STEWART INFORMATION SERVICES CORP
Form 8-K
February 13, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): February 13, 2014

STEWART INFORMATION SERVICES CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	**001-02658**	**74-1677330**
(STATE OR OTHER JURISDICTION)	**(COMMISSION FILE NO.)**	**(I.R.S. EMPLOYER IDENTIFICATION NO.)**

1980 Post Oak Blvd, Houston, Texas 77056 (Address Of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (713) 625-8100

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨**Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)**

¨**Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)**

¨**Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CRF 240.14a-12)**

¨**Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13a-4))**

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

A press release issued by Stewart Information Services Corporation on February 13, 2014, regarding financial results for the three and twelve months ended December 31, 2013, is attached hereto as Exhibit 99.1, and is incorporated herein by reference. This information is not deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 and is not incorporated by reference in any filing under the Securities Act of 1933, as amended.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) EXHIBITS

Exhibit No.	Description
99.1	Press release of Stewart Information Services Corporation dated February 13, 2014, reporting financial results for the three and twelve months ended December 31, 2013.

SIGNATURE

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

STEWART INFORMATION SERVICES CORPORATION
(Registrant)

By: /S/ J. Allen Berryman
(J. Allen Berryman, Chief Financial Officer, Secretary, Treasurer and Principal Financial Officer)

Date: February 13, 2014

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$
13,351

$
14,462

Tea and culinary products

4,043

7,139

Total

$
17,394

$
21,601

Note 13. Property, Plant and Equipment

	June 30,	
(In thousands)	2017	2016
Buildings and facilities	$108,682	$82,878
Machinery and equipment	201,236	182,227
Equipment under capital leases	7,540	11,982
Capitalized software	21,794	21,545
Office furniture and equipment	12,758	16,077
	$352,010	$314,709
Accumulated depreciation	(192,280)	(206,162)
Land	16,336	9,869
Property, plant and equipment, net	$176,066	$118,416

Capital leases consisted mainly of vehicle leases at June 30, 2017 and 2016. Depreciation and amortization expense includes amortization expense for assets recorded under capitalized leases.

The Company capitalized coffee brewing equipment (included in machinery and equipment) in the amounts of $10.8 million and $8.4 million in fiscal 2017 and 2016, respectively. Depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold was $9.1 million, $9.8 million and $10.4 million in fiscal 2017, 2016 and 2015, respectively.

Maintenance and repairs to property, plant and equipment charged to expense for the years ended June 30, 2017, 2016, and 2015 were $8.0 million, $7.7 million and $8.2 million, respectively.

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Note 14. Goodwill and Intangible Assets

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

(In thousands)	
Balance at June 30, 2015	$272
Additions	—
Balance at June 30, 2016	$272
Additions (China Mist)	2,927
Additions (West Coast Coffee)(1)	7,797
Balance at June 30, 2017	$10,996

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(1) Reflects the preliminary purchase price allocation for West Coast Coffee. Subject to change based on numerous factors, including the final adjusted purchase price and the final estimated fair value of the assets acquired and the liabilities assumed. Adjustments in the purchase price allocation may require a recasting of the amounts allocated to goodwill and intangible assets.

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

	June 30, 2017		June 30, 2016	
(In thousands)	Gross Carrying Amount(1)	Accumulated Amortization(1)	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer relationships	$17,353	$ (10,883)	$10,953	$ (10,373)
Non-compete agreements	220	(38)	20	(10)
Recipes	930	(88)	—	—
Trade name/brand name	510	(84)	—	—
Total amortized intangible assets	$19,013	$ (11,093)	$10,973	$ (10,383)
Unamortized intangible assets:				
Trade names with indefinite lives	$3,640	$ —	$3,640	$ —
Trademarks and brand name with indefinite lives	7,058	—	1,988	—
Total unamortized intangible assets	$10,698	$ —	$5,628	$ —
Total intangible assets	$29,711	$ (11,093)	$16,601	$ (10,383)

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(1) Reflects the preliminary purchase price allocation for West Coast Coffee. Subject to change based on numerous factors, including the final adjusted purchase price and the final estimated fair value of the assets acquired and the liabilities assumed. Adjustments in the purchase price allocation may require a recasting of the amounts allocated to goodwill and intangible assets.

Aggregate amortization expense for the past three fiscal years:

(In thousands)	
For the fiscal year ended:	
June 30, 2017	$710
June 30, 2016	$200
June 30, 2015	$99

Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

Estimated amortization expense for the next five fiscal years:

(In thousands)	
For the fiscal year ending:	
June 30, 2018	$1,197
June 30, 2019	$1,081
June 30, 2020	$866
June 30, 2021	$850
June 30, 2022	$828

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

	(In years)
Customer relationships	9.1
Non-compete agreements	4.4
Recipes	6.3
Trade name/brand name	4.3

Note 15. Employee Benefit Plans

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

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

Single Employer Pension Plans

The Company has a defined benefit pension plan, the Farmer Bros. Co. Pension Plan for Salaried Employees (the “Farmer Bros. Plan”), for 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.

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).

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Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

Obligations and Funded Status

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
($ in thousands)	2017	2016	2017	2016	2017	2016
Change in projected benefit obligation						
Benefit obligation at the beginning of the year	$152,325	$136,962	$4,574	$4,064	$4,329	$3,145
Service cost	—	—	—	—	124	389
Interest cost	5,277	5,875	157	172	152	137
Actuarial (gain) loss	(4,556)	15,999	(370)	682	(233)	687
Benefits paid	(6,755)	(6,511)	(282)	(344)	(43)	(29)
Projected benefit obligation at the end of the year	$146,291	$152,325	$4,079	$4,574	$4,329	$4,329
Change in plan assets						
Fair value of plan assets at the beginning of the year	$91,201	$94,815	$2,989	$3,291	$2,447	$2,104
Actual return on plan assets	10,874	1,556	337	42	256	85
Employer contributions	1,984	1,341	71	—	339	287
Benefits paid	(6,755)	(6,511)	(282)	(344)	(43)	(29)
Fair value of plan assets at the end of the year	$97,304	$91,201	$3,115	$2,989	$2,999	$2,447
Funded status at end of year (underfunded) overfunded	$(48,987)	$(61,124)	$(964)	$(1,585)	$(1,330)	$(1,882)
Amounts recognized in consolidated balance sheets						
Non-current liabilities	(48,987)	(61,124)	(964)	(1,585)	(1,330)	(1,882)
Total	$(48,987)	$(61,124)	$(964)	$(1,585)	$(1,330)	$(1,882)
Amounts recognized in AOCI						
Net loss	59,007	70,246	2,135	2,756	618	988
Total AOCI (not adjusted for applicable tax)	$59,007	$70,246	$2,135	$2,756	$618	$988
Weighted average assumptions used to determine benefit obligations						
Discount rate	3.80 %	3.55 %	3.80 %	3.55 %	3.80 %	3.55 %
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A

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

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
($ in thousands)	2017	2016	2017	2016	2017	2016
Components of net periodic benefit cost						
Service cost	$—	$—	$—	$—	$124	$389
Interest cost	5,277	5,875	157	172	152	137
Expected return on plan assets	(6,067)	(6,470)	(188)	(219)	(172)	(149)
Amortization of net loss	1,875	1,411	102	68	53	—
Net periodic benefit cost	$1,085	$816	$71	$21	$157	$377
Other changes recognized in OCI						
Net loss	$(9,363)	$20,913	$(519)	$859	$(317)	$750
Amortization of net loss	(1,875)	(1,411)	(102)	(68)	(53)	—
Total recognized in OCI	$(11,238)	$19,502	$(621)	$791	$(370)	$750
Total recognized in net periodic benefit cost and OCI	$(10,153)	$20,318	$(550)	$812	$(213)	$1,127
Weighted-average assumptions used to determine net periodic benefit cost						
Discount rate	3.55 %	4.40 %	3.55 %	4.40 %	3.55 %	4.40 %
Expected long-term return on plan assets	7.75 %	7.50 %	7.75 %	7.50 %	7.75 %	7.50 %
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A

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

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2014. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2014 is 20 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.

Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

Additional Disclosures

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
($ in thousands)	2017	2016	2017	2016	2017	2016
Comparison of obligations to plan assets						
Projected benefit obligation	$146,291	$152,325	$4,079	$4,574	$4,329	$4,329
Accumulated benefit obligation	$146,291	$152,325	$4,079	$4,574	$4,329	$4,329
Fair value of plan assets at measurement date	$97,304	$91,201	$3,115	$2,989	$2,999	$2,447
Plan assets by category						
Equity securities	$65,270	$58,094	$2,133	$1,909	$1,973	$1,542
Debt securities	26,241	27,586	793	899	851	758
Real estate	5,793	5,521	189	181	175	147
Total	$97,304	$91,201	$3,115	$2,989	$2,999	$2,447
Plan assets by category						
Equity securities	67 %	64 %	69 %	64 %	66 %	63 %
Debt securities	27 %	30 %	25 %	30 %	28 %	31 %
Real estate	6 %	6 %	6 %	6 %	6 %	6 %
Total	100.0 %	100.0 %	100 %	100 %	100 %	100 %

Fair values of plan assets were as follows:

	June 30, 2017			
(In thousands)	Total	Level 1	Level 2	Level 3
Farmer Bros. Plan	$97,304	$ —	$97,304	$ —
Brewmatic Plan	$3,115	$ —	$3,115	$ —
Hourly Employees' Plan	$2,999	$ —	$2,999	$ —

	June 30, 2016			
(In thousands)	Total	Level 1	Level 2	Level 3
Farmer Bros. Plan	$91,201	$ —	$91,201	$ —
Brewmatic Plan	$2,989	$ —	$2,989	$ —
Hourly Employees' Plan	$2,447	$ —	$2,447	$ —

As of June 30, 2017, approximately 6% of the assets of each of the Farmer Bros. Plan, the Brewmatic Plan and the Hourly Employees' Plan were invested in pooled separate accounts which invested mainly in commercial real estate and included mortgage loans which were backed by the associated properties. These underlying real estate investments are able to be redeemed at net asset value per share and therefore, are considered Level 2 assets.
The following is the target asset allocation for the Company's single employer pension plans—Farmer Bros. Plan, Brewmatic Plan and Hourly Employees' Plan—for fiscal 2018:

	Fiscal 2018
U.S. large cap equity securities	40.0 %
U.S. small cap equity securities	4.8 %
International equity securities	19.2 %
Debt securities	30.0 %
Real estate	6.0 %

Total	100.0%

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Estimated Amounts in OCI Expected To Be Recognized

In fiscal 2018, the Company expects to recognize net periodic benefit cost of $1.5 million for the Farmer Bros. Plan and $68,000 for the Brewmatic Plan, and a net periodic benefit credit of $(4,000) for the Hourly Employees' Plan.

Estimated Future Contributions and Refunds

In fiscal 2018, the Company expects to contribute $2.6 million to the Farmer Bros. Plan, $0.1 million to the Brewmatic Plan, and $0.4 million to the Hourly Employees' Plan. The Company is not aware of any refunds expected from single employer pension plans.

Estimated Future Benefit Payments

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

(In thousands)	Farmer Bros. Plan	Brewmatic Plan	Hourly Employees' Plan
Year Ending:			
June 30, 2018	$7,490	$ 310	$ 100
June 30, 2019	$7,650	$ 290	$ 110
June 30, 2020	$7,930	$ 280	$ 130
June 30, 2021	$8,130	$ 280	$ 150
June 30, 2022	$8,330	$ 270	$ 160
June 30, 2023 to June 30, 2027	$42,660	$ 1,220	$ 990

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 WCTPP is individually significant. The Company makes contributions to these plans generally based on the number of hours worked by the participants in accordance with the provisions of negotiated labor contracts.

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

The Company's participation in WCTPP is outlined in the table below. The Pension Protection Act ("PPA") Zone Status available in the Company's fiscal year 2017 and fiscal year 2016 is for the plan's year ended December 31, 2016 and December 31, 2015, respectively. The zone status is based on information obtained from WCTPP and is certified by WCTPP's actuary. Among other factors, plans in the green zone are generally more than 80% funded. Based on WCTPP's 2016 Annual Funding Notice, WCTPP was 91.7% and 91.8% funded for its plan year beginning January 1, 2016 and 2015, respectively, and is expected to be 90.0% funded for its plan year beginning January 1, 2017. The "FIP/RP Status Pending/Implemented" column indicates if a funding improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

Pension Plan	Employer Identification Number	Pension Plan Number	PPA Zone Status July 1, 2016	PPA Zone Status July 1, 2015	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
Western Conference of Teamsters Pension Plan	91-6145047	001	Green	Green	No	No	January 31, 2020

Based upon the most recent information available from the trustees managing WCTPP, the Company's share of the unfunded vested benefit liability for the plan was estimated to be approximately $7.0 million if the withdrawal had occurred in the plan year ending December 31, 2016. These estimates were calculated by the trustees managing WCTPP. Although the Company believes the most recent plan data available from WCTPP was used in computing this 2016 estimate, the actual withdrawal liability amount is subject to change based on, among other things, the plan's investment returns and benefit levels, interest rates, financial difficulty of other participating employers in the plan such as bankruptcy, and continued participation by the Company and other employers in the plan, each of which could impact the ultimate withdrawal liability.

If withdrawal liability were to be triggered, the withdrawal liability assessment can be paid in a lump sum or on a monthly basis. The amount of the monthly payment is determined as follows: Average number of hours reported to the pension plan trust during the three consecutive years with highest number of hours in the 10-year period prior to the withdrawal is multiplied by the highest hourly contribution rate during the 10-year period ending with the plan year in which the withdrawal occurred to determine the amount of withdrawal liability that has to be paid annually. The annual amount is divided by 12 to arrive at the monthly payment due. If monthly payments are elected, interest is assessed on the unpaid balance after 12 months at the rate of 7% per annum.

On July 13, 2017, the Company received correspondence from the Western Conference of Teamsters Pension Trust (the “WCT Pension Trust”) stating that the Company had liability for a share of the WCTPP unfunded vested benefits based on the WCT Pension Trust’s claim that certain of the Company’s employment actions resulting from the Corporate Relocation Plan amounted to a partial withdrawal from the WCTPP. See Note 26.

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. The Company is in the process of negotiating a reduced liability amount. The Company has commenced quarterly installment payments to the Pension Fund of $91,000 pending the final settlement of the liability. The present value of the total estimated withdrawal liability of $4.0 million and $3.8 million, respectively, is reflected in the Company's consolidated balance sheets at June 30, 2017 and June 30, 2016, with the short-term and long-term portions reflected in current and long-term liabilities, respectively. At June 30, 2017, the Company has classified the present value of the total estimated withdrawal liability as short-term with the expectation of paying off the liability in fiscal 2018. See Note 23.

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

Company contributions to the multiemployer pension plans:

(In thousands)	WCTPP(1)(2)(3)	All Other Plans(4)
Year Ended:		
June 30, 2017	$ 2,114	$ 39
June 30, 2016	$ 2,587	$ 39
June 30, 2015	$ 3,593	$ 41

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(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, 2016.
(3) The Company guarantees that one hundred seventy-three (173) hours will be contributed upon for all employees who are compensated for all available straight time hours for each calendar month. An additional 6.5% of the basic contribution must be paid for PEER or the Program for Enhanced Early Retirement.
(4) Includes one plan that is not individually significant.

The Company's contribution to multiemployer plans decreased in fiscal 2017 as compared to fiscal 2016 and 2015, as a result of reduction in employees due to the Corporate Relocation Plan. The Company expects to contribute an aggregate of $2.2 million towards multiemployer pension plans in fiscal 2018.

Multiemployer Plans Other Than Pension Plans

The Company participates in ten multiemployer defined contribution plans other than pension plans that provide medical, vision, dental and disability benefits for active, union-represented employees subject to collective bargaining agreements. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, and provide that participating employers make monthly contributions to the plans in an amount as specified in the collective bargaining agreements. Also, the plans provide that participants make self-payments to the plans, the amounts of which are negotiated through the collective bargaining process. The Company's participation in these plans is governed by collective bargaining agreements which expire on or before July 31, 2020. The Company's aggregate contributions to multiemployer plans other than pension plans in the fiscal years ended June 30, 2017, 2016 and 2015 were $5.3 million, $6.3 million and $6.9 million, respectively. The Company expects to contribute an aggregate of $5.0 million towards multiemployer plans other than pension plans in fiscal 2018.

401(k) Plan

The Company's 401(k) Plan is available to all eligible employees who have worked more than 1,000 hours during a calendar year and were employed at the end of the calendar year. Participants in the 401(k) Plan may choose to contribute a percentage of their annual pay subject to the maximum contribution allowed by the Internal Revenue Service. The Company's matching contribution is discretionary, based on approval by the Company's Board of Directors. For the calendar years 2017, 2016 and 2015, the Company's Board of Directors approved a Company matching contribution of 50% of an employee's annual contribution to the 401(k) Plan, up to 6% of the employee's eligible income. The matching contributions (and any earnings thereon) vest at the rate of 20% for each of the participant's first 5 years of vesting service, so that a participant is fully vested in his or her matching contribution account after 5 years of vesting service, subject to accelerated vesting under certain circumstances in connection with the Corporate Relocation Plan due to the closure of the Company’s Torrance Facility or a reduction-in-force at another Company facility designated by the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans. A participant is automatically vested in the event of death, disability or attainment of age 65 while employed by the Company. Employees are 100% vested in their contributions. For employees subject to a collective bargaining agreement, the match is only available if so provided in the labor agreement.

