis or whenever events occur that may indicate possible existence of impairment. Failure to achieve forecasted operating results, due to weakness in the economic environment or other factors, changes in market conditions, loss of or significant decline in sales to customers included in valuation of the intangible asset, changes in our imputed cost of capital, and declines in our market capitalization, among other things, could result in impairment of our intangible assets and goodwill and adversely affect our operating results.

Item 1.B. Unresolved Staff Comments

None.

Item 2. Properties

Our current production and distribution facilities are as follows:

Location	Approximate Area (Square Feet)	Purpose	Status
Northlake, TX	535,585	Corporate headquarters, manufacturing, distribution, warehouse, product development lab	Owned
Houston, TX	330,877	Manufacturing and warehouse	Owned
Portland, OR	114,000	Manufacturing and distribution	Leased
Northlake, IL	89,837	Distribution and warehouse	Leased
Moonachie, NJ	41,404	Distribution and warehouse	Leased
Hillsboro, OR	20,400	Manufacturing, distribution and warehouse	Leased
Scottsdale, AZ	17,400	Distribution and warehouse	Leased

As of June 30, 2019, we stage our products in 104 branch warehouses throughout the contiguous United States. These branch warehouses and our distribution centers, taken together, represent a vital part of our business, but no individual branch warehouse is material to the business as a whole. Our stand-alone branch warehouses vary in size from approximately 1,000 to 34,000 square feet.

Approximately 53% of our facilities are leased with a variety of expiration dates within the range of 2020 through 2028. The lease on the Portland facility was renewed in fiscal 2018 and expires in 2028, subject to an option to renew up to an additional 10 years.

We calculate our utilization for all of our coffee roasting facilities on an aggregate basis based on the number of product pounds manufactured during the actual number of production shifts worked during an average week, compared to the number of product pounds that could be manufactured based on the maximum number of production shifts that could be operated during the week (assuming three shifts per day, five days per week), in each case, based on our current product mix. Utilization rates for our coffee roasting facilities were approximately 71%, 75% and 93% during the fiscal years ended June 30, 2019, 2018 and 2017, respectively. The utilization rate in fiscal 2019 includes the Northlake facility. The utilization rate in fiscal 2018 includes the Northlake facility and does not reflect the anticipated increase in capacity resulting from the production line expansion. The utilization rate in fiscal 2017 excludes the Northlake facility where we began roasting coffee in the fourth quarter of fiscal 2017.

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

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Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

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

Holders

As of September 3, 2019, there were approximately 211 shareholders of record of common stock. This does not include persons whose common stock is in nominee or “street name” accounts through brokers.

Equity Compensation Plan Information

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

Performance Graph

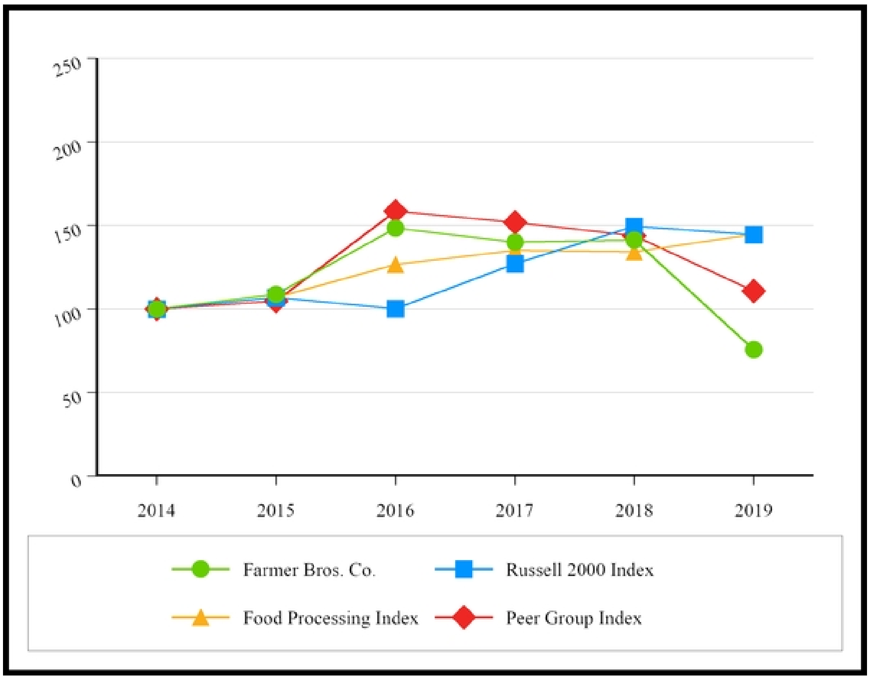
The following graph depicts a comparison of the total cumulative stockholder return on our common stock for each of the last five fiscal years relative to the performance of the Russell 2000 Index, the Value Line Food Processing Index and a peer group index. Companies in the Russell 2000, Value Line Food Processing Index and peer group index are weighted by market capitalization. The graph assumes an initial investment of $100.00 at the close of trading on June 30, 2014 and that all dividends paid by companies included in these indices have been reinvested.

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

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

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

Total Return Performance Table



	2014	2015	2016	2017	2018	2019
Farmer Bros. Co.	$ 100.00	$ 108.75	$ 148.36	$ 139.98	$ 141.37	$ 75.75
Russell 2000 Index	$ 100.00	$ 106.80	$ 100.21	$ 127.11	$ 149.36	$ 144.42
Value Line Food Processing Index	$ 100.00	$ 106.92	$ 126.68	$ 135.00	$ 134.16	$ 144.79
Peer Group Index	$ 100.00	$ 104.70	$ 158.44	$ 151.90	$ 143.89	$ 110.69

Issuer Purchases of Equity Securities

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

Period	Total Number of Shares of Our Class A Common Stock Purchased	Average Price Paid Per Share of Our Class A Common Stock	Total Number of Shares of Our Class A Common Stock Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares of Our Class A Common Stock That May Yet Be Purchased Under the Plan or Program
April 1 to April 30, 2019	—	$ —	—	—
May 1 to May 31, 2019	—	$ —	—	—
June 1 to June 30, 2019	—	$ —	—	—

Item 6. Selected Financial Data

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

	For the Years Ended June 30,				
(In thousands, except per share data)	**2019**	**2018(1)**	**2017(1)**	**2016(1)**	**2015(1)**
Consolidated Statement of Operations Data:					
Net sales	$ 595,942	$ 606,544	$ 541,500	$ 544,382	$ 545,882
Cost of goods sold	$ 416,840	$ 399,155	$ 354,649	$ 373,165	$ 386,400
Restructuring and other transition expenses	$ 4,733	$ 662	$ 11,016	$ 16,533	$ 10,432
Net gain from sale of Torrance Facility	$ —	$ —	$ (37,449)	$ —	$ —
Net gains from sale of Spice Assets	$ (593)	$ (770)	$ (919)	$ (5,603)	$ —
Net (gains) losses from sales of other assets	$ 1,058	$ (196)	$ (1,210)	$ (2,802)	$ 394
Impairment losses on intangible assets	$ —	$ 3,820	$ —	$ —	$ —
(Loss) income from operations	$ (14,702)	$ 1,053	$ 38,934	$ (1,736)	$ (8,424)
Pension settlement charge	$ (10,948)	$ —	$ —	$ —	$ —
Income tax expense (benefit)(2)	$ 40,111	$ 17,312	$ 14,815	$ (72,239)	$ 402
Net (loss) income available to common stockholders	$ (74,130)	$ (18,669)	$ 22,551	$ 71,791	$ (9,708)
Net (loss) income available to common stockholders per common share—basic	$ (4.36)	$ (1.11)	$ 1.35	$ 4.35	$ (0.60)
Net (loss) income available to common stockholders per common share—diluted	$ (4.36)	$ (1.11)	$ 1.34	$ 4.32	$ (0.60)
Cash dividends declared per common share	$ —	$ —	$ —	$ —	$ —

	As of June 30,				
(In thousands)	**2019**	**2018**	**2017**	**2016**	**2015**
Consolidated Balance Sheet Data:					
Total current assets	$ 159,908	$ 173,514	$ 140,703	$ 177,366	$ 166,140
Property, plant and equipment, net	$ 189,458	$ 186,589	$ 176,066	$ 118,416	$ 90,201
Goodwill	$ 36,224	$ 36,224	$ 10,996	$ 272	$ 272
Intangible assets, net	$ 28,878	$ 31,515	$ 18,618	$ 6,219	$ 6,419
Deferred income taxes	$ —	$ 39,308	$ 53,933	$ 71,508	$ 11,770
Total assets	$ 424,610	$ 475,531	$ 407,153	$ 383,714	$ 282,417
Short-term borrowings under revolving credit facility	$ —	$ 89,787	$ 27,621	$ 109	$ 78
Long-term borrowings under revolving credit facility(3)	$ 92,000	$ —	$ —	$ —	$ —
Capital lease obligations	$ 34	$ 248	$ 1,195	$ 2,359	$ 5,848
Earnout payable	$ 400	$ 600	$ 1,100	$ 100	$ 200
Long-term derivative liabilities	$ 1,612	$ 386	$ 380	$ —	$ 25
Total liabilities	$ 267,116	$ 246,476	$ 177,601	$ 186,397	$ 161,951

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(1) Prior year periods have been retrospectively adjusted to reflect the impact of certain changes in accounting principles to previously issued financial statements. See Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

(2) Includes valuation allowance of $50.1 million. See Note 19, *Income Taxes*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

(3) Classified as long-term in fiscal 2019. See Note 14, *Revolving Credit Facility*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

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

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. The results of operations for the fiscal years ended June 30, 2019, 2018 and 2017 are not necessarily indicative of the results that may be expected for any future period. The following discussion should be read in combination with the consolidated financial statements and the notes thereto included in Part II, Item 8 of this report and with the *Risk Factors* described in Part I, Item 1A of this report.

Our Business

We are a national coffee roaster, wholesaler and distributor of coffee, tea and culinary products manufactured under supply agreements, under our owned brands, as well as under private labels on behalf of certain customers. We were founded in 1912, incorporated in California in 1923, and reincorporated in Delaware in 2004. In fiscal 2017, we completed the relocation of our corporate headquarters from Torrance, California to Northlake, Texas. We operate in one business segment.

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

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

We operate production facilities in Northlake facility, Texas; Houston, Texas; Portland, Oregon; and Hillsboro, Oregon. Distribution takes place out of the Northlake facility, the Portland and Hillsboro facilities, as well as separate distribution centers in Northlake, Illinois; Moonachie, New Jersey; and Scottsdale, Arizona. Our products reach our customers primarily in the following ways: through our nationwide DSD network of 380 delivery routes and 104 branch warehouses as of June 30, 2019, or direct-shipped via common carriers or third-party distributors. DSD sales are primarily made "off-truck" to our customers at their places of business. We operate a large fleet of trucks and other vehicles to distribute and deliver our products through our DSD network, and we rely on 3PL service providers for our long-haul distribution.

Summary Overview of Year Ended June 30, 2019 Results

In fiscal 2019, both our DSD and direct ship sales channels experienced sales declines. The DSD sales channel was impacted by higher customer attrition in part related to our route consolidation initiative and the integration process of the Boyd Business. Our direct ship sales channel also experienced headwinds, driven by softness from two large customers throughout the year and the volume production loss of two brands that we previously serviced to its owner, who now has in-house capabilities. We had also anticipated incremental sales volume in fiscal 2019 from a significant direct ship customer that did not materialize. The production qualification requirements for this customer are still ongoing.

We experienced higher cost of goods sold in fiscal 2019 principally in the back half of the year. These costs included elevated inventory scrap expense, inventory markdowns, higher coffee brewing equipment and higher labor and manufacturing costs. The higher scrap expense and inventory markdowns was a byproduct of an inventory build put in place to reduce the disruption of product supply to our customers as we integrated the Boyd Business. While this inventory build helped mitigate supply disruptions, we were unable to sell the entire inventory, which generated increased scrap expense and inventory markdowns. Coffee brewing equipment and labor costs were higher in fiscal 2019 due to the completion of numerous large channel based customer installations. In addition, we had new business wins that required extra costs to support onboarding efforts. Finally, our manufacturing costs increased in fiscal 2019 due to the large number of customer product qualifications associated with the Boyd Business acquisition, elevated downtime from an aging infrastructure at our Houston plant, and higher production costs at our Northlake facility, which we were unable to fully absorb on the lower sales volume.

During the fourth quarter of fiscal 2019, under new leadership, the Company focused on six near-term operating priorities, which include: effective cash management, customer retention, efficiently managing coffee brewing equipment, enhancing processes and systems, rationalizing SKU counts, and optimizing our in-stock fill rate. These actions have enabled the Company to refocus on the fundamentals while addressing many of the challenges the business experienced in fiscal 2019.

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

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

	For The Years Ended June 30,			2019 vs 2018		2018 vs 2017	
	2019	2018	2017	Favorable (Unfavorable)		Favorable (Unfavorable)	
				Change	% Change	Change	% Change
Income Statement Data:							
Net sales	$ 595,942	$ 606,544	$ 541,500	$ (10,602)	(1.7)%	$ 65,044	12.0 %
Gross margin	30.1%	34.2%	34.5%	(4.1)%	NM	(0.3)%	NM
Operating expenses as a % of sales	32.5%	34.0%	27.3%	(1.5)%	NM	6.7 %	NM
(Loss) income from operations	$ (14,702)	$ 1,053	$ 38,934	$ (15,755)	(1,496.2)%	$ (37,881)	NM
Net (loss) income	$ (73,595)	$ (18,280)	$ 22,551	$ (55,315)	(302.6)%	$ (40,831)	NM
Net (loss) income available to common stockholders per common share—basic	$ (4.36)	$ (1.11)	$ 1.35	$ (3.25)	NM	$ (2.46)	NM
Net (loss) income available to common stockholders per common share—diluted	$ (4.36)	$ (1.11)	$ 1.34	$ (3.25)	NM	$ (2.45)	NM
Operating Data:							
Coffee pounds	108,098	107,429 107,429	95,499	669	0.6 %	11,930	12.5 %
EBITDA(1)	$ 3,617	$ 32,673	$ 62,521	$ (29,056)	(88.9)%	(29,848)	(47.7)%
EBITDA Margin(1)	0.6%	5.4%	11.5%	(4.8)%	NM	(6.1)%	NM
Adjusted EBITDA(1)	$ 31,882	$ 47,562	$ 42,985	$ (15,680)	(33.0)%	$ 4,577	10.6 %
Adjusted EBITDA Margin(1)	5.3%	7.8%	7.9%	(2.5)%	NM	(0.1)%	NM
Percentage of Total Net Sales By Product Category							
Coffee (Roasted)	63.5%	62.6%	62.7%	0.9 %	1.4 %	(0.1)%	(0.2)%
Coffee (Frozen Liquid)	5.8%	5.7%	6.1%	0.1 %	1.8 %	(0.4)%	(6.6)%
Tea (Iced & Hot)	5.6%	5.4%	5.4%	0.2 %	3.7 %	— %	— %
Culinary	10.8%	10.6%	10.3%	0.2 %	1.9 %	0.3 %	2.9 %
Spice	4.0%	4.2%	4.6%	(0.2)%	(4.8)%	(0.4)%	(8.7)%
Other beverages(2)	9.8%	11.0%	10.4%	(1.2)%	(10.9)%	0.6 %	5.8 %
Net sales by product category	99.5%	99.5%	99.5%	— %	— %	— %	(6.8)%
Fuel Surcharge	0.5%	0.5%	0.5%	— %	— %	— %	— %
Total	100.0%	100.0%	100.0%	— %	— %	— %	— %
Other data:							
Capital expenditures related to maintenance	$ 21,088	$ 21,782	$ 19,246	$ (694)	(3.2)%	$ 2,536	13.2 %
Total capital expenditures	$ 34,759	$ 37,020	$ 84,949	$ (2,261)	(6.1)%	$ (47,929)	(56.4)%
Depreciation and amortization expense	$ 31,065	$ 30,464	$ 22,970	$ 601	2.0 %	$ 7,494	32.6 %

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NM - Not Meaningful

(1) EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. See "Non-GAAP Financial Measures" below for a reconciliation of these non-GAAP measures to their corresponding GAAP measures.
(2) Includes all beverages other than roasted coffee, frozen liquid coffee, and iced and hot tea, including cappuccino, cocoa, granitas, and concentrated and ready-to-drink cold brew and iced coffee.

Recent Developments

Sale of Office Coffee Assets

In order to focus on our core product offerings, in July 2019, we completed the sale of certain assets associated with our office coffee customers for $9.3 million in cash paid at the time of closing plus an earnout of up to an additional $2.3 million if revenue expectations are achieved during test periods scheduled to occur at various branches at various times and concluding by early third quarter of fiscal 2020.

Sale of Seattle Branch Property

On August 28, 2019, we completed the sale of our branch property in Seattle, Washington state for a gross sale price of $7.9 million.

Sale leaseback of Houston Facility

On September 6, 2019, we signed a purchase and sale agreement (the "PSA") for the sale of our Houston, Texas manufacturing facility and warehouse (the "Property") for an aggregate purchase price, exclusive of closing costs, of $10.0 million. Pursuant to the PSA and upon the closing of the sale of the Property, we and the purchaser have agreed to enter into a three year leaseback agreement with respect to the Property. We may terminate the leaseback no earlier than the first day of the eighteenth full calendar month of the term providing at least nine months' notice. There is no assurance at this time that the purchaser will in fact purchase any or all of the Property. The closing of the sale of the Property, which is subject to customary diligence and closing conditions, is expected to occur on or around November 20, 2019. The purchaser does not have any material relationship with us or our subsidiaries, other than through the PSA and Leaseback.

In connection with the sale leaseback contemplated by the PSA, on September 6, 2019, we made a clarifying amendment to our amended and restated credit agreement originally dated as of November 6, 2018, to make clear that any sale and leaseback already permitted under the asset sale covenant would not be inadvertently prohibited under the sale and leaseback covenant.

Factors Affecting Our Business

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

- ***Investment in State-of-the-Art Facility and Capacity Expansion.*** We are focused on leveraging our investment in the Northlake, Texas, facility to produce the highest quality coffee in response to the market shift to premium and specialty coffee, support the transition of acquired product volumes, and create opportunities for customer acquisition and sustainable long-term growth. However, until we complete the transition of most manufacturing to our Northlake facility, we will continue to experience higher manufacturing costs driven by downtime associated with certain aging production infrastructure.
- ***Supply Chain Efficiencies and Competition***. In order to compete effectively and capitalize on growth opportunities, we must retain and continue to grow our customer base, evaluate and undertake initiatives to reduce costs and streamline our supply chain. We continue to look for ways to deploy our personnel, systems, assets and infrastructure to create or enhance stockholder value. Areas of focus have included corporate staffing and structure, methods of procurement, logistics, inventory management, supporting technology, and real estate assets.
- ***Demographic and Channel Trends.*** Our success is dependent upon our ability to develop new products in response to demographic and other trends to better compete in areas such as premium coffee and tea, including expansion of our product portfolio by investing resources in what we believe to be key growth categories and different formats.
- ***Fluctuations in Green Coffee Prices.*** Our primary raw material is green coffee, an exchange-traded agricultural commodity that is subject to price fluctuations. Over the past five years, coffee "C" market near month price per pound ranged from approximately $0.96 to $1.90. The coffee "C" market near month price as of June 30, 2019 and

2018 was $1.10 and $1.15 per pound, respectively. The price and availability of green coffee directly impacts our results of operations. For additional details, see *Risk Factors* in Part I, Item 1A of this report.

- ***Coffee Brewing Equipment and Service***. We offer our customers a comprehensive equipment program and 24/7 nationwide equipment service which we believe differentiates us in the marketplace. We offer a full spectrum of equipment needs, which includes brewing equipment installation, water filtration systems, equipment training, and maintenance services to ensure we are able to meet our customer's demands.
- ***Hedging Strategy.*** We are exposed to market risk of losses due to changes in coffee commodity prices. Our business model strives to reduce the impact of green coffee price fluctuations on our financial results and to protect and stabilize our margins, principally through customer arrangements and derivative instruments, as further explained in Note 6, *Derivative Instruments*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.
- ***Sustainability***. With an increasing focus on sustainability across the coffee and foodservice industry, and particularly from the customers we serve, it is important for us to embrace sustainability across our operations, in the quality of our products, as well as, how we treat our coffee growers. We believe that our collective efforts in measuring our social and environmental impact, creating programs for waste, water and energy reduction, promoting partnerships in our supply chain that aim at supply chain stability and food security, and focusing on employee engagement place us in a unique position to help retailers and foodservice operators create differentiated coffee and tea programs that can include sustainable supply chains, direct trade purchasing, training and technical assistance, recycling and composting networks, and packaging material reductions.

Results of Operations

The following table sets forth information regarding our consolidated results of operations for the years ended June 30, 2019, 2018 and 2017. Certain prior period amounts in the table below have been reclassified to conform to the current year presentation due to the adoption of new accounting standards (in thousands, except percentages)::

	For the Years Ended June 30,			2019 vs 2018		2018 vs 2017	
	2019	2018	2017	Favorable (Unfavorable)		Favorable (Unfavorable)	
				Change	% Change	Change	% Change
Net sales	$ 595,942	$ 606,544	$ 541,500	$ (10,602)	(1.7)%	$ 65,044	12.0 %
Cost of goods sold	416,840	399,155	354,649	(17,685)	(4.4)%	(44,506)	(12.5)%
Gross profit	179,102	207,389	186,851	(28,287)	(13.6)%	20,538	11.0 %
Selling expenses	139,647	153,391	133,534	13,744	9.0 %	(19,857)	(14.9)%
General and administrative expenses	48,959	49,429	42,945	470	1.0 %	(6,484)	(15.1)%
Restructuring and other transition expenses	4,733	662	11,016	(4,071)	(615.0)%	10,354	94.0 %
Net gain from sale of Torrance Facility	—	—	(37,449)	—	NM	(37,449)	100.0 %
Net gains from sale of Spice Assets	(593)	(770)	(919)	(177)	23.0 %	(149)	16.2 %
Net losses (gains) from sales of other assets	1,058	(196)	(1,210)	(1,254)	639.8 %	(1,014)	83.8 %
Impairment losses on intangible assets	—	3,820	—	3,820	100.0 %	(3,820)	NM
Operating expenses	193,804	206,336	147,917	12,532	6.1 %	(58,419)	(39.5)%
(Loss) income from operations	(14,702)	1,053	38,934	(15,755)	(1,496.2)%	(37,881)	(97.3)%
Other (expense) income:							
Dividend income	—	12	1,007	(12)	(100.0)%	(995)	(98.8)%
Interest income	—	2	567	(2)	(100.0)%	(565)	(99.6)%
Interest expense	(12,000)	(9,757)	(8,601)	(2,243)	23.0 %	(1,156)	13.4 %
Pension settlement charge	(10,948)	—	—	(10,948)	NM	—	NM
Other, net	4,166	7,722	5,459	(3,556)	(46.1)%	2,263	41.5 %
Total other (expense) income	(18,782)	(2,021)	(1,568)	(16,761)	829.3 %	(453)	28.9 %
(Loss) income before taxes	(33,484)	(968)	37,366	(32,516)	3,359.1 %	(38,334)	(102.6)%
Income tax expense	40,111	17,312	14,815	22,799	131.7 %	2,497	16.9 %
Net (loss) income	$ (73,595)	$ (18,280)	$ 22,551	$ (55,315)	302.6 %	$ (40,831)	(181.1)%
Less: Cumulative preferred dividends, undeclared and unpaid	535	389	—	146	37.5 %	389	NM
Net (loss) income available to common stockholders	$ (74,130)	$ (18,669)	$ 22,551	$ (55,461)	297.1 %	$ (41,220)	(182.8)%

NM - Not Meaningful

The following table presents changes in units sold, unit price and net sales by product category for the years ended June 30, 2019, 2018 and 2017 (in thousands, except unit price and percentages):

	For the Years Ended June 30,			2019 vs 2018 Favorable (Unfavorable)		2018 vs 2017 Favorable (Unfavorable)	
	2019	2018	2017	Change	% Change	Change	% Change
Units sold							
Coffee (Roasted)	86,478	85,943	76,399	535	0.62 %	9,544	12.49 %
Coffee (Frozen Liquid)	427	407	403	20,000	4.91 %	4	0.99 %
Tea (Iced & Hot)	2,755	2,706	2,482	49	1.81 %	224	9.02 %
Culinary	7,932	9,227	9,071	(1,295)	(14.03)%	156	1.72 %
Spice	792	933	1,101	(141)	(15.11)%	(168)	(15.26)%
Other beverages(1)	4,631	5,932	3,986	(1,301)	(21.93)%	1,946	48.82 %
Total	103,015	105,148	93,442	(2,133)	(2.03)%	11,706	12.53 %
Unit Price							
Coffee (Roasted)	$ 4.38	$ 4.42	$ 4.44	$ (0.04)	(0.90)%	$ (0.02)	(0.45)%
Coffee (Frozen Liquid)	$ 80.89	$ 85.49	$ 81.46	$ (4.60)	(5.38)%	$ 4.03	4.95 %
Tea (Iced & Hot)	$ 12.02	$ 12.00	$ 11.79	$ 0.02	0.17 %	$ 0.21	1.78 %
Culinary	$ 8.08	$ 6.98	$ 6.13	$ 1.10	15.76 %	$ 0.85	13.87 %
Spice	$ 30.43	$ 26.96	$ 22.61	$ 3.47	12.87 %	$ 4.35	19.24 %
Other beverages(1)	$ 12.60	$ 11.24	$ 14.21	$ 1.36	12.10 %	$ (2.97)	(20.90)%
Average unit price	$ 5.79	$ 5.77	$ 5.80	$ 0.02	0.35 %	$ (0.03)	(0.52)%
Total Net Sales By Product Category							
Coffee (Roasted)	$ 378,583	$ 379,951	$ 339,358	$ (1,368)	(0.36)%	$ 40,593	11.96 %
Coffee (Frozen Liquid)	34,541	34,794	32,827	(253)	(0.73)%	1,967	5.99 %
Tea (Iced & Hot)	33,109	32,477	29,256	632	1.95 %	3,221	11.01 %
Culinary	64,100	64,432	55,592	(332)	(0.52)%	8,840	15.90 %
Spice	24,101	25,150	24,895	(1,049)	(4.17)%	255	1.02 %
Other beverages(1)	58,367	66,699	56,653	(8,332)	(12.49)%	10,046	17.73 %
Net sales by product category	$ 592,801	$ 603,503	$ 538,581	$ (10,702)	(1.77)%	$ 64,922	12.05 %
Fuel Surcharge	3,141	3,041	2,919	100	3.29 %	122	4.18 %
Total	$ 595,942	$ 606,544	$ 541,500	$ (10,602)	(1.75)%	$ 65,044	12.01 %

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

Fiscal Years Ended June 30, 2019 and 2018

Net Sales

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

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

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

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

Gross Profit

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

Operating Expenses

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

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

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

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

Total Other (Expense) Income

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

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

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

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

Income Taxes

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

Fiscal Years Ended June 30, 2018 and 2017

Net Sales

Net sales in fiscal 2018 increased $65.0 million, or 12.0%, to $606.5 million from $541.5 million in fiscal 2017 primarily due to the addition of the Boyd Business, which added $67.4 million of incremental sales to the current period and the addition of a full year of net sales from the China Mist and West Coast Coffee acquisitions, offset by a $2.5 million decline in our base business primarily due to a shortfall in DSD sales, the impact of pricing to our cost plus customers, and softness in a few large direct ship accounts. Net sales in fiscal 2018 included $3.0 million in price decreases to customers utilizing commodity-based pricing arrangements, where the changes in the green coffee commodity costs are passed on to the customer, as compared to $3.2 million in price decreases to customers utilizing such arrangements in fiscal 2017.

The following table presents the effect of changes in unit sales, unit pricing and product mix for the year ended June 30, 2018 compared to the same period in the prior fiscal year (in millions):

(In millions)	Year Ended June 30, 2018 vs. 2017	% of Total Mix Change
Effect of change in unit sales	$ 67.5	103.8 %
Effect of pricing and product mix changes	(2.5)	(3.8)%
Total increase in net sales	$ 65.0	100.0 %

Unit sales increased 12.5% in fiscal 2018 as compared to fiscal 2017, but average unit price decreased by 0.5% resulting in an increase in net sales of 12.0%. These increases were primarily due to the addition of the Boyd Business which increased net sales by $67.4 million. Average unit price decreased primarily due to the lower average unit price of roast and ground coffee products primarily driven by the pass-through of lower green coffee commodity hedged costs to our customers. In fiscal 2018, we processed and sold approximately 107.4 million pounds of green coffee as compared to approximately 95.5 million pounds of green coffee processed and sold in fiscal 2017. There were no new product category introductions in fiscal 2018 or 2017 which had a material impact on our net sales.

Gross Profit

Gross profit in fiscal 2018 increased $20.5 million, or 11.0%, to $207.4 million from $186.9 million in fiscal 2017 and gross margin decreased to 34.2% in fiscal 2018 from 34.5% in fiscal 2017. This increase in gross profit was primarily driven by higher net sales of $65.0 million due to the addition of the Boyd Business partially offset by higher cost of goods sold. Cost of goods sold in fiscal 2018 increased $44.5 million, or 12.5%, to $399.2 million, or 65.8% of net sales, from $354.6 million, or 65.5% of net sales, in fiscal 2017. The increase in cost of goods sold was primarily due to the addition of the Boyd Business making up $41.4 million of the increase. Cost of goods sold as a percentage of net sales in fiscal 2018 increased primarily due to higher manufacturing costs associated with the production operations in the Northlake, Texas facility including higher depreciation expense for the facility. The average Arabica “C” market price of green coffee decreased 15.5% in fiscal 2018.

Operating Expenses

In fiscal 2018, operating expenses increased $58.4 million, or 39.5%, to $206.3 million, or 34.0% of net sales from $147.9 million, or 27.3%, of net sales in fiscal 2017, primarily due to the effect of the recognition of $37.4 million in net gain from the sale of the Torrance Facility in fiscal 2017, a $19.9 million increase in selling expenses, a $6.5 million increase in general and administrative expenses and $3.8 million in impairment losses on intangible assets in fiscal 2018. The increase in operating expenses was partially offset by a $10.4 million decrease in restructuring and other transition expenses associated with the Corporate Relocation Plan and the DSD Restructuring Plan.

In fiscal 2018, selling expenses and general and administrative expenses increased $19.9 million and $6.5 million, respectively. The increases in selling expenses and general and administrative expenses during fiscal 2018 were primarily driven by the addition of the Boyd Business which added $18.9 million and $4.4 million, respectively, to selling expenses and general and administrative expenses exclusive of their related depreciation and amortization expense, acquisition and integration costs of $7.6 million, and an increase of $7.5 million in depreciation and amortization expense, partially offset by the absence of $5.2 million in non-recurring 2016 proxy contest expenses incurred in fiscal 2017.

Restructuring and other transition expenses decreased $10.4 million in fiscal 2018, as compared to fiscal 2017 due to the absence of expenses related to our Corporate Relocation Plan, partially offset by $0.7 million in costs incurred in connection with the DSD Restructuring Plan in fiscal 2018.

In fiscal 2018 and 2017 net gains from sale of spice assets included $0.8 million and $0.9 million, respectively, in earnout.

In our annual test of impairment as of January 31, 2018 and assessment of the recoverability of certain finite-lived intangible assets, we determined that the trade name/trademark and customer relationships intangible assets acquired in connection with the China Mist acquisition were impaired as the carrying value exceeded the estimated fair value. Accordingly, we recorded total impairment charges of $3.8 million in fiscal 2018.

