

FARMER BROTHERS CO
Form 10-K
October 09, 2013

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

FORM 10-K
(Mark One)

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

For the fiscal year ended June 30, 2013

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

For the transition period from _____ to _____
Commission file number: 001-34249
FARMER BROS. CO.
(Exact Name of Registrant as Specified in Its Charter)

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

20333 South Normandie Avenue, Torrance, California 90502
(Address of Principal Executive Offices; Zip Code)

310-787-5200
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:
Title of Each Class Name of Each Exchange on Which Registered
Common Stock, \$1.00 par value The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities
Act. YES NO

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price at which the Farmer Bros. Co. common stock was sold on December 31, 2012 was \$88.6 million.

As of October 8, 2013 the registrant had 16,454,212 shares outstanding of its common stock, par value \$1.00 per share, which is the registrant's only class of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the U.S. Securities and Exchange Commission ("SEC") pursuant to Regulation 14A in connection with the registrant's 2013 Annual Meeting of Stockholders (the "Proxy Statement") or portions of the registrant's 10-K/A, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this report. Such Proxy Statement or 10-K/A will be filed with the SEC not later than 120 days after the conclusion of the registrant's fiscal year ended June 30, 2013.

EXPLANATORY NOTE

This Annual Report on Form 10-K of Farmer Bros. Co., a Delaware corporation (the “Company,” “we,” “our” or “Farmer Bros.”), for the fiscal year ended June 30, 2013 (this “Form 10-K”), includes restatement of the following previously issued consolidated financial statements and data (and related disclosures) as of and for the periods (collectively, the “Restated Periods”) noted in the table below.

| Type of Financial Information | Date or Period |
|---|--|
| Consolidated balance sheet | As of June 30, 2012 |
| Consolidated statements of operations, comprehensive income (loss), cash flows and stockholders' equity | Fiscal years ended June 30, 2012 and 2011 |
| Consolidated balance sheet information included in Notes to Consolidated Financial Statements | As of June 30, 2011 |
| Consolidated statements of operations, comprehensive income (loss), and cash flows included in Notes to Consolidated Financial Statements | Fiscal year ended June 30, 2010 |
| Selected financial data | Fiscal years ended and as of June 30, 2012, 2011, 2010 and 2009 |
| Unaudited quarterly financial data | Quarters ended September 30, 2012, December 31, 2012, March 31, 2013 and each quarter in the fiscal year ended June 30, 2012 |
| Management's discussion and analysis of financial condition and results of operations | As of and for the fiscal years ended June 30, 2012 and 2011 |

The restatement results from errors related to our accounting for certain postretirement benefit obligations for our retiree medical plan, failure to timely adopt accounting guidance relating to a postretirement death benefit, when originally issued, and failure to record the appropriate amounts reflecting the cash surrender value of life insurance policies purchased to fund the postretirement death benefit. The financial statements and data for the Restated Periods also reflect corrections for certain other immaterial adjustments and reclassifications to conform to the current year presentation.

The combined impact of the adjustments to the applicable line items in our consolidated financial statements for the Restated Periods is set forth in Note 2, “Restatement,” and Note 19, “Selected Quarterly Financial Data (Unaudited),” of the Notes to Consolidated Financial Statements included in Part II, Item 8, of this Form 10-K. Management has also concluded that, as of June 30, 2013, our internal controls over financial reporting were not effective due to a material weakness in our controls over our accounting for and reporting of other postretirement benefit obligations. The following items of this Form 10-K are impacted as a result of the restatement and material weakness:

Part I, Item 1A, Risk Factors;

Part II, Item 6, Selected Financial Data;

Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations;

Part II, Item 8, Financial Statements and Supplementary Data; and

Part II, Item 9A, Controls and Procedures.