The Company recorded matching contributions of $1.6 million, $1.6 million and $1.4 million in operating expenses for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Postretirement Benefits

The Company sponsors a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees (“Retiree Medical Plan”). The plan provides medical, dental and vision coverage for retirees under age 65 and

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Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

medical coverage only for retirees age 65 and above. Under this postretirement plan, the Company's contributions toward premiums for retiree medical, dental and vision coverage for participants and dependents are scaled based on length of service, with greater Company contributions for retirees with greater length of service, subject to a maximum monthly Company contribution. The Company's retiree medical, dental and vision plan is unfunded, and its liability was calculated using an assumed discount rate of 4.1% at June 30, 2017. The Company projects an initial medical trend rate of 8.6% in fiscal 2018, 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. In fiscal 2016, the Company actuarially determined that no postretirement benefit costs related to the Corporate Relocation Plan were required to be recognized.

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, 2017, 2016 and 2015. Net periodic postretirement benefit cost for fiscal 2017 was based on employee census information as of June 30, 2017.

	Year Ended June 30,		
(In thousands)	2017	2016	2015
Components of Net Periodic Postretirement Benefit Cost (Credit):			
Service cost	$760	$1,388	$1,195
Interest cost	829	1,194	943
Amortization of net gain	(630)	(196)	(500)
Amortization of prior service credit	(1,757)	(1,757)	(1,757)
Net periodic postretirement benefit (credit) cost	$(798)	$629	$(119)

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, 2016	Annual Amortization	Years Remaining	Curtailment	Balance at June 30, 2017

January 1, 2008	$(732)	$ 230	2.2	—	$(502)
July 1, 2012	(11,475)	1,526	6.5	—	(9,949)
	$(12,207)	$ 1,756			$(10,451)

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Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

	Retiree Medical Plan		Death Benefit	
	Year Ended June 30,		Year Ended June 30,	
($ in thousands)	2017	2016	2017	2016
Amortization of Net (Gain) Loss:				
Net (gain) loss as of July 1	$(10,298)	$(8,710)	$1,523	$690
Net (gain) loss subject to amortization	(10,298)	(8,710)	1,523	690
Corridor (10% of greater of APBO or assets)	1,214	1,724	(854)	(729)
Net (gain) loss in excess of corridor	$(9,084)	$(6,986)	$669	$—
Amortization years	9.7	10.0	7.0	7.7

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

	Year Ended June 30,	
(In thousands)	2017	2016
Change in Benefit Obligation:		
Projected postretirement benefit obligation at beginning of year	$21,867	$24,522
Service cost	760	1,388
Interest cost	829	1,194
Participant contributions	741	795
Actuarial losses	(2,377)	(4,259)
Benefits paid	(1,140)	(1,773)
Projected postretirement benefit obligation at end of year	$20,680	$21,867

	Year Ended June 30,	
(In thousands)	2017	2016
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$—	$—
Employer contributions	399	978
Participant contributions	741	795
Benefits paid	(1,140)	(1,773)
Fair value of plan assets at end of year	$—	$—
Projected postretirement benefit obligation at end of year	20,680	21,867
Funded status of plan	$(20,680)	$(21,867)

	June 30,	
(In thousands)	2017	2016
Amounts Recognized in the Consolidated Balance Sheets Consist of:		
Non-current assets	$—	$—
Current liabilities	(893)	(1,060)
Non-current liabilities	(19,787)	(20,807)
Total	$(20,680)	$(21,867)

	Year Ended June 30,	
(In thousands)	2017	2016
Amounts Recognized in AOCI Consist of:		

Net gain	$(8,775)	$(7,027)
Prior service credit	(10,450)	(12,207)
Total AOCI	$(19,225)	$(19,234)

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Notes to Consolidated Financial Statements (continued)

(In thousands)	Year Ended June 30, 2017	2016
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI:		
Unrecognized actuarial loss	$(2,377)	$(4,259)
Amortization of net loss	630	196
Amortization of prior service cost	1,757	1,757
Total recognized in OCI	10	(2,306)
Net periodic benefit (cost) credit	(798)	629
Total recognized in net periodic benefit cost and OCI	$(788)	$(1,677)

The estimated net gain and prior service credit that will be amortized from AOCI into net periodic benefit cost in fiscal 2018 are $0.8 million and $1.8 million, respectively.

(In thousands)	
Estimated Future Benefit Payments:	
Year Ending:	
June 30, 2018	$911
June 30, 2019	$956
June 30, 2020	$1,004
June 30, 2021	$1,049
June 30, 2022	$1,082
June 30, 2023 to June 30, 2027	$5,830
Expected Contributions:	
June 30, 2018	$911

Sensitivity in Fiscal 2018 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 2018:

(In thousands)	1-Percentage Point Increase	Decrease
Effect on total of service and interest cost components	$96	$ (92)
Effect on accumulated postretirement benefit obligation	$983	$ (963)

Note 16. Bank Loan

The Company maintains a senior secured revolving credit facility (“Revolving Facility”) with JPMorgan Chase Bank, N.A. and SunTrust Bank (collectively, the “Lenders”), with revolving commitments of $75.0 million as of June 30, 2017, and a sublimit on letters of credit and swingline loans of $30.0 million and $15.0 million, respectively. The Revolving Facility includes an accordion feature whereby the Company may increase the Revolving Commitment by up to an additional $50.0 million, subject to certain conditions. Advances are based on the Company’s eligible accounts receivable, eligible inventory, and the value of certain real property and trademarks, less required reserves. As of June 30, 2017, the commitment fee ranges from 0.25% to 0.375% per annum based on average revolver usage. Outstanding obligations are collateralized by all of the Company’s assets, excluding certain real property not included in the borrowing base, machinery and equipment (other than inventory), and the Company's preferred stock portfolio. Borrowings under the Revolving Facility bear 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%. The Company is subject to a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including financial covenants relating to the maintenance of a fixed charge coverage ratio in certain circumstances, and the right of the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to the Company. The Company is allowed to pay dividends, provided, among other things, certain excess availability requirements are met, and no event of default exists or has occurred and is continuing as of the date

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of any such payment and after giving effect thereto. The Revolving Facility expires on March 2, 2020. Subsequent to the year ended June 30, 2017, the Company, together with its wholly owned subsidiaries and its Lenders, amended the credit facility to provide additional borrowing capacity and extended the term of the Revolving Facility. See Note 26. Subsequent Events.

At June 30, 2017, the Company was eligible to borrow up to a total of $55.6 million under the Revolving Facility and had outstanding borrowings of $27.6 million, utilized $0.1 million of the letters of credit sublimit, and had excess availability under the Revolving Facility of $27.9 million. Fair value of the loan approximates carrying value. At June 30, 2017, the weighted average interest rate on the Company's outstanding borrowings under the Revolving Facility was 3.02% and the Company was in compliance with all of the restrictive covenants under the Revolving Facility.

Note 17. Employee Stock Ownership Plan

The Company’s ESOP was established in 2000. The plan is a leveraged ESOP in which the Company is the lender. One of the two loans established to fund the ESOP matured in fiscal 2016 and the remaining loan is scheduled to mature in December 2018. The loan is 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 2.50% at June 30, 2017, which is updated on a quarterly basis.

	As of and for the years ended June 30,		
	2017	2016	2015
Loan amount (in thousands)	$4,289	$6,434	$11,234

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

Historically, the Company used the dividends, if any, on ESOP shares to pay down the loans, and allocated to the ESOP participants shares equivalent to the fair market value of the dividends they would have received. No dividends were paid in fiscal 2017, 2016 or 2015.

During the fiscal years ended June 30, 2017, 2016 and 2015, the Company charged $2.5 million, $3.4 million and $4.4 million, respectively, to compensation expense related to the ESOP. The decrease in ESOP expense in fiscal 2017 and 2016 was primarily due to the reduction in the number of shares being allocated to participant accounts as a result of paying down the loan amount. The difference between cost and fair market value of committed to be released shares, which was $0.5 million, $36,000 and $1.0 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, is recorded as additional paid-in capital.

	June 30,	
	2017	2016
Allocated shares	1,717,608	1,941,934
Committed to be released shares	74,983	169,603
Unallocated shares	145,941	220,925
Total ESOP shares	1,938,532	2,332,462
(In thousands)		
Fair value of ESOP shares	$58,641	$ 74,779

Note 18. 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

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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. The 2017 Plan also authorizes the grant of awards that are intended to qualify as “qualified performance-based compensation” within the meaning of Section 162(m) of the Internal Revenue Code (the “Code”). 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. 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 is administered by the Board or another Board committee or subcommittee, as may be determined by the Board from time to time (subject to limitations that may be imposed under Section 162(m) of the Code, Section 16 of the Securities Exchange Act of 1934, as amended, and/or stock exchange rules, as applicable). The administrator of the 2017 Plan (the “Administrator”) or its delegatee will have the authority to determine which eligible persons receive awards and to set the terms and conditions applicable to awards within the confines of the 2017 Plan’s terms. The Administrator will have the authority to make all determinations and interpretations under, and adopt rules and guidelines for the administration of, the 2017 Plan. In addition, the Administrator (which, for purposes of any such awards will be a Board committee comprised solely of two or more directors, each of whom is intended to be an “outside director” within the meaning of Section 162(m) of the Code) will determine whether specific awards are intended to constitute “qualified performance-based compensation,” within the meaning of Section 162(m) of the Code.