Total Other (Expense) Income

Total other expense in fiscal 2018 was $2.0 million as compared to $1.6 million in fiscal 2017. The change in total other expense in fiscal 2018 was primarily a result of liquidating substantially all of our investment in preferred securities in the fourth quarter of fiscal 2017 to fund expenditures associated with our Northlake, Texas facility and higher interest expense as compared to fiscal 2017, partially offset by the change in estimated fair value of the China Mist contingent earnout consideration.

Net gains on investments in fiscal 2018 and 2017 were $7,000 and $286,000, respectively. Net losses on coffee-related derivative instruments in fiscal 2018 and 2017 were $0.5 million and $1.8 million, respectively, due to mark-to-market net losses on coffee-related derivative instruments not designated as accounting hedges.

Interest expense in fiscal 2018 was $9.8 million as compared to $8.6 million in fiscal 2017. The higher interest expense in fiscal 2018 was primarily due to higher outstanding borrowings on our revolving credit facility.

Income Taxes

In fiscal 2018, we recorded income tax expense of $17.3 million compared to income tax expense of $14.8 million in fiscal 2017. As of June 30, 2018, our net deferred tax assets totaled $39.3 million, a decrease of $14.6 million from net deferred tax assets of $53.9 million at June 30, 2017. These changes are primarily the result of the Tax Cuts and Jobs Act enacted on December 22, 2017. See Note 19.

Non-GAAP Financial Measures

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

"EBITDA" is defined as net (loss) income excluding the impact of:

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

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

"Adjusted EBITDA" is defined as net (loss) income excluding the impact of:

- income taxes;
- interest expense;
- (loss) income from short-term investments;
- depreciation and amortization expense;
- ESOP and share-based compensation expense;
- non-cash impairment losses;
- non-cash pension withdrawal expense;
- restructuring and other transition expenses;
- Severance costs
- net gains and losses from sales of assets;
- non-cash pension settlement charges; and
- acquisition and integration costs.

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

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

In fiscal 2019, for purposes of calculating EBITDA and EBITDA Margin and Adjusted EBITDA and Adjusted EBITDA Margin, we have excluded the impact of interest expense resulting from the adoption of ASU 2017-07, non-cash pretax pension settlement charge resulting from the amendment and termination of the Farmer Bros. Plan effective December 1, 2018 and severance because these items are not reflective of our ongoing operating results. See Note 2, *Summary of Significant Accounting Policies--Recently Adopted Accounting Standards*, of the Notes to Consolidated Financial Statements included in this report on Form 10-K.

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

We believe that EBITDA facilitates operating performance comparisons from period to period by isolating the effects of certain items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. These potential differences may be caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense). We also present EBITDA and EBITDA Margin because (i) we believe that these measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry, (ii) we believe that investors will find these measures useful in assessing our ability to service or incur indebtedness, and (iii) we use these measures internally as benchmarks to compare our performance to that of our competitors.

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

Prior year periods set forth in the tables below have been retrospectively adjusted to reflect the impact of the adoption of new accounting standards. See Note 2, *Summary of Significant Accounting Policies--Recently Adopted Accounting Standards*, of the Notes to Consolidated Financial Statements included in this report on Form 10-K.

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

	For the Year Ended June 30,		
(In thousands)	**2019**	**2018**	**2017**
Net (loss) income, as reported	$ (73,595)	$ (18,280)	$ 22,551
Income tax expense	40,111	17,312	14,815
Interest expense(1)	6,036	3,177	2,185
Depreciation and amortization expense	31,065	30,464	22,970
EBITDA	$ 3,617	$ 32,673	$ 62,521
EBITDA Margin	0.6%	5.4%	11.5%

(1) Excludes $6.1 million, $6.6 million and $6.4 million in the fiscal years ended June 30, 2019, 2018 and 2017, respectively, resulting from the adoption of ASU 2017-07.

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

		Year Ended June 30,		
(In thousands)		**2019**	**2018**	**2017**
Net (loss) income, as reported		$ (73,595)	$ (18,280)	$ 22,551
Income tax expense		40,111	17,312	14,815
Interest expense(1)		6,036	3,177	2,185
Income from short-term investments		—	(19)	(1,853)
Depreciation and amortization expense		31,065	30,464	22,970
ESOP and share-based compensation expense		3,723	3,822	3,959
Restructuring and other transition expenses(2)		4,733	662	11,016
Net gain from sale of Torrance Facility		—	—	(37,449)
Net gains from sale of Spice Assets		(593)	(770)	(919)
Net losses (gains) from sales of other assets		1,058	(196)	(1,210)
Impairment losses on intangible assets		—	3,820	—
Pension settlement charge		10,948	—	—
Non-recurring 2016 proxy contest-related expenses		—	—	5,186
Acquisition and integration costs		6,123	7,570	1,734
Severance	2,273,000	2,273	—	—
Adjusted EBITDA		$ 31,882	$ 47,562	$ 42,985
Adjusted EBITDA Margin		5.3%	7.8%	7.9%

(1) Excludes $6.1 million, $6.6 million and $6.4 million in the fiscal years ended June 30, 2019, 2018 and 2017, respectively, resulting from the adoption of ASU 2017-07.
(2) Fiscal year ended June 30, 2019, includes $3.4 million, including interest, assessed by the WC Pension Trust representing the Company's share of the WCTPP unfunded benefits due to the Company's partial withdrawal from the WCTPP as a result of employment actions taken by the Company in 2016 in connection with the Corporate Relocation Plan, net of payments of $0.8 million.

Liquidity, Capital Resources and Financial Condition

Credit Facility

On November 6, 2018, the Company entered into a new $150.0 million senior secured revolving credit facility (the “New Revolving Facility”) with Bank of America, N.A, Citibank, N.A., JPMorgan Chase Bank, N.A., PNC Bank, National Association, Regions Bank, and SunTrust Bank, with a sublimit on letters of credit and swingline loans of $15.0 million each. The New Revolving Facility includes an accordion feature whereby the Company may increase the revolving commitments or enter into one or more tranches of incremental term loans, up to an additional $75.0 million in aggregate of increased commitments and incremental term loans, subject to certain conditions. The commitment fee is based on a leverage grid and ranges from 0.20% to 0.40%. Borrowings under the New Revolving Facility bear interest based on a leverage grid with a range of PRIME + 0.25% to PRIME + 0.875% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 1.875%. Effective March 27, 2019, we entered into an interest rate swap utilizing a notional amount of $80.0 million, with an effective date of April 11, 2019 and a maturity date of October 11, 2023. Under the terms of the interest rate swap, we receive 1-month LIBOR, subject to a 0% floor, and make payments based on a fixed rate of 2.1975%. The Company’s obligations under the interest rate swap agreement are secured by the collateral which secures the loans under the New Revolving Facility on a pari passu and pro rata basis with the principal of such loans. We have designated the interest rate swap derivative instruments as a cash flow hedge.

Under the New Revolving Facility, we are subject to a variety of affirmative and negative covenants of types customary in a senior secured lending facility, including financial covenants relating to leverage and interest expense coverage. We are allowed to pay dividends, provided, among other things, a total net leverage ratio is met, and no default exists or has occurred and is continuing as of the date of any such payment and after giving effect thereto. The New Revolving Facility matures on November 6, 2023, subject to our ability (subject to certain conditions) to agree with lenders who so consent to extend the maturity date of the commitments of such consenting lenders for a period of one year, such option being exercisable not more than two times during the term of the facility.

The New Revolving Facility replaced, by way of amendment and restatement, our senior secured revolving credit facility (the “Prior Revolving Facility”) with JPMorgan Chase Bank, N.A. and SunTrust Bank, with revolving commitments of $125.0 million as of September 30, 2018 and $135.0 million as of October 18, 2018 (the “Third Amendment Effective Date”), subject to an accordion feature. Under the Prior Revolving Facility, as amended, advances were based on our eligible accounts receivable, inventory and equipment, the value of certain real property and trademarks, and an amount based on the lesser of $10.0 million (subject to monthly reduction) and the sum of certain eligible accounts receivable and inventory, less required reserves. The commitment fee was a flat fee of 0.25% per annum. Outstanding obligations were collateralized by all of our assets, excluding, amongst other things, certain real property not included in the borrowing base. Borrowings under the Prior Revolving Facility bore interest 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%; provided, that, after the Third Amendment Effective Date, (i) the applicable rate was PRIME + 0.25% or Adjusted LIBO Rate + 1.75%; and (ii) loans up to certain formula amounts were subject to an additional margin ranging from 0.375% to 0.50%. The Prior Revolving Facility included a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including a financial covenant relating to the maintenance of a fixed charge coverage ratio, and provided for customary events of default.

At June 30, 2019, we were eligible to borrow up to a total of $150.0 million under the New Revolving Facility and had outstanding borrowings of $92.0 million and had utilized $2.3 million of the letters of credit sublimit. At June 30, 2019 and 2018, the weighted average interest rate on our outstanding borrowings subject to interest rate variability under the New Revolving Facility was 3.98% and 4.10%, respectively, and we were in compliance with all of the covenants under the New Revolving Facility.

At September 3, 2019, we were eligible to borrow up to a total of $150.0 million under the New Revolving Facility and had outstanding borrowings of $100.0 million and utilized $2.3 million of the letters of credit sublimit.

We classify borrowings contractually due to be settled one year or less as short-term and more than one year as long-term. Outstanding borrowings under our revolving credit facility were classified on our consolidated balance sheets as “Long-term borrowings under revolving credit facility” at June 30, 2019 and “Short-Term borrowings under revolving credit facility” at June 30, 2018.

Liquidity

We generally finance our operations through cash flows from operations and borrowings under our revolving credit facility. In fiscal 2018, we filed a shelf registration statement with the SEC which allows us to issue unspecified amounts of common stock, preferred stock, depository shares, warrants for the purchase of shares of common stock or preferred stock, purchase contracts for the purchase of equity securities, currencies or commodities, and units consisting of any combination of any of the foregoing securities, in one or more series, from time to time and in one or more offerings up to a total dollar amount of $250.0 million. We believe our New Revolving Facility, to the extent available, in addition to our cash flows from operations, collectively, will be sufficient to fund our working capital and capital expenditure requirements for the next 12 months.

Our New Revolving Facility includes financial covenants that are tested each fiscal quarter. The ratio of consolidated total indebtedness (net of unrestricted cash up to $7.5 million) to adjusted EBITDA must not exceed 3.5 to 1.0. The ratio of adjusted EBITDA to consolidated interest expense must not be less than 3.0 to 1.0. As of June 30, 2019, we were in compliance with both financial covenants.

At June 30, 2019, we had $7.0 million in cash and cash equivalents and none of the cash in our coffee-related derivative margin accounts was restricted. Changes in commodity prices and the number of coffee-related and interest swap derivative instruments held could have a significant impact on cash deposit requirements under certain of our broker and counterparty agreements and may adversely affect our liquidity.

Cash Flows

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

	For the Years Ended June 30,		
	2019	**2018**	**2017**
Condensed Consolidated Statements of cash flows data (in thousands)			
Net cash provided by operating activities	$ 35,450	$ 8,855	$ 42,112
Net cash used in investing activities	(32,361)	(74,640)	(106,724)
Net cash provided by financing activities	1,456	61,982	49,758
Net increase (decrease) in cash and cash equivalents	$ 4,545	$ (3,803)	$ (14,854)

Operating Activities

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

Cash provided by operating activities in fiscal 2018 decreased $33.3 millionas compared to fiscal 2017 primarily due to a higher use of cash to fund higher inventory levels and higher payroll and benefit costs associated with the Boyd Business integration, as well as slower collections of various accounts receivables. These were partially offset by the timing of vendor payments.

Investing Activities

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

Net cash used in investing activities during the fiscal year ended June 30, 2018 decreased $32.1 million as compared to fiscal year ended June 30, 2017 due primarily to the elevated levels of investments in fiscal 2017. For the fiscal year ended June 30, 2018 we invested $39.6 million for the acquisition of Boyd Business and had purchases of property, plant and equipment of $37.0 million, which included $2.5 million for machinery and equipment relating to the Northlake Texas facility, and $21.8 million in maintenance capital expenditures. Maintenance capital expenditures included higher coffee brewing equipment purchases compared to the prior year period due to an increased level of installations for new customers. In fiscal 2017, we invested $25.9 million for the acquisitions of China Mist and West Coast Coffee, $45.2 million for purchases of property, plant and equipment, including $25.9 million for the Northlake Texas facility, and $39.8 million for purchases of assets for construction of the Northlake Texas facility.

Financing Activities

Net cash provided by financing activities in fiscal year ended June 30, 2019 decreased $60.5 million as compared to fiscal year ended June 30, 2018. Net cash provided by financing activities in fiscal year ended June 30, 2019 included $2.2 million in net borrowings compared to $62.2 million in net borrowings in the fiscal year ended June 30, 2018 of which $39.6 million of the net borrowings was used to fund the purchase of the Boyd Business.

Net cash provided by financing activities in fiscal year ended June 30, 2018 increased $12.2 million as compared to fiscal year ended June 30, 2017. Net cash provided by financing activities in fiscal year ended June 30, 2018 included $62.2 million in net borrowings compared to $27.5 million in net borrowings in the fiscal year ended June 30, 2017. In fiscal year ended June 30, 2018, $39.6 million of the net borrowings was used to fund the purchase of the Boyd Business.

Contractual Obligations, Commitments and Contingencies

Contractual Obligations

The following table contains information regarding total contractual obligations as of June 30, 2019:

	Payment due by period				
(In thousands)	Total	Less Than One Year	1-3 Years	3-5 Years	More Than 5 Years
Contractual obligations:					
Operating lease obligations	$ 18,689	$ 4,434	$ 5,710	$ 4,156	$ 4,389
Capital lease obligations(1)	37	36	1	—	—
Pension plan obligations(2)	71,400	6,850	13,630	14,370	36,550
Postretirement benefits other than pension plans(2)	12,982	1,087	2,311	2,468	7,116
Revolving credit facility	92,000	—	—	92,000	—
Purchase commitments(3)	61,244	61,244	—	—	—
Derivative liabilities—noncurrent	1,612	—	1,612	—	—
Cumulative Preferred dividends, undeclared and unpaid-non-current	924	—	924	—	—
Total contractual obligations	$ 258,888	$ 73,651	$ 24,188	$ 112,994	$ 48,055

(1) Includes imputed interest of $2,000.

(2) See Note 13, *Employee Benefit Plans*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

(3) Purchase commitments include commitments under coffee purchase contracts for which all delivery terms have been finalized but the related coffee has not been received as of June 30, 2019. Amounts shown in the table above: (a) include all coffee purchase contracts that the Company considers to be from normal purchases; and (b) do not include amounts related to derivative instruments that are recorded at fair value on the Company's consolidated balance sheets. See Note 22, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K

Capital Expenditures

For the fiscal years ended June 30, 2019, 2018 and 2017, our capital expenditures paid were as follows:

	June 30,		
(In thousands)	2019	2018	2017
Maintenance:			
Coffee brewing equipment	$ 14,925	$ 12,067	$ 10,758
Building and facilities	106	542	345
Vehicles, machinery and equipment	2,787	5,513	7,445
Software, office furniture and equipment	3,270	3,660	698
Capital expenditures, maintenance	$ 21,088	$ 21,782	$ 19,246
Expansion Project:			
Machinery and equipment	$ 13,671	$ 10,746	$ —
Capital expenditures, Expansion Project	$ 13,671	$ 10,746	$ —
New Facility Costs:			
Building and facilities, including land	$ —	$ 1,577	$ 39,754
Machinery and equipment	—	2,489	20,089
Software, office furniture and equipment	—	426	5,860
Capital expenditures, New Facility	$ —	$ 4,492	$ 65,703
Total capital expenditures	$ 34,759	$ 37,020	$ 84,949

In fiscal 2020, we anticipate maintenance capital expenditures will be between $17 million to $20 million. We expect to finance these expenditures through cash flows from operations and borrowings under our New Revolving Facility.

Depreciation and amortization expense was $31.1 million, $30.5 million and $23.0 million in fiscal 2019, 2018 and 2017, respectively. We anticipate our depreciation and amortization expense will be approximately $7.5 million to $7.8 million per quarter in fiscal 2020 based on our existing fixed assets and the useful lives of our intangible assets.

Acquisitions

On October 2, 2017, we acquired substantially all of the assets and certain specified liabilities of Boyd Coffee. At closing, for consideration of the purchase, we paid Boyd Coffee $38.9 million in cash from borrowings under our Revolving Facility and issued to Boyd Coffee 14,700 shares of Series A Preferred Stock, with a fair value of $11.8 million as of the closing date. Additionally, we held back $3.2 million in cash and 6,300 shares of Series A Preferred Stock, with a fair value of $4.8 million as of the closing date, for the satisfaction of any post-closing net working capital adjustment and to secure Boyd Coffee's (and the other seller parties') indemnification obligations under the purchase agreement.

In addition to the $3.2 million cash holdback, as part of the consideration for the purchase, at closing we held back $1.1 million in cash to pay, on behalf of Boyd Coffee, any assessment of withdrawal liability made against Boyd Coffee following the closing date in respect of Boyd Coffee's multiemployer pension plan, which amount is recorded in other long-term liabilities on our consolidated balance sheet at June 30, 2018. On January 8, 2019, Boyd Coffee notified the Company of the assessment of $0.5 million in withdrawal liability against Boyd Coffee, which the Company timely paid from the Multiemployer Plan Holdback during the three months ended March 31, 2019. The Company has applied the remaining amount of the Multiemployer Plan Holdback of $0.5 million towards satisfaction of the Seller's post-closing net working capital deficiency under the Asset Purchase Agreement as of March 31, 2019.

The fair value of consideration transferred reflected the Company's best estimate of the post-closing net working capital adjustment of $8.1 million due to the Company at June 30, 2018 when the purchase price allocation was finalized. In January

2019, the post-closing net working capital adjustment was determined by an Independent Expert to be $6.3 million due to the Company.

As of March 31, 2019, we have satisfied the $6.3 million amount by applying the remaining amount of the Multiemployer Plan Holdback of $0.5 million, retaining all of the Holdback Cash Amount of $3.2 million and canceling 4,630 shares of Holdback Stock with a fair value of $2.3 million based on the stated value and deemed conversion price as defined in the asset purchase agreement. We have retained the remaining 1,670 shares of the Holdback Stock pending satisfaction of certain indemnification claims against the Seller following which the remaining Holdback Stock, if any, will be released to the Seller.

See Note 3, *Acquisitions*, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for further details of the acquisitions.

DSD Restructuring Plan

On February 21, 2017, we announced the DSD Restructuring Plan. We have revised our estimated time of completion of the DSD Restructuring Plan from the end of calendar 2018 to the end of fiscal 2019. We recognized approximately $4.5 million of pre-tax restructuring charges in connection with the DSD Restructuring Plan by the end of fiscal 2019 consisting of approximately $2.3 million in employee-related costs and contractual termination payments, including severance, prorated bonuses for bonus eligible employees and outplacement services, and $2.2 million in other related costs, including legal, recruiting, consulting, other professional services, and travel. We have completed the DSD Restructuring Plan as of June 30, 2019.

The following table sets forth the expenses associated with the DSD Restructuring Plan for the fiscal years ended June 30, 2019, 2018 and 2017:

	Year Ended June 30,		
(In thousands)	2019	2018	2017
Employee-related costs	$ 1,487	$ 612	$ 506
Other	284	429	1,205
Total	$ 1,771	$ 1,041	$ 1,711

Recent Accounting Pronouncements

Refer to Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for a summary of recently adopted and recently issued accounting standards and their related effects or anticipated effects on our consolidated results of operations and financial condition.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates or judgments, however, are both subjective and subject to change, and actual results may differ from our assumptions and estimates. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change the underlying assumptions, estimates or judgments. See Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for a summary of our significant accounting estimates.

Exposure to Commodity Price Fluctuations and Derivative Instruments

We are exposed to commodity price risk arising from changes in the market price of green coffee. In general, increases in the price of green coffee could cause our cost of goods sold to increase and, if not offset by product price increases, could negatively affect our financial condition and results of operations. As a result, our business model strives to reduce the impact of green coffee price fluctuations on our financial results and to protect and stabilize our margins, principally through customer arrangements and derivative instruments.

Customers generally pay for our products based either on an announced price schedule or under commodity-based pricing arrangements whereby the changes in green coffee commodity and other input costs are passed through to the customer. The pricing schedule is generally subject to adjustment, either on contractual terms or in accordance with periodic product price adjustments, typically monthly, resulting in, at the least, a 30-day lag in our ability to correlate the changes in our prices with fluctuations in the cost of raw materials and other inputs.

In addition to our customer arrangements, we utilize derivative instruments to reduce further the impact of changing green coffee commodity prices. We purchase over-the-counter coffee derivative instruments to enable us to lock in the price of green coffee commodity purchases. These derivative instruments may be entered into at the direction of the customer under commodity-based pricing arrangements to effectively lock in the purchase price of green coffee under such customer arrangements, in certain cases up to 18 months or longer in the future. Notwithstanding this customer direction, pursuant to Accounting Standards Codification (“ASC“) 815, “Derivatives and Hedging,” we are considered the owner of these derivative instruments and, therefore, we are required to account for them as such. In the event the customer fails to purchase the products associated with the underlying derivative instruments for which the price has been locked-in on behalf of the customer, we expect that such derivative instruments will be assigned to, and assumed by, the customer in accordance with contractual terms or, in the absence of such terms, in accordance with standard industry custom and practice. In the event the customer fails to assume such derivative instruments, we will remain obligated on the derivative instruments at settlement. We generally settle derivative instruments to coincide with the receipt of the purchased green coffee or apply the derivative instruments to purchase orders effectively fixing the cost of in-bound green coffee purchases. As of June 30, 2019 and 2018, we had 48.2 million and 43.5 million pounds of green coffee covered under coffee-related derivative instruments, respectively. We do not purchase any derivative instruments to hedge cost fluctuations of any commodities other than green coffee.

The fair value of derivative instruments is based upon broker quotes. We account for certain coffee-related derivative instruments as accounting hedges in order to minimize the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods. The change in fair value of the derivative is reported in accumulated other comprehensive income (loss) (“AOCI”) on our consolidated balance sheet and subsequently reclassified into cost of goods sold in the period or periods when the hedged transaction affects earnings. At June 30, 2019, approximately 87% of our outstanding coffee-related derivative instruments, representing 42.1 million pounds of forecasted green coffee purchases, were designated as cash flow hedges. At June 30, 2018, approximately 94% of our outstanding coffee-related derivative instruments, representing 40.9 million pounds of forecasted green coffee purchases, were designated as cash flow hedges. The portion of open hedging contracts that are not designated as accounting hedges are marked to period-end market price and unrealized gains or losses based on whether the period-end market price was higher or lower than the price we locked-in are recognized in our financial results.

Additionally, we have interest swap rate derivative instruments on our debt facility. Therefore, movement in the underlying yield curves could negatively impact the amount of our interest expense, future earnings and cash flows.

Inventories

Inventories are valued at the lower of cost or net realizable value. Effective June 30, 2018, we changed our method of accounting for coffee, tea and culinary products from the LIFO basis to the FIFO basis. All prior periods have been retrospectively adjusted for this change. Coffee brewing equipment parts continue to be accounted for on the FIFO basis. We regularly evaluate these inventories to determine the provision for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, historical experience and application of specific identification.

Impairment of Goodwill and Indefinite-lived Intangible Assets

We account for our goodwill and indefinite-lived intangible assets in accordance with Accounting Standards Codification (“ASC”) 350, “Intangibles-Goodwill and Other” (“ASC 350”). Goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually, or more frequently if an event occurs or circumstances change which indicate that an asset might be impaired. We perform a qualitative assessment of goodwill and indefinite-lived intangible assets on our consolidated balance sheets, to determine if there is a more likely than not indication that our goodwill and indefinite-lived intangible assets are impaired as of January 31. If the indicators of impairment are present, we perform a quantitative test to determine the impairment of these assets as of the measurement date. If, after assessing qualitative and quantitative factors, we believe that it is more likely than not that the fair value of the reporting unit is less than its carrying value, we will record the amount of goodwill and indefinite-lived intangible assets impairment as the excess of the carrying amount over the fair value. Indefinite-lived intangible assets consist of certain acquired trademarks, trade names and brand name.

Other Intangible Assets

Other intangible assets consist of finite-lived intangible assets including acquired recipes, non-compete agreements, customer relationships, a trade name/brand name and certain trademarks. These assets are amortized over their estimated useful lives and are tested for impairment by grouping them with other assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Self-Insurance

We use a combination of insurance and self-insurance mechanisms to provide for the potential liability of certain risks including workers’ compensation, health care benefits, general liability, product liability, property insurance and director and officers’ liability insurance. Liabilities associated with risks retained by us are not discounted and are estimated by considering historical claims experience, demographics, exposure and severity factors and other actuarial assumptions.

Our self-insurance for workers’ compensation liability includes estimated outstanding losses of unpaid claims and allocated loss adjustment expenses (“ALAE”), case reserves, the development of known claims and incurred but not reported claims. ALAE are the direct expenses for settling specific claims. The amounts reflect per occurrence and annual aggregate limits maintained by the Company. The estimated liability analysis does not include estimating a provision for unallocated loss adjustment expenses. We believe that the amount recorded at June 30, 2019 is adequate to cover all known workers' compensation claims at June 30, 2019. If the actual costs of such claims and related expenses exceed the amount estimated, additional reserves may be required which could have a material negative effect on our operating results.

The estimated liability related to our self-insured group medical insurance is recorded on an incurred but not reported basis, within deductible limits, based on actual claims and the average lag time between the date insurance claims are filed and the date those claims are paid. The cost of general liability, product liability and commercial auto liability is accrued based on estimates of the aggregate liability claims incurred using certain actuarial assumptions and historical claims experience.

Employee Benefit Plans

We account for our defined benefit pension plans in accordance with ASC No. 715-20, “Compensation—Defined Benefit Plans—General” (“ASC 715-20”). The funded status is the difference between the fair value of plan assets and the benefit obligation. The adjustment to accumulated other comprehensive Income (loss) represents the net unrecognized actuarial gains or losses and unrecognized prior service costs. Future actuarial gains or losses that are not recognized as net periodic benefits cost in the same periods will be recognized as a component of other comprehensive income.

We maintain several defined benefit plans that cover certain employees. We record the expenses associated with these plans based on calculations which include various actuarial assumptions such as discount rates and expected long-term rates of return on plan assets. Material changes in pension costs may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plans and other factors.

We utilize a yield curve analysis to determine the discount rates for our defined benefit plans’ obligations. The yield curve considers pricing and yield information for high quality bonds with maturities matched to estimated payouts of future pension benefits. The expected return on plan assets is based on our expectation of the long-term rates of return on each asset class based on the current asset mix of the funds, considering the historical returns earned on the type of assets in the funds. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. The effects of the modifications to the actuarial assumptions which impact the projected benefit obligation are amortized over future periods.

In connection with certain collective bargaining agreements to which we are a party, we are required to make contributions on behalf of certain union employees to multiemployer pension plans. The future contributions and liabilities associated with these plans could be material to our results of operations, financial position and cash flows.

See Note 13, *Employee Benefit Plans*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussions of our various pension plans.

Share-based Compensation

We measure all share-based compensation cost at the grant date, based on the fair values of the awards that are ultimately expected to vest, and recognize that cost on a straight line basis in our consolidated statements of operations over the requisite service period. Fair value of restricted stock and performance-based restricted stock units is the closing price of the Company's common stock on the date of grant. We estimate the fair value of stock option awards on the date of grant using the Black-Scholes valuation model which requires that we make certain assumptions regarding: (i) the expected volatility in the market price of our common stock; (ii) dividend yield; (iii) risk-free interest rate; and (iv) the period of time employees are expected to hold the award prior to exercise (referred to as the expected term).

We estimate the expected impact of forfeited awards and recognize share-based compensation cost only for those awards ultimately expected to vest. If actual forfeiture rates differ materially from our estimates, share-based compensation expense could differ significantly from the amounts we have recorded in the current period. We will periodically review actual forfeiture experience and revise our estimates, as necessary. We will recognize as compensation cost the cumulative effect of the change in estimated forfeiture rates on current and prior periods in earnings of the period of revision. As a result, if we revise our assumptions and estimates, our share-based compensation expense could change materially in the future. In fiscal 2019 and 2018, we used an estimated annual forfeiture rate of 13.0% and 4.8%, respectively to calculate share-based compensation expense based on actual forfeiture experience.

Our outstanding share-based awards include performance-based non-qualified stock options (“PNQs”) and performance-based restricted stock units (“PBRSUs”) that have performance-based vesting conditions in addition to time-based vesting. Awards with performance-based vesting conditions require the achievement of certain financial and other performance criteria as a condition to the vesting. We recognize the estimated fair value of performance-based awards, net of estimated forfeitures, as share-based compensation expense over the performance period based upon our determination of whether it is probable that the performance targets will be achieved. At each reporting period, we reassess the probability of achieving the performance criteria and the performance period required to meet those targets. Determining whether the performance criteria will be achieved involves judgment, and the estimate of share-based compensation expense may be revised periodically based on changes in the probability of achieving the performance criteria. Revisions are reflected in the period in which the estimate is changed. If performance goals are not met, no share-based compensation expense is recognized for the cancelled PNQs or PBRSUs, and, to the extent share-based compensation expense was previously recognized for those cancelled PNQs or PBRSUs, such share-based compensation expense is reversed. If performance goals are exceeded and the payout is more than 100% of the target shares in the case of PBRSUs, additional compensation expense is recorded in the period when that determination is certified by the Compensation Committee of the Board of Directors.

Income Taxes

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We historically have been exposed to market value risk arising from changes in interest rates on our securities portfolio for which we entered, from time to time, futures and options contracts, or invested in derivative instruments, to manage our interest rate risk. Effective March 27, 2019, we entered into an interest rate swap transaction utilizing a notional amount of $80.0 million, with an effective date of April 11, 2019 and a maturity date of October 11, 2023. See Note 6, *Derivative Instruments*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussions of our derivative instruments.

Borrowings under our Revolving Facility bear interest based on a leverage grid with a range of PRIME + 0.25% to PRIME + 0.875% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 1.875%.

At June 30, 2019, we were eligible to borrow up to a total of $150.0 million under the Revolving Facility and had outstanding borrowings of $92.0 million and had utilized $2.3 million of the letters of credit sublimit. As a result of the interest rate swap, only $12.0 million is now subject to interest rate variability. The weighted average interest rate on our outstanding borrowings subject to interest rate variability under the Revolving Facility at June 30, 2019 was 3.98%.

The following table demonstrates the impact of interest rate changes on our annual interest expense on outstanding borrowings subject to interest rate variability under the Revolving Facility based on the weighted average interest rate on the outstanding borrowings as of June 30, 2019:

($ in thousands)	Principal	Interest Rate	Annual Interest Expense
–150 basis points	$12,000	2.48%	$ 298
–100 basis points	$12,000	2.98%	$ 358
Unchanged	$12,000	3.98%	$ 478
+100 basis points	$12,000	4.98%	$ 598
+150 basis points	$12,000	5.48%	$ 658

Commodity Price Risk

We are exposed to commodity price risk arising from changes in the market price of green coffee. We value green coffee inventory on the FIFO basis. In the normal course of business we hold a large green coffee inventory and enter into forward commodity purchase agreements with suppliers. We are subject to price risk resulting from the volatility of green coffee prices. Due to competition and market conditions, volatile price increases cannot always be passed on to our customers. See Note 6, *Derivative Instruments*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussions of our derivative instruments.