We believe that presenting all of the restated information regarding the Restated Periods in this Form 10-K allows investors to review all pertinent data in a single presentation. In addition, the Company's Quarterly Reports on Form 10-Q to be filed during fiscal 2014 will include the restated fiscal 2013 comparable prior quarter and year-to-date periods. We have not filed and do not intend to file amendments to (i) our Quarterly Reports on Form 10-Q for the first three quarterly periods in the fiscal year ended June 30, 2013, or (ii) our Annual Report on Form 10-K for the fiscal year ended June 30, 2012. Accordingly, investors should rely only on the financial information and other disclosures regarding the Restated Periods in this Form 10-K or in future filings with the Securities and Exchange Commission (“SEC”), as applicable, and not on any previously issued or filed reports, earnings releases or similar communications relating to these periods.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K are not based on historical fact and are forward-looking statements within the meaning of federal securities laws and regulations. These statements are based on management's current expectations, assumptions, estimates and observations of future events and include any statements that do not directly relate to any historical or current fact. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "assumes" or other words of similar meaning. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. We intend these forward-looking statements to speak only at the time of this report and do not undertake to update or revise these statements as more information becomes available except as required under federal securities laws and the rules and regulations of the SEC. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, fluctuations in availability and cost of green coffee, competition, organizational changes, the impact of a weaker economy, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, changes in the quality or dividend stream of third parties' securities and other investment vehicles in which we have invested our assets, as well as other risks described in this report and other factors described from time to time in our

filings with the SEC.

PART I

Item 1.

Business

Overview

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the “Company,” “we,” “our” or “Farmer Bros.”), is a manufacturer, wholesaler and distributor of coffee, tea and culinary products. We are a direct distributor of coffee to restaurants, hotels, casinos, offices, quick service restaurants (“QSR’s”), convenience stores, healthcare facilities and other foodservice providers, as well as private brand retailers in the QSR, grocery, drugstore, restaurant, convenience store, and independent coffee house channels. We were founded in 1912, were incorporated in California in 1923, and reincorporated in Delaware in 2004. We operate in one business segment.

Business Strategy

Our mission is to “sell great coffee, tea and culinary products and provide superior service—one customer at a time.” We reach our customers in two ways: through our nationwide Direct-Store-Delivery (“DSD”) network of approximately 500 delivery routes, 117 branch warehouses and six distribution centers, and by using the distribution channels of our national account and institutional customers. We differentiate ourselves in the marketplace through our customer service model. We offer value-added services to our foodservice customers, including beverage equipment service, menu solutions, wherein we recommend products, how these products are prepared in the kitchen and presented on the menu, and hassle-free inventory and product procurement management. These services are conducted primarily in person through Regional Sales Representatives, or RSR’s, who develop personal relationships with chefs, restaurant owners and food buyers at their drop off locations. We also provide comprehensive coffee programs, including private brand development, green coffee procurement, category management, and supply chain management to our national account customers.

Since 2007, Farmer Bros. has achieved growth, primarily through the acquisition in 2007 of Coffee Bean Holding Co., Inc., a Delaware corporation (“CBH”), the parent company of Coffee Bean International, Inc., an Oregon corporation (“CBI”), a specialty coffee manufacturer and wholesaler headquartered in Portland, Oregon, and the acquisition in 2009 from Sara Lee Corporation (“Sara Lee”) of certain assets used in connection with its DSD coffee business in the United States (the “DSD Coffee Business”).

We manufacture and distribute products under our own brands, as well as under private labels on behalf of certain customers. Our branded products are sold primarily into the foodservice channel. Primary brands include Farmer Brothers®, Artisan Collection by Farmer Brothers™, Superior®, Metropolitan™ by Farmer Brothers, Cain's® and McGarvey®. Our product line is specifically focused on meeting the needs of the markets we serve. Our product line of approximately 3,500 SKU's (excluding private label), includes roasted coffee, liquid coffee, coffee-related products such as coffee filters, sugar and creamers, assorted iced and hot teas, cappuccino, cocoa, spices, gelatins and puddings, soup bases, dressings, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves. For the past three fiscal years, sales of roasted coffee products represented approximately 50% of our total sales and no single product other than roasted coffee accounted for more than 10% of our total sales.

Coffee purchasing, grinding, roasting, packaging and product development takes place at our Torrance, California; Portland, Oregon; and Houston, Texas plants. Spice blending, grinding, packaging and product development takes place at our Torrance, California plant. Our distribution centers include our Torrance, Portland and Houston plants, as well as separate distribution centers in Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey. Farmer Bros. was among the first coffee roasters in the nation to receive SCAA-certification of a state-of-the-art coffee lab and operates Public Domain®, a specialty coffeehouse in Portland, Oregon. The Portland roasting and distribution facility was one of the first in the Northwest to achieve LEED® Silver Certification.

We are focused on distributing our owned brands through our DSD network, while continuing to support and grow our private brand national account customers. To provide value to our current and potential customers, we have made the following investments:

▲Artisan Collection by Farmer Brothers™: A recently-created specialty coffee line, establishes an owned brand presence in the growing specialty coffee market, leveraging the blending, roasting and packaging capabilities of our Portland

facility. Many of the coffees within the line are either Rainforest Alliance Certified™ or Fair Trade Certified™ and Certified Organic.