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 maximum number of shares of common stock with respect to all awards of restricted stock, restricted stock units, performance shares and other stock- or cash-based awards that are intended to qualify as “qualified performance-based compensation” within the meaning of Section 162(m) of the Code 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.

As of June 30, 2017, no awards have been granted under the 2017 Plan.

Non-qualified stock options with time-based vesting ("NQOs")
In fiscal 2017, the Company granted no shares issuable upon the exercise of NQOs. In fiscal 2016 and 2015, the Company granted 21,595 and 25,703 shares, respectively, issuable upon the exercise of NQOs with a weighted average exercise price of $29.48 and $23.91 per share, respectively, to eligible employees under the Amended Equity Plan which vest ratably over a three-year period. Following are the assumptions used in the Black-Scholes valuation model for NQOs granted during the fiscal years ended June 30, 2016 and 2015:

	Year Ended June 30,	
	2016	2015
Weighted average fair value of NQOs	$12.63	$10.38
Risk-free interest rate	1.6 %	1.5 %
Dividend yield	—	—
Average expected term (years)	5.1	5.1
Expected stock price volatility	47.1 %	47.9 %

The Company's assumption regarding expected stock price volatility is based on the historical volatility of the Company's stock price. The risk-free interest rate is based on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the expected life of the stock options. The average expected term is based on historical weighted time outstanding and the expected weighted time outstanding calculated by assuming the settlement of outstanding awards at the midpoint between the vesting date and the end of the contractual term of the award. Currently, management estimates an annual forfeiture rate of 4.8% based on actual forfeiture experience. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.
The following table summarizes NQO activity for the three most recent fiscal years:

Outstanding NQOs:	Number of NQOs	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2014	412,454	12.44	5.30	4.4	3,782
Granted	25,703	23.91	10.38	6.8	—
Exercised	(95,723)	16.17	5.86	—	747
Cancelled/Forfeited	(13,134)	11.26	5.00	—	—
Outstanding at June 30, 2015	329,300	12.30	5.54	3.9	3,700
Granted	21,595	29.48	12.63	6.4	—
Exercised	(112,895)	12.35	5.37	—	1,853
Cancelled/Forfeited	(18,371)	13.45	6.17	—	—
Outstanding at June 30, 2016	219,629	13.87	6.28	3.7	3,995
Granted	—	—	—	—	—
Exercised(1)	(67,482)	12.38	5.57	—	1,407
Cancelled/Forfeited	(18,683)	25.13	10.90	—	—
Outstanding at June 30, 2017	133,464	13.05	5.99	2.6	2,299
Vested and exercisable at June 30, 2017	125,376	12.13	5.64	2.5	2,274
Vested and expected to vest at June 30, 2017	133,073	13.00	5.97	2.6	2,298

(1) Includes 11,147 shares that were withheld to cover option cost and meet the employees' minimum statutory tax withholding and retired.

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 $30.25 at June 30, 2017, $32.06 at June 30, 2016 and $23.50 at

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June 30, 2015, 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.

Total fair value of NQOs vested during fiscal 2017, 2016, and 2015 was $0.2 million, $0.3 million and $0.5 million, respectively. The Company received $0.5 million, $1.4 million and $1.5 million in proceeds from exercises of vested NQOs in fiscal 2017, 2016 and 2015, respectively.

The following table summarizes nonvested NQO activity for the three most recent fiscal years:

Nonvested NQOs:	Number of NQOs	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)
Outstanding at June 30, 2014	167,798	10.65	5.06	5.3
Granted	25,703	23.91	10.38	6.8
Vested	(101,172)	9.87	4.72	—
Forfeited	(12,134)	10.31	4.91	—
Outstanding at June 30, 2015	80,195	15.94	7.21	5.2
Granted	21,595	29.48	12.63	6.4
Vested	(47,418)	14.05	6.44	—
Forfeited	(15,641)	12.95	6.09	—
Outstanding at June 30, 2016	38,731	27.02	11.63	6.1
Vested	(15,765)	26.45	11.41	—
Forfeited	(14,878)	27.44	11.96	—
Outstanding at June 30, 2017	8,088	27.33	11.47	5.3

As of June 30, 2017 and 2016, respectively, there was $80,000 and $0.4 million of unrecognized compensation cost related to NQOs. The unrecognized compensation cost related to NQOs at June 30, 2017 is expected to be recognized over the weighted average period of 1.3 years. Total compensation expense for NQOs was $0.1 million, $0.2 million and $0.4 million in fiscal 2017, 2016 and 2015, respectively.

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

In the fiscal year ended June 30, 2017, the Company granted 149,223 shares issuable upon the exercise of PNQs to eligible employees under the Amended Equity Plan, with 20% of each such grant subject to forfeiture if a target modified net income goal for fiscal 2017 ("Fiscal 2017 Target") 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 related to the relocation of the Company's corporate headquarters to Northlake, Texas. These PNQs have an exercise price of $32.85 per share which was the closing price of the Company's common stock as reported on the NASDAQ Global Select Market 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.

In the fiscal year ended June 30, 2016, the Company granted 143,466 shares issuable upon the exercise of PNQs with an exercise price of $29.48 per share to eligible employees under the Amended Equity Plan. With the exception of a portion of the award to the Company's President and Chief Executive Officer as described below, these PNQs vest over a three-year period with one-third of the total number of shares subject to each such PNQ becoming exercisable each year on the anniversary of the grant date, based on the Company's achievement of modified net income targets for fiscal 2016 ("Fiscal 2016 Target") as approved by the Compensation Committee, subject to the participant's employment by the Company or service on the Board of Directors of the Company on the applicable vesting date and the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement. But if actual modified net income for fiscal 2016 is less than the Fiscal 2016 Target, then only 80% of the total shares issuable under such grant will vest subject to continued employment with the Company on the relevant vesting dates.

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On June 3, 2016, the Compensation Committee of the Board of Directors of the Company determined that a portion of the performance non-qualified stock option granted to Michael H. Keown, the Company's President and Chief Executive Officer, on December 3, 2015 (the “Original Option”) was invalid because such portion caused the total number of option shares granted to Mr. Keown in calendar year 2015 to exceed the limit of 75,000 shares that may be granted to a participant in a single calendar year under the Amended Equity Plan by 22,862 shares. Therefore, the Compensation Committee reduced the total number of shares of common stock issuable under the Original Option by 22,862 shares. The reduction of the 22,862 excess option shares brought the total number of option shares granted to Mr. Keown in calendar 2015 within the limitation of the Amended Equity Plan.

In addition, on June 3, 2016, the Compensation Committee, in accordance with the provisions of the Amended Equity Plan, granted Mr. Keown a performance non-qualified stock option to purchase 22,862 shares of the Company's common stock (the “New Option”) with an exercise price of $29.48 per share, which was the greater of the exercise price of the Original Option and the closing price of the Company's common stock as reported on the NASDAQ Global Select Market on June 3, 2016, the date of grant. The New Option is subject to the same terms and conditions of the Original Option including an expiration date of December 3, 2022, and the three-year vesting schedule, except that to comply with the Amended Equity Plan's minimum vesting schedule of one year from the grant date, one-third of shares issuable under the New Option will vest on June 3, 2017, and the remainder of the New Option shares will vest one-third each on the second and third anniversaries of the grant date of the Original Option, based on the Company’s achievement of the same performance goals as the Original Option, subject to Mr. Keown’s continued employment on the applicable vesting date.

In the fiscal year ended June 30, 2015, the Company granted 121,024 shares issuable upon the exercise of PNQs with an exercise price of $23.44 per share to eligible employees under the Amended Equity Plan. These PNQs vest over a three-year period with one-third of the total number of shares subject to each such PNQ becoming exercisable each year on the anniversary of the grant date, based on the Company’s achievement of modified net income targets for fiscal years within the performance period as approved by the Compensation Committee, subject to catch-up vesting of previously unvested shares in a subsequent year within the three year period in which a cumulative modified net income target as approved by the Compensation Committee is achieved, in each case, subject to the participant’s employment by the Company or service on the Board of Directors of the Company on the applicable vesting date and the acceleration provisions contained in the Amended Equity Plan and the applicable award agreement.