The following table summarizes the potential impact as of June 30, 2019 to net income (loss) and AOCI from a hypothetical 10% change in coffee commodity prices. The information provided below relates only to the coffee-related derivative instruments and does not include, when applicable, the corresponding changes in the underlying hedged items:

	Increase (Decrease) to Net Income		Increase (Decrease) to AOCI	
(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)	$ 674	$ (674)	$ 4,904	$ (4,904)

(1) The Company's purchase contracts that qualify as normal purchases include green coffee purchase commitments for which the price has been locked in as of June 30, 2019. These contracts are not included in the sensitivity analysis above as the underlying price has been fixed.

Item 8. Financial Statements and Supplementary Data

The information required by this item is incorporated by reference to the consolidated financial statements and accompanying notes set forth in the F pages of this Annual Report on Form 10-K.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

As of June 30, 2019, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) promulgated under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2019, our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended June 30, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our consolidated financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our consolidated financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a material misstatement of our consolidated financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of June 30, 2019. The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report on the effectiveness of the Company's internal control over financial reporting. Their report follows.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Farmer Bros. Co.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Farmer Bros. Co. and subsidiaries (the "Company") as of June 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended June 30, 2019, of the Company and our report dated September 10, 2019, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
September 10, 2019

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be set forth in the Proxy Statement and is incorporated in this report by reference.

Code of Conduct and Ethics

We maintain a written Code of Conduct and Ethics for all employees, officers and directors, including our principal executive officer, principal financial officer, principal accounting officer or controller, and other persons performing similar functions. To view this Code of Conduct and Ethics free of charge, please visit our website at www.farmerbros.com. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this Code of Conduct and Ethics, if any, by posting such information on our website as set forth above.

Compliance with Section 16(a) of the Exchange Act

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations from certain reporting persons that no other reports were required during the fiscal year ended June 30, 2019, its officers, directors and ten percent stockholders complied with all applicable Section 16(a) filing requirements. The foregoing is in addition to any filings that may be listed in the Company's Proxy Statement expected to be dated and filed with the SEC not later than 120 days after the conclusion of the Company's fiscal year ended June 30, 2019.

Item 11. Executive Compensation

The information required by this item will be set forth in the Proxy Statement and is incorporated in this report by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be set forth in the Proxy Statement and is incorporated in this report by reference.

Equity Compensation Plan Information

Information about our equity compensation plans at June 30, 2019 that were either approved or not approved by our stockholders was as follows:

Plan Category	Number of Shares to be Issued Upon Exercise / Vesting of Outstanding Options or Rights(2)	Weighted Average Exercise Price of Outstanding Options(3)	Number of Shares Remaining Available for Future Issuance(4)
Equity compensation plans approved by stockholders(1)	491,301	$26.22	740,429
Equity compensation plans not approved by stockholders	—	—	—
Total	491,301	$26.22	740,429

(1) Includes shares issued under the Prior Plans and the 2017 Plan. The 2017 Plan succeeded the Prior Plans. On the Effective Date of the 2017 Plan, the Company ceased granting awards under the Prior Plans; however, awards outstanding under the Prior Plans will remain subject to the terms of the applicable Prior Plan.

(2) Includes shares that may be issued upon the achievement of certain financial and other performance criteria as a condition to vesting in addition to time-based vesting pursuant to PBRSUs granted under the 2017 Plan. The PBRSUs included in the table include the maximum number of shares that may be issued under the awards. Under the terms of the awards, the recipient may earn between 0% and 150% of the target number of PBRSUs depending on the extent to which the Company meets or exceeds the achievement of the applicable financial performance goals.

(3) Does not include outstanding PBRSUs.

(4) The 2017 Plan authorizes the issuance of (i) 900,000 shares of common stock plus (ii) the number of shares of common stock subject to awards under the Company's Prior Plans that are outstanding as of the Effective Date and that expire or are forfeited, cancelled or similarly lapse following the Effective Date. Subject to certain limitations, shares of common stock covered by awards granted under the 2017 Plan that are forfeited, expire or lapse, or are repurchased for or paid in cash, may be used again for new grants under the 2017 Plan. Shares of common stock granted under the 2017 Plan may be authorized but unissued shares, shares purchased on the open market or treasury shares. In no event will more than 900,000 shares of common stock be issuable pursuant to the exercise of incentive stock options under the 2017 Plan. The 2017 Plan provides for the grant of stock options (including incentive stock options and non-qualified stock options), stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance shares and other stock- or cash-based awards to eligible participants. Non-employee directors of the Company and employees of the Company or any of its subsidiaries are eligible to receive awards under the 2017 Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be set forth in the Proxy Statement and is incorporated in this report by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item will be set forth in the Proxy Statement and is incorporated in this report by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) List of Financial Statements and Financial Statement Schedules:

1. Financial Statements included in Part II, Item 8 of this report:

Consolidated Balance Sheets as of June 30, 2019 and 2018.

Consolidated Statements of Operations for the Years Ended June 30, 2019, 2018 and 2017.

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended June 30, 2019, 2018 and 2017.

Consolidated Statements of Cash Flows for the Years Ended June 30, 2019, 2018 and 2017.

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2019, 2018 and 2017.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules: Financial Statement Schedules are omitted as they are not applicable, or the required information is given in the consolidated financial statements and notes thereto.

3. The exhibits to this Annual Report on Form 10-K are listed on the accompanying index to exhibits and are incorporated herein by reference or are filed as part of the Annual Report on Form 10-K. Each management contract or compensation plan required to be filed as an exhibit is identified by an asterisk (*).

(b) Exhibits:

Exhibit No.	Description
2.1	Asset Purchase Agreement, dated as of November 16, 2015, by and between Farmer Bros. Co. and Harris Spice Company Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on November 20, 2015 and incorporated herein by reference).*
2.2	Purchase Agreement, dated as of September 9, 2016, among Tea Leaf Acquisition Corp., China Mist Brands, Inc., certain stockholders of China Mist Brands, Inc., for certain limited purposes, Daniel W. Schweiker and John S. Martinson, and Daniel W. Schweiker, in his capacity as the sellers' representative (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 14, 2016 and incorporated herein by reference).*
2.3	Asset Purchase Agreement, dated as of August 18, 2017, by and among Farmer Bros. Co., Boyd Assets Co., Boyd Coffee Company, and each of the parties set forth on Exhibit A thereto (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 21, 2017 and incorporated herein by reference).*
3.1	Amended and Restated Certificate of Incorporation of Farmer Bros. Co. (filed herewith).
3.2	Amended and Restated Bylaws (filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).
3.3	Certificate of Elimination (filed as Exhibit 3.3 to the Company's Registration Statement on Form 8-A12B/A filed with the SEC on September 24, 2015 and incorporated herein by reference).

Exhibit No.	Description
3.4	Certificate of Designations of Series A Convertible Participating Cumulative Perpetual Preferred Stock of Farmer Bros. Co (filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K filed with the SEC on October 3, 2017 and incorporated herein by reference).
4.1	Specimen Stock Certificate for Common Stock (filed as Exhibit 4.1 to the Company's Registration Statement on Form 8-A12B/A filed with the SEC on September 24, 2015 and incorporated herein by reference).
4.2	Specimen Stock Certificate for Series A Convertible Participating Cumulative Perpetual Preferred Stock (filed as Exhibit 4.2 to the Company’s Quarterly Report on Form 10-Q filed with the SEC on November 7, 2017 and incorporated herein by reference).
4.3	Registration Rights Agreement, dated as of June 16, 2016, among Farmer Bros. Co. and the Investors identified on the signature pages thereto (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on June 21, 2016 and incorporated herein by reference).
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 filed with the SEC on 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 filed with the SEC on March 6, 2015 and incorporated herein by reference).
10.3	Joinder Agreement, dated as of October 11, 2016, by and among China Mist Brands, Inc., Farmer Bros. Co., as the Borrower Representative, and JPMorgan Chase Bank, N.A., as Administrative Agent, under that certain Credit Agreement dated as of March 2, 2015 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016 filed with the SEC on February 9, 2017 and incorporated herein by reference).
10.4	Joinder to Pledge and Security Agreement, dated as of October 11, 2016, by and among Farmer Bros. Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc., China Mist Brands, Inc. and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.4 to the Company’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2016 filed with the SEC on February 9, 2017 and incorporated herein by reference).
10.5	First Amendment to Credit Agreement and First Amendment to Pledge and Security Agreement, dated as of August 25, 2017, by and among Farmer Bros. Co., China Mist Brands, Inc., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Company, Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on August 30, 2017 and incorporated herein by reference).
10.6	Second Amendment to Credit Agreement, dated as of September 10, 2018, by and among Farmer Bros. Co., China Mist Brands, Inc., Boyd Assets Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Company, Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.6 to the Company’s Annual Report on Form 10-K filed with the SEC on September 13, 2018 and incorporated herein by reference).
10.7	Third Amendment to Credit Agreement and Second Amendment to Pledge and Security Agreement, dated as of October 18, 2018, by and among Farmer Bros. Co., China Mist Brands, Inc., Boyd Assets Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on October 23, 2018 and incorporated herein by reference)

Exhibit No.	Description
10.8	Amended and Restated Credit Agreement dated as of November 6, 2018, by and among Farmer Bros. Co., China Mist Brands, Inc., Boyd Assets Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed with the SEC on November 9, 2018 and incorporated herein by reference).
10.9	Amended and Restated Pledge and Security Agreement, dated as of November 6, 2018, by and among Farmer Bros. Co., China Mist Brands, Inc., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Company, Inc., the Grantors party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed with the SEC on November 9, 2018 and incorporated herein by reference).
10.10	Joinder Agreement, dated as of November 29, 2017, by and among Boyd Assets Co., Farmer Bros. Co., as the Borrower's Representative, and JPMorgan Chase Bank, N.A., as Administrative Agent, under that certain Credit Agreement dated as of March 2, 2015, as amended by that certain First Amendment to Credit Agreement, dated as of August 25, 2017 (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 filed with the SEC on February 7, 2018 and incorporated herein by reference).
10.11	Joinder to Pledge and Security Agreement, dated as of November 29, 2017, by and among Farmer Bros. Co., Coffee Bean International, Inc., FBC Finance Company, Coffee Bean Holding Co., Inc., China Mist Brands, Inc., Boyd Assets Co. and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 filed with the SEC on February 7, 2018 and incorporated herein by reference).
10.12	Farmer Bros. Co. Pension Plan for Salaried Employees, Farmer Bros. Co. Retirement Plan (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 filed with the SEC on November 7, 2017 and incorporated herein by reference).**
10.13	Amendment No. 1 to Farmer Bros. Co. Pension Plan for Salaried Employees, Farmer Bros. Co. Retirement Plan effective June 30, 2011 (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2016 filed with the SEC on September 14, 2016 and incorporated herein by reference).**
10.14	Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Retirement Plan, effective as of December 6, 2012 (filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed with the SEC on May 9, 2018 and incorporated herein by reference).**
10.15	Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).**
10.16	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).**
10.17	Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, as adopted by the Board of Directors on December 9, 2010 and effective as of January 1, 2010 (filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC on May 6, 2016 and incorporated herein by reference).**
10.18	Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 2012 (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 filed with the SEC on September 28, 2017 and incorporated herein by reference).**

Exhibit No.	Description
10.19	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).**
10.20	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).**
10.21	Amendment dated October 6, 2016 to Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 7, 2016 and incorporated herein by reference).**
10.22	Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 2017 (filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 filed with the SEC on February 7, 2018 and incorporated herein by reference).**
10.23	ESOP Loan Agreement including ESOP Pledge Agreement and Promissory Note, dated March 28, 2000, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC on May 6, 2016 and incorporated herein by reference).
10.24	Amendment No. 1 to ESOP Loan Agreement, dated June 30, 2003, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC on May 6, 2016 and incorporated herein by reference).
10.25	ESOP Loan Agreement No. 2 including ESOP Pledge Agreement and Promissory Note, dated July 21, 2003 between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC on May 6, 2016 and incorporated herein by reference).
10.26	Employment Agreement, dated March 9, 2012, by and between Farmer Bros. Co. and Michael H. Keown (filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed with the SEC on May 10, 2017 and incorporated herein by reference).**
10.27	Employment Agreement, effective as of August 6, 2015, by and between Farmer Bros. Co. and Thomas J. Mattei, Jr. (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2015 filed with the SEC on September 14, 2015 and incorporated herein by reference).**
10.28	Employment Agreement, dated as of February 17, 2017, by and between Farmer Bros. Co. and David G. Robson (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 23, 2017 and incorporated herein by reference).**
10.29	Employment Agreement, dated as of February 17, 2017, by and between Farmer Bros. Co. and Ellen D. Iobst (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 23, 2017 and incorporated herein by reference).**
10.30	Employment Agreement, dated as of February 17, 2017, by and between Farmer Bros. Co. and Scott A. Siers (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on February 23, 2017 and incorporated herein by reference).**

Exhibit No.	Description
10.31	Form of First Amendment to Employment Agreement entered into between Farmer Bros. Co. and each of Michael H. Keown, David G. Robson, Ellen D. Iobst, Scott W. Bixby, Scott A. Siers and Thomas J. Mattei, Jr. (filed as Exhibit 10.25 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed with the SEC on May 10, 2017 and incorporated herein by reference).**
10.32	Offer Letter, dated May 6, 2019, between Farmer Bros. Co. and Christopher P. Mottern (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 8, 2019 and incorporated herein by reference).**
10.33	Separation and Release Agreement, dated as of May 7, 2019, by and between Farmer Bros. Co., and Michael Keown (filed herewith).**
10.34	Separation and Release Agreement, dated as of July 19, 2019, by and between Farmer Bros. Co., and Thomas J. Mattei, Jr. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2019 and incorporated herein by reference).**
10.35	Farmer Bros. Co. 2007 Omnibus Plan, as amended (as approved by the stockholders at the 2012 Annual Meeting of Stockholders on December 6, 2012) (filed as Exhibit 10.27 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 filed with the SEC on November 7, 2017 and incorporated herein by reference).**
10.36	Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (as approved by the stockholders at the 2013 Annual Meeting of Stockholders on December 5, 2013) (filed as Exhibit 10.35 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).**
10.37	Addendum to Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (filed as Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2014 filed with the SEC on February 9, 2015 and incorporated herein by reference).**
10.38	Farmer Bros. Co. 2017 Long-Term Incentive Plan (as approved by the stockholders at the Special Meeting of Stockholders on June 20, 2017) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 26, 2017 and incorporated herein by reference).**
10.39	Form of Farmer Bros. Co. 2017 Long-Term Incentive Plan Stock Option Award Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2017 and incorporated herein by reference).**
10.40	Form of Farmer Bros. Co. 2017 Long-Term Incentive Plan Stock Restricted Unit Award Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2017 and incorporated herein by reference).**
10.41	Form of Farmer Bros. Co. 2017 Long-Term Incentive Plan Stock Restricted Grant Agreement (Directors) (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2017 and incorporated herein by reference).**
10.42	Form of Farmer Bros. Co. 2017 Long-Term Incentive Plan Stock Restricted Grant Agreement (Employees) (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2017 and incorporated herein by reference).**
10.43	Form of Farmer Bros. Co. 2007 Omnibus Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.39 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed with the SEC on May 9, 2018 and incorporated herein by reference).**

Exhibit No.	Description
10.44	Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.43 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).
10.45	Form of Farmer Bros. Co. 2007 Omnibus Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.41 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed with the SEC on May 9, 2018 and incorporated herein by reference).**
10.46	Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.45 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).**
10.47	Stock Ownership Guidelines for Directors and Executive Officers, as amended February 7, 2019 (filed as Exhibit 10.46 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).**
10.48	Form of Change in Control Severance Agreement for Executive Officers of the Company (with schedule of executive officers attached) (filed as Exhibit 10.35 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed with the SEC on May 10, 2017 and incorporated herein by reference).**
10.49	Form of First Amendment to Change in Control Severance Agreement entered into between Farmer Bros. Co. and each of Michael H. Keown, David G. Robson, Ellen D. Iobst, Scott A. Siers and Thomas J. Mattei, Jr. (filed as Exhibit 10.36 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed with the SEC on May 10, 2017 and incorporated herein by reference).**
10.50	Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on December 8, 2017 (filed as Exhibit 10.41 to the Company's Current Report on Form 8-K filed with the SEC on December 13, 2017 and incorporated herein by reference).**
10.51	Standard Form of Agreement between Owner and Design-Builder (AIA Document A141-2014 Edition), dated as of October 23, 2017, by and between Farmer Bros. Co. and The Haskell Company (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 15, 2018 and incorporated herein by reference).
10.52	Project Specific Task Order Release Form No. 006, dated as of February 9, 2018, between Farmer Bros. Co. and The Haskell Company (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 15, 2018 and incorporated herein by reference).
10.53	Second Amendment to the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, dated as of December 31, 2018 (filed as Exhibit 10.52 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).**
10.54	Amendment to the Farmer Bros. Co. Retirement Plan, dated as of December 1, 2018 (filed as Exhibit 10.53 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018 filed with the SEC on February 11, 2019 and incorporated herein by reference).**
10.55	ISDA Master Agreement, dated as of March 20, 2019, by and between Farmer Bros. Co. and Citibank, N.A. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 29, 2019 and incorporated herein by reference).**

Exhibit No.	Description
10.56	Schedule to the ISDA Master Agreement, dated as of March 20, 2019, by and between Farmer Bros., Co. and Citibank, N.A. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 29, 2019 and incorporated herein by reference).**
10.57	Interest Rate Swap Confirmation, dated as of March 28, 2019, by and between Farmer Bros., Co. and Citibank, N.A. (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on March 29, 2019 and incorporated herein by reference).**
14.1	Farmer Bros. Co. Code of Conduct and Ethics adopted on August 26, 2010 and updated February 2013 and September 7, 2017 (filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 filed with the SEC on September 29, 2017 and incorporated herein by reference).
21.1	List of all Subsidiaries of Farmer Bros. Co. (filed herewith).
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm (filed herewith).
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 Annual Report on Form 10-K for the fiscal year ended June 30, 2019, formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive (Loss) Income, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Stockholders' Equity, and (vi) Notes to Consolidated Financial Statements (furnished herewith).

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

** Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FARMER BROS. CO.

By: /s/ Christopher P. Mottern

Christopher P. Mottern
Interim President and Chief Executive Officer
(chief executive officer)
September 10, 2019

By: /s/ David G. Robson

David G. Robson
Treasurer and Chief Financial Officer
(principal financial and accounting officer)
September 10, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Randy E. Clark Randy E. Clark	Chairman of the Board and Director	September 10, 2019
/s/ Allison M. Boersma Allison M. Boersma	Director	September 10, 2019
/s/ Hamideh Assadi Hamideh Assadi	Director	September 10, 2019
/s/ Stacy Loretz-Congdon Stacy Loretz-Congdon	Director	September 10, 2019
/s/ Charles F. Marcy Charles F. Marcy	Director	September 10, 2019
/s/ Christopher P. Mottern Christopher P. Mottern	Director	September 10, 2019
/s/ David W. Ritterbush David W. Ritterbush	Director	September 10, 2019

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Farmer Bros. Co.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Farmer Bros. Co. and subsidiaries (the "Company") as of June 30, 2019 and 2018, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 10, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
September 10, 2019

We have served as the Company’s auditor since fiscal 2014.

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

	As of June 30,	
	2019	**2018**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,983	$ 2,438
Accounts receivable, net of allowance for doubtful accounts of $1,324 and $495, respectively	55,155	58,498
Inventories	87,910	104,431
Income tax receivable	1,191	305
Short-term derivative assets	1,865	—
Prepaid expenses	6,804	7,842
Total current assets	159,908	173,514
Property, plant and equipment, net	189,458	186,589
Goodwill	36,224	36,224
Intangible assets, net	28,878	31,515
Other assets	9,468	8,381
Long-term derivative assets	674	—
Deferred income taxes	—	39,308
Total assets	$ 424,610	$ 475,531
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	72,771	56,603
Accrued payroll expenses	14,518	17,918
Short-term borrowings under revolving credit facility	—	89,787
Short-term obligations under capital leases	34	190
Short-term derivative liabilities	1,474	3,300
Other current liabilities	7,309	10,659
Total current liabilities	96,106	178,457
Long-term borrowings under revolving credit facility	92,000	—
Accrued pension liabilities	47,216	40,380
Accrued postretirement benefits	23,024	20,473
Accrued workers' compensation liabilities	4,747	5,354
Other long-term liabilities	4,023	1,812
Total liabilities	$ 267,116	$ 246,476
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $1.00 par value, 500,000 shares authorized; Series A Convertible Participating Cumulative Perpetual Preferred Stock, 21,000 shares authorized; 14,700 shares issued and outstanding as of June 30, 2019 and 2018, respectively; liquidation preference of $15,624 and $15,089 as of June 30, 2019 and 2018, respectively	15	15
Common stock, $1.00 par value, 25,000,000 shares authorized; 17,042,132 and 16,951,659 shares issued and outstanding at June 30, 2019 and 2018, respectively	17,042	16,952
Additional paid-in capital	57,912	55,965
Retained earnings	146,177	220,307
Unearned ESOP shares	—	(2,145)
Accumulated other comprehensive loss	(63,652)	(62,039)
Total stockholders' equity	$ 157,494	$ 229,055
Total liabilities and stockholders' equity	$ 424,610	$ 475,531

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

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

	For the Years Ended June 30,		
	2019	2018	2017
Net sales	$ 595,942	$ 606,544	$ 541,500
Cost of goods sold	416,840	399,155	354,649
Gross profit	179,102	207,389	186,851
Selling expenses	139,647	153,391	133,534
General and administrative expenses	48,959	49,429	42,945
Restructuring and other transition expenses	4,733	662	11,016
Net gain from sale of Torrance Facility	—	—	(37,449)
Net gains from sale of Spice Assets	(593)	(770)	(919)
Net losses (gains) from sales of other assets	1,058	(196)	(1,210)
Impairment losses on intangible assets	—	3,820	—
Operating expenses	193,804	206,336	147,917
(Loss) income from operations	(14,702)	1,053	38,934
Other (expense) income:			
Dividend income	—	12	1,007
Interest income	—	2	567
Interest expense	(12,000)	(9,757)	(8,601)
Pension settlement charge	(10,948)	—	—
Other, net	4,166	7,722	5,459
Total other (expense) income	(18,782)	(2,021)	(1,568)
(Loss) income before taxes	(33,484)	(968)	37,366
Income tax expense	40,111	17,312	14,815
Net (loss) income	$ (73,595)	$ (18,280)	$ 22,551
Less: Cumulative preferred dividends, undeclared and unpaid	535	389	—
Net (loss) income available to common stockholders	$ (74,130)	$ (18,669)	$ 22,551
Net (loss) income available to common stockholders per common share—basic	$ (4.36)	$ (1.11)	$ 1.35
Net (loss) income available to common stockholders per common share—diluted	$ (4.36)	$ (1.11)	$ 1.34
Weighted average common shares outstanding—basic	16,996,354	16,815,020	16,668,745
Weighted average common shares outstanding—diluted	16,996,354	16,815,020	16,785,752

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

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

	For the Years Ended June 30,		
	2019	2018	2017
Net (loss) income	$ (73,595)	$ (18,280)	$ 22,551
Other comprehensive income (loss), net of tax:			
Unrealized losses on derivative instruments designated as cash flow hedges, net of tax	(9,198)	(5,922)	(2,900)
Losses on derivative instruments designated as cash flow hedges reclassified to cost of goods sold, net of tax	9,196	800	510
Change in the funded status of retiree benefit obligations, net of tax	(9,777)	4,576	7,466
Pension settlement charge, net of tax	8,165	—	—
Total comprehensive (loss) income, net of tax	$ (75,209)	$ (18,826)	$ 27,627

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

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

	Preferred Shares	Preferred Stock Amount	Common Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2016	**—**	**$ —**	**16,781,561**	**$ 16,782**	**$ 39,096**	**$ 214,442**	**$ (6,434)**	**$ (66,569)**	**$ 197,317**
Net income	—	—	—	—	—	22,551	—	—	22,551
Unrealized losses on derivative instruments designated as cash flow hedges, net of reclassifications to cost of goods sold, net of tax	—	—	—	—	—	—	—	(2,390)	(2,390)
Change in the funded status of retiree benefit obligations, net of tax	—	—	—	—	—	—	—	7,466	7,466
ESOP compensation expense, including reclassifications	—	—	—	—	342	—	2,145	—	2,487
Share-based compensation	—	—	(889)	(1)	1,473	—	—	—	1,472
Stock option exercises	—	—	82,803	83	604	—	—	—	687
Shares withheld to cover taxes	—	—	(17,473)	(18)	(20)	—	—	—	(38)
Balance at June 30, 2017	**—**	**—**	**16,846,002**	**16,846**	**41,495**	**236,993**	**(4,289)**	**(61,493)**	**229,552**
Net loss	—	—	—	—	—	(18,280)	—	—	(18,280)
Adjustment due to the adoption of ASU 2017-12	—	—	—	—	—	342	—	(209)	133
Adjustment due to the adoption of ASU 2016-09	—	—	—	—	—	1,641	—	—	1,641
Unrealized losses on derivative instruments designated as cash flow hedges, net of reclassifications to cost of goods sold, net of tax	—	—	—	—	—	—	—	(4,913)	(4,913)
Change in the funded status of retiree benefit obligations, net of tax	—	—	—	—	—	—	—	4,576	4,576
ESOP compensation expense, including reclassifications	—	—	—	—	150	—	2,144	—	2,294
Share-based compensation	—	—	9,155	9	1,518	—	—	—	1,527
Stock option exercises	—	—	96,502	97	1,245	—	—	—	1,342
Consideration for Boyd Coffee acquisition	14,700	15	—	—	11,557	—	—	—	11,572
Cumulative preferred dividends, undeclared and unpaid	—	—	—	—	—	(389)	—	—	(389)
Balance at June 30, 2018	**14,700**	**15**	**16,951,659**	**16,952**	**55,965**	**220,307**	**(2,145)**	**(62,039)**	**229,055**
Net loss	—	—	—	—	—	(73,595)	—	—	(73,595)
Net reclassification of unrealized losses on cash flow hedges, net of tax	—	—	—	—	—	—	—	(1)	(1)
Pension settlement charge, net of tax	—	—	—	—	—	—	—	8,165	8,165
Change in the funded status of retiree benefit obligations, net of tax	—	—	—	—	—	—	—	(9,777)	(9,777)
ESOP compensation expense, including reclassifications	—	—	37,571	37	364	—	2,145	—	2,546
Share-based compensation	—	—	18,298	18	1,111	—	—	—	1,129
Stock option exercises	—	—	34,604	35	472	—	—	—	507
Cumulative preferred dividends, undeclared and unpaid	—	—	—	—	—	(535)	—	—	(535)
Balance at June 30, 2019	**14,700**	**$ 15**	**17,042,132**	**$ 17,042**	**$ 57,912**	**$ 146,177**	**$ —**	**$ (63,652)**	**$ 157,494**

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

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

	For the Years Ended June 30,		
	2019	2018	2017
Cash flows from operating activities:			
Net (loss) income	$ (73,595)	$ (18,280)	$ 22,551
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	31,065	30,464	22,970
Provision for doubtful accounts	1,363	137	325
Impairment losses on intangible assets	—	3,820	—
Change in estimated fair value of contingent earnout consideration	—	(500)	—
Restructuring and other transition expenses, net of payments	1,172	(1,185)	1,034
Interest on sale-leaseback financing obligation	—	—	681
Deferred income taxes	41,654	17,155	14,343
Pension settlement cost	10,948	—	—
Net gain from sale of Torrance Facility	—	—	(37,449)
Net gains from sales of Spice Assets and other assets	466	(995)	(2,129)
ESOP and share-based compensation expense	3,674	3,822	3,959
Net losses on derivative instruments and investments	9,196	1,982	2,361
Change in operating assets and liabilities:			
Accounts receivable	2,757	(4,628)	(14)
Inventories	16,192	(15,513)	(8,041)
Derivative (liabilities) assets, net	(18,901)	(7,782)	2,264
Other assets	114	1,073	22,932
Accounts payable	16,546	3,864	8,885
Accrued expenses and other liabilities	(7,201)	(4,579)	(12,560)
Net cash provided by operating activities	$ 35,450	$ 8,855	$ 42,112
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	$ —	$ (39,608)	$ (25,853)
Purchases of property, plant and equipment	(34,760)	(35,443)	(45,195)
Purchases of assets for construction of New Facility	—	(1,577)	(39,754)
Proceeds from sales of property, plant and equipment	2,399	1,988	4,078
Net cash used in investing activities	$ (32,361)	$ (74,640)	$ (106,724)
Cash flows from financing activities:			
Proceeds from revolving credit facility	$ 50,642	$ 85,315	$ 77,985
Repayments on revolving credit facility	(48,429)	(23,149)	(50,473)
Proceeds from sale-leaseback financing obligation	—	—	42,455
Proceeds from New Facility lease financing obligation	—	—	16,346
Repayments of New Facility lease financing	—	—	(35,772)
Payments of capital lease obligations	(215)	(947)	(1,433)
Payment of financing costs	(1,049)	(579)	—
Proceeds from stock option exercises	507	1,342	688
Tax withholding payment - net share settlement of equity awards	—	—	(38)
Net cash provided by financing activities	$ 1,456	$ 61,982	$ 49,758
Net (decrease) increase in cash and cash equivalents	$ 4,545	$ (3,803)	$ (14,854)
Cash and cash equivalents at beginning of year	2,438	6,241	21,095
Cash and cash equivalents at end of year	$ 6,983	$ 2,438	$ 6,241

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

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

	For the Years Ended June 30,		
	2019	2018	2017
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 5,512	$ 3,177	$ 1,504
Cash paid for income taxes	$ 107	$ 144	$ 567
Supplemental disclosure of non-cash investing and financing activities:			
Equipment acquired under capital leases	$ —	$ —	$ 417
Net change in derivative assets and liabilities included in other comprehensive (loss) income, net of tax	$ (2)	$ (5,122)	$ (2,390)
Non-cash additions to property, plant and equipment	$ 2,619	$ 2,814	$ 5,517
Non-cash portion of earnout receivable recognized—Spice Assets sale	$ —	$ 298	$ 419
Non-cash portion of earnout payable recognized—China Mist acquisition	$ —	$ —	$ 500
Non-cash portion of earnout payable recognized—West Coast Coffee acquisition	$ 400	$ —	$ 600
Non-cash working capital adjustment payable recognized—China Mist acquisition	$ —	$ —	$ 553
Non-cash receivable from West Coast Coffee—post-closing final working capital adjustment	$ —	$ 218	$ —
Non-cash post-closing working capital adjustment—Boyd Coffee acquisition	$ 2,277	$ 1,056	$ —
Non-cash Issuance of 401-K shares of Common Stock	$ 37	$ —	$ —
Non-cash consideration given-Issuance of Series A Preferred Stock	$ —	$ 11,756	$ —
Option costs paid with exercised shares		$ —	$ 550
Cumulative preferred dividends, undeclared and unpaid	$ 534	$ 389	$ —

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

Note 1. Introduction and Basis of Presentation

Description of Business

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the “Company,” or “Farmer Bros.”), is a national coffee roaster, wholesaler and distributor of coffee, tea and culinary products. The Company serves a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurant, department and convenience store chains, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors. The Company’s product categories consist of roast and ground coffee, frozen liquid coffee; flavored and unflavored iced and hot teas; culinary products; spices; and other beverages including cappuccino, cocoa, granitas, and concentrated and ready-to-drink cold brew and iced coffee. The Company was founded in 1912, incorporated in California in 1923, and reincorporated in Delaware in 2004. In fiscal 2017, the Company completed the construction and relocation of its corporate headquarter from Torrance, California to Northlake, Texas ("Northlake facility"), and began roasting coffee in the Northlake facility in the fourth quarter of fiscal 2017. The Company operates in one business segment.