Metropolitan™ by Farmer Brothers: One of our core brands and a premium coffee line, Metropolitan, has been updated and re-launched. Metropolitan includes a complete line of coffees from exotic single-origins, classic blends, flavored

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coffees and premium espressos. Metropolitan products are made from 100% Arabica beans that are roasted to offer peak flavor and freshness and are offered in a new contemporary packaging.

Farmer Brothers iced and hot teas: We launched our new line of Premium and Select teas in May 2013 in response to key industry trends and growing consumer demand. Iced tea blends include flavored teas such as Georgia Peach and Pacific Raspberry™, a variety of traditional black teas, sweet teas and decaffeinated teas. Hot teas include black leaf and green teas and herbal teas, which are naturally caffeine-free.

Unified brand: We have further developed and strengthened a unified corporate identity for our branded business nationwide that is reflected in our updated website, many of our fleet vehicles, product packaging and merchandising and sales materials.

Optimized portfolio: In fiscal 2013, we continued to optimize and simplify our product portfolio, discontinuing over 800 SKU's to approximately 3,500 SKU's.

Service improvements: We have invested in sales and training for all of our RSR's, allowing us to expand the role we play as beverage consultants for our DSD customers.

We have also made the following investments to support our private brand national account business:

Coffee industry leadership: Through our dedication to the craft of sourcing, blending and roasting coffee, and our leadership positions with the Specialty Coffee Association of America, World Coffee Research, Pacific Coast Coffee Association, Alliance for Coffee Excellence, Roasters Guild, International Women's Coffee Alliance and the Coffee Quality Institute, we work to help shape the future of the coffee industry. We believe that due to our commitment to the industry and our leadership role in shaping the industry's future, large retail and foodservice operators are drawn to working with us.

Market insight and consumer research: We have developed a market insight capability internally that reinforces our business-to-business positioning as a thought leader in the coffee industry. We provide trend insights that help our customers create winning products and integrated marketing strategies for their own coffee brands.

Sustainability leadership: We believe that our efforts in measuring our emissions and waste, creating programs for waste and energy reduction, promoting partnerships in our supply chain that aim at stability and food security, and focusing on employee engagement collectively place us in a unique position to help retailers and foodservice operators create differentiated coffee programs that can include sustainable supply chains, direct trade purchasing, training and technical assistance, recycling and composting networks, and packaging material reductions.

Raw Materials and Supplies

Our primary raw material is green coffee, an agricultural commodity. The bulk of the world's green coffee supply is grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived supply shortages, speculation in the commodity markets, political unrest, tariffs, labor actions, currency fluctuations, armed conflict in coffee producing nations, and government actions, including treaties and trade controls between the U.S. and coffee producing nations can affect the price of green coffee. Additionally, green specialty coffees sell at a premium to other green coffees because they taste cleaner, fresher, have less overall defects, offer improved cup quality and cost more to produce. The cost spread between specialty and non-specialty coffees is widening as the demand for specialty coffees continues to grow with only a limited supply to satisfy the demand and thus cost volatility can be expected to be even more pronounced.

Green coffee prices can also be affected by the actions of producer organizations. The most prominent of these are the Colombian Coffee Federation, Inc. (CCF) and the International Coffee Organization (ICO). Large coffee organizations such as larger producers, the CCF and the ICO may release information from time to time that can affect

coffee prices.

Other raw materials used in the manufacture of our tea and culinary products include a wide variety of spices, such as pepper, chilies, oregano and thyme, as well as cocoa, dehydrated milk products, salt and sugar. These raw materials are agricultural products and can be subject to wide cost fluctuations. In fiscal 2011 and in the first half of fiscal 2012, fluctuations in commodity prices, specifically green coffee commodity prices, had a material effect on our operating results.

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Trademarks and Licenses

We own 161 registered trademarks which are integral to customer identification of our products. It is not possible to assess the impact of the loss of such identification. Additionally, in connection with the DSD Coffee Business acquisition, the Company and Sara Lee entered into certain operational agreements that include trademark and formula license agreements. In February 2012, the trademark agreements and formula license agreements with Sara Lee were assigned to the J.M. Smucker Company ("J.M. Smucker") as part of an acquisition transaction between J.M. Smucker and Sara Lee.