Following are the assumptions used in the Black-Scholes valuation model for PNQs granted during the fiscal years ended June 30, 2017, 2016 and 2015:

	Year Ended June 30,		
	2017	2016	2015
Weighted average fair value of PNQs	$11.42	$11.38	$10.16
Risk-free interest rate	1.5 %	1.6 %	1.5 %
Dividend yield	—	—	—
Average expected term (years)	4.9	4.9	5.0
Expected stock price volatility	37.7 %	42.5 %	47.9 %

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

Outstanding PNQs:	Number of PNQs	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2014	112,442	21.27	10.49	6.5	38
Granted	121,024	23.44	10.16	6.6	—
Cancelled/Forfeited	(9,399)	21.33	10.52	—	—
Outstanding at June 30, 2015	224,067	22.44	10.31	6.0	237
Granted	143,466	29.48	11.38	6.2	—
Exercised	(14,144)	21.20	10.45	—	107
Cancelled/Forfeited	(64,790)	23.20	10.37	—	—
Outstanding at June 30, 2016	288,599	25.83	10.82	5.7	1,798
Granted	149,223	32.85	11.42	4.6	—
Exercised(1)	(15,321)	26.26	10.98	—	109
Cancelled/Forfeited	(63,715)	31.39	11.39	—	—
Outstanding at June 30, 2017	358,786	27.75	10.96	5.2	1,181
Vested and exercisable at June 30, 2017	150,761	23.97	10.58	4.3	947
Vested and expected to vest at June 30, 2017	347,766	27.64	10.95	5.2	1,173

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(1) Includes 6,326 shares that were withheld to cover option cost and meet the employees' minimum statutory tax withholding and retired.

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 $30.25 at June 30, 2017, $32.06 at June 30, 2016 and $23.50 at June 30, 2015 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.

Total fair value of PNQs vested during the fiscal years ended June 30, 2017, 2016 and 2015 was $1.3 million, $0.3 million and $0.4 million, respectively. The Company received $0.2 million and $0.3 million in proceeds from exercises of vested PNQs in fiscal 2017 and 2016, respectively. No PNQs were exercised during the fiscal year ended June 30, 2015.

As of June 30, 2017, the Company met the performance targets for the fiscal 2016 PNQ awards and the first two tranches of the fiscal 2015 PNQ awards. The Company expects to meet the performance targets for the remainder of the fiscal 2015 and fiscal 2016 awards, and for the fiscal 2017 awards.

The following table summarizes nonvested PNQ activity for the three most recent fiscal years:

Nonvested PNQs:	Number of PNQs	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)
Outstanding at June 30, 2014	112,442	21.27	10.49	6.5
Granted	121,024	23.44	10.16	6.6
Vested	(34,959)	21.27	10.49	—
Forfeited	(9,399)	21.33	10.52	—
Outstanding at June 30, 2015	189,108	22.66	10.28	6.2
Granted	143,466	29.48	11.38	6.2
Vested	(27,317)	10.16	23.44	—
Forfeited	(64,790)	23.20	10.37	—
Outstanding at June 30, 2016	240,467	26.49	10.92	5.9
Granted	149,223	32.85	11.42	4.6
Vested	(119,403)	24.91	10.75	—
Forfeited	(62,262)	31.39	11.39	—
Outstanding at June 30, 2017	208,025	30.48	11.24	5.8

As of June 30, 2017 and 2016, there was $1.8 million and $1.9 million , respectively, of unrecognized compensation cost related to PNQs. The unrecognized compensation cost related to PNQs at June 30, 2017 is expected to be recognized over the weighted average period of 1.3 years. Total compensation expense related to PNQs in fiscal 2017, 2016 and 2015 was $1.1 million, $0.5 million and $0.5 million, respectively.

Restricted Stock

During fiscal 2017, 2016 and 2015 the Company granted 5,106 shares, 10,170 shares and 13,256 shares of restricted stock under the Amended Equity Plan, respectively, with a weighted average grant date fair value of $35.25, $29.99 and $23.64 per share, respectively, to eligible employees and directors. Shares of restricted stock generally vest at the end of three years for eligible employees. Unlike prior-year awards to non-employee directors, which vest ratably over a period of three years, the fiscal 2017 restricted stock awards cliff vest on the first anniversary of the date of grant subject to continued service to the Company through the vesting date and the acceleration provisions of the LTIP and restricted stock agreement. During the fiscal year ended June 30, 2017, 7,458 shares of restricted stock vested and were released.

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

Outstanding and Nonvested Restricted Stock Awards:	Shares Awarded	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2014	96,212	10.27	1.5	2,079
Granted	13,256	23.64	—	313
Exercised/Released(1)	(53,402)	8.43	—	1,377
Cancelled/Forfeited	(8,984)	8.36	—	—
Outstanding at June 30, 2015	47,082	16.48	1.2	1,106
Granted	10,170	29.99	—	305
Exercised/Released(2)	(24,841)	14.08	—	747
Cancelled/Forfeited	(8,619)	13.06	—	—
Outstanding at June 30, 2016	23,792	26.00	1.8	763
Granted	5,106	35.25	—	180
Exercised/Released	(7,458)	24.16	—	253
Cancelled/Forfeited	(5,995)	26.41	—	—
Outstanding at June 30, 2017	15,445	29.79	0.9	467
Expected to vest at June 30, 2017	14,989	29.79	0.9	453

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(1) Includes 4,297 shares that were withheld to meet the employees' minimum statutory tax withholding and retired.
(2) Includes 5,177 shares that were withheld to meet the employees' minimum statutory tax withholding and retired.

The aggregate intrinsic value of shares outstanding at the end of each fiscal period in the table above represent the total pretax intrinsic values, based on the Company’s closing stock price of $30.25 at June 30, 2017, $32.06 at June 30, 2016 and $23.50 at June 30, 2015, representing the last trading day of the respective fiscal years. Restricted stock that is expected to vest is net of estimated forfeitures.

As of June 30, 2017 and 2016, there was $0.3 million and $0.5 million of unrecognized compensation cost related to restricted stock. The unrecognized compensation cost related to restricted stock at June 30, 2017 is expected to be recognized over the weighted average period of 1.0 year. Total compensation expense for restricted stock was $0.2 million, $0.2 million, and $0.3 million, for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Note 19. Other Current Liabilities

Other current liabilities consist of the following:

	June 30,	
(In thousands)	2017	2016
Accrued postretirement benefits	$893	$1,060
Accrued workers’ compensation liabilities	1,885	3,225
Short-term pension liabilities	3,956	347
Earnout payable—RLC acquisition	100	100
Other (including net taxes payable)	2,868	2,214
Other current liabilities	$9,702	$6,946

Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

Note 20. Other Long-Term Liabilities

Other long-term liabilities include the following:

	June 30,	
(In thousands)	2017	2016
New Facility lease obligation(1)	$—	$28,110
Earnout payable(2)	1,100	100
Derivative liabilities—noncurrent	380	—
Other long-term liabilities	$1,480	$28,210

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(1) Lease obligation associated with construction of the New Facility. The lease obligation was reversed upon termination of the Lease Agreement concurrent with the closing of the purchase option on September 15, 2016. See Note 5.

(2) Includes in fiscal 2017, $0.5 million and $0.6 million in earnout payable in connection with the Company’s acquisition of substantially all of the assets of China Mist completed on October 11, 2016 and the Company's acquisition of West Coast Coffee completed on February 7, 2017, respectively; includes in fiscal 2016 $0.1 million in earnout payable in connection with the Company's acquisition of substantially all of the assets of RLC in fiscal 2016. See Note 3.

Note 21. Income Taxes

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

	June 30,		
(In thousands)	2017	2016	2015
Current:			
Federal	$132	$214	$(30)
State	340	103	309
Total current income tax expense	472	317	279
Deferred:			
Federal	13,110	(66,648)	106
State	2,372	(13,666)	17
Total deferred income tax expense (benefit)	15,482	(80,314)	123
Income tax expense (benefit)	$15,954	$(79,997)	$402

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

	June 30,		
(In thousands)	2017	2016	2015
Statutory tax rate	35 %	35 %	34 %
Income tax expense at statutory rate	$14,121	$3,472	$358
State income tax expense, net of federal tax benefit	1,819	557	260
Dividend income exclusion	(134)	(140)	(54)
Valuation allowance	(13)	(83,230)	(185)
Change in tax rate	—	(1,061)	—
Retiree life insurance	(69)	135	—
Change in contingency reserve (net)	1	—	—
Other (net)	229	270	23
Income tax expense (benefit)	$15,954	$(79,997)	$402

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

	June 30,		
(In thousands)	2017	2016	2015
Deferred tax assets:			
Postretirement benefits	$30,253	$33,273	$31,100
Accrued liabilities	7,885	11,760	10,091
Net operating loss carryforwards	38,985	38,196	41,544
Intangible assets	—	71	594
Other	6,824	6,881	6,794
Total deferred tax assets	83,947	90,181	90,123
Deferred tax liabilities:			
Unrealized gain on investments	—	(609)	(2,242)
Fixed assets	(17,096)	(5,370)	(2,647)
Other	(2,181)	(1,789)	(1,943)
Total deferred tax liabilities	(19,277)	(7,768)	(6,832)
Valuation allowance	(1,615)	(1,627)	(84,857)
Net deferred tax assets (liabilities)	$63,055	$80,786	$(1,566)

At June 30, 2017, the Company had approximately $101.8 million in federal and $97.7 million in state net operating loss carryforwards that will begin to expire in the years ending June 30, 2030 and June 30, 2017, respectively. Additionally, at June 30, 2017, the Company had $0.8 million of federal business tax credits that begin to expire in June 30, 2025 and approximately $1.7 million of federal alternative minimum tax credits that do not expire.