The Company operates production facilities in Northlake, Texas; Houston, Texas; Portland, Oregon; and Hillsboro, Oregon. Distribution takes place out of the Northlake facility, the Portland and Hillsboro facilities, as well as separate distribution centers in Northlake, Illinois; Moonachie, New Jersey; and Scottsdale, Arizona.

The Company’s products reach its customers primarily in the following ways: through the Company’s nationwide direct-store-delivery or DSD network of 380 delivery routes and 104 branch warehouses as of June 30, 2019, or direct-shipped via common carriers or third-party distributors. The Company operates a large fleet of trucks and other vehicles to distribute and deliver its products through its DSD network, and relies on third-party logistic (“3PL”) service providers for its long-haul distribution. DSD sales are primarily made “off-truck” by the Company to its customers at their places of business.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with the generally accepted accounting principles in the United States ("GAAP").

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. The Company reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates and actual results may differ from those estimates.

Cash Equivalents

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

Allowance for doubtful accounts

A portion of our accounts receivable is not expected to be collected due to non-payment, bankruptcies and deductions. Our accounting policy for the allowance for doubtful accounts requires us to reserve an amount based on the evaluation of the aging of accounts receivable, detailed analysis of high-risk customers' accounts, and the overall market and economic conditions of our customers. This evaluation considers the customer demographic, such as large commercial customers as compared to small businesses or individual customers. We consider our accounts receivable delinquent or past due based on payment terms established with each customer. Accounts receivable are written off when the account are determined to be uncollectible.

Investments

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

Fair Value Measurements

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

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

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

Derivative Instruments

The Company executes various derivative instruments to hedge its commodity price and interest rate risks. These derivative instruments consist primarily of forward, option and swap contracts. The Company reports the fair value of derivative instruments on its consolidated balance sheets in “Short-term derivative assets,” “Long-term derivative assets,” “Short-term derivative liabilities,” or “Other long-term liabilities.” The Company determines the current and noncurrent classification based on the timing of expected future cash flows of individual trades and reports these amounts on a gross basis. Additionally, the Company reports, if any, cash held on deposit in margin accounts for coffee-related derivative instruments on a gross basis on its consolidated balance sheet in “Restricted cash.”

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

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

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

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

For coffee-related derivative instruments designated as cash flow hedges, the change in fair value of the derivative is reported as accumulated other comprehensive income (loss) (“AOCI”) and subsequently reclassified into cost of goods sold in the period or periods when the hedged transaction affects earnings. Gains or losses deferred in AOCI associated with terminated derivative instruments, derivative instruments that cease to be highly effective hedges, derivative instruments for which the forecasted transaction is reasonably possible but no longer probable of occurring, and cash flow hedges that have been otherwise discontinued remain in AOCI until the hedged item affects earnings. If it becomes probable that the forecasted transaction designated as the hedged item in a cash flow hedge will not occur, any gain or loss deferred in AOCI is recognized in “Other, net” at that time. For derivative instruments that are not designated in a hedging relationship, and for which the normal purchases and normal sales exception has not been elected, the changes in fair value are reported in “Other, net.” See Note 8.

For interest rate swap derivative instruments designated as a cash flow hedge, the change in fair value of the derivative is reported as AOCI and subsequently reclassified into interest expense in the period or periods when the hedged transaction affects earnings.

Concentration of Credit Risk

At June 30, 2019, the financial instruments which potentially expose the Company to concentration of credit risk consist of cash in financial institutions (in excess of federally insured limits), derivative instruments and trade receivables.

The Company does not have any credit-risk related contingent features that would require it to post additional collateral in support of its net derivative liability positions. At June 30, 2019 and 2018, none of the cash in the Company’s coffee-related derivative margin accounts was restricted. Further changes in commodity prices and the number of coffee-related derivative instruments held, could have a significant impact on cash deposit requirements under certain of the Company's broker and counterparty agreements.

Approximately 28% and 20% of the Company’s trade accounts receivable balance was with five customers at June 30, 2019 and 2018, respectively. The Company estimates its maximum credit risk for accounts receivable at the amount recorded on the balance sheet. The trade accounts receivables are generally short-term and all probable bad debt losses have been appropriately considered in establishing the allowance for doubtful accounts.

Inventories

Inventories are valued at the lower of cost or net realizable value. Effective June 30, 2018, the Company changed its method of accounting for coffee, tea and culinary products from the last in, first out (“LIFO”) basis to the first in, first out ("FIFO") basis. The impact of this change in accounting principle has been reflected through retrospective application to the financial statements for each period presented. The Company continues to account for coffee brewing equipment parts on a FIFO basis. The Company regularly evaluates these inventories to determine the provision for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, historical experience and application of specific identification.

Property, Plant and Equipment

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

Buildings and facilities	10 to 30 years
Machinery and equipment	3 to 10 years
Equipment under capital leases	Shorter of term of lease or estimated useful life
Office furniture and equipment	5 to 7 years
Capitalized software	3 to 5 years

Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the asset or the remaining lease term. When assets are sold or retired, the asset and related accumulated depreciation are removed from the respective account balances and any gain or loss on disposal is included in operations. Maintenance and repairs are charged to expense, and enhancements are capitalized.

Coffee Brewing Equipment and Service

The Company capitalizes coffee brewing equipment and depreciates it over five years and reports the depreciation expense in cost of goods sold. See Note 11 for details of the depreciation amounts. Other non-depreciation expenses related to coffee brewing equipment provided to customers, such as the cost of servicing that equipment (including service employees’ salaries, cost of transportation and the cost of supplies and parts), are considered directly attributable to the generation of revenues from the customers. These non-depreciation expenses are also included in cost of goods sold, and were $33.9 million, $30.2 million and $26.3 million, for the years ended June 30, 2019, 2018 and 2017, respectively.

Leases

Leases are categorized as either operating or capital leases at inception. Operating lease costs are recognized on a straight-line basis over the term of the lease. An asset and a corresponding liability for the capital lease obligation are established for the cost of a capital lease. Capital lease obligations are amortized over the life of the lease.

Income Taxes

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

Deferred Tax Asset Valuation Allowance

The Company evaluates its deferred tax assets quarterly to determine if a valuation allowance is required and considers whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets will or will not ultimately be realized in future periods. In making this assessment, significant weight is given to evidence that can be objectively verified, such as recent operating results, and less consideration is given to less objective indicators, such as future income projections. After consideration of positive and negative evidence, if the Company determines that it is more likely than not that it will generate future income sufficient to realize its deferred tax assets, the Company will record a reduction in the valuation allowance.

Revenue Recognition

The Company recognizes revenue in accordance with the way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company performs the following steps to determine revenue recognition for an arrangement: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the performance obligations are satisfied.

Net (Loss) Income Per Common Share

Net (loss) income per share (“EPS”) represents net (loss) income available to common stockholders divided by the weighted-average number of common shares outstanding for the period, excluding unallocated shares held by the Company's Employee Stock Ownership Plan (“ESOP”). Dividends on the Company's outstanding Series A Convertible Participating Cumulative Perpetual Preferred Stock, par value $1.00 per share ("Series A Preferred Stock"), that the Company has paid or intends to pay are deducted from net (loss) income in computing net (loss) income available to common stockholders.

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

Diluted EPS represents net income available to holders of common stock divided by the weighted-average number of common shares outstanding, inclusive of the dilutive impact of common equivalent shares outstanding during the period. Common equivalent shares include potentially dilutive shares from share-based compensation including stock options, unvested restricted stock, performance-based restricted stock units, and shares of Series A Preferred Stock, as converted, because they are deemed participating securities. In the absence of contrary information, the Company assumes 100% of the target shares are issuable under performance-based restricted stock units.

The dilutive effect of Series A Preferred Stock is reflected in diluted EPS by application of the if-converted method. In applying the if-converted method, conversion will not be assumed for purposes of computing diluted EPS if the effect would be anti-dilutive. The Series A Preferred Stock is antidilutive whenever the amount of the dividend declared or accumulated in the current period per common share obtainable upon conversion exceeds basic EPS.

Employee Stock Ownership Plan

Compensation cost for the ESOP is based on the fair market value of shares released or deemed to be released to employees in the period in which they are committed. As a leveraged ESOP with the Company as lender, a contra equity account is established to offset the Company’s note receivable. The contra account will change as compensation expense is recognized. The cost of shares purchased by the ESOP which have not been committed to be released or allocated to participants are shown as a contra-equity account “Unearned ESOP Shares” and are excluded from EPS calculations.

On December 31, 2018, the Company froze the ESOP such that (i) no employees of the Company may commence participation in the ESOP on or after December 31, 2018; (ii) no Company contributions will be made to the ESOP with respect to services performed or compensation received after December 31, 2018; and (iii) the ESOP accounts of all individuals who are actively employed by the Company and participating in the ESOP on December 31, 2018 will be fully vested as of such date. Additionally, the Administrative Committee, with the consent of the Board of Directors, designated certain employees who were terminated in connection with certain reductions-in-force in 2018 to be fully vested in their ESOP accounts as of their severance dates.

Effective January 1, 2019, the Company amended and restated its 401(k) Plan to, among other things, provide for annual contribution of shares of the Company’s common stock equal to 4% of each eligible participant’s annual plan compensation. See Note 13 for details.

Share-based Compensation

The Company measures all share-based compensation cost at the grant date, based on the fair values of the awards that are ultimately expected to vest, and recognizes that cost as an expense on a straight line-basis in its consolidated statements of operations over the requisite service period. Fair value of restricted stock and performance-based restricted stock units is the closing price of the Company's common stock on the date of grant. The Company estimates the fair value of option awards using the Black-Scholes option valuation model, which requires management to make certain assumptions for estimating the fair value of stock options at the date of grant.

In addition, the Company estimates the expected impact of forfeited awards and recognizes share-based compensation cost only for those awards ultimately expected to vest. If actual forfeiture rates differ materially from the Company’s estimates, share-based compensation expense could differ significantly from the amounts the Company has recorded in the current period. The Company periodically reviews actual forfeiture experience and will revise its estimates, as necessary. The Company will recognize as compensation cost the cumulative effect of the change in estimated forfeiture rates on current and prior periods in earnings of the period of revision. As a result, if the Company revises its assumptions and estimates, the Company’s share-based compensation expense could change materially in the future.

The Company's outstanding share-based awards include performance-based non-qualified stock options ("PNQs") and performance-based restricted stock units ("PBRSUs") that have performance-based vesting conditions in addition to time-based vesting. Awards with performance-based vesting conditions require the achievement of certain financial and other performance criteria as a condition to the vesting. The Company recognizes the estimated fair value of performance-based awards, net of estimated forfeitures, as share-based compensation expense over the service period based upon the Company’s determination of whether it is probable that the performance targets will be achieved. At each reporting period, the Company reassesses the probability of achieving the performance criteria and the performance period required to meet those targets. Determining whether the performance criteria will be achieved involves judgment, and the estimate of share-based compensation expense may be revised periodically based on changes in the probability of achieving the performance criteria. Revisions are reflected in the period in which the estimate is changed. If performance goals are not met, no share-based compensation expense is recognized for the cancelled PNQs or PBRSUs, and, to the extent share-based compensation expense was previously recognized for those cancelled PNQs or PBRSUs, such share-based compensation expense is reversed. If performance goals are exceeded and the payout is more than 100% of the target shares in the case of PBRSUs, additional compensation expense is recorded in the period when that determination is certified by the Compensation Committee of the Board of Directors.

Impairment of Goodwill and Indefinite-lived Intangible Assets

The Company accounts for its goodwill and indefinite-lived intangible assets in accordance with Accounting Standards Codification ("ASC") 350, “Intangibles-Goodwill and Other” (“ASC 350”). Goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually, or more frequently if an event occurs or circumstances change which indicate that an asset might be impaired. Pursuant to ASC 350, the Company performs a qualitative assessment of goodwill and indefinite-lived intangible assets on its consolidated balance sheets, to determine if there is a more likely than not indication that its goodwill and indefinite-lived intangible assets are impaired as of January 31. If the indicators of impairment are present, the Company performs a quantitative assessment to determine the impairment of these assets as of the measurement date.

Testing for impairment of goodwill is a two-step process. The first step requires the Company to compare the fair value of its reporting units to the carrying value of the reporting units, including goodwill. If the fair value of a reporting unit is less than its carrying value, goodwill of the reporting unit is potentially impaired and the Company then completes step two to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill, which is the residual fair value remaining after deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized equal to the difference.

Indefinite-lived intangible assets consist of certain acquired trademarks, trade names and a brand name. Indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values. An impairment charge is recorded if the estimated fair value of such assets has decreased below their carrying values.

Other Intangible Assets

Other intangible assets consist of finite-lived intangible assets including acquired recipes, non-compete agreements, customer relationships, a trade name/brand name and certain trademarks. These assets are amortized over their estimated useful lives and are tested for impairment by grouping them with other assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. The Company reviews the recoverability of its finite-lived intangible assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Shipping and Handling Costs

The Company’s shipping and handling costs are included in both cost of goods sold and selling expenses, depending on the nature of such costs. Shipping and handling costs included in cost of goods sold reflect inbound freight of raw materials and finished goods, and product loading and handling costs at the Company’s production facilities to the distribution centers and branches. Shipping and handling costs included in selling expenses consist primarily of those costs associated with moving finished goods to customers. Shipping and handling costs that were recorded as a component of the Company's selling expenses were $11.4 million, $11.9 million and $10.7 million, respectively, in the fiscal years ended June 30, 2019, 2018 and 2017.

Collective Bargaining Agreements

Certain Company employees are subject to collective bargaining agreements which expire on or before June 30, 2022. At June 30, 2019 approximately 28% of the Company's workforce was covered by such agreements.

Self-Insurance

The Company uses a combination of insurance and self-insurance mechanisms to provide for the potential liability of certain risks including workers’ compensation, health care benefits, general liability, product liability, property insurance and director and officers’ liability insurance. Liabilities associated with risks retained by the Company are not discounted and are estimated by considering historical claims experience, demographics, exposure and severity factors and other actuarial assumptions.

The Company's self-insurance for workers' compensation liability includes estimated outstanding losses of unpaid claims, and allocated loss adjustment expenses ("ALAE"), case reserves, the development of known claims and incurred but not reported claims. ALAE are the direct expenses for settling specific claims. The amounts reflect per occurrence and annual aggregate limits maintained by the Company. The estimated liability analysis does not include estimating a provision for unallocated loss adjustment expenses.

The estimated gross undiscounted workers' compensation liability relating to such claims was $6.3 million and $7.1 million, as of June 30, 2019 and 2018, respectively and the estimated recovery from reinsurance was $0.9 million for both periods. The short-term and long-term accrued liabilities for workers' compensation claims are presented on the Company's consolidated balance sheets in "Other current liabilities" and in "Accrued workers' compensation liabilities," respectively. The estimated insurance receivable is included in "Other assets" on the Company's consolidated balance sheets.

At June 30, 2019 the Company had posted $1.4 million in cash and a $2.3 million letter of credit, and at June 30, 2018 the Company had posted $2.3 million in cash and a $2.0 million letter of credit, as a security deposit for self-insuring workers' compensation, general liability and auto insurance coverages.

The estimated liability related to the Company's self-insured group medical insurance at June 30, 2019 and 2018 was $0.9 million and $1.6 million, respectively, recorded on an incurred but not reported basis, within deductible limits, based on actual claims and the average lag time between the date insurance claims are filed and the date those claims are paid.

The Company is self-insured for general liability, product liability and commercial auto liability and accrues the cost of the insurance based on estimates of the aggregate liability claims incurred using certain actuarial assumptions and historical claims experience. The Company's liability reserve for such claims was $1.0 million and $1.7 million at June 30, 2019 and 2018, respectively. The estimated liability related to the Company's self-insured group medical insurance, general liability, product liability and commercial auto liability is included on the Company's consolidated balance sheets in "Other current liabilities."

Pension Plans

The Company's defined benefit pension plans are not admitting new participants, therefore, changes to pension liabilities are primarily due to market fluctuations of investments for existing participants and changes in interest rates. The Company's defined benefit pension plans are accounted for using the guidance of ASC 710, "Compensation—General" and ASC 715, "Compensation-Retirement Benefits" and are measured as of the end of the fiscal year.

The Company recognizes the overfunded or underfunded status of a defined benefit pension as an asset or liability on its consolidated balance sheets. Changes in the funded status are recognized through AOCI, in the year in which the changes occur. See Note 13.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting. The purchase price of each business acquired is allocated to the tangible and intangible assets acquired and the liabilities assumed based on information regarding their respective fair values on the date of acquisition. Any excess of the purchase price over the fair value of the separately identifiable assets acquired and the liabilities assumed is allocated to goodwill. Management determines the fair values used in purchase price allocations for intangible assets based on historical data, estimated discounted future cash flows, and expected royalty rates for trademarks and trade names, as well as certain other information. The valuation of assets acquired and liabilities assumed requires a number of judgments and is subject to revision as additional information about the fair value of assets and liabilities becomes available. Additional information, which existed as of the acquisition date but unknown to the Company at that time, may become known during the remainder of the measurement period, a period not to exceed twelve months from the acquisition date. Adjustments in the purchase price allocation may require a recasting of the amounts allocated to goodwill and intangible assets. If such an adjustment is required, the Company will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment, including the effect on earnings of any amounts it would have recorded in previous periods if the accounting had been completed at the acquisition date. Transaction costs, including legal, accounting and integration expenses, are expensed as incurred and are included in operating expenses in the Company's consolidated statements of operations. Contingent consideration, such as earnout, is deferred as a short-term or long-term liability based on an estimate of the timing of the future payment. These contingent consideration liabilities are recorded at fair value on the acquisition date and are re-measured quarterly based on the then assessed fair value and adjusted if necessary. The results of operations of businesses acquired are included in the Company's consolidated financial statements from their dates of acquisition.

Restructuring Plans

The Company accounts for exit or disposal of activities in accordance with ASC 420, “Exit or Disposal Cost Obligations.“ The Company defines a business restructuring as an exit or disposal activity that includes but is not limited to a program which is planned and controlled by management and materially changes either the scope of a business or the manner in which that business is conducted. Business restructuring charges may include (i) one-time termination benefits related to employee separations, (ii) contract termination costs and (iii) other related costs associated with exit or disposal activities.

A liability is recognized and measured at its fair value for one-time termination benefits once the plan of termination is communicated to affected employees and it meets all of the following criteria: (i) management commits to a plan of termination, (ii) the plan identifies the number of employees to be terminated and their job classifications or functions, locations and the expected completion date, (iii) the plan establishes the terms of the benefit arrangement and (iv) it is unlikely that significant changes to the plan will be made or the plan will be withdrawn. Contract termination costs include costs to terminate a contract or costs that will continue to be incurred under the contract without benefit to the Company. A liability is recognized and measured at its fair value when the Company either terminates the contract or ceases using the rights conveyed by the contract.

Recently Adopted Accounting Standards

In March 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-05 which amends ASC 740, “Income Taxes,” to provide guidance on accounting for the tax effects of the Tax Cuts and Jobs Act enacted on December 22, 2017 (the “Tax Act”) pursuant to Staff Accounting Bulletin No. 118, “Income Tax Accounting Implications of the Tax Cuts and Jobs Act” (“SAB 118”), which provides guidance on accounting for the tax effects of the Tax Act. Under SAB 118, companies are able to record a reasonable estimate of the impact of the Tax Act if one is able to be determined and report it as a provisional amount during the measurement period. The measurement period is not to extend beyond one year from the enactment date. The Company finalized its assessment of the income tax effects of the Tax Act in the second quarter of fiscal 2019.

In March 2017, the FASB issued ASU 2017-07 to amend the requirements in GAAP related to the income statement presentation of the components of net periodic benefit cost for an entity’s sponsored defined benefit pension and other postretirement plans. ASU 2017-07 updated the guidance on the presentation of net periodic pension cost and net periodic post-retirement pension cost, and requires the service cost component to be presented in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable. The guidance in ASU 2017-07 is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. Entities are required to use a retrospective transition method to adopt the requirement for separate income statement presentation of the service cost and other components, and a prospective transition method to adopt the requirement to limit the capitalization of benefit cost to the service component. The Company adopted ASU 2017-07 beginning July 1, 2018 using a retrospective transition method. See the impact of the adoption of ASU 2017-07 in the table below.

In January 2017, the FASB issued ASU 2017-01 to clarify the definition of a business. The objective of adding the guidance is to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses and provide a screen to determine when an integrated set of assets and activities (collectively referred to as a “set”) is not a business. If the screen is not met, the amendments (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace the missing elements. The guidance in ASU 2017-01 is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those fiscal years, and should be applied prospectively. The Company adopted ASU 2017-01 beginning July 1, 2018. The Company have applied the new guidance to all applicable transactions after the adoption date.

In November 2016, the FASB issued ASU 2016-18 that requires a statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. An entity with a material balance of restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions. The guidance in ASU 2016-18 is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted ASU 2016-18 beginning July 1, 2018. Adoption of ASU 2016-18 did not have a material effect on the results of operations, financial position or cash flows of the Company.

In August 2016, the FASB issued ASU 2016-15 to address certain issues where diversity in practice was identified in classifying certain cash receipts and cash payments based on the guidance in ASC 230, “Statement of Cash Flows” (“ASC 230”). ASC 230 is principles based and often requires judgment to determine the appropriate classification of cash flows as operating, investing or financing activities. The application of judgment has resulted in diversity in how certain cash receipts and cash payments are classified. Certain cash receipts and cash payments may have aspects of more than one class of cash flows. ASU 2016-15 clarifies that an entity will first apply any relevant guidance in ASC 230 and in other applicable topics. If there is no guidance that addresses those cash receipts and cash payments, an entity will determine each separately identifiable source or use and classify the receipt or payment based on the nature of the cash flow. If a receipt or payment has aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use. The guidance in ASU 2016-15 is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted ASU 2016-15 beginning July 1, 2018. Adoption of ASU 2016-15 did not have a material effect on the results of operations, financial position or cash flows of the Company.

In May 2014, the FASB issued ASU 2014-09 to amend the 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. ASU 2014-09 replaces most existing revenue recognition guidance in GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In 2015 and 2016, the FASB issued additional ASUs related to ASU 2014-09 that delayed the effective date of the guidance and clarified various aspects of the new revenue guidance, including principal versus agent considerations, identification of performance obligations, and accounting for licenses, and included other improvements and practical expedients. ASU 2014-09 is effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted ASU 2014-09 beginning July 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. Adoption of ASU 2014-09 did not have a material effect on the results of operations, financial position or cash flows of the Company. The Company has included expanded disclosures in this report related to revenue recognition in order to comply with ASU 2014-09. See Note 23.

Adoption of ASU 2017-07

The Company adopted ASU 2017-07 on July 1, 2018 using the retrospective transition method.

The adoption of this accounting standard resulted in a change in certain previously reported amounts, as follows:

	For the Year Ended June 30, 2018		
(In thousands)	As Previously Reported	ASU 2017-07 Adjustments	As Adjusted
Cost of goods sold	$ 399,502	$ (347)	$ 399,155
Gross profit	$ 207,042	$ 347	$ 207,389
Selling expenses	$ 154,539	$ (1,148)	$ 153,391
General and administrative expenses	$ 47,863	$ 1,566	$ 49,429
Operating expenses	$ 205,918	$ 418	$ 206,336
Income from operations	$ 1,124	$ (71)	$ 1,053
Interest expense	$ (3,177)	$ (6,580)	$ (9,757)
Other, net	$ 1,071	$ 6,651	$ 7,722
Total other (expense) income	$ (2,092)	$ 71	$ (2,021)

	For the Year Ended June 30, 2017		
(In thousands)	As Previously Reported	ASU 2017-07 Adjustments	As Adjusted
Cost of goods sold	$ 354,622	$ 27	$ 354,649
Gross profit	$ 186,878	$ (27)	$ 186,851
Selling expenses	$ 133,329	$ 205	$ 133,534
General and administrative expenses	$ 42,933	$ 12	$ 42,945
Operating expenses	$ 147,700	$ 217	$ 147,917
Income from operations	$ 39,178	$ (244)	$ 38,934
Interest expense	$ (2,185)	$ (6,416)	$ (8,601)
Other, net	$ (1,201)	$ 6,660	$ 5,459
Total other (expense) income	$ (1,812)	$ 244	$ (1,568)

New Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract” (“ASU 2018-15”). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance in ASU 2018-15 is effective for public business entities for annual periods beginning after December 15, 2019, and interim periods within those fiscal years, and is effective for the Company beginning July 1, 2020. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the impact ASU 2018-15 will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans” (“ASU 2018-14”). ASU 2018-14 modifies disclosure of other accounting and reporting requirements related to single-employer defined benefit pension or other postretirement benefit plans. The guidance in ASU 2018-14 is effective for public business entities for annual periods beginning after December 15, 2020, and is effective for the Company beginning July 1, 2021. Early adoption is permitted. The Company is currently evaluating the impact ASU 2018-14 will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). ASU 2018-13 improves the effectiveness of fair value measurement disclosures and modifies the disclosure requirements on fair value measurements, including the consideration of costs and benefits. The guidance in ASU 2018-13 is effective for annual periods beginning after December 15, 2019, and interim periods within those fiscal years, and is effective for the Company beginning July 1, 2020. Early adoption is permitted. The Company is currently evaluating the impact ASU 2018-13 will have on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, “Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income” (“ASU 2018-02”). ASU 2018-02 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act and requires certain disclosures about stranded tax effects. The guidance in ASU 2018-02 is effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years, and is effective for the Company beginning July 1, 2019 and should be applied either in the period of adoption or retrospectively. Early adoption is permitted. The Company will adopt ASU 2018-02 beginning July 1, 2019. The adoption of ASU 2018-02 will not have a material effect on the results of operations, financial position or cash flows of the Company.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”). The amendments in ASU 2017-04 address concerns regarding the cost and complexity of the two-step goodwill impairment test, and remove the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit’s carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. The guidance in ASU 2017-04 is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and is effective for the Company beginning July 1, 2020. Adoption of ASU 2017-04 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. Under the new guidance, lessees are required to recognize a lease liability, which represents the discounted obligation to make lease payments and a related right-of-use asset. In July 2018, the FASB issued ASU No. 2018-10, “Codification Improvements to Topic 842, Leases,” and ASU No. 2018-11, “Leases (Topic 842): Targeted Improvements,” which provide additional guidance to consider when implementing ASU 2016-02. 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. The Company adopted the standard effective July 1, 2019, utilizing the modified retrospective transition method. The Company has completed its compilation of all leases and has preliminary concluded that the impact of the adoption of ASU 2016-02 is expected to be a recognition of right-of-use assets and lease liabilities of between $14 million and $19 million on its Consolidated Balance Sheets. The adoption is not expected to have a material impact on its Consolidated Statements of Operations or on other consolidated financial statements. The Company elected certain practical expedients provided in the guidance which allows it not to reassess whether existing contracts are or contain leases, to not reassess the lease classification of any existing leases, to not reassess initial direct costs for any existing leases, and to not separate lease components for certain asset classes. The Company also made an accounting policy to exclude leases with a term of 12 months or less.

Note 3. Acquisitions

West Coast Coffee Company, Inc.

On February 7, 2017, the Company acquired substantially all of the assets and certain specified liabilities of West Coast Coffee, a coffee roaster and distributor with a focus on the convenience store, grocery and foodservice channels. As part of the transaction, the Company entered into a three-year lease on West Coast Coffee's existing 20,400 square foot facility in Hillsboro, Oregon, which expires January 31, 2020, and assumed leases on six branch warehouses consisting of an aggregate of 24,150 square feet in Oregon, California and Nevada, expiring on various dates through November 2020. The Company acquired West Coast Coffee for aggregate purchase consideration of $15.5 million, which included $14.7 million in cash paid at closing including working capital adjustments of $1.2 million, post-closing final working capital adjustments of $0.2 million, and up to $1.0 million in contingent consideration to be paid as earnout if certain sales levels are achieved in the twenty-four months following the closing. This contingent earnout liability was estimated to have a fair value of $1.0 million and was recorded in other current liabilities on the Company's consolidated balance sheet at June 30, 2019 and June 30, 2018. Total earnout amount of $1.0 million was paid in July 2019.

In fiscal 2017, the Company incurred $0.3 million in transaction costs related to the West Coast Coffee acquisition, consisting primarily of legal and accounting expenses, which are included in general and administrative expenses in the Company's consolidated statements of operations for the fiscal year ended June 30, 2017. No transaction costs were incurred in fiscal 2019 and 2018 relating to the West Coast Coffee acquisition.

The financial effect of this acquisition was not material to the Company's consolidated financial statements. The Company has not presented pro forma results of operations for the acquisition because it is not significant to the Company's consolidated results of operations.

The acquisition was accounted for as a business combination. The Company allocated $7.9 million of consideration transferred to tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the $7.6 million remaining unallocated amount recorded as goodwill. The purchase price allocation is final.

Boyd Coffee Company

On October 2, 2017 ("Closing Date"), the Company acquired substantially all of the assets and certain specified liabilities of Boyd Coffee, a coffee roaster and distributor with a focus on restaurants, hotels, and convenience stores on the West Coast of the United States. The acquired business of Boyd Coffee (the "Boyd Business") is expected to add to the Company's product portfolio, improve the Company's growth potential, deepen the Company's distribution footprint and increase the Company's capacity utilization at its production facilities.

At closing, as consideration for the purchase, the Company paid the Seller $38.9 million in cash from borrowings under its senior secured revolving credit facility, and issued to Boyd Coffee 14,700 shares of the Company's Series A Preferred Stock Convertible Participating Cumulative Perpetual Preferred Stock, par value $1.00 per share ("Series A Preferred Stock"), with a fair value of $11.8 million as of the Closing Date. Additionally, the Company held back $3.2 million in cash ("Holdback Cash Amount") and 6,300 shares of Series A Preferred Stock ("Holdback Stock") with a fair value of $4.8 million as of the Closing Date, for the satisfaction of any post-closing net working capital adjustment and to secure the Seller's (and the other seller parties') indemnification obligations under the purchase agreement.

In addition to the Holdback Cash, as part of the consideration for the purchase, at closing the Company held back $1.1 million in cash (the "Multiemployer Plan Holdback") to pay, on behalf of the Seller, any assessment of withdrawal liability made against the Seller following the Closing Date in respect of the Seller's multiemployer pension plan, which amount was recorded on the Company's consolidated balance sheet in "Other long-term liabilities" at June 30, 2018. On January 8, 2019, the Seller notified the Company of the assessment of $0.5 million in withdrawal liability against the Seller, which the Company timely paid from the Multiemployer Plan Holdback during the twelve months ended June 30, 2019. The Company has applied the remaining amount of the Multiemployer Plan Holdback of $0.5 million towards satisfaction of the Seller's post-closing net working capital deficiency under the Asset Purchase Agreement as of March 31, 2019 as described below.

The acquisition was accounted for as a business combination. The fair value of consideration transferred was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the remaining unallocated amount recorded as goodwill. The fair value of consideration transferred reflected the Company's best estimate of the post-closing net working capital adjustment of $8.1 million due to the Company at June 30, 2018 when the purchase price allocation was finalized. On January 23, 2019, PricewaterhouseCoopers LLP ("PwC"), as the "Independent Expert" designated under the Asset Purchase Agreement to resolve working capital disputes, issued its determination letter with respect to adjustments to working capital. The post-closing net working capital adjustment, as determined by the Independent Expert, was $6.3 million due to the Company.

During the year ended June 30, 2019 the Company satisfied the $6.3 million amount by applying the remaining amount of the Multiemployer Plan Holdback of $0.5 million, retaining all of the Holdback Cash Amount of $3.2 million and canceling 4,630 shares of Holdback Stock with a fair value of $2.3 million based on the stated value and deemed conversion price under the Asset Purchase Agreement. The Company has retained the remaining 1,670 shares of the Holdback Stock pending satisfaction of certain indemnification claims against the Seller following which the remaining Holdback Stock, if any, will be released to the Seller.

The following table summarizes the final allocation of consideration transferred as of the acquisition date:

(In thousands)	Fair Value	Estimated Useful Life (years)
Cash paid	$ 38,871	
Holdback Cash Amount	3,150	
Multiemployer Plan Holdback	1,056	
Fair value of Series A Preferred Stock (14,700 shares)(1)	11,756	
Fair value of Holdback Stock (6,300 shares)(1)	4,825	
Estimated post-closing net working capital adjustment	(8,059)	
Total consideration	$ 51,599	
Accounts receivable	$ 7,503	
Inventory	9,415	
Prepaid expense and other assets	1,951	
Property, plant and equipment	4,936	
Goodwill	25,395	
Intangible assets:		
Customer relationships	16,000	10
Trade name/trademark—indefinite-lived	3,100	
Accounts payable	(15,080)	
Other liabilities	(1,621)	
Total consideration	$ 51,599	

(1) Fair value of Series A Preferred Stock and Holdback Stock as of the Closing Date, estimated as the sum of (a) the present value of the dividends payable thereon and (b) the stated value of the Series A Preferred Stock or Holdback Stock, as the case may be, adjusted for both the conversion premium and the discount for lack of marketability arising from conversion restrictions.

In connection with this acquisition, the Company recorded goodwill of $25.4 million, which is deductible for tax purposes. The Company also recorded $16.0 million in finite-lived intangible assets that included customer relationships and $3.1 million in indefinite-lived intangible assets that included a trade name/trademark. The amortization period for the finite-lived intangible assets is 10.0 years.

The determination of the fair value of intangible assets acquired was primarily based on significant inputs not observable in an active market and thus represent Level 3 fair value measurements as defined under GAAP.

The fair value assigned to the customer relationships was determined based on management's estimate of the retention rate utilizing certain benchmarks. Revenue and earnings projections were also significant inputs into estimating the value of customer relationships.

The fair value assigned to the trade name/trademark was determined utilizing a multi-period excess earnings approach. Under the multi-period excess earnings approach, the fair value of the intangible asset is estimated to be the present value of future earnings attributable to the asset and this method utilizes revenue and cost projections including an assumed contributory asset charge.

The following table presents the net sales and income before taxes from the Boyd Business operations that are included in the Company's consolidated statements of operations for the fiscal year ended June 30, 2019 and 2018:

(In thousands)	For the Year Ended June 30,	
	2018	
Net sales	$	67,385
Income before taxes	$	1,572

The Company considers the acquisition to be material to the Company's consolidated financial statements and has provided certain pro forma disclosures pursuant to ASC 805, "Business Combinations."

The following table sets forth certain unaudited pro forma financial results for the Company for the fiscal years ended June 30, 2019, 2018 and 2017, as if the acquisition of the Boyd Business was consummated on the same terms as of the first day of the applicable fiscal year.

	For the Year Ended June 30,			
(In thousands)	2018		2017	
Net sales	$	628,526	$	636,969
(Loss) income before taxes	$	(642)	$	36,969

The unaudited pro forma financial results for the Company are based on estimates and assumptions, which the Company believes are reasonable. These results are not necessarily indicative of the Company's consolidated statements of operations in future periods or the results that actually would have been realized had the Company acquired the Boyd Business during the periods presented.

At closing, the parties entered into a transition services agreement where the Seller agreed to provide certain accounting, marketing, human resources, information technology, sales and distribution and other administrative support during a transition period of up to 12 months. The Company also entered into a co-manufacturing agreement with the Seller for a transition period of up to 12 months as the Company transitions manufacturing into its production facilities. Amounts paid by the Company to the Seller for these services totaled $3.7 million and $25.4 million in the fiscal year ended June 30, 2019 and 2018, respectively.

The Company has incurred acquisition and integration costs related to the Boyd Business acquisition, consisting primarily of inventory mark downs, legal expenses, Boyd Coffee plant decommissioning and equipment relocation costs, and one-time payroll and benefit expenses, of $6.1 million and $7.6 million during the fiscal years ended June 30, 2019 and 2018, respectively, which are included in operating expenses in the Company's consolidated statements of operations.

Note 4. Restructuring Plans

Corporate Relocation Plan

On February 5, 2015, the Company announced the Corporate Relocation Plan to close its Torrance, California facility and relocate its corporate headquarters, product development lab, and manufacturing and distribution operations from Torrance, California to the Northlake facility. Approximately 350 positions were impacted as a result of the Torrance Facility closure. 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.

During fiscal year ended June 30, 2019, the Company incurred $3.4 million in restructuring and other transition expenses associated with the assessment by the Western Conference of Teamsters Pension Trust (the "WCT Pension Trust") of the Company's share of the Western Conference of Teamsters Pension Plan (the "WCTPP") unfunded benefits due to the Company's partial withdrawal from the WCTPP as a result of employment actions taken by the Company in 2016 in connection with the Corporate Relocation Plan, of which the Company has paid $1.9 million and has outstanding contractual obligations of $1.5 million as of June 30, 2019.

Since the adoption of the Corporate Relocation Plan through June 30, 2019, the Company has recognized a total of $35.2 million in aggregate costs including $17.4 million in employee retention and separation benefits, $3.4 million in pension withdrawal liability, $7.0 million in facility-related costs related to the temporary office space, costs associated with the move of the Company's headquarters, relocation of the Company's Torrance operations and certain distribution operations and $7.4 million in other related costs. The Company also recognized from inception through June 30, 2019 non-cash depreciation expense of $2.3 million associated with the Torrance production facility resulting from the consolidation of coffee production operations with the Houston and Portland production facilities and $1.4 million in non-cash rent expense recognized in the sale-leaseback of the Torrance Facility.

DSD Restructuring Plan

On February 21, 2017, the Company announced the DSD Restructuring Plan to reorganize its DSD operations in an effort to realign functions into a channel-based selling organization, streamline operations, acquire certain channel specific expertise, and improve selling effectiveness and financial results. The strategic decision to undertake the DSD Restructuring Plan resulted from an ongoing operational review of various initiatives within the DSD selling organization. The Company had revised its estimated time of completion of the DSD Restructuring Plan from the end of calendar 2018 to the end of fiscal 2019.

The Company recognized approximately $4.5 million of pre-tax restructuring charges by the end of fiscal 2019 consisting of approximately $2.3 million in employee-related costs and contractual termination payments, including severance, prorated bonuses for bonus eligible employees and outplacement services, and $2.2 million in other related costs, including legal, recruiting, consulting, other professional services, and travel.

The following table sets forth the activity in liabilities associated with the DSD Restructuring Plan from the time of adoption through the fiscal year ended June 30, 2019:

(In thousands)	Balances as of June 30, 2017	Additions	Payments	Non-Cash Settled	Adjustments	Balances as of June 30, 2019
Employee-related costs	$ —	$ 2,634	$ 2,605	$ —	$ —	$ 29
Other	—	1,949	1,918	—	(31)	—
Total	$ —	$ 4,583	$ 4,523	$ —	$ (31)	$ 29

The following table sets forth the expenses associated with the DSD Restructuring Plan for the fiscal year ended June 30, 2019, 2018 and 2017:

	Year Ended June 30,		
(In thousands)	2019	2018	2017
Employee-related costs	$ 1,487	$ 612	$ 506
Other	284	429	1,205
Total	$ 1,771	$ 1,041	$ 1,711

Note 5. Sales of Assets

Sale of Spice Assets

In order to focus on its core products, on December 8, 2015, the Company completed the sale of the Spice Assets to Harris. The sale included substantially all of the Company's personal property used exclusively in connection with the manufacture, processing and distribution of raw, processed and blended spices and certain other culinary products (collectively, the "Spice Assets"), including certain equipment; trademarks, trade names 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 was 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 following the closing. Gain from the earnout on the sale was recognized when earned and when realization was assured beyond a reasonable doubt. The Company recognized $0.6 million, $0.8 million and $1.0 million in earnout during the fiscal years ended June 30, 2019, 2018 and 2017, respectively, which is included in "Net gains from sale of Spice Assets" in the Company's consolidated statements of operations. The sale of the Spice Assets did not represent a strategic shift for the Company and did not have a material impact on the Company's results of operations because the Company continues to sell a complete portfolio of spice and other culinary products purchased from Harris under a supply agreement to its DSD customers.

Sale of Torrance Facility

On July 15, 2016, the Company completed the sale of the Torrance Facility, consisting of approximately 665,000 square feet of buildings located on approximately 20.3 acres of land, for an aggregate cash sale price of $43.0 million, which sale price was subject to customary adjustments for closing costs and documentary transfer taxes. Cash proceeds from the sale of the Torrance Facility were $42.5 million.

Following the closing of the sale, the Company leased back the Torrance Facility on a triple net basis through October 31, 2016 at zero base rent, and exercised two one-month extensions at a base rent of $100,000 per month. In accordance with ASC 840, "Leases," due to the Company's continuing involvement with the property, the Company accounted for the transaction as a financing transaction, deferred the gain on sale of the Torrance Facility and recorded the net sale proceeds of $42.5 million and accrued non-cash interest expense on the financing transaction in "Sale-leaseback financing obligation" on the Company's consolidated balance sheet at September 30, 2016. The Company vacated the Torrance Facility in December 2016 and concluded the leaseback transaction. As a result, at December 31, 2016, the financing transaction qualified for sales recognition under ASC 840. Accordingly, in the fiscal year ended June 30, 2017, the Company recognized the net gain from sale of the Torrance Facility in the amount of $37.4 million, including non-cash interest expense of $0.7 million and non-cash rent expense of $1.4 million, representing the rent for the zero base rent period previously recorded in "Other current liabilities" and removed the amounts recorded in "Assets held for sale" and the "Sale-leaseback financing obligation" on its consolidated balance sheet.

Note 6. Derivative Instruments

Derivative Instruments Held

Coffee-Related Derivative Instruments

The Company is exposed to commodity price risk associated with its PTF green coffee purchase contracts, which are described further in Note 2. The Company utilizes forward and option contracts to manage exposure to the variability in expected future cash flows from forecasted purchases of green coffee attributable to commodity price risk. Certain of these coffee-related derivative instruments utilized for risk management purposes have been designated as cash flow hedges, while other coffee-related derivative instruments have not been designated as cash flow hedges or do not qualify for hedge accounting despite hedging the Company's future cash flows on an economic basis.

The following table summarizes the notional volumes for the coffee-related derivative instruments held by the Company at June 30, 2019 and 2018:

	As of June 30,	
(In thousands)	2019	2018
Derivative instruments designated as cash flow hedges:		
Long coffee pounds	42,113	40,913
Derivative instruments not designated as cash flow hedges:		
Long coffee pounds	6,070	2,546
Total	48,183	43,459

Coffee-related derivative instruments designated as cash flow hedges outstanding as of June 30, 2019 will expire within 18 months. At June 30, 2019 and 2018 approximately 87% and 94%, respectively, of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges.

Interest Rate Swap Derivative Instruments

Pursuant to an International Swap Dealers Association, Inc. Master Agreement (“ISDA”) effective March 20, 2019, the Company on March 27, 2019, entered into a swap transaction utilizing a notional amount of $80.0 million, with an effective date of April 11, 2019 and a maturity date of October 11, 2023 (the “Rate Swap”). The Rate Swap is intended to manage the Company’s interest rate risk on its floating-rate indebtedness under the Company’s revolving credit facility. Under the terms of the Rate Swap, the Company receives 1-month LIBOR, subject to a 0% floor, and makes payments based on a fixed rate of 2.1975%. The Company’s obligations under the ISDA are secured by the collateral which secures the loans under the revolving credit facility on a pari passu and pro rata basis with the principal of such loans. The Company has designated the Rate Swap derivative instruments as a cash flow hedge.

Effect of Derivative Instruments on the Financial Statements

Balance Sheets

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

	Derivative Instruments Designated as Cash Flow Hedges		Derivative Instruments Not Designated as Accounting Hedges	
	As of June 30,		As of June 30,	
(In thousands)	2019	2018	2019	2018
Financial Statement Location:				
Short-term derivative assets:				
Coffee-related derivative instruments(1)	$ 1,254	$ —	$ 611	$ —
Long-term derivative assets:				
Coffee-related derivative instruments(2)	$ 671	$ —	$ 3	$ —
Short-term derivative liabilities:				
Coffee-related derivative instruments(3)	$ 1,114	$ 3,081	$ 114	$ 219
Interest rate swap derivative instruments(3)	$ 246	$ —	$ —	$ —
Long-term derivative liabilities:				
Coffee-related derivative instruments(4)	$ 13	$ 386	$ —	$ —
Interest rate swap derivative instruments(4)	$ 1,599	$ —	$ —	$ —

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(1) Included in “Short-term derivative assets” on the Company's consolidated balance sheets.
(2) Included in “Long-term derivative assets” on the Company's consolidated balance sheets.
(3) Included in “Short-term liabilities” on the Company's consolidated balance sheets.
(4) Included in “Other long-term liabilities” on the Company's consolidated balance sheets.

Statements of Operations

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

	Year Ended June 30,			
(In thousands)	2019	2018	2017	Financial Statement Classification
Net losses recognized in AOCI - Interest rate swap	$ (1,791)	$ —	$ —	AOCI
Net gains recognized from AOCI to earnings - Interest rate swap	$ 46	$ —	$ —	Interest Expense
Net losses recognized in AOCI - Coffee-related	$ (7,407)	$ (8,420)	$ (4,746)	AOCI
Net losses recognized in earnings - Coffee-related	$ (9,242)	$ (1,179)	$ (835)	Costs of goods sold
Net gains (losses) recognized in earnings (ineffective portion)	$ —	$ 48	$ (456)	Other, net

For the fiscal years ended June 30, 2019, 2018 and 2017, 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.

Net losses (gains) on derivative instruments in the Company's consolidated statements of cash flows also includes net losses (gains) on coffee-related derivative instruments designated as cash flow hedges reclassified to cost of goods sold from AOCI in the fiscal years ended June 30, 2019, 2018 and 2017. 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:

	Year Ended June 30,		
(In thousands)	2019	2018	2017
Net losses on coffee-related derivative instruments	$ (2,252)	$ (469)	$ (1,812)
Net gains on investments	—	7	286
Net losses on derivative instruments and investments(1)	(2,252)	(462)	(1,526)
Non-operating pension and other postretirement benefit plans cost(2)	6,315	6,651	6,660
Other gains, net	103	1,533	325
Other, net	$ 4,166	$ 7,722	$ 5,459

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(1) Excludes net losses and net gains on coffee-related derivative instruments designated as cash flow hedges recorded in cost of goods sold in the fiscal years ended June 30, 2019, 2018 and 2017.
(2) Presented in accordance with implementation of ASU 2017-07.

Offsetting of Derivative Assets and Liabilities

The Company has agreements in place that allow for the financial right of offset for derivative assets and liabilities at settlement or in the event of default under the agreements. Additionally, under certain coffee derivative agreements, the Company maintains accounts with its counterparties to facilitate financial derivative transactions in support of its risk management activities.

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

(In thousands)		Gross Amount Reported on Balance Sheet	Netting Adjustments	Cash Collateral Posted	Net Exposure
June 30, 2019	Derivative Assets	$ 2,539	$ (698)	$ —	$ 1,841
	Derivative Liabilities	$ 3,086	$ (698)	$ —	$ 2,388
June 30, 2018	Derivative Assets	$ —	$ —	$ —	$ —
	Derivative Liabilities	$ 3,686	$ —	$ —	$ 3,686

Cash Flow Hedges

Changes in the fair value of the Company’s coffee-related derivative instruments designated as cash flow hedges are deferred in AOCI and subsequently reclassified into cost of goods sold in the same period or periods in which the hedged forecasted purchases affect earnings, or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. Based on recorded values at June 30, 2019, $7.4 million of net losses on coffee-related derivative instruments designated as cash flow hedge are expected to be reclassified into cost of goods sold within the next twelve months. These recorded values are based on market prices of the commodities as of June 30, 2019.

Changes in the fair value of the Company's interest rate swap derivative instruments designated as a cash flow hedge are deferred in AOCI and subsequently reclassified into interest expense in the period or periods when the hedged transaction affects earnings or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. As of June 30, 2019, $0.2 million of net losses on interest rate swap derivative instruments designated as a cash flow hedge are expected to be reclassified into interest expense within the next twelve months assuming no significant changes in the LIBOR rates. Due to LIBOR volatility, actual gains or losses realized within the next twelve months will likely differ from these values.

Note 7. Investments

In fiscal 2017, the Company liquidated substantially all of its trading securities to fund expenditures associated with its New Facility in Northlake, Texas. In fiscal 2018, the Company liquidated the remaining security and closed its preferred stock portfolio. The Company had no short-term investments at June 30, 2019 and 2018 and $0.4 million in short-term investments at June 30, 2017.

The following table shows gains and losses on trading securities:

	Year Ended June 30,	
(In thousands)	2018	2017
Total gains recognized from trading securities	$ 7	$ 286
Less: Realized gains from sales of trading securities	7	1,909
Unrealized (losses) gains from trading securities	$ —	$ (1,623)

Note 8. Fair Value Measurements

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
As of June 30, 2019				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets(1)	$ 1,925	$ —	$ 1,925	$ —
Coffee-related derivative liabilities(1)	$ 1,127	$ —	$ 1,127	$ —
Interest rate swap derivative liabilities(2)	$ 1,845	$ —	$ 1,845	$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets(1)	$ 614	$ —	$ 614	$ —
Coffee-related derivative liabilities(1)	$ 114	$ —	$ 114	$ —

(In thousands)	Total	Level 1	Level 2	Level 3
As of June 30, 2018				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative liabilities(1)	$ 3,467	$ —	$ 3,467	$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative liabilities(1)	$ 219	—	219	$ —

(1) The Company's coffee-related derivative instruments are traded over-the-counter and, therefore, classified as Level 2.
(2) The Company's interest rate swap derivative instrument are model-derived valuations with directly or indirectly observable significant inputs such as interest rate and, therefore, classified as Level 2.

During the fiscal years ended June 30, 2019 and 2018, there were no transfers between the levels.

Note 9. Accounts Receivable, Net

	As of June 30,	
(In thousands)	2019	2018
Trade receivables	$ 53,593	$ 54,547
Other receivables(1)	2,886	4,446
Allowance for doubtful accounts	(1,324)	(495)
Accounts receivable, net	$ 55,155	$ 58,498

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

Allowance for doubtful accounts:

(In thousands)	
Balance at June 30, 2016	$ (714)
Provision	(325)
Write-off	318
Balance at June 30, 2017	$ (721)
Provision	(909)
Write-off	1,530
Recoveries	(395)
Balance at June 30, 2018	$ (495)
Provision	(1,761)
Write-off	533
Recoveries	399
Balance at June 30, 2019	$ (1,324)

Note 10. Inventories

	As of June 30,	
(In thousands)	2019	2018
Coffee		
Processed	$ 25,769	$ 26,882
Unprocessed	33,259	37,097
Total	$ 59,028	$ 63,979
Tea and culinary products		
Processed	$ 21,767	$ 32,406
Unprocessed	74	1,161
Total	$ 21,841	$ 33,567
Coffee brewing equipment parts	$ 7,041	$ 6,885
Total inventories	$ 87,910	$ 104,431

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

Note 11. Property, Plant and Equipment

	As of June 30,	
(In thousands)	2019	2018
Buildings and facilities	$ 107,915	$ 108,590
Machinery and equipment	248,539	231,581
Equipment under capital leases	938	1,408
Capitalized software	27,666	24,569
Office furniture and equipment	14,035	13,721
	$ 399,093	$ 379,869
Accumulated depreciation	(225,826)	(209,498)
Land	16,191	16,218
Property, plant and equipment, net	$ 189,458	$ 186,589

Capital leases consisted mainly of vehicle leases at June 30, 2019 and 2018. Depreciation expense, which includes amortization expense recorded for assets under capital leases, was $31.1 million, $30.5 million, and $23.0 million, for the years ended June 30, 2019, 2018, and 2017, respectively.

The Company capitalized coffee brewing equipment (included in machinery and equipment) in the amounts of $14.9 million and $12.1 million in fiscal 2019 and 2018, respectively. Depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold was $9.1 million, $8.6 million and $9.1 million in fiscal 2019, 2018 and 2017, respectively.

Maintenance and repairs to property, plant and equipment charged to expense for the years ended June 30, 2019, 2018, and 2017 were $10.3 million, $9.6 million and $8.0 million, respectively.

Northlake Facility Costs

In fiscal 2017, the Company completed the construction of, and exercised the purchase option to acquire, the Northlake facility. The Company commenced distribution activities at the Northlake facility during the second quarter of fiscal 2017 and initial production activities late in the third quarter of fiscal 2017. The Company began roasting coffee in the Northlake facility in the fourth quarter of fiscal 2017. The Northlake facility received Safe Quality Food (SQF) certification in the third quarter of fiscal 2018.

As of completion of the Northlake facility construction, the Company has incurred and paid an aggregate of $60.8 million in construction costs, including $42.5 million to exercise the purchase option under the lease agreement to acquire the land and construction of the Northlake facility.

Northlake Facility Expansion

In the third quarter of fiscal 2018, the Company commenced a project to expand its production lines (the “Expansion Project”) in the Northlake facility, including expanding capacity to support the transition of acquired business. The Expansion Project includes (i) pre-construction services to define the Company’s criteria for the industrial capacity Expansion Project, (ii) specialized industrial design services for the Expansion Project, (iii) specialty industrial equipment procurement and installation, and (iv) all construction services necessary to complete any modifications to the facility in order to accommodate the production line expansion, and to provide power to that expanded production capability. As of the fiscal year ended June 30, 2019, the Company has paid a total of $24.9 million associated with the expansion project.

Note 12. Goodwill and Intangible Assets

The following is a summary of changes in the carrying value of goodwill (in thousands):

Balance at June 30, 2017	$ 10,996
Final Purchase Price Allocation Adjustment (West Coast Coffee)	(167)
Additions (Boyd Coffee)	25,395
Balance at June 30, 2018	$ 36,224
Additions	—
Balance at June 30, 2019	$ 36,224

There was no impairment of goodwill recorded during the years ended June 30, 2019, 2018 and 2017.

The following is a summary of the Company’s amortized and unamortized intangible assets other than goodwill:

		As of June 30,					
		2019			2018		
(In thousands)	**Weighted Average Amortization Period as of June 30, 2019**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**
Amortized intangible assets:							
Customer relationships	7.7	$ 33,003	$ (15,291)	$ 17,712	$ 33,003	$ (12,903)	$ 20,100
Non-compete agreements	2.7	220	(122)	98	220	(81)	139
Recipes	4.3	930	(354)	576	930	(221)	709
Trade name/brand name	5.3	510	(346)	164	510	(271)	239
Total amortized intangible assets		$ 34,663	$ (16,113)	$ 18,550	$ 34,663	$ (13,476)	$ 21,187
Unamortized intangible assets:							
Trademarks, trade names and brand name with indefinite lives		$ 10,328	$ —	$ 10,328	$ 10,328	$ —	$ 10,328
Total unamortized intangible assets		$ 10,328	$ —	$ 10,328	$ 10,328	$ —	$ 10,328
Total intangible assets		$ 44,991	$ (16,113)	$ 28,878	$ 44,991	$ (13,476)	$ 31,515

In fiscal 2018, the Company recorded an impairment charge related to indefinite-lived intangible assets and other intangible assets of $3.5 million and $0.3 million, respectively. There were no indefinite-lived intangible asset and other intangible assets impairment charges recorded in the fiscal years ended June 30, 2019 or 2017.

Amortization expense for the years ended June 30, 2019, 2018, and 2017 were $2.6 million, $2.4 million, and $0.7 million, respectively.

At June 30, 2019, future annual amortization of finite-lived intangible assets for the years 2020 through 2024 and thereafter is estimated to be (in thousands):

For the fiscal year ending:	
June 30, 2020	$ 2,390
June 30, 2021	2,390
June 30, 2022	2,376
June 30, 2023	2,356
June 30, 2024	2,268
Thereafter	6,770
Total	**$ 18,550**

Note 13. Employee Benefit Plans

The Company provides benefit plans for full-time employees who work 30 hours or more per week, including 401(k), health and other welfare benefit plans and, in certain circumstances, pension benefits. Generally, the plans provide health benefits after 30 days and other retirement 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 nine multiemployer defined contribution plans other than pension plans that provide medical, vision, dental and disability benefits for active, union-represented employees subject to collective bargaining agreements. 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 Company 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.

As of June 30, 2019, 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”). Effective October 1, 2016, the Company froze benefit accruals and participation in the Hourly Employees' Plan. After the plan freeze, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan. After the freeze the participants in the plan are eligible to receive the Company's matching contributions to their 401(k).

Effective December 1, 2018 the Company amended and terminated the Farmer Bros. Co. Pension Plan for Salaried Employees (the “Farmer Bros. Plan”), a defined benefit pension plan for Company employees hired prior to January 1, 2010 who were not covered under a collective bargaining agreement. The Company previously amended the Farmer Bros. Plan, freezing the benefit for all participants effective June 30, 2011.

Immediately prior to the termination of the Farmer Bros. Plan, the Company spun off the benefit liability and obligations, and all allocable assets for all retirement plan benefits of certain active employees with accrued benefits in excess of $25,000, retirees and beneficiaries currently receiving benefit payments under the Farmer Bros. Plan, and former employees who have deferred vested benefits under the Farmer Bros. Plan, to the Brewmatic Plan. Upon termination of the Farmer Bros. Plan, all remaining plan participants elected to receive a distribution of his/her entire accrued benefit under the Farmer Bros. Plan in a single cash lump sum or an individual insurance company annuity contract, in either case, funded directly by Farmer Bros. Plan assets.

Termination of the Farmer Bros. Plan triggered re-measurement and settlement of the Farmer Bros. Plan and re-measurement of the Brewmatic Plan. As a result of the distributions to the remaining plan participants of the Farmer Bros. Plan, the Company recognized a non-cash pension settlement charge of $10.9 million for the year ended June 30, 2019.

Obligations and Funded Status

	Farmer Bros. Plan As of June 30,		Brewmatic Plan As of June 30,		Hourly Employees' Plan As of June 30,		Total	
($ in thousands)	2019	2018	2019	2018	2019	2018	2019	2018
Change in projected benefit obligation								
Benefit obligation at the beginning of the year	$ 137,175	$ 146,291	$ 3,724	$ 4,079	$ 4,040	$ 4,329	$ 144,939	$ 154,699
Interest cost	2,722	5,417	2,339	149	161	163	5,222	5,729
Actuarial (gain) loss	(1,571)	(5,956)	8,482	(227)	349	(370)	7,260	(6,553)
Benefits paid	(3,574)	(8,577)	(3,097)	(277)	(75)	(82)	(6,746)	(8,936)
Pension settlement	(3,162)	—	(21,286)	—	—	—	(24,448)	—
Other - Plan merger	$ (131,590)	—	131,590	—	—	—	—	—
Projected benefit obligation at the end of the year	$ —	$ 137,175	$ 121,752	$ 3,724	$ 4,475	$ 4,040	$ 126,227	$ 144,939
Change in plan assets								
Fair value of plan assets at the beginning of the year	$ 97,211	$ 97,304	$ 3,719	$ 3,115	$ 3,629	$ 2,999	$ 104,559	$ 103,418
Actual return on plan assets	(6,236)	5,874	9,325	201	224	198	3,313	6,273
Employer contributions	1,525	2,610	1,800	680	—	514	3,325	3,804
Benefits paid	(3,574)	(8,577)	(3,097)	(277)	(75)	(82)	(6,746)	(8,936)
Pension settlement	(3,162)	—	(22,100)	—	—	—	(25,262)	—
Other - Plan merger	(85,764)	—	85,764	—	—	—	—	—
Fair value of plan assets at the end of the year	$ —	$ 97,211	$ 75,411	$ 3,719	$ 3,778	$ 3,629	$ 79,189	$ 104,559
Funded status at end of year (underfunded) overfunded	**$ —**	**$ (39,964)**	**$ (46,341)**	**$ (5)**	**$ (697)**	**$ (411)**	**$ (47,038)**	**$ (40,380)**
Amounts recognized in consolidated balance sheets								
Non-current liabilities	—	(39,964)	(46,341)	(5)	(697)	(411)	(47,038)	(40,380)
Total	$ —	$ (39,964)	$ (46,341)	$ (5)	$ (697)	$ (411)	$ (47,038)	$ (40,380)
Amounts recognized in AOCI								
Net loss	—	51,079	50,080	1,788	565	218	50,645	53,085
Total AOCI (not adjusted for applicable tax)	$ —	$ 51,079	$ 50,080	$ 1,788	$ 565	$ 218	$ 50,645	$ 53,085
Weighted average assumptions used to determine benefit obligations								
Discount rate	4.10%	4.05%	3.45%	4.05%	3.45%	4.05%	4.05%	4.05%
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,		Total	
($ in thousands)	2019	2018	2019	2018	2019	2018	2019	2018
Components of net periodic benefit cost								
Interest cost	2,722	5,417	2,339	149	161	163	5,222	5,729
Expected return on plan assets	(2,767)	(5,490)	(2,257)	(161)	(222)	(173)	(5,246)	(5,824)
Amortization of net loss	710	1,588	796	80	—	6	1,506	1,674
Pension settlement charge	1,356	—	9,586	—	—	—	10,942	—
Net periodic benefit cost	$ 2,021	$ 1,515	$ 10,464	$ 68	$ (61)	$ (4)	$ 12,424	$ 1,579
Other changes recognized in OCI								
Net loss	$ 7,433	$ (6,340)	$ 1,413	$ (267)	$ 347	$ (394)	$ 9,193	$ (7,001)
Prior service cost (credit)	—	—	—	—	—	—	—	—
Amortization of net loss	(710)	(1,588)	(796)	(80)	—	(6)	(1,506)	(1,674)
Pension settlement charge	(1,356)	—	(9,586)	—	—	—	(10,942)	—
Allocation of net Loss - Plan merger	(56,446)	—	56,446	—	—	—	—	—
Net loss due to annuity purchase	—	—	814	—	—	—	814	—
Total recognized in OCI	$ (51,079)	$ (7,928)	$ 48,291	$ (347)	$ 347	$ (400)	$ (2,441)	$ (8,675)
Total recognized in net periodic benefit cost and OCI	$ (49,058)	$ (6,413)	$ 58,755	$ (279)	$ 286	$ (404)	$ 9,983	$ (7,096)
Weighted-average assumptions used to determine net periodic benefit cost								
Discount rate	4.05%	3.80%	4.10%	3.80%	4.05%	3.80%	4.05%	3.80%
Expected long-term return on plan assets	—%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2018. 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 2018 is 20 to 30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies.