The Company recognizes windfall tax benefits associated with the exercise of share-based compensation directly to stockholders' equity only when realized. Accordingly deferred tax assets are not recognized for net operating loss carryforwards resulting from windfall tax benefits occurring from July 1, 2006 onward. At June 30, 2017, deferred tax assets do not include $1.6 million in excess tax benefits from stock compensation. As discussed in Note 2, the Company will adopt ASU 2016-09 beginning July 1, 2017. Upon adoption the excess tax benefits of $1.6 million will be recorded as an increase to deferred tax assets and a corresponding increase to retained earnings.

At June 30, 2017, the Company had total deferred tax assets of $83.9 million and net deferred tax assets before valuation allowance of $64.7 million. The Company considered whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets would or would not ultimately be realized in future periods. In making such assessment, significant weight was given to evidence that could be objectively verified such as recent operating results and less consideration was given to less objective indicators such as future income projections.

After consideration of positive and negative evidence, including the recent history of income, the Company concluded that it is more likely than not that the Company will generate future income sufficient to realize the majority of the Company's deferred tax assets as of June 30, 2017. As of June 30, 2017, the Company cannot conclude that certain state net operating loss carry forwards and tax credit carryovers will be utilized before expiration. Accordingly, the Company will maintain a valuation allowance of $1.6 million to offset this deferred tax asset. There was no change to the valuation allowance in fiscal 2017. The valuation allowance decreased $83.2 million and increased $12.3 million, in fiscal 2016 and 2015, respectively.

Total unrecognized tax benefits attributable to uncertain tax positions taken in tax returns in each of fiscal 2017, 2016 and 2015 were zero and at June 30, 2017 and 2016, the Company had no unrecognized tax benefits.

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, 2013. The

Internal Revenue Service completed its examination of the Company's tax years ended June 30, 2013 and 2014 and accepted the returns as filed.

The Company’s policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. In each of the fiscal years ended June 30, 2017 and 2016, the Company recorded $0 in accrued interest and

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penalties associated with uncertain tax positions. Additionally, the Company recorded income of $0 related to interest and penalties on uncertain tax positions in the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Note 22. Net Income Per Common Share

	Year Ended June 30,		
(In thousands, except share and per share amounts)	2017	2016	2015
Net income attributable to common stockholders—basic	$24,370	$ 89,812	$ 651
Net income attributable to nonvested restricted stockholders	30	106	1
Net income	$24,400	$ 89,918	$ 652
Weighted average common shares outstanding—basic	16,668,745	16,502,523	16,127,610
Effect of dilutive securities:			
Shares issuable under stock options	117,007	124,879	139,524
Weighted average common shares outstanding—diluted	16,785,752	16,627,402	16,267,134
Net income per common share—basic	$1.46	$ 5.45	$ 0.04
Net income per common share—diluted	$1.45	$ 5.41	$ 0.04

Note 23. Commitments and Contingencies

Leases

As part of the China Mist transaction, the Company assumed the lease on China Mist’s existing 17,400 square foot production, distribution and warehouse facility in Scottsdale, Arizona which is terminable upon twelve months’ notice. As part of the West Coast Coffee transaction, the Company entered into a three-year lease on West Coast Coffee’s existing production, distribution and warehouse facility in Hillsboro, Oregon, which expires January 31, 2020, and assumed leases on six branch warehouses in Oregon, California and Nevada, expiring on various dates through November 2020. See Note 3.

The Company is also obligated under operating leases for branch warehouses, distribution centers and its production facility in Portland, Oregon. Some operating leases have renewal options that allow the Company, as lessee, to extend the leases. Rent expenses paid for the fiscal years ended June 30, 2017, 2016 and 2015 were $5.1 million, $4.5 million and $3.8 million, respectively.

Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

Contractual obligations for future fiscal years are as follows:

	Contractual Obligations						
(In thousands)	Capital Lease Obligations	Operating Lease Obligations	New Facility Construction and Equipment Contracts (1)	Pension Plan Obligations(2)	Postretirement Benefits Other Than Pension Plans(3)	Revolving Credit Facility	Purchase Commitments (4)
Year Ended June 30,							
2018	$994	$ 4,907	$ 4,439	$ 14,097	$ 5,880	$27,621	$ 76,359
2019	$186	$ 3,996	$ —	$ 8,050	$ 956	$—	$ —
2020	$51	$ 2,151	$ —	$ 8,340	$ 1,004	$—	$ —
2021	$4	$ 769	$ —	$ 8,560	$ 1,049	$—	$ —
2022	$—	$ 186	$ —	$ 8,760	$ 1,082	$—	$ —
Thereafter	$—	$ —	$ —	$ 44,870	$ 5,830	$—	$ —
		$ 12,009	$ 4,439	$ 92,677	$ 15,801	$27,621	$ 76,359
Total minimum lease payments	$1,235						
Less: imputed interest (0.82% to 10.66%)	$(40)						
Present value of future minimum lease payments	$1,195						
Less: current portion	$958						
Long-term capital lease obligations	$237						

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(1) Includes $1.6 million in outstanding contractual obligations for the construction of the New Facility including $0.4 million outstanding under the DMA (see Note 5) and $2.8 million in outstanding contractual obligations for the purchase of machinery and equipment for the New Facility, including $2.2 million under the Amended Building Contract. See Note 5.
(2) Includes $86.5 million in estimated future benefit payments on single employer pension plan obligations, $4.0 million in estimated payments in fiscal 2018 towards settlement of withdrawal liability associated with the Company's withdrawal from the Local 807 Labor Management Pension Plan and $2.2 million in estimated fiscal 2018 contributions to the multiemployer pension plans. See Note 15.
(3) Includes $10.8 million in estimated future benefit payments on postretirement benefit plan obligations and $5.0 million in estimated 2018 contributions to multiemployer plans other than pension plans. See Note 15.
(4) 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, 2017. 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.

Earn-Out Obligations

Certain of the Company's business acquisitions involve the payment of contingent consideration. Certain of these payments are based on achievement of certain sales levels during the earn-out period and, consequently, the Company cannot currently determine the total payments. However, the Company have developed an estimate of the maximum potential contingent consideration for each of its acquisitions with an outstanding earn-out obligation. The estimated maximum fair value of future contingent consideration that the Company could be required to pay associated with its business acquisitions is $1.2 million recorded in “Other current liabilities“ and “Other long-term liabilities” on the

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Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

Company's consolidated balance sheet at June 30, 2017 (see Note 19 and Note 20). Subject to achievement of certain milestones, the contingent consideration is estimated to be paid before the end of calendar 2019. Since it is not possible to estimate when, or even if, the acquired companies will reach their performance milestones or the amount of contingent consideration payable based on future sales, the maximum contingent consideration has not been included in the table above.

Self-Insurance

At June 30, 2016, the Company had posted a $7.4 million letter of credit as a security deposit with the State of California Department of Industrial Relations Self-Insurance Plans for participation in the alternative security program for California self-insurers for workers' compensation liability in California. The State of California notified the Company on December 13, 2016 that it had released and authorized the cancellation of the letter of credit. At June 30, 2017 and 2016, the Company had also posted $3.4 million in cash and a $4.3 million letter of credit, respectively, as a security deposit for self-insuring workers' compensation, general liability and auto insurance coverages outside of California.

Non-cancelable Purchase Orders

As of June 30, 2017, the Company had committed to purchase green coffee inventory totaling $66.7 million under fixed-price contracts, equipment for the New Facility totaling $3.5 million and other purchases totaling $6.1 million under non-cancelable purchase orders.

Legal Proceedings

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

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

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

The Company has joined a Joint Defense Group, 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.

To date, the pleadings stage of the case has been completed. The Court has phased trial so that the "no significant risk level" defense, the First Amendment defense, and the preemption defense will be tried first. Fact discovery and expert discovery on these "Phase 1" defenses have been completed, and the parties filed trial briefs. Trial commenced on September 8, 2014, and testimony completed on November 4, 2014, for the three Phase 1 defenses.

Following 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.

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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. 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.

All pre-trial motions and briefs have been filed with the Court. There was a final case management conference on August 21, 2017 at which 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. Phase 2 will focus on remedies and the plain meaning of "alternative significant risk level." Trial is currently ongoing at this time.

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 24. Unusual and Infrequent Expenses

The Company incurred expenses of $5.2 million, or $0.31 per diluted common share, during the fiscal year ended June 30, 2017 which were unusual in nature and infrequent in occurrence. These expenses incurred for successfully defending against the 2016 proxy contest included non-recurring legal fees, financial advisory fees, proxy solicitor fees, mailing and printing costs of proxy solicitation materials and other costs.

Note 25. 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, 2017. This quarterly information has been prepared on a consistent basis with the audited consolidated financial statements and, in the opinion of management, includes all adjustments which management believes are necessary for a fair presentation of the information for the periods presented.