Description of Investment Policy

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

Additional Disclosures

($ in thousands)	Farmer Bros. Plan June 30, 2019	Farmer Bros. Plan June 30, 2018	Brewmatic Plan June 30, 2019	Brewmatic Plan June 30, 2018	Hourly Employees' Plan June 30, 2019	Hourly Employees' Plan June 30, 2018	Total 2019	Total 2018
Comparison of obligations to plan assets								
Projected benefit obligation	$ —	$ 137,175	$ 121,752	$ 3,724	$ 4,475	$ 4,040	$ 126,227	$ 144,939
Accumulated benefit obligation	$ —	$ 137,175	$ 121,752	$ 3,724	$ 4,475	$ 4,040	$ 126,227	$ 144,939
Fair value of plan assets at measurement date	$ —	$ 97,211	$ 75,411	$ 3,719	$ 3,778	$ 3,629	$ 79,189	$ 104,559
Plan assets by category								
Equity securities	$ —	$ 63,547	$ 48,464	$ 2,431	$ 2,440	$ 2,341	$ 50,904	$ 68,319
Debt securities	—	27,608	22,461	1,056	1,100	1,065	23,561	29,729
Real estate	—	6,056	4,486	232	238	223	4,724	6,511
Total	$ —	$ 97,211	$ 75,411	$ 3,719	$ 3,778	$ 3,629	$ 79,189	$ 104,559
Plan assets by category								
Equity securities	—%	66%	64%	66%	65%	65%	64%	65%
Debt securities	—%	28%	30%	28%	29%	29%	30%	29%
Real estate	—%	6%	6%	6%	6%	6%	6%	6%
Total	—%	100%	100%	100%	100%	100%	100%	100%

Fair values of plan assets were as follows:

(In thousands)	As of June 30, 2019 Total	Level 1	Level 2	Level 3	Investments measured at NAV
Brewmatic Plan	$ 75,411	$ —	$ —	$ —	$ 75,411
Hourly Employees' Plan	$ 3,778	$ —	$ —	$ —	$ 3,778

(In thousands)	As of June 30, 2018 Total	Level 1	Level 2	Level 3	Investments measured at NAV
Farmer Bros. Plan	$ 97,211	$ —	$ —	$ —	$ 97,211
Brewmatic Plan	$ 3,719	$ —	$ —	$ —	$ 3,719
Hourly Employees' Plan	$ 3,629	$ —	$ —	$ —	$ 3,629

The following is the target asset allocation for the Company's single employer pension plans— Brewmatic Plan and Hourly Employees' Plan—for fiscal 2020:

	Fiscal 2020
U.S. large cap equity securities	37.0%
U.S. small cap equity securities	4.6%
International equity securities	22.4%
Debt securities	30.0%
Real estate	6.0%
Total	100.0%

Estimated Amounts in OCI Expected To Be Recognized

In fiscal 2020, the Company expects to recognize net periodic benefit costs of $1.4 million for the Brewmatic Plan and recognize net periodic benefit credit of $75,000 for the Hourly Employees' Plan.

Estimated Future Contributions and Refunds

In fiscal 2020, the Company expects to contribute $4.0 million to the Brewmatic Plan and does not expect to contribute to the Hourly Employees' Plan. The Company is not aware of any refunds expected from single employer pension plans.

Estimated Future Benefit Payments

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

(In thousands)	Brewmatic Plan	Hourly Employees' Plan
Year Ending:		
June 30, 2020	$ 6,720	$ 130
June 30, 2021	$ 6,550	$ 150
June 30, 2022	$ 6,770	$ 160
June 30, 2023	$ 6,940	$ 180
June 30, 2024	$ 7,060	$ 190
June 30, 2025 to June 30, 2029	$ 35,450	$ 1,100

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

Multiemployer Pension Plans

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

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

The Company received a letter dated July 10, 2018 from the WCT Pension Trust assessing withdrawal liability against the Company for a share of the WCTPP unfunded vested benefits, on the basis claimed by the WCT Pension Trust that employment actions by the Company in 2016 in connection with the Corporate Relocation Plan constituted a partial withdrawal from the WCTPP. The Company agreed with the WCT Pension Trust's assessment of pension withdrawal liability in the amount of $3.4 million, including interest, which is payable in 17 monthly installments of $190,507 followed by a final monthly installment of $153,822, commencing September 10, 2018. At June 30, 2019 the Company had $1.5 million on its consolidated balance sheet relating to this obligation in "Accrued payroll expenses."

In fiscal 2012, the Company withdrew from the Local 807 Labor-Management Pension Fund ("Pension Fund") and recorded a charge of $4.3 million associated with withdrawal from this plan, representing the present value of the estimated withdrawal liability expected to be paid in quarterly installments of $0.1 million over 80 quarters. 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. In December 2018, the parties agreed to settle the Company's remaining withdrawal liability to the Local 807 Pension Fund for a lump sum cash settlement payment of $3.0 million plus two remaining installment payments of $91,000 due on or before October 1, 2034 and on or before January 1, 2035. At June 30, 2019, the Company has paid the Local 807 Pension Fund $3.0 million and has accrued $0.2 million within "Accrued pension liabilities" on the Company's condensed consolidated balance sheet.

Future collective bargaining negotiations may result in the Company withdrawing from the remaining multiemployer pension plans in which it participates and, if successful, the Company may incur a withdrawal liability, the amount of which could be material to the Company's results of operations and cash flows.

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

(In thousands)	WCTPP(1)(2)(3)	All Other Plans(4)
Year Ended:		
June 30, 2019	$ 3,634	$ 39
June 30, 2018	$ 1,605	$ 35
June 30, 2017	$ 2,114	$ 39

(1) Individually significant plan.
(2) Less than 5% of total contribution to WCTPP based on WCTPP's FASB Disclosure Statement for the calendar year ended December 31, 2018.
(3) The Company guarantees that one hundred seventy-three (173) hours will be contributed upon for all employees who are compensated for all available straight time hours for each calendar month. An additional 6.5% of the basic contribution must be paid for PEER or the Program for Enhanced Early Retirement.
(4) Includes one plan that is not individually significant.

Multiemployer Plans Other Than Pension Plans

The Company participates in nine multiemployer defined contribution plans other than pension plans that provide medical, vision, dental and disability benefits for active, union-represented employees subject to collective bargaining agreements. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, and provide that participating employers make monthly contributions to the plans in an amount as specified in the collective bargaining agreements. Also, the plans provide that participants make self-payments to the plans, the amounts of which are negotiated through the collective bargaining process. The Company's participation in these plans is governed by collective bargaining agreements which expires on or before June 30, 2022. The Company's aggregate contributions to multiemployer plans other than pension plans in the fiscal years ended June 30, 2019, 2018 and 2017 were $5.2 million, $4.8 million and $5.3 million, respectively. The Company expects to contribute an aggregate of $5.8 million towards multiemployer plans other than pension plans in fiscal 2020.

401(k) Plan

The Company's 401(k) Plan is available to all eligible employees. The Company's 401(k) match portion is available to all eligible employees who have worked more than 1,000 hours during a calendar year and were employed at the end of the calendar year. Participants in the 401(k) Plan may choose to contribute a percentage of their annual pay subject to the maximum contribution allowed by the Internal Revenue Service. The Company's matching contribution is discretionary, based on approval by the Company's Board of Directors. The Company matching contribution for the calendar years 2019, 2018 and 2017, was 50% of an employee's annual contribution to the 401(k) Plan, up to 6% of the employee's eligible income. The Company recorded matching contributions of $2.2 million, $2.0 million and $1.6 million in operating expenses for the fiscal years ended June 30, 2019, 2018 and 2017, respectively.

Effective January 1, 2019, the Company amended and restated the 401(k) Plan to, among other things, provide for: (i) an annual safe harbor non-elective contribution of shares of the Company’s common stock equal to 4% of each eligible participant’s annual plan compensation; (ii) an elective matching contribution for non-collectively bargained employees and certain union-represented employees equal to 100% of the first 3% of such eligible participant’s tax-deferred contributions to the 401(k) Plan; and (iii) profit-sharing contributions at the Company’s discretion. Participants are immediately vested in their contributions, the safe harbor non-elective contributions, the employer’s elective matching contributions, and the employer’s discretionary contributions. For the fiscal year ended June 30, 2019, the Company contributed a total of 90,105 shares of the Company’s common stock with a value of $1.6 million to eligible participants’ annual plan compensation. In July 2019, 52,534 shares of the 90,105 shares were issued.

Postretirement Benefits

The Company sponsors a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees (“Retiree Medical Plan”). The plan provides medical, dental and vision coverage for retirees under age 65 and medical coverage only for retirees age 65 and above. Under this postretirement plan, the Company’s contributions toward premiums for retiree medical, dental and vision coverage for participants and dependents are scaled based on length of service, with greater Company contributions for retirees with greater length of service, subject to a maximum monthly Company contribution. The Company's retiree medical, dental and vision plan is unfunded, and its liability was calculated using an assumed discount rate of 3.6% at June 30, 2019. The Company projects an initial medical trend rate of 8.1% in fiscal 2020, ultimately reducing to 4.5% in 10 years.

The Company also provides a postretirement death benefit (“Death Benefit”) to certain of its employees and retirees, subject, in the case of current employees, to continued employment with the Company until retirement and certain other conditions related to the manner of employment termination and manner of death. The Company records the actuarially determined liability for the present value of the postretirement death benefit. The Company has purchased life insurance policies to fund the postretirement death benefit wherein the Company owns the policy but the postretirement death benefit is paid to the employee's or retiree's beneficiary. The Company records an asset for the fair value of the life insurance policies which equates to the cash surrender value of the policies.

Retiree Medical Plan and Death Benefit

The following table shows the components of net periodic postretirement benefit cost for the Retiree Medical Plan and Death Benefit for the fiscal years ended June 30, 2019, 2018 and 2017. Net periodic postretirement benefit cost for fiscal 2019 was based on employee census information as of June 30, 2019.

	Year Ended June 30,		
(In thousands)	2019	2018	2017
Components of Net Periodic Postretirement Benefit Cost (Credit):			
Service cost	$ 530	$ 609	$ 760
Interest cost	887	835	829
Amortization of net gain	(834)	(841)	(630)
Amortization of prior service credit	(1,757)	(1,757)	(1,757)
Net periodic postretirement benefit (credit) cost	$ (1,174)	$ (1,154)	$ (798)

The difference between the assets and the Accumulated Postretirement Benefit Obligation (APBO) at the adoption of ASC 715-60 was established as a transition (asset) obligation and is amortized over the average expected future service for active employees as measured at the date of adoption. Any plan amendments that retroactively increase benefits create prior service cost. The increase in the APBO due to any plan amendment is established as a base and amortized over the average remaining years of service to the full eligibility date of active participants who are not yet fully eligible for benefits at the plan amendment date. Gains and losses due to experience different than that assumed or from changes in actuarial assumptions are not immediately recognized.

The tables below show the remaining bases for the transition (asset) obligation, prior service cost (credit), and the calculation of the amortizable gain or loss.

Amortization Schedule

Transition (Asset) Obligation: The transition (asset) obligations have been fully amortized.

Prior service cost (credit)-Medical only ($ in thousands):

Date Established	Balance at July 1, 2019	Annual Amortization	Years Remaining
January 1, 2008	$ (41)	$ 41	0.2
July 1, 2012	(6,895)	1,527	4.5
	$ (6,936)	$ 1,568	

	Retiree Medical Plan		Death Benefit	
	Year Ended June 30,		Year Ended June 30,	
($ in thousands)	2019	2018	2019	2018
Amortization of Net (Gain) Loss:				
Net (gain) loss as of July 1	$ (7,039)	$ (9,206)	$ 1,878	$ 1,201
Net (gain) loss subject to amortization	(7,039)	(9,206)	1,878	1,201
Corridor (10% of greater of APBO or assets)	1,490	1,280	919	(848)
Net (gain) loss in excess of corridor	$ (5,549)	$ (7,926)	$ 2,797	$ 353
Amortization years	8.6	8.9	6.5	6.4

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

	As of June 30,	
(In thousands)	**2019**	**2018**
Change in Benefit Obligation:		
Projected postretirement benefit obligation at beginning of year	$ 21,283	$ 20,680
Service cost	530	609
Interest cost	887	835
Participant contributions	605	699
Actuarial gains (losses)	2,010	(70)
Benefits paid	(1,223)	(1,470)
Projected postretirement benefit obligation at end of year	$ 24,092	$ 21,283

	Year Ended June 30,	
(In thousands)	**2019**	**2018**
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ —	$ —
Employer contributions	618	771
Participant contributions	605	699
Benefits paid	(1,223)	(1,470)
Fair value of plan assets at end of year	$ —	$ —
Projected postretirement benefit obligation at end of year	24,092	21,283
Funded status of plan	$ (24,092)	$ (21,283)

	June 30,	
(In thousands)	**2019**	**2018**
Amounts Recognized in the Consolidated Balance Sheets Consist of:		
Current liabilities	$ (1,068)	$ (810)
Non-current liabilities	(23,024)	(20,473)
Total	$ (24,092)	$ (21,283)

	Year Ended June 30,	
(In thousands)	**2019**	**2018**
Amounts Recognized in AOCI Consist of:		
Net gain	$ (5,160)	$ (8,005)
Prior service credit	(6,936)	(8,693)
Total AOCI	$ (12,096)	$ (16,698)

	Year Ended June 30,	
(In thousands)	**2019**	**2018**
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI:		
Unrecognized actuarial gains (loss)	$ 2,010	$ (70)
Amortization of net loss	835	840
Amortization of prior service cost	1,757	1,757
Total recognized in OCI	4,602	2,527
Net periodic benefit cost	(1,174)	(1,154)
Total recognized in net periodic benefit credit and OCI	$ 3,428	$ 1,373

The estimated net gain and prior service credit that will be amortized from AOCI into net periodic benefit cost in fiscal 2020 are $0.6 million and $1.6 million, respectively.

(In thousands)		
Estimated Future Benefit Payments:		
Year Ending:		
June 30, 2020	$	1,087
June 30, 2021	$	1,138
June 30, 2022	$	1,173
June 30, 2023	$	1,220
June 30, 2024	$	1,248
June 30, 2025 to June 30, 2029	$	7,116
Expected Contributions:		
June 30, 2020	$	1,087

Sensitivity in Fiscal 2020 Results

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percentage point change in assumed health care cost trend rates would have the following effects in fiscal 2020:

	1-Percentage Point	
(In thousands)	Increase	Decrease
Effect on total of service and interest cost components	$ 67	$ (58)
Effect on accumulated postretirement benefit obligation	$ 814	$ (745)

Note 14. Revolving Credit Facility

On November 6, 2018, the Company entered into a new $150.0 million senior secured revolving credit facility (the “New Revolving Facility”) with Bank of America, N.A, Citibank, N.A., JPMorgan Chase Bank, N.A., PNC Bank, National Association, Regions Bank, and SunTrust Bank, with a sublimit on letters of credit and swingline loans of $15.0 million each. The New Revolving Facility includes an accordion feature whereby the Company may increase the revolving commitments or enter into one or more tranches of incremental term loans, up to an additional $75.0 million in aggregate of increased commitments and incremental term loans, subject to certain conditions. The commitment fee is based on a leverage grid and ranges from 0.20% to 0.40%. Borrowings under the New Revolving Facility bear interest based on a leverage grid with a range of PRIME + 0.25% to PRIME + 0.875% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 1.875%. Effective March 27, 2019, the Company entered into a Rate Swap utilizing a notional amount of $80.0 million, with an effective date of April 11, 2019 and a maturity date of October 11, 2023. Under the terms of the Rate Swap, the Company receives 1-month LIBOR, subject to a 0% floor, and makes payments based on a fixed rate of 2.1975%. The Company’s obligations under the ISDA are secured by the collateral which secures the loans under the New Revolving Facility on a pari passu and pro rata basis with the principal of such loans. The Company has designated the Rate Swap derivative instruments as a cash flow hedge.

Under the New Revolving Facility, the Company is subject to a variety of affirmative and negative covenants of types customary in a senior secured lending facility, including financial covenants relating to leverage and interest expense coverage. The Company is allowed to pay dividends, provided, among other things, a total net leverage ratio is met, and no default exists or has occurred and is continuing as of the date of any such payment and after giving effect thereto. The New Revolving Facility matures on November 6, 2023, subject to the ability for the Company (subject to certain conditions) to agree with lenders who so consent to extend the maturity date of the commitments of such consenting lenders for a period of one year, such option being exercisable not more than two times during the term of the facility.

The New Revolving Facility replaced, by way of amendment and restatement, the Company’s senior secured revolving credit facility (the “Prior Revolving Facility”) with JPMorgan Chase Bank, N.A. and SunTrust Bank, with revolving commitments of $125.0 million as of September 30, 2018 and $135.0 million as of October 18, 2018 (the “Third Amendment Effective Date”), subject to an accordion feature. Under the Prior Revolving Facility, as amended, advances were based on the Company’s eligible accounts receivable, inventory and equipment, the value of certain real property and trademarks, and an amount based on the lesser of $10.0 million (subject to monthly reduction) and the sum of certain eligible accounts receivable and inventory, less required reserves. The commitment fee was a flat fee of 0.25% per annum. Outstanding obligations were collateralized by all of the Company’s assets, excluding, amongst other things, certain real property not included in the borrowing base. Borrowings under the Prior Revolving Facility bore interest 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%; provided, that, after the Third Amendment Effective Date, (i) the applicable rate was PRIME + 0.25% or Adjusted LIBO Rate + 1.75%; and (ii) loans up to certain formula amounts were subject to an additional margin ranging from 0.375% to 0.50%. The Prior Revolving Facility included a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including a financial covenant relating to the maintenance of a fixed charge coverage ratio, and provided for customary events of default.

At June 30, 2019, the Company was eligible to borrow up to a total of $150.0 million under the New Revolving Facility and had outstanding borrowings of $92.0 million and had utilized $2.3 million of the letters of credit sublimit. At June 30, 2019 and 2018, the weighted average interest rate on the Company’s outstanding borrowings subject to interest rate variability under the New Revolving Facility was 3.98% and 4.10%, respectively, and the Company was in compliance with all of the covenants under the New Revolving Facility.

The Company classifies borrowings contractually due to be settled one year or less as short-term and more than one year as long-term. Outstanding borrowings under the Company’s revolving credit facility were classified on the Company’s consolidated balance sheets as “Long-term borrowings under revolving credit facility” at June 30, 2019 and “Short-Term borrowings under revolving credit facility” at June 30, 2018.

Note 15. Employee Stock Ownership Plan

As of December 31, 2018, the Company froze the ESOP such that (i) no employees of the Company may commence participation in the ESOP on or after December 31, 2018; (ii) no Company contributions will be made to the ESOP with respect to services performed or compensation received after December 31, 2018; and (iii) the ESOP accounts of all individuals who are actively employed by the Company and participating in the ESOP on December 31, 2018 will be fully vested as of such date. Additionally, the Administrative Committee, with the consent of the Board of Directors, designated certain employees who were terminated in connection with certain reductions-in-force in 2018 to be fully vested in their ESOP accounts as of their severance dates.

The Company's ESOP was established in 2000. The plan was a leveraged ESOP in which the Company was the lender. One of the two loans established to fund the ESOP matured in fiscal 2016 and the remaining loan was scheduled to mature in December 2018. The loan was repaid from the Company's discretionary plan contributions over the original 15 year term with a variable rate of interest. The annual interest rate was 3.71% at December 31, 2018 when the plan was frozen.

	As of June 30,		
	2019	2018	2017
Loan amount (in thousands)	$—	$2,145	$4,289

Shares were held by the plan trustee for allocation among participants as the loan was repaid. The unencumbered shares were allocated to participants using a compensation-based formula. Subject to vesting requirements, allocated shares are owned by participants and shares are held by the plan trustee until the participant retires.

Historically, the Company used the dividends, if any, on ESOP shares to pay down the loans, and allocated to the ESOP participant shares equivalent to the fair market value of the dividends they would have received. No dividends were paid in fiscal 2019, 2018 or 2017.

During the fiscal years ended June 30, 2019, 2018 and 2017, the Company charged $0.9 million, $2.3 million and $2.5 million, respectively, to compensation expense related to the ESOP. The difference between cost and fair market value of committed to be released shares was recorded as additional paid-in-capital.

	As of June 30,	
	2019	2018
Allocated shares	1,393,530	1,502,323
Committed to be released shares	—	73,826
Unallocated shares	—	72,114
Total ESOP shares	1,393,530	1,648,263
(In thousands)		
Fair value of ESOP shares	$ 22,812	$ 50,354

Note 16. Share-based Compensation

Farmer Bros. Co. 2017 Long-Term Incentive Plan

On June 20, 2017 (the "Effective Date"), the Company's stockholders approved the Farmer Bros. Co. 2017 Long-Term Incentive Plan (the "2017 Plan"). The 2017 Plan succeeded the Company's prior long-term incentive plans, the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (the "Amended Equity Plan") and the Farmer Bros. Co. 2007 Omnibus Plan (collectively, the "Prior Plans"). On the Effective Date, the Company ceased granting awards under the Prior Plans; however, awards outstanding under the Prior Plans will remain subject to the terms of the applicable Prior Plan.

The 2017 Plan provides for the grant of stock options (including incentive stock options and non-qualified stock options), stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance shares and other stock- or cash-based awards to eligible participants. Non-employee directors of the Company and employees of the Company or any of its subsidiaries are eligible to receive awards under the 2017 Plan. The 2017 Plan authorizes the issuance of (i) 900,000 shares of common stock plus (ii) the number of shares of common stock subject to awards under the Company's Prior Plans that are outstanding as of the Effective Date and that expire or are forfeited, cancelled or similarly lapse following the Effective Date. Subject to certain limitations, shares of common stock covered by awards granted under the 2017 Plan that are forfeited, expire or lapse, or are repurchased for or paid in cash, may be used again for new grants under the 2017 Plan. As of June 30, 2019, there were 1,021,771 maximum shares available under the 2017 Plan including shares that were forfeited under the Prior Plans of which 740,429 shares remain available for future issuance. Shares of common stock granted under the 2017 Plan may be authorized but unissued shares, shares purchased on the open market or treasury shares. In no event will more than 900,000 shares of common stock be issuable pursuant to the exercise of incentive stock options under the 2017 Plan.

The 2017 Plan includes annual limits on certain awards that may be granted to any individual participant. The maximum aggregate number of shares of common stock with respect to all stock options and stock appreciation rights that may be granted to any one person during any calendar year is 250,000 shares. The 2017 Plan also includes limits on the maximum aggregate amount that may become payable pursuant to all performance bonus awards that may be granted to any one person during any calendar year and the maximum amount that may become payable pursuant to all cash-based awards granted under the 2017 Plan and the aggregate grant date fair value of all equity-based awards granted under the 2017 Plan to any non-employee director during any calendar year for services as a member of the Board.

The 2017 Plan contains a minimum vesting requirement, subject to limited exceptions, that awards made under the 2017 Plan may not vest earlier than the date that is one year following the grant date of the award. The 2017 Plan also contains provisions with respect to payment of exercise or purchase prices, vesting and expiration of awards, adjustments and treatment of awards upon certain corporate transactions, including stock splits, recapitalizations and mergers, transferability of awards and tax withholding requirements.

The 2017 Plan may be amended or terminated by the Board at any time, subject to certain limitations requiring stockholder consent or the consent of the applicable participant. In addition, the administrator may not, without the approval of the Company's stockholders, authorize certain re-pricings of any outstanding stock options or stock appreciation rights granted under the 2017 Plan. The 2017 Plan will expire on June 20, 2027.

Non-qualified stock options with time-based vesting ("NQOs")

One-third of the total number of NQO vest ratably on each of the first three anniversaries of the grant date, contingent on continued employment, and subject to accelerated vesting in certain circumstances.

Following are the assumptions used in the Black-Scholes valuation model for NQOs granted on the date of the grant during the fiscal years ended June 30, 2019, 2018 and 2017:

	Year Ended June 30,		
	2019	2018	2017
Weighted average fair value of NQOs	$ 7.78	$ 10.41	$ —
Risk-free interest rate	3.0%	2.0%	—%
Dividend yield	—%	—%	—%
Average expected term	4.6 years	4.6 years	0
Expected stock price volatility	29.6%	35.4%	—%

The Company's assumption regarding expected stock price volatility is based on the historical volatility of the Company's stock price. The risk-free interest rate is based on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the expected life of the stock options. The average expected term is based on historical weighted time outstanding and the expected weighted time outstanding calculated by assuming the settlement of outstanding awards at the midpoint between the vesting date and the end of the contractual term of the award. Currently, management estimates an annual forfeiture rate of 13.0% based on actual forfeiture experience. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The following table summarizes NQO activity for the year ended June 30, 2019:

Outstanding NQOs:	Number of NQOs	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2018	161,324	26.82	5.1	741
Granted	154,263	25.04	—	—
Exercised	(28,798)	11.32	—	466
Forfeited	(87,861)	27.53	—	—
Expired	(879)	31.70	—	—
Outstanding at June 30, 2019	198,049	27.35	5.25	40
Exercisable at June 30, 2019	50,229	27.72	2.93	40

The weighted-average grant-date fair value of options granted during the year ended June 30, 2019 was $8.66.

The aggregate intrinsic values outstanding at the end of each fiscal period in the table above represent the total pretax intrinsic value, based on the Company's closing stock price of $16.37 at June 28, 2019 and $30.55 at June 29, 2018, representing the last trading day of the respective fiscal years, which would have been received by NQO holders had all award holders exercised their NQOs that were in-the-money as of those dates. The aggregate intrinsic value of NQO exercises in each fiscal period above represents the difference between the exercise price and the value of the Company's common stock at the time of exercise. NQOs outstanding that are expected to vest are net of estimated forfeitures.

The Company received $0.3 million, $1.1 million and $0.5 million in proceeds from exercises of vested NQOs in fiscal 2019, 2018 and 2017, respectively.

As of June 30, 2019 and 2018, respectively, there was $1.1 million and $1.0 million of unrecognized compensation cost related to NQOs. The unrecognized compensation cost related to NQOs at June 30, 2019 is expected to be recognized over the weighted average period of 2.03 years. Total compensation expense for NQOs was $0.5 million, $0.3 million and $0.1 million in fiscal 2019, 2018 and 2017, respectively.

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

PNQ shares granted for each fiscal year are subject to forfeiture if a target modified net income goal is not attained. For this purpose, "Modified Net Income" is defined as net income (GAAP) before taxes and excluding any gains or losses from sales of assets, and excluding the effect of restructuring and other transition expenses. These PNQs have an exercise price equal the closing price of the Company's common stock on the date of grant. One-third of the total number of shares subject to each such stock option vest ratably on each of the first three anniversaries of the grant date, contingent on continued employment, and subject to accelerated vesting in certain circumstances.

Following are the assumptions used in the Black-Scholes valuation model for PNQs granted during the fiscal year ended, June 30, 2017, (PNQ shares were not granted during the fiscal years ended June 30, 2019 and 2018):

	Year Ended June 30,
	2017
Weighted average fair value of PNQs	$ 11.42
Risk-free interest rate	1.5%
Dividend yield	—%
Average expected term	4.9 years
Expected stock price volatility	37.7%

The following table summarizes PNQ activity for the year ended June 30, 2019:

Outstanding PNQs:	Number of PNQs	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2018	300,708	27.08	4.0	1,207
Granted	—	—	—	—
Exercised	(5,806)	22.70	—	—
Forfeited	(50,451)	31.45	—	—
Expired	(14,490)	27.50	—	—
Outstanding at June 30, 2019	229,961	26.21	1.23	—
Exercisable at June 30, 2019	203,021	25.48	0.86	—

The aggregate intrinsic values outstanding at the end of each fiscal period in the table above represent the total pretax intrinsic values, based on the Company's closing stock price of $16.37 at June 28, 2019 and $30.55 at June 29, 2018, representing the last trading day of the respective fiscal years, which would have been received by PNQ holders had all award holders exercised their PNQs that were in-the-money as of those dates. The aggregate intrinsic value of PNQ exercises in each fiscal period represents the difference between the exercise price and the value of the Company's common stock at the time of exercise. PNQs outstanding that are expected to vest are net of estimated forfeitures.

The Company received $0.1 million, $0.3 million and $0.2 million in proceeds from exercises of vested PNQs in fiscal 2019, 2018 and 2017, respectively.

As of June 30, 2019 and 2018, there was $39.7 thousand and $0.5 million, respectively, of unrecognized compensation cost related to PNQs. The unrecognized compensation cost related to PNQs at June 30, 2019 is expected to be recognized over the weighted average period of 0.36 years. Total compensation expense related to PNQs in fiscal 2019, 2018 and 2017 was $0.3 million, $0.8 million and $1.1 million, respectively.

Restricted Stock

Restricted stock awards cliff vest on the earlier of the one year anniversary of the grant date or the date of the first annual meeting of the Company's stockholders immediately following the grant date, in the case of non-employee directors, and the third anniversary of the grant date, in the case of eligible employees, in each case subject to continued service to the Company through the vesting date and the acceleration provisions of the 2017 Plan and restricted stock agreement. Restricted stock is expected to vest net of estimated forfeitures.

The following table summarizes restricted stock activity for the year ended June 30, 2019:

Outstanding and Nonvested Restricted Stock Awards:	Shares Awarded	Weighted Average Grant Date Fair Value ($)
Outstanding at June 30, 2018	14,958	33.48
Granted	30,352	20.8
Exercised/Released	(13,254)	33.7
Cancelled/Forfeited	—	—
Outstanding and nonvested at June 30, 2019	32,056	21.1

The total grant-date fair value of restricted stock granted during the year ended June 30, 2019 was $0.7 million.

As of June 30, 2019 and 2018, there was 0.4 million and $0.3 million, respectively, of unrecognized compensation cost related to restricted stock. The unrecognized compensation cost related to restricted stock at June 30, 2019 is expected to be recognized over the weighted average period of 0.74 years. Total compensation expense for restricted stock was $23.0 thousand, $0.3 million and $0.2 million, for the fiscal years ended June 30, 2019, 2018 and 2017, respectively.

Performance-Based Restricted Stock Units ("PBRSUs")

The PBRSU awards cliff vest on the third anniversary of the date of grant based on the Company's achievement of certain financial performance goals during the performance periods, subject to certain continued employment conditions and subject to acceleration provisions of the 2017 Plan and restricted stock unit agreement. At the end of the three-year performance period, the number of PBRSUs that actually vest will be 0% to 150% of the target amount, depending on the extent to which the Company meets or exceeds the achievement of those financial performance goals measured over the full three-year performance period. PBRSUs are expected to vest net of estimated forfeitures.

The following table summarizes PBRSU activity for the year ended June 30, 2019:

Outstanding and Nonvested PBRSUs:	PBRSUs Awarded	Weighted Average Grant Date Fair Value ($)
Outstanding and nonvested at June 30, 2018	35,732	31.70
Granted(1)	47,928	25.04
Vested/Released	—	—
Cancelled/Forfeited	(32,423)	28.19
Outstanding and nonvested at June 30, 2019	51,237	27.69
Expected to vest at June 30, 2019	—	—

The total grant-date fair value of PBRSUs granted during the year ended June 30, 2019 was $1.2 million.

As of June 30, 2019 and 2018, there was $0.3 million and $0.9 million, respectively, of unrecognized compensation cost related to PBRSUs. The unrecognized compensation cost related to PBRSUs at June 30, 2019 is expected to be recognized over the weighted average period of 2.04 years. Total compensation expense for PBRSUs was $0.2 million for the year ended June 30, 2018. There was no compensation expense for PBRSUs for the fiscal years ended June 30, 2019 and 2017.

Note 17. Other Current Liabilities

Other current liabilities consist of the following:

	As of June 30,	
(In thousands)	2019	2018
Accrued postretirement benefits	$ 1,068	$ 810
Accrued workers' compensation liabilities	1,495	1,698
Short-term pension liabilities(1)	—	3,761
Earnout payable(2)	1,000	600
Working capital dispute payable(3)	354	—
Other(4)	3,392	3,790
Other current liabilities	$ 7,309	$ 10,659

(1) Amount recorded at June 30, 2018 represents the present value of the Company's estimated withdrawal liability under the Local 807 Pension Fund, which was settled as of December 31, 2018.
(2) Represents the estimated fair value of earnout payable in connection with the Company's acquisition of substantially all of the assets of West Coast Coffee completed on February 7, 2017.
(3) Represents accrued expenses related to working capital disputes in connection with the Company's acquisition of Boyd Coffee on October 2, 2017.
(4) Includes accrued property taxes, sales and use taxes, insurance liabilities and the current portion of cumulative preferred dividends, undeclared and unpaid.

Note 18. Other Long-Term Liabilities

Other long-term liabilities include the following:

	As of June 30,	
(In thousands)	2019	2018
Long-term obligations under capital leases	$ (2)	$ 58
Derivative liabilities—noncurrent	1,612	386
Multiemployer Plan Holdback—Boyd Coffee (1)	—	1,056
Cumulative preferred dividends, undeclared and unpaid—noncurrent	618	312
Deferred income taxes (2)	1,795	—
Other long-term liabilities	$ 4,023	$ 1,812

(1) On January 8, 2019, Boyd Coffee notified the Company of the assessment of $0.5 million in withdrawal liability against the Seller, which the Company timely paid from the Multiemployer Plan Holdback during the three months ended March 31, 2019. The Company has applied the remaining amount of the Multiemployer Plan Holdback of $0.5 million towards satisfaction of the Seller's post-closing net working capital deficiency under the Asset Purchase Agreement as of June 30, 2019.
(2) Represents deferred tax liabilities that have an indefinite reversal pattern.

Note 19. Income Taxes

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

	For the Years Ended June 30,		
(In thousands)	2019	2018	2017
Current:			
Federal	$ (1,774)	$ 101	$ 132
State	231	56	340
Total current income tax (benefit) expense	(1,543)	157	472
Deferred:			
Federal	30,618	17,090	12,120
State	11,036	65	2,223
Total deferred income tax expense	41,654	17,155	14,343
Income tax expense	**$ 40,111**	**$ 17,312**	**$ 14,815**

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

	For the Years Ended June 30,		
(In thousands)	2019	2018	2017
Statutory tax rate	**21%**	**28%**	**35%**
Income tax (benefit) expense at statutory rate	$ (7,032)	$ (272)	$ 13,078
State income tax (benefit) expense, net of federal tax benefit	(1,295)	12	1,707
Dividend income exclusion	—	—	(134)
Valuation allowance	50,123	283	(14)
Change in tax rate	124	18,022	(54)
Retiree life insurance	—	19	1
Other (net)	(1,809)	(752)	231
Income tax expense	**$ 40,111**	**$ 17,312**	**$ 14,815**

On December 22, 2017, the President of the United States signed into law the Tax Act. The SEC subsequently issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Act. Under SAB 118, companies are able to record a reasonable estimate of the impacts of the Tax Act if one is able to be determined and report it as a provisional amount during the measurement period. The measurement period is not to extend beyond one year from the enactment date. Impacts of the Tax Act that a company is not able to make a reasonable estimate for should not be recorded until a reasonable estimate can be made during the measurement period. The incremental net tax impact recorded upon completion of the analysis of the income tax effects of the U.S. tax law changes was not material to our Consolidated Condensed Financial Statements.

Pursuant to the Tax Act, the federal corporate tax rate was reduced to 21.0%, effective for the tax years beginning on or after January 1, 2018. Deferred tax amounts are calculated based on the rates at which they are expected to reverse in the future. The provisional amount recorded in fiscal 2018 relating to the re-measurement of the Company’s deferred tax balances as a result of the reduction in the corporate tax rate was $18.0 million. The Company finalized its assessment of the income tax effects of the Tax Act in the second quarter of fiscal years ended June 30, 2019.

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

	As of June 30,	
(In thousands)	2019	2018
Deferred tax assets:		
Postretirement benefits	$ 20,775	$ 18,862
Accrued liabilities	5,042	4,754
Net operating loss carryforwards	37,768	32,552
Other	5,950	6,728
Total deferred tax assets	**69,535**	**62,896**
Deferred tax liabilities:		
Fixed assets	(15,562)	(16,156)
Other	(3,749)	(5,536)
Total deferred tax liabilities	(19,311)	(21,692)
Valuation allowance	(52,019)	(1,896)
Net deferred tax assets (liabilities)	**$ (1,795)**	**$ 39,308**

As a result of adopting ASU 2016-09 in fiscal 2018 on a modified retrospective basis, with a cumulative effect adjustment to opening retained earnings, the table of deferred tax assets and liabilities shown above includes deferred tax assets at June 30, 2017 that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting.

At June 30, 2019, the Company had approximately $146.8 million in federal and $113.4 million in state net operating loss carryforwards that will expire from June 30, 2020 to June 30, 2030. Additionally, at June 30, 2019, the Company had $0.8 million of federal business tax credits that will expire from June 30, 2025 to June 30, 2038 and approximately $1.7 million of federal alternative minimum tax credits that do not expire, and of which $0.8 million is currently refundable.

At June 30, 2019, the Company had total deferred tax assets of $69.5 million and net deferred tax assets of $50.2 million before valuation allowance of $52.0 million. In assessing if the deferred tax assets will be realized, the Company considers whether it is probable that some or all of the deferred tax assets will not be realized. In determining whether the deferred taxes are realizable, the Company considers the period of expiration of the tax asset, historical and projected taxable income, and tax liabilities for the tax jurisdiction in which the tax asset is located. Valuation allowances are provided to reduce the amounts of deferred tax assets to an amount that is more likely than not to be realized based on an assessment of positive and negative evidence, including estimates of future taxable income necessary to realize future deductible amounts.

For the years ended June 30, 2019, 2018 and 2017, due to recent cumulative losses, the Company conclude that certain federal and state net operating loss carry forwards and tax credit carryovers will not be utilized before expiration. The amounts of valuation allowance recorded in the Consolidated Balance Sheets were $52.0 million, $1.9 million and $1.6 million to reduce deferred tax assets in fiscal 2019, 2018 and 2017, respectively. The Company's valuation allowance increased in fiscal 2019 and 2018 by $50.1 million and $0.3 million, respectively.

As of, and for the three years ended June 30, 2019, 2018 and 2017, the Company had no significant uncertain tax positions.

The Company files income tax returns in the U.S. and in various state jurisdictions with varying statutes of limitations. The Company is no longer subject to U.S. income tax examinations for the fiscal years prior to June 30, 2016. Although the outcome of tax audits is always uncertain, the Company does not believe the outcome of any future audit will have a material adverse effect on the Company's consolidated financial statements.

The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. There were no amount of interest and penalties recognized in the Consolidated Balance Sheets in the fiscal years ended June 30, 2019 and 2018, associated with uncertain tax positions. Additionally, the Company did not record any income tax expense related to interest and penalties on uncertain tax positions in the fiscal years ended June 30, 2019, 2018 and 2017, respectively.

Note 20. Net (Loss) Income Per Common Share

Basic net income (loss) per common share is calculated by dividing net income (loss) attributable to the Company by the weighted average number of common shares outstanding during the periods presented. Diluted net income (loss) per common share is calculated by dividing diluted net income (loss) attributable to the Company by the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, unvested restricted stock, performance-based restricted stock units, and shares of Series A Preferred Stock, as converted, during the periods presented.

The following table presents the computation of basic and diluted earnings per common share:

	For the Years Ended June 30,		
(In thousands, except share and per share amounts)	2019	2018	2017
Undistributed net (loss) income available to common stockholders	$ (74,054)	$ (18,652)	$ 22,524
Undistributed net (loss) income available to nonvested restricted stockholders and holders of convertible preferred stock	(76)	(17)	27
Net (loss) income available to common stockholders—basic	$ (74,130)	$ (18,669)	$ 22,551
Weighted average common shares outstanding—basic	16,996,354	16,815,020	16,668,745
Effect of dilutive securities:			
Shares issuable under stock options	—	—	117,007
Weighted average common shares outstanding—diluted	16,996,354	16,815,020	16,785,752
Net (loss) income per common share available to common stockholders—basic	$ (4.36)	$ (1.11)	$ 1.35
Net (loss) income per common share available to common stockholders—diluted	$ (4.36)	$ (1.11)	$ 1.34

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

	For the Years Ended June 30,		
(In thousands)	2019	2018	2017
Shares issuable under stock options	—	462,032	24,671
Shares issuable under convertible preferred stock	407,734	393,769	—
Shares issuable under PBRSUs	—	35,732	—

Note 21. Preferred Stock

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

Series A Convertible Participating Cumulative Perpetual Preferred Stock

The Series A Preferred Stock (a) pays a dividend, when, as and if declared by the Company's Board of Directors, of 3.5% APR of the stated value per share, payable quarterly in arrears, (b) has an initial stated value of $1,000 per share, adjustable up or down by the amount of undeclared and unpaid dividends or subsequent payment of accumulated dividends thereon, respectively, and (c) has a conversion price of $38.32. Dividends may be paid in cash. The Company accrues for undeclared and unpaid dividends as they are payable in accordance with the terms of the Certificate of Designations filed with the Secretary of State of the State of Delaware. At June 30, 2019, the Company had undeclared and unpaid preferred dividends of $924,347 on 14,700 issued and outstanding shares of Series A Preferred Stock. Series A Preferred Stock is a participating security and has rights to earnings that otherwise would have been available to holders of the Company's common stock. On an as converted basis, holders of Series A Preferred Stock are entitled to vote together with the holders of the Company's common stock and are entitled to share in the dividends on the Company's common stock, when declared. Each share of Series A Preferred Stock is convertible into the number of shares of the Company's common stock (rounded down to the nearest whole share and subject to adjustment in accordance with the terms of the Certificate of Designations) equal to the stated value per share of Series A Preferred Stock divided by the conversion price of $38.32. Series A Preferred Stock is a perpetual stock and is not redeemable at the election of the Company or any holder. Based on its characteristics, the Company classified Series A Preferred Stock as permanent equity.

At June 30, 2019, Series A Preferred Stock consisted of the following:

(In thousands, except share and per share amounts)

Shares Authorized	Shares Issued and Outstanding	Stated Value per Share	Carrying Value	Cumulative Preferred Dividends, Undeclared and Unpaid	Liquidation Preference
21,000	14,700	$ 1,063	15,624	$ 924	$ 15,624

Note 22. Commitments and Contingencies

Operating Leases

The Company leases buildings, machinery and equipment, computer hardware and furniture and fixtures. All contractual increases and rent-free periods included in the lease contract are taken into account when calculating the minimum lease payment and are recognized on a straight-line basis over the lease term. Certain leases have renewal periods which are not included in the table below. The leases expire in various years ranging from 2020 to 2028.

Rent expenses paid for the fiscal years ended June 30, 2019, 2018 and 2017 were $6.4 million, $5.5 million and $5.1 million, respectively.

The minimum annual payments under operating leases are as follows:

(In thousands)	Operating Lease Obligations
Year Ended June 30,	
2020	$ 4,434
2021	3,238
2022	2,472
2023	2,131
2024	2,025
Thereafter	4,389
Total	**$ 18,689**

Capital Leases

(In thousands)	Capital Lease Obligations
Year Ended June 30,	
2020	$ 36
2021	1
Total minimum lease payments	37
Less: imputed interest (0.82% to 10.66%)	(2)
Present value of future minimum lease payments	35
Less: current portion	34
Long-term capital lease obligations	$ 1

Purchase Commitments

As of June 30, 2019, the Company had committed to purchase green coffee inventory totaling $48.6 million under fixed-price contracts, $9.4 million in other inventory under non-cancelable purchase orders and $3.3 million in other purchases under non-cancelable purchase orders.

Legal Proceedings

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

On August 31, 2012, CERT filed an amendment to a private enforcement action adding a number of companies as defendants, the Company's subsidiary, Coffee Bean International, Inc., which sell coffee in California under the State of California's Safe Drinking Water and Toxic Enforcement Act of 1986, also known as Proposition 65. 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, or JDG, 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.

The JDG filed a pleading responding to claims and asserting affirmative defenses on January 22, 2013. The Court initially limited discovery to the four largest defendants, so the Company was not initially required to participate in discovery. The Court decided to handle the trial in two "phases," and the "no significant risk level" defense, the First Amendment defense, and the federal preemption defense were tried in the first phase. Trial commenced on September 8, 2014, and testimony completed on November 4, 2014, for the three "Phase 1" defenses.

Following final trial briefing, the Court heard, on April 9, 2015, final arguments on the Phase 1 issues. On September 1, 2015, the Court ruled against the JDG on the Phase 1 affirmative defenses. The JDG received permission to file an interlocutory appeal, which was filed by writ petition on October 14, 2015. On January 14, 2016, the Court of Appeals denied the JDG's writ petition thereby denying the interlocutory appeal so that the case stays with the trial court.

On February 16, 2016, the Plaintiff filed a motion for summary adjudication arguing that based upon facts that had been stipulated by the JDG, the Plaintiff 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 parties except for the four largest defendants. Following a hearing on April 20, 2016, the Court granted Plaintiff's motion for summary adjudication on its prima facie case. Plaintiff filed its motion for summary adjudication of affirmatives defenses on May 16, 2016. At the August 19, 2016 hearing on Plaintiff's motion for summary adjudication (and the JDG's opposition), the Court denied Plaintiff's motion, thus maintaining the ability of the JDG to defend the issues at trial. On October 7, 2016, the Court continued the Plaintiff's motion for preliminary injunction until the trial for Phase 2.

In November 2016, the parties pursued mediation, but were not able to resolve the dispute.

In December 2016, discovery resumed for all defendants. Depositions of "person most knowledgeable" witnesses for each defendant in the JDG commenced in late December and proceeded through early 2017, followed by new interrogatories served upon the defendants. The Court set a fact and discovery cutoff of May 31, 2017 and an expert discovery cutoff of August 4, 2017. Depositions of expert witnesses were completed by the end of July 2017. On July 6, 2017, the Court held hearings on a number of discovery motions and denied Plaintiff's motion for sanctions as to all the defendants.

At a final case management conference on August 21, 2017 the Court set August 31, 2017 as the new trial date for Phase 2, though later changed the starting date for trial to September 5, 2017. The Court elected to break up trial for Phase 2 into two segments, the first focused on liability and the second on remedies. After 14 days at trial, both sides rested on the liability segment, and the Court set a date of November 21, 2017 for the hearing for all evidentiary issues related to this liability segment. The Court also set deadlines for evidentiary motions, issues for oral argument, and oppositions to motions. This hearing date was subsequently moved to January 19, 2018.

On March 28, 2018, the Court issued a proposed statement of decision in favor of Plaintiff. Following evaluation of the parties' objections to the proposed statement of decision, the Court issued its final statement of decision on May 7, 2018 which was substantively similar to the proposed statement from March 2018. The issuance of a final statement of decision does not itself cause or order any remedy, such as any requirement to use a warning notice. Any such remedy, including any monetary damages or fee awards, would be resolved in Phase 3 of the trial.

On June 15, 2018, California’s Office of Environmental Health Hazard Assessment (OEHHA) announced its proposal of a regulation that would establish, for the purposes of Proposition 65, that chemicals present in coffee as a result of roasting or brewing pose no significant risk of cancer. If adopted, the regulation would, among other things, mean that Proposition 65 warnings would generally not be required for coffee. Plaintiff had earlier filed a motion for permanent injunction, prior to OEHHA’s announcement, asking that the Court issue an order requiring defendants to provide cancer warnings for coffee or remove the coffee products from store shelves in California. The JDG petitioned the Court to (1) renew and reconsider the JDG’s First Amendment defense from Phase 1 based on a recent U.S. Supreme Court decision in a First Amendment case that was decided in the context of Proposition 65; (2) vacate the July 31, 2018 hearing date and briefing schedule for Plaintiff’s permanent injunction motion; and (3) stay all further proceedings pending the conclusion of the rulemaking process for OEHHA’s proposed regulation. On June 25, 2018, the Court denied the JDG’s motion to vacate the hearing on Plaintiff’s motion for permanent injunction and added the motion to stay to the July 31, 2018 docket to be heard. At the July 31st hearing, the Court granted the JDG’s application and agreed to continue the hearing on all motions to September 6, 2018.

At the September 6, 2018 hearing, the Court denied the JDG’s First Amendment motion, and denied the motion to stay pending conclusion of OEHHA’s rulemaking process. The Plaintiff agreed to have the permanent injunction motion continued until after the remedies phase of the trial. The Court set the “Phase 3” remedies trial phase to begin on October 15, 2018.

On September 20, 2018, the JDG filed a writ petition with the California Court of Appeals, Second Appellate District, to set aside the lower court’s order denying the JDG’s motion to renew or reopen its First Amendment defense to the imposition of a cancer warning for their coffee products, or, alternatively, to set aside its order dated September 6, 2018, denying the JDG’s motion to stay this action pending adoption by the OEHHA of the proposed regulation. On October 12, 2018, the Court of Appeals issued a Temporary Stay Order. The Temporary Stay Order ordered the Phase 3 remedies trial be stayed until further notice and did not address the JDG’s First Amendment defense petition. The Court of Appeals also required the JDG to provide a written status update by January 15, 2019. Following the issuance of the Court of Appeal’s Temporary Stay Order, on October 15, 2018, the trial court issued a Notice of Court’s Ruling staying any further proceedings, including both remedies and liability, pending a ruling by the Court of Appeals.

At a December 3, 2018 status conference, the Court continued its stay on the Phase 3 remedies trial. The Court set another status conference for February 4, 2019 and asked that the JDG submit a joint status report on appellate activities by January 28, 2019.

The JDG provided their written status update to the Court of Appeals timely on January 15, 2019, which update reported that OEHHA had submitted the final regulation (unchanged from its proposed rulemaking) to the California Office of Administrative Law (OAL) for review. OAL had 30 working days (until February 19, 2019) to approve, reject, or submit questions to OEHHA concerning the regulation. On January 31, 2019, the Court of Appeals continued its Temporary Stay Order and required the JDG to provide a written update by April 15, 2019.

Prior to February 19, 2019, OAL raised questions to OEHHA concerning the regulation, specifically OEHHA’s authority to make a determination for chemicals in coffee whether or not presently listed under Prop 65. As a result, OEHHA decided to take back the regulation from OAL to address those issues. On March 15, 2019, OEHHA announced that it was amending the language of the regulation to make clear that the “no significant risk” determination applies only to chemicals in coffee that were listed under Prop 65 on or before March 15, 2019. OEHHA extended the public comment period until April 2, 2019. On April 23, 2019, OEHHA resubmitted the amended regulation and the supplemented version of the final statement of reasons to OAL. OAL had 30 working days - or until June 5 - to reject the regulation or approve and submit it to the Secretary of State for inclusion in the next version of the California Code of Regulations, which is updated quarterly. On June 3, 2019, OAL approved the amended regulation and submitted it to the Secretary of State, which means that it will take effect on October 1, 2019. The stay orders have since been lifted by the courts and the JDG is working through the effects of the amended regulation on this matter.

At this time, the Company is not able to predict the probability of the outcome or estimate of loss, if any, related to this matter.

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

Note 23. Revenue Recognition

On July 1, 2018, the Company adopted ASU 2014-09, using the modified retrospective method for all contracts not completed as of the date of adoption. Adoption of ASU 2014-09 did not have a material effect on the results of operations, financial position or cash flows of the Company. See Note 2.

The Company's primary sources of revenue are sales of coffee, tea and culinary products. The Company recognizes revenue when control of the promised good or service is transferred to the customer and in amounts that the Company expects to collect. The timing of revenue recognition takes into consideration the various shipping terms applicable to the Company's sales.

The Company delivers products to customers primarily through two methods, DSD to the Company's customers at their place of business and direct ship from the Company's warehouse to the customer's warehouse or facility. Each delivery or shipment made to a third party customer is to satisfy a performance obligation. Performance obligations generally occur at a point in time and are satisfied when control of the goods passes to the customer. The Company is entitled to collection of the sales price under normal credit terms in the regions in which it operates.

ASC Topic 606, "Revenue from Contracts with Customers" ("ASC Topic 606"), provides certain practical expedients in order to ease the burden of implementation. The Company elected to apply the practical expedient related to applying the guidance to a portfolio of contracts with similar characteristics as the Company does not expect the effects on its consolidated financial statements to differ materially from applying the guidance to the individual contracts within that portfolio. For customers that have executed substantially similar contracts, including the ones utilizing our standard forms, the Company believes that evaluation of these contracts on an individual basis would not result in a material difference. Therefore, the Company has adopted the practical expedient and applied one accounting treatment to all such contracts.

In accordance with ASC Topic 606, the Company disaggregates net sales from contracts with customers based on the characteristics of the products sold:

	For the Years Ended June 30,					
	2019		2018		2017	
(In thousands)	$	% of total	$	% of total	$	% of total
Net Sales by Product Category:						
Coffee (Roasted)	$ 378,583	63.5%	$ 379,951	62.6%	$ 339,358	62.7%
Coffee (Frozen Liquid)	34,541	5.8%	34,794	5.7%	32,827	6.1%
Tea (Iced & Hot)	33,109	5.6%	32,477	5.4%	29,256	5.4%
Culinary	64,100	10.8%	64,432	10.6%	55,592	10.3%
Spice	24,101	4.0%	25,150	4.2%	24,895	4.6%
Other beverages(1)	58,367	9.8%	66,699	11.0%	56,653	10.4%
Net sales by product category	592,801	99.5%	603,503	99.5%	538,581	99.5%
Fuel surcharge	3,141	0.5%	3,041	0.5%	2,919	0.5%
Net sales	$ 595,942	100.0%	$ 606,544	100.0%	$ 541,500	100.0%

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

The Company does not have any material contract assets and liabilities as of June 30, 2019. Receivables from contracts with customers are included in "Accounts receivable, net" on the Company's condensed consolidated balance sheets. At June 30, 2019, 2018 and 2017, "Accounts receivable, net" included, $53.6 million, $54.5 million and $44.5 million, respectively, in receivables from contracts with customers.

Note 24. Selected Quarterly Financial Data (Unaudited)

The following tables set forth certain unaudited quarterly information for each of the eight fiscal quarters in the two year period ended June 30, 2019. This quarterly information has been prepared on a consistent basis with the audited consolidated financial statements and, in the opinion of management, includes all adjustments which management believes are necessary for a fair presentation of the information for the periods presented. All prior period amounts have been retrospectively adjusted to reflect the impact of the certain changes in accounting principles and corrections to previously issued financial statements.

The Company's quarterly operating results may fluctuate significantly as a result of a variety of factors, and operating results for any fiscal quarter are not necessarily indicative of results for a full fiscal year or future fiscal quarters.

	For The Three Months Ended			
	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
(In thousands, except per share data)				
Net sales	$ 147,440	$ 159,773	$ 146,679	$ 142,050
Cost of goods sold	$ 99,205	$ 106,529	$ 106,779	$ 104,327
Gross profit	$ 48,235	$ 53,244	$ 39,900	$ 37,723
Selling expenses	$ 37,310	$ 39,591	$ 34,422	$ 28,324
(Loss) income from operations	$ (2,078)	$ 502	$ (6,102)	$ (7,024)
Net loss	$ (2,986)	$ (10,100)	$ (51,749)	$ (8,760)
Net loss available to common stockholders per common share—basic	$ (0.18)	$ (0.60)	$ (3.05)	$ (0.52)
Net loss available to common stockholders per common share—diluted	$ (0.18)	$ (0.60)	$ (3.05)	$ (0.52)

	For The Three Months Ended							
	September 30, 2017		December 31, 2017		March 31, 2018		June 30, 2018	
	As Previously Reported	Retrospectively Adjusted	As Previously Reported	Retrospectively Adjusted	As Previously Reported	Retrospectively Adjusted	As Previously Reported	Retrospectively Adjusted
(In thousands, except per share data)								
Net sales	$ 131,713	$ 131,713	$ 167,366	$ 167,366	$ 157,927	$ 157,927	$ 149,538	$ 149,538
Cost of goods sold	$ 85,672	$ 85,630	$ 111,175	$ 111,089	$ 105,716	$ 105,629	$ 96,939	$ 96,806
Gross profit	$ 46,041	$ 46,083	$ 56,191	$ 56,277	$ 52,211	$ 52,298	$ 52,599	$ 52,732
Selling expenses	$ 32,828	$ 32,856	$ 42,414	$ 42,127	$ 38,041	$ 37,754	$ 41,256	$ 40,655
Income from operations	$ 1,862	$ 1,845	$ 28	$ 10	$ (2,767)	$ (2,785)	$ 2,001	$ 1,984
Net income (loss)	$ 840	$ 841	$ (17,060)	$ (17,060)	$ (2,193)	$ (2,193)	$ 133	$ 133
Net income (loss) available to common stockholders per common share—basic	$ 0.05	$ 0.05	$ (1.03)	$ (1.03)	$ (0.14)	$ (0.14)	$ —	$ —
Net income (loss) available to common stockholders per common share—diluted	$ 0.05	$ 0.05	$ (1.03)	$ (1.03)	$ (0.14)	$ (0.14)	$ —	$ —

Note 25. Subsequent Events

The Company evaluated all events or transactions that occurred after June 30, 2019 through the date the consolidated financial statements were issued. During this period the Company had the following material subsequent events that require disclosure:

Sale of Office Coffee Assets

In order to focus on its core product offerings, in July 2019, the Company completed the sale of certain assets associated with its office coffee customers for $9.3 million in cash paid at the time of closing plus an earnout of up to an additional $2.3 million if revenue expectations are achieved during test periods scheduled to occur at various branches at various times and concluding by early third quarter of fiscal ended 2020.

Sale of Seattle Office Branch Property

On August 28, 2019, the Company completed the sale of its branch property in Seattle, Washington state for a gross sale price of $7.9 million.

Sale leaseback of Houston Facility

On September 6, 2019, the Company signed a purchase and sale agreement (the "PSA") for the sale of its Houston, Texas manufacturing facility and warehouse (the "Property") for an aggregate purchase price, exclusive of closing costs, of $10.0 million. Pursuant to the PSA and upon the closing of the sale of the Property, the Company and the purchaser have agreed to enter into a three year leaseback agreement with respect to the Property. The Company may terminate the leaseback no earlier than the first day of the eighteenth full calendar month of the term providing at least nine months' notice. There is no assurance at this time that the purchaser will in fact purchase any or all of the Property. The closing of the sale of the Property, which is subject to customary diligence and closing conditions, is expected to occur on or around November 20, 2019. The purchaser does not have any material relationship with the Company or its subsidiaries, other than through the PSA and Leaseback.

In connection with the sale leaseback contemplated by the PSA, on September 6, 2019, the Company made a clarifying amendment to its amended and restated credit agreement originally dated as of November 6, 2018, to make clear that any sale and leaseback already permitted under the asset sale covenant would not be inadvertently prohibited under the sale and leaseback covenant.

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF FARMER BROS. CO.

Pursuant to Sections 242 and 256 of the
General Corporation Law of the State of Delaware

FIRST: The name of the corporation is Farmer Bros. Co. (the "Corporation") and this Corporation was originally incorporated pursuant to the General Corporation Law on February 17, 2004.

SECOND: The address of the registered office of the Corporation in the State of Delaware is 874 Walker Road Suite C, in the City of Dover 19904, County of Kent. The name of its registered agent at that address is United Corporate Services, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware (the "GCL").

FOURTH: (a) Authorized Capital Stock. The total number of shares of stock which the Corporation shall have authority to issue is 25,500,000 shares of capital stock, consisting of (i) 25,000,000 shares of common stock, par value $1.00 (the "Common Stock"), and (ii) 500,000 shares of preferred stock, par value $1.00 per share (the "Preferred Stock").

(b) No Cumulative Voting. The holders of shares of Common Stock shall not have cumulative voting rights.

(c) No Preemptive or Subscription Rights. No holder of shares of Common Stock shall be entitled to preemptive or subscription rights.

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

(e) Power to Sell and Purchase Shares. Subject to the requirements of applicable law, the Corporation shall have the power to issue and sell all or any part of any shares of any class of stock herein or hereafter authorized to such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, whether or not greater consideration could be received upon the issue or sale of the same number of shares of another class, and as otherwise permitted by law. Subject to the requirements of applicable law, the Corporation shall have the power to purchase any shares of any class of stock herein or hereafter authorized from such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, whether or not less consideration could be paid upon the purchase of the same number of shares of another class, and as otherwise permitted by law.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(b) The Board of Directors shall consist of not less than five or more than nine members, the exact number of which shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the active Board of Directors.

(c) 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. At each annual meeting of stockholders, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. 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 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 shorten the term of any incumbent director.

(d) A director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

(e) Subject to the terms of any one or more classes or series of Preferred Stock, 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 predecessor. Subject to the rights, if any, of the holders of shares of Preferred Stock then outstanding, any or all of the directors of the Corporation 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 of the voting power of the Corporation’s then outstanding capital stock entitled to vote generally in the election of directors. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article FIFTH unless expressly provided by such terms.

(f) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the GCL, this Certificate of Incorporation, and any By-Laws adopted by the stockholders; provided, however, that no By-Laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

SIXTH: No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the GCL as the same exists or may hereafter be amended. If the GCL is amended hereafter to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent authorized by the GCL, as so amended. Any repeal or modification of this Article SIXTH shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

SEVENTH: The Corporation shall indemnify its directors and officers to the fullest extent authorized or permitted by law, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) 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. The right to indemnification conferred by this Article SEVENTH shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.

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 SEVENTH to directors and officers of the Corporation.

The rights to indemnification and to the advance of expenses conferred in this Article SEVENTH shall not be exclusive of any other right which any person may have or hereafter acquire under this Certificate of Incorporation, the By-Laws of the Corporation, any statute, agreement, vote of stockholders or disinterested directors or otherwise.

Any repeal or modification of this Article SEVENTH shall not adversely affect any rights to indemnification and to the advancement of expenses of a director or officer of the Corporation existing at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

EIGHTH: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation, and the ability of the stockholders to consent in writing to the taking of any action is hereby specifically denied.

NINTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the GCL) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

TENTH: Unless otherwise required by law, 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 President or (iii) the Board of Directors. The ability of the stockholders to call a Special Meeting of Stockholders is hereby specifically denied.

ELEVENTH: In furtherance and not in limitation of the powers conferred upon it by the laws of the State of Delaware, the Board of Directors shall have the power to adopt, amend, alter or repeal the Corporation's By-Laws. The affirmative vote of at least a majority of the entire Board of Directors shall be required to adopt, amend, alter or repeal the Corporation's By-Laws. The Corporation's By-Laws also may be adopted, amended, altered or repealed by the affirmative vote of the holders of at least a majority of the voting power of the shares entitled to vote at an election of directors.

TWELFTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed in this Certificate of Incorporation, the Corporation's By-Laws or the GCL, and all rights herein conferred upon stockholders are granted subject to such reservation; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation (and in addition to any other vote that may be required by law), the affirmative vote of the holders of at least a majority of the voting power of the shares entitled to vote at an election of directors shall be required to amend, alter, change or repeal, or to adopt any provision as part of this Certificate of Incorporation inconsistent with the purpose and intent of Articles FIFTH, EIGHTH, TENTH and ELEVENTH of this Certificate of Incorporation or this Article TWELFTH.

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been executed by its duly authorized officer this 5th day of September, 2019.

/s/ Jennifer H. Brown
Name: Jennifer H. Brown
Title: Corporate Secretary

SEPARATION AND RELEASE AGREEMENT

I, Michael H. Keown, understand that my employment with Farmer Bros. Co. (the "Company") terminated effective May 7, 2019 (the "Separation Date") and I accordingly resigned, effective as of the Separation Date, from (i) the Board of Directors of the Company, (ii) any director, officer or employee position I held with the Company or any of its subsidiaries; and (iii) all fiduciary positions I held with respect to any employee benefit plans or trusts established by the Company. The Company has agreed that if I choose to sign this Separation and Release Agreement (this "Agreement"), the Company will pay me severance benefits (minus the standard withholdings and deductions) pursuant to the terms of the Employment Agreement entered into as of March 9, 2012 (including but not limited to the severance payments identified in Section 9C thereof), amended by that First Amendment to Employment Agreement, entered into as of May 3, 2017, between myself and the Company (together, the "Employment Agreement"), attached hereto as Exhibit A. I understand that I am not entitled to this severance payment unless I sign this Agreement and this Agreement becomes effective. I understand that in addition to this severance, the Company will pay me all of my accrued salary and paid days off, to which I am entitled by law regardless of whether I sign this release.

In consideration for the severance payment I am receiving under this Agreement, I acknowledge and agree that I am bound by the provisions of Sections 11A and 11B of the Employment Agreement and hereby release the Company and its current and former officers, directors, agents, attorneys, employees, stockholders, and affiliates from any and all claims, liabilities, demands, causes of action, attorneys' fees, damages, or obligations of every kind and nature, whether they are known or unknown, arising at any time prior to the date I sign this Agreement. This general release includes, but is not limited to: all federal and state statutory and common law claims related to my employment or the termination of my employment or related to breach of contract, tort, wrongful termination, discrimination, wages or benefits, or claims for any form of compensation. This release is not intended to release any claims I have or may have against any of the released parties for (a) indemnification as a director, officer, agent or employee under applicable law, charter document or agreement, (b) severance and other termination benefits specifically provided for in the Employment Agreement which constitutes a part of the consideration for this release, (c) health or other insurance benefits based on claims already submitted or which are covered claims properly submitted in the future, (d) vested rights under pension, retirement or other benefit plans, or (e) in respect of events, acts or omissions occurring after the date of this Agreement. In releasing claims unknown to me at present, I am waiving all rights and benefits under Section 1542 of the California Civil Code, and any law or legal principle of similar effect in any jurisdiction: "A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the federal Age Discrimination in Employment Act of 1967, as amended ("ADEA"). I also acknowledge that the consideration given for the waiver in the above paragraph is in addition to anything of value to which I was already entitled and such consideration is adequate and satisfactory. I have been advised by this writing, as required by the ADEA that: (a) my waiver and release do not apply to any claims that may arise after my signing of this Agreement; (b) I should consult with an attorney prior to executing this release; (c) I have twenty-one (21) days within which to consider this release and Agreement (although I may choose to voluntarily execute this Agreement earlier); (d) I have seven (7) days following the execution of this Agreement to revoke the Agreement; and (e) this Agreement will not be effective until the eighth day after this Agreement has been signed both by me and by the Company.

I accept and agree to the terms and conditions stated above:

Michael H. Keown

Farmer Bros. Co.

By: Thomas J. Mattei, Jr.

Title: Chief Legal Officer and Secretary

Exhibit A

Employment Agreement

(attached)

EMPLOYMENT AGREEMENT
(Farmer Bros. Co. / Keown)

This Employment Agreement (this "Agreement") is made and entered into as of March 9, 2012 between FARMER BROS. CO., a Delaware corporation (the "Company"), and MICHAEL H. KEOWN ("Keown") who agree as follows:

1. Employment. The Company hereby employs Keown, and Keown accepts employment from the Company, on the terms and conditions herein stated.

2. Term and Location of Employment. The term of Keown's employment under this Agreement will commence on March 23, 2012 or on such other date as Keown and the Company's Board of Directors (the "Board") may mutually agree (the "Commencement Date") and shall end when terminated under Section 8 below. Keown's principal place of employment during the term of this Agreement shall be the Company's offices in Torrance, California.

3. Duties. Keown shall serve as the President and Chief Executive Officer of the Company, reporting directly to the Board. As Chief Executive Officer, Keown shall oversee and direct the operations of the Company including direct or indirect supervision of management personnel of the Company, and perform such other duties consistent with the responsibilities of Chief Executive Officer, all subject to the direction of the Board. Keown shall devote to the Company's business substantially all of his working time. Service as a director of for-profit organizations shall require approval of the Board. Keown shall be appointed to the vacancy on the Board occasioned by Jeffrey Wahba's resignation therefrom.

4. Base Salary. Keown shall receive a base salary of $475,000 per annum, payable in accordance with the Company's normal payroll practices. The annual base salary amount shall be reviewed each year by the Company and may be adjusted upward or downward by the Company from time to time but shall not be reduced below $475,000 per annum.

5. Bonuses.

A. Keown shall be entitled to participate in the Company's 2005 Incentive Compensation Plan or any successor plan ("Plan") each year, commencing with the Company's 2012 fiscal year, so long as the Plan remains in effect and one or more of the Company's other executive officers who are full-time Company employees ("Senior Executives") also participate. Under the terms of the Plan, the Compensation Committee of the Board will, in its discretion, determine the Performance Criteria, as defined in the Plan, and all other variables by which Keown's bonus for such year under the Plan will be measured. The Target Award, as defined in the Plan, shall be an amount equal to one hundred percent (100%) (the "Applicable Percentage") of Keown's base annual salary, except that the Applicable Percentage for fiscal 2012 shall be reduced pro rata for the period July 1, 2011 to the Commencement Date. If Keown is employed by the Company on June 30, 2012, Keown shall be entitled to a bonus for fiscal 2012 of $475,000 reduced pro-rata for the period July 1, 2011 to the Commencement Date (a "Guaranteed Bonus") subject to the condition that his employment is not terminated by the Company for "Cause" or by his resignation without "Good Reason," as those terms are defined in Sections 8A and 8B below, prior to the date the Compensation Committee takes final action on bonuses for Senior Executives under the Plan for fiscal 2012. If Keown is employed by the Company on June 30, 2013, Keown shall be entitled to a bonus (a "Guaranteed Bonus") for fiscal 2013 equal to one-third (1/3) of his Target Award for fiscal 2013 under the Plan subject to the condition that his employment is not terminated by the Company for "Cause" or by his resignation without "Good Reason," as these terms are defined in Sections 8A and 8B below, prior to the date the Compensation Committee takes final action on Plan bonuses for Senior Executives for fiscal 2013. "Performance Criteria," as defined in the Plan, for Keown's fiscal 2012 Target Award shall be determined by the Compensation Committee after the Commencement Date.

B. Keown's participation in the Plan is subject to all Plan terms and conditions, provided that any conflict between the provisions of the Plan and this Section 5 shall be governed by the latter. Under the terms of the Plan, no bonus is earned until awarded by the Compensation Committee after completion of the fiscal year, and the Compensation Committee may, in its discretion, reduce, entirely eliminate or increase the bonus indicated by the Performance Criteria and other Plan factors. The provisions of the Plan notwithstanding, if after the end of a fiscal year and before the Compensation Committee takes final action on Plan bonuses for Senior Executives for the preceding fiscal year, Keown's employment is terminated without "Cause" or he resigns with "Good Reason," as those terms are defined in Sections 8A and 8B below, Keown will receive a bonus under Section 9C(iv) below for the preceding fiscal year in an amount computed by application of Keown's Performance Criteria to his Target Award for such fiscal year, but not less than the Guaranteed Bonus, if any, for such fiscal year. The Guaranteed Bonuses are not subject to alteration by the Board or Compensation Committee; Keown acknowledges receipt of a copy of the Plan.

6. Equity Awards

A. Awards. In accordance with the provisions of the Farmer Bros. Co. 2007 Omnibus Plan (the "2007 Omnibus Plan"), on the Commencement Date or, if such day falls within a regular blackout period under the Company's Insider Trading Policy ("Blackout Period"), on the first business day following the end of such Blackout Period (the "Award Date"), the Company will make following equity awards to Keown: (i) fifteen thousand (15,000) shares of restricted stock ("Restricted Stock Award"); (ii) seventy thousand (70,000) non-qualified stock options with a seven (7) year term at an exercise price equal to the closing price of the Company's common stock on the grant date ("Option Award"); and (iii) such number of shares of restricted stock equal to One Hundred Seventy Five Thousand Dollars ($175,000) divided by the closing price of the Company's common stock on the Award Date ("Additional Restricted Stock Award" and, together with the Restricted Stock Award and Option Award, the "Awards").

B. Public Information. Notwithstanding the foregoing, the timing of the Awards will be delayed during such period as there exists, in the opinion of the Company's counsel, material information concerning the Company which has not been publicly disclosed.

C. Vesting. Provided Keown is then employed by the Company, the Awards will vest as follows: (i) the Restricted Stock Award will vest in its entirety on the third anniversary of the Award Date; (ii) the Option Award will vest ratably over three years on each anniversary of the Award Date; and (iii) the Additional Restricted Stock Award will vest fifty-eight percent (58%) on the first anniversary of the Award Date and forty-two percent (42%) on the second anniversary of the Award Date; provided, however, the vesting of the Awards will be accelerated in the case of death, "Permanent Incapacity," termination of employment for other than "Cause," or resignation for "Good Reason," as such terms are defined below.

D. Award Agreements. The Awards will be evidenced by a Grant Notice and Stock Option Agreement or Grant Notice and Restricted Stock Agreement, as applicable, to be consistent with this Section 6 and in the Company's usual form.

7. Benefits

A. The Company will provide to Keown all benefits and perquisites provided by the Company from time to time to its Senior Executives, subject to the eligibility requirements and the terms and conditions of the benefit plans and perquisite policies. For the avoidance of doubt, Keown's benefit package includes twenty-five (25) paid days off per contract year (i.e., the year ending on each anniversary of the Commencement Date) notwithstanding that the Company's paid days off policy currently would provide fewer days and excludes participation in the Company's defined benefit pension plan which has been frozen. Other included benefits and perquisites presently consist of group health insurance (PPO or HMO), life insurance, 401(k) plan, employee stock ownership plan, cell phone, company credit card, expense reimbursement and an automobile allowance. Not all of the foregoing benefits are 100% Company paid.

B. Keown shall be entitled to participate in the 2007 Omnibus Plan or any successor plan as administered by the Compensation Committee. The Awards pursuant to Section 6A are in lieu of any other awards under the 2007 Omnibus Plan in fiscal 2012. Thereafter, Keown shall be entitled to such future grants under the 2007 Omnibus Plan or any successor plan as are awarded to him by the Compensation Committee in its discretion.

C. The Company reserves the right to alter or discontinue any or all such benefits and perquisites, provided they are so altered or discontinued as to all Senior Executives.

D. The Company shall pay the following expenses related to Keown's relocation to Southern California:

(i) Reasonable moving and storage expenses;

(ii) Two (2) house hunting trips for Keown's spouse;

(iii) Weekly commuting by Keown between Los Angeles and Denver for up to six (6) months from the Commencement Date until Keown and his family relocate from Colorado;

(iv) Housing allowance of $5,000 per month for up to six (6) months from the Commencement Date while Keown is in non-owned housing; and

(v) Reimbursement for the brokerage commissions, customary title and escrow charges, and local transfer taxes incurred in connection with the sale of his Colorado home, subject to a cap of six percent (6%) of the selling price of the home.

All reimbursements pursuant to this Section 7D will be made against submitted supporting documentation except that the $5,000 monthly housing allowance is a fixed amount, not a reimbursement of incurred expenses. In addition to the foregoing, the Company shall pay to Keown prior to April 15, 2013 a "gross up" amount determined by the following formula:

> First, determine a gross up percentage as follows: Gross up percentage equals Keown's combined effective federal and state marginal tax rate ("tax rate") divided by (1.0 minus the tax rate).
>
> Next, multiply the gross up percentage by the aggregate amount of the taxable relocation expenses to determine the gross up amount.

Keown and the Company shall cooperate reasonably with one another in determining the gross up amount. In the event Keown resigns his employment with the Company without "Good Reason," as defined in Section 8B, within two (2) years of the Commencement Date, Keown shall reimburse the Company for a prorated portion of the relocation expenses, including the gross up amount, paid by the Company to Keown pursuant to this Section 7D within thirty (30) days after his effective resignation date, which prorated portion shall be determined by multiplying such expenses by a fraction the numerator of which is the number of days remaining after the effective resignation date to the second anniversary of the Commencement Date and the denominator of which is 730.

8. Termination

A. Keown's employment is terminable by the Company for good and sufficient cause ("Cause"), which shall consist only of: (i) a repeated refusal to follow reasonable directions from the Board after a written warning; (ii) a material breach of any Keown fiduciary duty of loyalty to the Company (a breach involving dishonesty or personal gain shall be deemed material regardless of the amount involved); (iii) conviction of a felony; (iv) commission of a willful violation of any law, rule or regulation involving moral turpitude and which the Board reasonably determines has adversely affected or will likely adversely affect the Company's reputation; (v) commission of a willful or grossly negligent act, omission or course of conduct which has a material adverse effect on the Company; or (vi) commission of a material breach by Keown of this Agreement (other than any breach addressed by (i)-(v) above) which breach, if curable, is not cured within a reasonable time after written notice from the Board describing the nature of the breach in reasonable detail.

B. Keown's employment shall terminate upon Keown's resignation, with or without "Good Reason," as defined below, death or Permanent Incapacity. "Permanent Incapacity" shall be deemed to have occurred if Keown has been unable to perform substantially all of his employment duties under Section 3 on a substantially full time basis by reason of a mental or physical condition for a period of ninety (90) consecutive days or for more than one hundred eighty days (180) in any period of three hundred sixty-five (365) consecutive days.

"Good Reason" shall consist only of (i) the Company's material breach of this Agreement, (ii) a material reduction in Keown's responsibilities, duties or authority, or (iii) a material relocation of Keown's principal place of employment more than fifty (50) miles from the Company's offices in Torrance, California; provided, however, that any such condition in subsections (i) through (iii) shall not constitute "Good Reason" unless both (x) Keown provides written notice to the Company describing the condition claimed to constitute Good Reason in reasonable detail within ninety (90) days of the initial existence of such condition, and (y) the Company fails to remedy such condition within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of Keown's employment with the Company shall not be treated as a resignation for "Good Reason" unless such resignation occurs not more than one (1) year following the initial existence of the condition claimed to constitute "Good Reason."

C. Keown's employment shall terminate at the election of the Company at any time without Cause.

D. The termination of Keown's employment for any reason shall constitute Keown's resignation from (i) the Board of Directors of the Company; (ii) any director, officer or employee position Keown has with the Company or any of its subsidiaries; and (iii) all fiduciary positions Keown holds with respect to any employee benefit plans or trusts established by the Company. Keown agrees that this Agreement shall serve as written notice of resignation in the foregoing circumstances.

9. Payments upon Termination. The following amounts are payable upon termination of Keown's employment, as applicable:

A. In the event of a termination for any reason, base salary at the then existing rate, shall be prorated and paid through the effective termination date, along with accrued and unused paid days off (subject to the Company's paid days off policy).

B. If termination is due to Keown's death or Permanent Incapacity, the Company shall also pay to Keown upon termination an additional lump sum severance amount equal to Keown's Target Award under Section 5 for the fiscal year in which termination is effective prorated for the partial fiscal year ending on the effective termination date; and, if the termination is due to death or Permanent Incapacity and occurs after the end of a fiscal year but before the Compensation Committee takes final action on Plan bonuses for Senior Executives for the preceding fiscal year, the Company will pay to Keown a bonus for the preceding fiscal year in an amount computed by application of Keown's Performance Criteria to his Target Award for such fiscal year, but not less than the Guaranteed Bonus, if any, for such fiscal year.

C. If termination occurs at the election of the Company without Cause or by Keown's resignation for Good Reason, Keown will receive as severance:

(i) base salary continuation at the rate in effect on the date of termination for a period of eighteen (18) months if such termination is effective prior to July 1, 2014 or for a period of twelve (12) months if such termination is effective after June 30, 2014;

(ii) partially Company-paid COBRA coverage under the Company's health care plan for himself and his spouse for one (1) year after the effective termination date (the Company will pay the same percentage of the coverage cost that it would have paid had Keown's employment not terminated);

(iii) an amount equal to Keown's Target Award under Section 5 for the fiscal year in which the date of termination is effective prorated for the partial fiscal year ending on the effective termination date; and

(iv) such bonus amounts, if any, as are payable under Section 5B.

Keown is not obligated to seek other employment as a condition to receipt of the payments called for by this Section 9C, and Keown's earnings, income or profits from other employment or business activities after termination of his employment shall not reduce the Company's payment obligations under this Section 9C. Subject to Section 9D and Section 13J(ii), the amount referred to in clause 9C(i) above shall be paid in installments in accordance with the Company's standard payroll practices commencing in the month following the month in which Keown's Separation from Service occurs, and the amount referred to in clause 9C(iii) above shall be paid in a lump sum within thirty (30) days after the end of the Company's fiscal year in which Keown's Separation from Service occurs. The amount referred to in clause 9C(iv) shall be paid in a lump sum within thirty (30) days after the Compensation Committee takes final action on Plan bonuses for Senior Executives for the preceding fiscal year. As used herein, a "Separation from Service" occurs when Keown dies, retires, or otherwise has a termination of employment with the Company that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder. Salary continuation payments shall commence, and the additional severance amounts shall be paid, only when the release required by Section 9D below has become effective.

D. As conditions to receiving the applicable payments under Section 9C above, Keown must execute and deliver to the Company within twenty-one (21) days following the termination of his employment (or such longer period as may be required under applicable law) a general release of claims against the Company other than claims to the payments called for by this Agreement, such release to be in form and content substantially as attached hereto as Exhibit A, and said release shall have become effective under applicable laws, including the Age Discrimination in Employment Act of 1967, as amended and Keown must not materially breach Section 11.

E. All benefits other than the entitlement to payments under Section 9C shall terminate automatically upon termination of Keown's employment except to the extent otherwise provided in the Company benefit plans or by law.

F. Except as provided in this Section 9 or by applicable Company benefit plans or laws, Keown shall not be entitled to any payments of any kind in connection with the termination of his employment by the Company.

10. Employee Handbook and Company Policies. So long as he is employed by the Company, Keown shall comply with, and shall be entitled to rights as set forth in the Company's Employee Handbook which may be revised from time to time and other Company policies as in effect and communicated to Keown from time to time. In the event that there is a conflict or contradiction between the contents of the Employee Handbook or other such Company policies and the provisions of this Agreement, then the provisions of this Agreement will prevail.

11. Confidential Information, Intellectual Property

A. Keown acknowledges that during the course of his employment with the Company, he will be given or will have access to non-public and confidential business information of the Company which will include information concerning pending or potential transactions, financial information concerning the Company, information concerning the Company's product formulas and processes, information concerning the Company's business plans and strategies, information concerning Company personnel and vendors, and other non-public proprietary information of the Company (all collectively called "Confidential Information"). All of the Confidential Information constitutes "trade secrets" under the Uniform Trade Secrets Act. Keown covenants and agrees that during and after the term of his employment by the Company he will not disclose such information or any part thereof to anyone outside the Company or use such information for any purpose other than the furtherance of the Company's interests without the prior written consent of the Board.

B. Keown further covenants that for a period of two (2) years after his employment by the Company terminates, he will not, directly or indirectly, overtly or tacitly, induce, attempt to induce, solicit or encourage (i) any customer or prospective customer of the Company who was a customer or was contacted or solicited by the Company at any time during the last one hundred eighty (180) days of Keown's employment with the Company (the "window period") to cease doing business with, or not to do business with, the Company or (ii) any person employed by the Company at any time during the window period to leave the Company.

C. The Company and Keown agree that the covenants set forth in this Section 11 are reasonably necessary for the protection of the Company's Confidential Information and that a breach of the foregoing covenants will cause the Company irreparable damage not compensable by monetary damages, and that in the event of such breach or threatened breach, at the Company's election, an action may be brought in a court of competent jurisdiction seeking a temporary restraining order and a preliminary injunction against such breach or threatened breach notwithstanding the arbitration and reference provisions of Section 13F below. Upon the court's decision on the application for a preliminary injunction, the court action shall be stayed and the remainder of the dispute submitted to arbitration or reference under Section 13F. The prevailing party in such legal action shall be entitled to recover its costs of suit including reasonable attorneys' fees.

D. The Company shall own all rights in and to the results, proceeds and products of Keown's services hereunder, including without limitation, all ideas and intellectual property created or developed by Keown and which is related to Keown's employment.

12. Integration with Change in Control Severance Agreement. If Keown becomes eligible for benefits under Section 3 of the Change in Control Severance Agreement executed concurrently herewith, the benefits provided by Section 4 of that Agreement shall be in lieu of, and not in addition to, the benefits provided by Section 9C of this Agreement.

13. Miscellaneous

A. This Agreement and the Change in Control Severance Agreement and Indemnification Agreement entered into concurrently herewith contain the entire agreement of the parties on the subject of Keown's employment by the Company, all prior and contemporaneous agreements, promises or understandings being merged herein. This Agreement can be modified only by a writing signed by both parties hereto.

B. Keown cannot assign this Agreement or delegate his duties hereunder. Subject to the preceding sentence, this Agreement shall bind and inure to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns.

C. No waiver of any provision or consent to any exception to the terms of this Agreement shall be effective unless in writing and signed by the party to be bound and then only to the specific purpose, extent and instance so provided. This Agreement may be executed in counterparts (and by facsimile signature), each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

D. Each party shall execute and deliver such further instruments and take such other action as may be necessary or appropriate to consummate the transactions herein contemplated and to carry out the intent of the parties hereto.

E. This Agreement shall be construed in a fair and reasonable manner and not pursuant to any principle requiring that ambiguities be strictly construed against the party who caused same to exist.

F. (i) All disputes arising under or in connection with this Agreement, shall be submitted to a mutually agreeable arbitrator, or if the parties are unable to agree on an arbitrator within fifteen (15) days after a written demand for arbitration is made by either party, to JAMS/Endispute ("JAMS") or successor organization, for binding arbitration in Los Angeles County by a single arbitrator who shall be a former California Superior Court judge. Except as may be otherwise provided herein, the arbitration shall be conducted under the California Arbitration Act, Code of Civil Procedure 1280 et seq. The parties shall have the discovery rights provided in Code of Civil Procedure 1283.05 and 1283.1. The arbitration hearing shall be commenced within ninety (90) days after the selection of an arbitrator by mutual agreement or, absent such mutual agreement, the filing of the application with JAMS by either party hereto, and a decision shall be rendered by the arbitrator within thirty (30) days after the conclusion of the hearing. The arbitrator shall have complete authority to interpret this Section 13F and to render any and all relief, legal and equitable, appropriate under California law, including the award of punitive damages where legally available and warranted. The arbitrator shall award costs of the proceeding, including reasonable attorneys' fees and the arbitrator's fee and costs, to the party determined to have substantially prevailed. Judgment on the award can be entered in a court of competent jurisdiction.

(ii) The foregoing notwithstanding, if the amount in controversy exceeds $200,000, exclusive of attorneys' fees and costs, the matter shall be litigated in the Los Angeles County Superior Court as a regular non-jury civil action except that a former California Superior Court Judge selected by the parties or by JAMS, as hereinabove provided, shall be appointed as referee to try all issues of fact and law, without a jury, pursuant to California Code of Civil Procedure §638 et seq. The parties hereto expressly waive a trial by jury. Judgment entered on the decision of the referee shall be appealable as a judgment of the Superior Court. The prevailing party shall be entitled to receive its reasonable attorneys' fees and costs from the other party.

G. Payments to Keown are subject to payroll deductions and withholdings if and to the extent required by law. Salary payments will be reduced on a dollar-for-dollar basis by payments received by Keown for disability under governmental or Company paid disability insurance programs. Payments to Keown under Section 9C are conditioned upon his continuing compliance with Sections 11A and 11B.

H. All provisions of this Agreement which must survive the termination of this Agreement to give them their intended effect shall so survive.

I. If any provision of this Agreement is determined to be unenforceable as illegal or contrary to public policy, it shall be deemed automatically amended to the extent necessary to render it enforceable provided the intent of the parties as expressed herein will not thereby be frustrated. Otherwise the unenforceable provision shall be severed from the remaining provisions which shall remain in effect.

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

(ii) Notwithstanding any provision of this Agreement to the contrary, if Keown is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of Keown's Separation from Service, Keown shall not be entitled to any payment or benefit pursuant to Section 9C until the earlier of (i) the date which is six (6) months after Keown's Separation from Service for any reason other than death, or (ii) the date of Keown's death. Any amounts otherwise payable to Keown upon or in the six (6) month period following Keown's Separation from Service that are not so paid by reason of this Section 13J(ii) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after Keown's Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of Keown's death). The provisions of this Section 13J(ii) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A.

(iii) To the extent that any benefits pursuant to Section 9C(ii) or reimbursements pursuant to Section 7 are taxable to Keown, any reimbursement payment due to Keown pursuant to such provision shall be paid to Keown on or before the last day of Keown's taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to such provisions are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that Keown receives in one taxable year shall not affect the amount of such benefits or reimbursements that Keown receives in any other taxable year.

[SIGNATURE PAGE FOLLOWS]

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

COMPANY:

FARMER BROS. CO.,
a Delaware corporation

By: ______________________

Jeffrey A. Wahba
Interim Co-Chief Executive Officer and
Treasurer and Chief Financial Officer

KEOWN:

____

Michael H. Keown

[SIGNATURE PAGE TO EMPLOYMENT AGREEMENT
(FARMER BROS. CO. / KEOWN)]

EXHIBIT A
FORM OF RELEASE AGREEMENT

I understand that my position with Farmer Bros. Co. (the "Company") terminated effective __________, 20__ (the "Separation Date"). The Company has agreed that if I choose to sign this Agreement, the Company will pay me severance benefits (minus the standard withholdings and deductions) pursuant to the terms of the Employment Agreement entered into as of March 9, 2012 between myself and the Company. I understand that I am not entitled to this severance payment unless I sign this Agreement. I understand that in addition to this severance, the Company will pay me all of my accrued salary and paid days off, to which I am entitled by law regardless of whether I sign this release.

In consideration for the severance payment I am receiving under this Agreement, I acknowledge and agree that I am bound by the provisions of Sections 11A and 11B of my Employment Agreement and hereby release the Company and its current and former officers, directors, agents, attorneys, employees, stockholders, and affiliates from any and all claims, liabilities, demands, causes of action, attorneys' fees, damages, or obligations of every kind and nature, whether they are known or unknown, arising at any time prior to the date I sign this Agreement. This general release includes, but is not limited to: all federal and state statutory and common law claims related to my employment or the termination of my employment or related to breach of contract, tort, wrongful termination, discrimination, wages or benefits, or claims for any form of compensation. This release is not intended to release any claims I have or may have against any of the released parties for (a) indemnification as a director, officer, agent or employee under applicable law, charter document or agreement, (b) severance and other termination benefits specifically provided for in my Employment Agreement which constitutes a part of the consideration for this release, (c) health or other insurance benefits based on claims already submitted or which are covered claims properly submitted in the future, (d) vested rights under pension, retirement or other benefit plans, or (e) in respect of events, acts or omissions occurring after the date of this Release Agreement. In releasing claims unknown to me at present, I am waiving all rights and benefits under Section 1542 of the California Civil Code, and any law or legal principle of similar effect in any jurisdiction: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the federal Age Discrimination in Employment Act of 1967, as amended ("ADEA"). I also acknowledge that the consideration given for the waiver in the above paragraph is in addition to anything of value to which I was already entitled. I have been advised by this writing, as required by the ADEA that: (a) my waiver and release do not apply to any claims that may arise after my signing of this Agreement; (b) I should consult with an attorney prior to executing this release; (c) I have twenty-one (21) days within which to consider this release (although I may choose to voluntarily execute this release earlier); (d) I have seven (7) days following the execution of this release to revoke the Agreement; and (e) this Agreement will not be effective until the eighth day after this Agreement has been signed both by me and by the Company.

I accept and agree to the terms and conditions stated above:

____
Michael H. Keown

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT
(Farmer Bros. Co. /Keown

This First Amendment to Employment Agreement ("Amended Agreement") is made and entered into as of May 3, 2017 between FARMER BROS. CO., a Delaware corporation (the "Company"), and Michael H. Keown ("Keown") who agree as follows:

WHEREAS the Company and Keown are parties to an Employment Agreement ("Agreement") dated March 9, 2012;

WHEREAS the parties desire to amend the Agreement to clarify certain rights and obligations of the parties to that Agreement;

The parties agree that the Agreement is amended to including the following paragraph:

Nothing contained in this Amended Agreement or the Agreement is intended to or shall be construed as prohibiting Keown from voluntarily communicating with the U.S. Securities and Exchange Commission ("Commission") about possible violations of law or from accepting a Commission whistleblower award.

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

COMPANY:

FARMER BROS. CO.,
a Delaware corporation

David Robson
By: David Robson (May 10, 2017)
David Robson
Chief Financial Officer

MICHAEL H. KEOWN:

Michael H. Keown
By: Michael H. Keown (May 8, 2017)
Michael H. Keown

EXHIBIT 21.1

SUBSIDIARIES OF FARMER BROS. CO.

FBC Finance Company, a California corporation

Coffee Bean Holding Co., Inc., a Delaware corporation, the parent company of Coffee Bean International, Inc., an Oregon corporation

Coffee Bean International, Inc., an Oregon corporation

Coffee Bean International LLC
China Mist Brands, Inc., a Delaware corporation

Boyd Assets Co., a Delaware corporation

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-218997, 333-157169 and 333-207170 on Form S-8 and Registration Statement No. 333-213132 and 333-221346 on Form S-3 of our reports dated September 10, 2019, relating to the consolidated financial statements of Farmer Bros. Co. and subsidiaries, and the effectiveness of Farmer Bros. Co. and subsidiaries internal control over financial reporting, appearing in this Annual Report on Form 10-K of Farmer Bros. Co. for the year ended June 30, 2019.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
September 10, 2019

EXHIBIT 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Christopher P. Mottern certify that:

1. I have reviewed this Annual Report on Form 10-K of Farmer Bros. Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 10, 2019

/s/ CHRISTOPHER P. MOTTERN

Christopher P. Mottern
Interim President and Chief Executive Officer
(chief executive officer)

EXHIBIT 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David G. Robson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Farmer Bros. Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 10, 2019

/s/ DAVID G. ROBSON

David G. Robson
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 Annual Report of Farmer Bros. Co. (the "Company") on Form 10-K for the fiscal year ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher P. Mottern, Interim President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 10, 2019

/s/ CHRISTOPHER P. MOTTERN

Christopher P. Mottern
Interim President and Chief Executive Officer
(chief 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 Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Farmer Bros. Co. (the “Company”) on Form 10-K for the fiscal year ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David G. Robson, 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 operation of the Company.

Dated: September 10, 2019

/s/ DAVID G. ROBSON

David G. Robson
Treasurer and Chief Financial Officer
(principal financial and accounting 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.