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

Farmer Bros. Co.
Notes to Consolidated Financial Statements (continued)

(In thousands, except per share data)	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
Net sales	$130,488	$139,025	$138,187	$133,800
Gross profit	$51,198	$55,096	$53,820	$53,618
Income from operations	$2,505	$35,910	$2,058	$1,693
Net income	$1,618	$20,076	$1,594	$1,112
Net income per common share—basic	$0.10	$1.21	$0.10	$0.07
Net income per common share—diluted	$0.10	$1.20	$0.10	$0.07

(In thousands, except per share data)	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016
Net sales	$133,445	$142,307	$134,468	$134,162
Gross profit	$50,579	$52,908	$52,560	$52,428
(Loss) income from operations	$(563)	$5,361	$306	$3,075
Net (loss) income	$(1,074)	$5,561	$1,192	$84,239
Net (loss) income) per common share—basic	$(0.07)	$0.34	$0.07	$5.09
Net (loss) income per common share—diluted	$(0.07)	$0.34	$0.07	$5.05

In the fourth quarter of fiscal 2016, the Company concluded that it is more likely than not that the Company will generate future earnings sufficient to realize the majority of the Company's deferred tax assets as of June 30, 2016. Accordingly, the Company recorded a reduction in its valuation allowance in the fourth quarter of fiscal 2016 in the amount of $83.2 million. See Note 21.

In the second quarter of fiscal 2017, the Company completed the sale of the Torrance Facility, and recognized a net gain from sale 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. See Note 6.

Note 26. Subsequent Events

Boyd Coffee Company Purchase Agreement

On August 18, 2017, the Company and its wholly-owned subsidiary Boyd Assets Co., a Delaware corporation ("Buyer"), entered into an Asset Purchase Agreement (the "Purchase Agreement") with Boyd Coffee Company ("Seller"), and each of the parties set forth on Exhibit A to the Purchase Agreement (collectively with Seller, the "Seller Parties"). Under the terms of the Purchase Agreement, Seller will sell and Buyer will purchase substantially all of the assets of Seller (the "Transaction") in consideration of cash and preferred stock.

Each share of Preferred Stock will have a purchase price and an initial stated value of $1,000.00 ("Stated Value"). Each holder of Preferred Stock will be entitled to receive dividends, when and if declared by the Company's Board of Directors, equal to 3.5% per annum of the Stated Value of such share in effect on the applicable regular dividend record date ("Regular Dividends"). Regular Dividends on each share of Preferred Stock will begin to accrue from, and including, the closing date; and if not declared and paid, will be cumulative.

Each share of Preferred Stock may be converted at the election of the holder thereof (i) upon a change of control of the Company or (ii) as follows: of the initial 21,000 shares of Preferred Stock, (x) 4,200 shares may be converted beginning one year after the closing date, (y) 6,300 additional shares may be converted beginning two years after the closing date, and (z) the remaining 10,500 shares may be converted beginning three years after the closing date. In addition, the Company will have the right, at any time on or after the first anniversary of the closing date, to cause all, but not less than all, of the outstanding shares of Preferred Stock to automatically convert, based on certain market conditions.

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In the event of any liquidation, dissolution or winding up of the affairs of the Company, the holder(s) of Preferred Stock will be entitled to receive, per share of Preferred Stock, out of the assets of the Company or proceeds thereof legally available for distribution to the Company's stockholders, before any distribution of such assets or proceeds is made or set aside for the holders of junior stock, an amount equal to the Preferred Stock liquidation preference. The liquidation preference will be the greater of the (x) the Stated Value, plus accrued and unpaid Regular Dividends, per share of Preferred Stock as of the date the liquidation preference is paid, and (x) the amount, per share of Preferred Stock, that the holder thereof would have received is such holder had converted such share into the Company's common stock immediately before such liquidation, dissolution or winding up.

Except as otherwise required by applicable law, each share of Preferred Stock outstanding will entitle the holder(s) thereof to vote together with the holders of the Company's common stock on all matters submitted for a vote of, or consent by, holders of the Company's common stock. For these purposes, each holder will be deemed to be the holder of record of a number of shares of the Company's common stock equal to the quotient (rounded down to the nearest whole number) obtained by dividing (i) the aggregate Stated Value of the shares of Preferred Stock held by such holder on such record date by (ii) the Conversion Price in effect on such record date.

The Purchase Agreement contains representations, warranties, and indemnification provisions of the parties customary for transactions of this type. The Purchase Agreement contains specified termination rights for the parties, including a mutual termination right in the event the closing has not occurred on or prior to November 30, 2017. Subject to the satisfaction or waiver of the foregoing conditions and the other terms and conditions contained in the Purchase Agreement, the Transaction is expected to close in the Company's second quarter of fiscal 2018.

Amendment to Revolving Facility

On August 25, 2017, the Company and China Mist Brands, Inc., a Delaware corporation, (together with the Company, the "Borrowers"), together with the Company's wholly owned subsidiaries, as additional Loan Parties and as Guarantors, entered into that certain First Amendment to Credit Agreement and First Amendment to Pledge and Security Agreement (the "Amendment") with JPMorgan Chase Bank, N.A. ("Chase"), as Administrative Agent, and the financial institutions party thereto as lenders (the "Lenders"). The Amendment amends (i) the Company's original Credit Agreement dated as of March 2, 2015 (the "Original Credit Agreement"), entered into by the Borrowers, the guarantor subsidiaries party thereto, the Administrative Agent and the financial institutions party thereto as lenders (the Original Credit Agreement as amended by the Amendment, the "Amended Credit Agreement"), and (ii) the Company's original Pledge and Security Agreement dated as of March 2, 2015 (the "Original Pledge and Security Agreement"). Capitalized terms used without definition below are defined in the Amended Credit Agreement.

The Amended Credit Agreement increases the aggregate commitments ("Revolving Commitment") of the Revolving Facility from $75.0 million to 125.0 million. Chase agreed to provide $75.0 million of the Revolving Commitment and SunTrust Bank agreed to provide $50.0 million of the Revolving Commitment. The Amended Credit Agreement also includes an accordion feature whereby the Company may increase the Revolving Commitment by an aggregate amount not to exceed $50.0 million, subject to certain conditions.

The Amended Credit Agreement increases (i) the advance rate on Borrowers' eligible accounts receivable that are with investment grade customers from 85% to 90% and (ii) the amount of Borrowers' eligible real property which can be included in the Borrowing Base from the lesser of $25.0 million and 75% of the fair market value of such eligible real property, to the lesser of $60.0 million and 75% of the fair market value of such eligible real property, subject to certain limitations.

The Amended Credit Agreement provides for an increase to the margin of 0.375% per annum on any drawn loans under the Revolving Facility up to an amount equal to the value of eligible real property in the Borrowing Base. The interest rates are otherwise unchanged in the Amended Credit Agreement and continue to be based on Average Historical Excess Availability levels with a range of PRIME - 0.25% to PRIME + 0.50% or Adjusted LIBO Rate + 1.25% to Adjusted LIBO Rate + 2.00%. The Amended Credit Agreement reduces the commitment fee from a range of between 0.25% to 0.375% per annum based on Average Revolver Usage, to a flat fee of 0.25% per annum irrespective of Average Revolver Usage. The Amended Credit Agreement also extends the maturity date of the Revolving Facility from March 2, 2020 to August 25, 2022.

The Amended Credit Agreement contains a variety of affirmative and negative covenants of types customary in an

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asset-based lending facility, including financial covenants relating to the maintenance of a fixed charge coverage ratio in certain circumstances. The Amended Credit Agreement also allows the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to the Borrowers, and provides for customary Events of Default.

Western Conference of Teamsters Pension Trust

On July 13, 2017, the Company received correspondence (the "WCT Letter") from the Western Conference of Teamsters Pension Trust (the "WCT Pension Trust") stating that the Company had liability for a share of the Western Conference of Teamsters Pension Plan (the "Plan") unfunded vested benefits based on the WCT Pension Trust's claim that certain of the Company's employment actions resulting from the Corporate Relocation Plan amounted to a partial withdrawal from the Plan. The Company has not yet decided whether it will submit a request for review to the WCT Pension Trust with respect to the asserted liability or take any other action.

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, 2017, 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, 2017, our disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with policies or procedures may deteriorate.

With the participation of the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in the 2013 “Internal Control—Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of June 30, 2017.

The effectiveness of our internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended June 30, 2017, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Farmer Bros. Co.
Northlake, Texas

We have audited the internal control over financial reporting of Farmer Bros. Co. and subsidiaries (the “Company“) as of June 30, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2017, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended June 30, 2017 of the Company and our report dated September 28, 2017 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
September 28, 2017

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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 (this website address is not intended to function as a hyperlink, and the information contained in our website is not intended to be a part of this filing). 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, 2017, its officers, directors and ten percent stockholders complied with all applicable Section 16(a) filing requirements, with the exception of the members of a “group” for the purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, identified in a Schedule 13D/A (Amendment No. 3) filed with the SEC on August 29, 2017 and a Schedule 13D/A (Amendment No. 4) filed with the SEC on September 8, 2016 (collectively, the “Waite Group Schedule 13D/A”), including Carol Farmer Waite, as trustee, co-trustee, and/or sole beneficiary of certain family trusts named in the Waite Group Schedule 13D/A; Jonathan Michael Waite, as trustee and sole beneficiary of the 2012 Waite Irrevocable Trust; and individuals Suzanna Waite, Austin Waite, Emily Waite, Scott Grossman, Brett Grossman, Brynn Grossman, Tom Mortensen, John Samore, Jr. and Jennifer Gonzalez-Yousef (Mr. Samore and Ms. Gonzalez-Yousef each signed the Waite Group Schedule 13D/A but reported that they beneficially owned no shares of the Company’s common stock), who did not timely file or failed to file such reports upon becoming members of the identified Section 13(d)(3) group. 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, 2017.

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, 2017 that were either approved or not approved by our stockholders was as follows:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance(3)
Equity compensation plans approved by stockholders(1)	492,250	$23.76	—
Equity compensation plans approved by stockholders(2)	—	—	900,000
Equity compensation plans not approved by stockholders	—	—	—
Total	492,250	$23.76	900,000

(1) Includes shares issued under the Prior Plans.

(2) Includes shares available for issuance under the 2017 Plan

(3) 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. 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. The 2017 Plan also authorizes the grant of awards that are intended to qualify as "qualified performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code (the "Code"). 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, 2017 and 2016

Consolidated Statements of Operations for the Years Ended June 30, 2017, 2016 and 2015

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended June 30, 2017, 2016 and 2015

Consolidated Statements of Cash Flows for the Years Ended June 30, 2017, 2016 and 2015

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2017, 2016 and 2015

Notes to Consolidated Financial Statements
2. Financial Statement Schedules: Financial Statement Schedules are omitted as they are not applicable, or the required information is given in the consolidated financial statements and notes thereto.
3. The exhibits to this Annual Report on Form 10-K are listed on the accompanying index to exhibits and are incorporated herein by reference or are filed as part of the Annual Report on Form 10-K. Each management contract or compensation plan required to be filed as an exhibit is identified by an asterisk (*).

(b) Exhibits: See Exhibit Index.

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/Michael H. Keown Michael H. Keown President and Chief Executive Officer (chief executive officer) September 28, 2017
By:	/s/ David G. Robson David G. Robson Treasurer and Chief Financial Officer (principal financial and accounting officer) September 28, 2017

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 28, 2017
/s/ Guenter W. Berger Guenter W. Berger	Chairman Emeritus and Director	September 28, 2017
/s/ Hamideh Assadi Hamideh Assadi	Director	September 28, 2017

Jeanne Farmer Grossman	Director	
/s/ Michael H. Keown Michael H. Keown	Director	September 28, 2017
/s/ Charles F. Marcy Charles F. Marcy	Director	September 28, 2017
/s/ Christopher P. Mottern Christopher P. Mottern	Director	September 28, 2017

EXHIBIT INDEX

2.1	Asset Purchase Agreement, dated as of November 16, 2015, by and between Farmer Bros. Co. and Harris Spice Company Inc. (filed as Exhibit 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	Certificate of Incorporation of Farmer Bros. Co. (filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K filed with the SEC on June 26, 2017 and incorporated herein by reference).
3.2	Certificate of Amendment to the Certificate of Incorporation of Farmer Bros. Co. (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on June 26, 2017 and incorporated herein by reference).
3.3	Amended and Restated Bylaws (filed as Exhibit 3.2 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).
3.4	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).
3.5	Form of 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 August 21, 2017 and incorporated herein by reference).
4.1	Specimen Stock Certificate (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	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's 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).

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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	Farmer Bros. Co. Pension Plan for Salaried Employees (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed with the SEC on November 5, 2012 and incorporated herein by reference).**
10.7	Amendment No. 1 to 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).**
10.8	Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Retirement Plan, effective as of December 6, 2012 (filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed with the SEC on May 6, 2013 and incorporated herein by reference).**
10.9	Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2013 filed with the SEC on February 10, 2014 and incorporated herein by reference).**
10.10	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).**
10.11	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).**
10.12	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 herewith).**
10.13	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).**
10.14	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).**
10.15	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).**

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10.16	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).
10.17	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).
10.18	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).
10.19	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).**
10.20	Employment Agreement, effective as of May 27, 2015, by and between Farmer Bros. Co. and Scott W. Bixby (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 20, 2015 and incorporated herein by reference).**
10.21	Employment Agreement, effective as of August 6, 2015, by and between Farmer Bros. Co. and Thomas J. Mattei, Jr. (filed as Exhibit 10.20 to the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2015 filed with the SEC on September 14, 2015 and incorporated herein by reference).**
10.22	Employment Agreement, dated as of September 25, 2015, by and between Farmer Bros. Co. and Isaac N. Johnston, Jr. (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on September 29, 2015 and incorporated herein by reference).**
10.23	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).**
10.24	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).**
10.25	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).**
10.26	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).**

10.27	Confidential General Release and Separation Agreement by and between Barry C. Fischetto and Farmer Bros. Co. dated February 17, 2017 (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on February 17, 2017 and incorporated herein by reference).**
10.28	Farmer Bros. Co. 2007 Omnibus Plan, as amended (as approved by the stockholders at the 2012 Annual Meeting of Stockholders on December 6, 2012) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 12, 2012 and incorporated herein by reference).**

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10.29	Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (as approved by the stockholders at the 2013 Annual Meeting of Stockholders on December 5, 2013) (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 11, 2013 and incorporated herein by reference).**
10.30	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).**
10.31	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)**
10.32	Form of Farmer Bros. Co. 2007 Omnibus Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).**
10.33	Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 18, 2013 and incorporated herein by reference).**
10.34	Form of Farmer Bros. Co. 2007 Omnibus Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.3 to the Company’s Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).**
10.35	Form of Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on December 18, 2013 and incorporated herein by reference).**
10.36	Stock Ownership Guidelines for Directors and Executive Officers (filed as Exhibit 10.27 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).**
10.37	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).**
10.38	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 W. Bixby, 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).**
10.39	Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on December 5, 2013 (with schedule of indemnitees attached) (filed as Exhibit 10.4 to the Company’s Current Report on Form 8-K filed with the SEC on February 23, 2017 and incorporated herein by reference).**
10.40	Lease Agreement, dated as of July 17, 2015, by and between Farmer Bros. Co. as Tenant, and WF-FB NLTX, LLC as Landlord (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2015 and incorporated herein by reference).

10.41	First Amendment to Lease Agreement dated as of December 29, 2015, by and between Farmer Bros. Co. as Tenant, and WF-FB NLTX, LLC as Landlord (filed as Exhibit 10.36 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).

10.42	Amendment No. 2 to Lease Agreement dated as of March 10, 2016, by and between Farmer Bros. Co. as Tenant, and WF-FB NLTX, LLC as Landlord (filed as Exhibit 10.37 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).
10.43	Termination of Lease Agreement, dated as of September 15, 2016, by and between Farmer Bros. Co. as Tenant, and WF-FB NLTX, LLC as Landlord (filed as Exhibit 10.33 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 filed with the SEC on November 9, 2016 and incorporated herein by reference).
10.44	Development Management Agreement dated as of July 17, 2015, by and between Farmer Bros. Co., as Tenant and Stream Realty Partners-DFW, L.P., as Developer (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2015 and incorporated herein by reference).
10.45	First Amendment to Development Management Agreement dated as of January 1, 2016, by and between Farmer Bros. Co., as Tenant and Stream Realty Partners-DFW, L.P., as Developer (filed as Exhibit 10.39 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).
10.46	Second Amendment to Development Management Agreement dated as of March 25, 2016, by and between Farmer Bros. Co., as Tenant and Stream Realty Partners-DFW, L.P., as Developer (filed as Exhibit 10.40 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).
10.47	AIA Document A141 - 2014, Standard Form of Agreement Between Owner and Design-Builder, dated as of September 22, 2015, 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 September 22, 2016 and incorporated herein by reference).
10.48	Change Order No. 12, dated as of September 17, 2016, 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 September 22, 2016 and incorporated herein by reference).
10.49	Agreement of Purchase and Sale and Joint Escrow Instructions, dated as of April 11, 2016, by and between Farmer Bros. Co. as Seller, and Bridge Acquisition, LLC as Buyer (filed as Exhibit 10.41 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).
10.50	First Amendment to Agreement of Purchase and Sale and Joint Escrow Instructions, dated as of June 1, 2016, by and between Farmer Bros. Co. and Bridge Acquisition, LLC (filed as Exhibit 10.39 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).
14.1	Farmer Bros. Co. Code of Conduct and Ethics adopted on August 26, 2010 and updated February 2013 and September 7, 2017 (filed herewith).
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, 2017, formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Stockholders' Equity, and (vi) Notes to Consolidated Financial Statements (furnished herewith).

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* 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.

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