Seasonality

We experience some seasonal influences. The winter months are generally the strongest sales months. However, our product line and geographic diversity provide some sales stability during the warmer months when coffee consumption ordinarily decreases. Additionally, we usually experience an increase in sales during the summer and early fall months from seasonal businesses located in vacation areas and from grocery retailers ramping up inventory for the winter selling season.

Distribution

Most sales are made "off-truck" to our customers at their places of business by our RSR's who are responsible for soliciting, selling and collecting from and otherwise maintaining our customer accounts. We serve our customers from six distribution centers strategically located for national coverage. Our distribution trucks are replenished from 117 branch warehouses located throughout the contiguous United States. We operate our own trucking fleet to support our long-haul distribution requirements. A portion of our products is distributed by third parties or is direct shipped via common carrier. We maintain inventory levels at each branch warehouse to promote minimal interruption in supply.

Customers

We serve a wide variety of customers, from small restaurants and donut shops to large institutional buyers like restaurant chains, hotels, casinos, hospitals, foodservice providers, convenience stores, gourmet coffee houses, bakery/café chains, national drugstore chains, large regional and national grocery and specialty food retailers, QSR's and gaming establishments. Within our DSD channel, we believe on-premise customer contact, our large distribution network, and our relationship-based high quality service model are integral to our past and future success. Although no single customer represents a significant concentration of sales, we have several large national account customers and the loss of one or more of our large customer accounts is likely to have a material adverse effect on our results of operations.

Competition

We face competition from many sources, including the institutional foodservice divisions of multi-national manufacturers of retail products such as J.M. Smucker (Folgers Coffee), Dunkin' Donuts and Kraft Foods Inc. (Maxwell House Coffee), wholesale foodservice distributors such as Sysco Corporation and U.S. Foods, regional institutional coffee roasters such as S & D Coffee, Inc. and Boyd Coffee Company, and specialty coffee suppliers such as Green Mountain Coffee Roasters, Inc., Rogers Family Company, Distant Lands Coffee, Mother Parkers Tea & Coffee, Inc., Starbucks Coffee Company and Peet's Coffee & Tea, Inc. As many of our customers are small foodservice operators, we also compete with club stores such as Costco and Restaurant Depot. We believe our longevity, the quality of our products, our national distribution network and our comprehensive and superior customer service are the major factors that differentiate us from our competitors.

Competition is robust and is primarily based on products and price, with distribution and service often a major factor. Most of our customers rely on us for distribution; however, some of our customers use third party distribution or conduct their own distribution. Some of our customers are "price" buyers, seeking the low cost provider with little concern about service, while others find great value in the service programs we provide. We compete well when quality, service and distribution are valued by our customers, and are less effective when only price matters. Our customer base is price sensitive, and we are often faced with price competition.

Working Capital

We finance our operations internally and through borrowings under our \$75.0 million senior secured revolving credit facility which is administered by Wells Fargo Bank, National Association ("Wells Fargo"). We believe this credit facility, to the extent available, in addition to our cash flows from operations and other liquid assets, are sufficient to

fund our working capital and capital expenditure requirements for the next 12 months.

Foreign Operations

We have no material revenues from foreign operations.

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Other

On June 30, 2013 we employed 1,793 employees, 622 of whom are subject to collective bargaining agreements. Compliance with government regulations relating to the discharge of materials into the environment, or otherwise relating to protection of the environment, has not had a material effect on our financial condition or results of operations. The nature of our business does not provide for maintenance of or reliance upon a sales backlog. None of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the government.

Available Information

Our Internet website address is <http://www.farmerbros.com> (the website address is not intended to function as a hyperlink, and the information contained in our website is not intended to be part of this filing), where we make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K including amendments thereto as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC.

Item 1A.

Risk Factors

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

THE RESTATEMENT OF OUR HISTORICAL FINANCIAL STATEMENTS HAS ALREADY CONSUMED, AND MAY CONTINUE TO CONSUME, A SIGNIFICANT AMOUNT OF OUR TIME AND RESOURCES AND MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND STOCK PRICE.

As discussed in Note 2, "Restatement," and Note 19, "Selected Quarterly Financial Data (Unaudited)," of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of this Form 10-K, we have restated in this Form 10-K our consolidated financial statements for certain prior periods to correct certain errors in those financial statements. The errors related to our accounting for certain postretirement benefit obligations for our retiree medical plan, failure to timely adopt accounting guidance relating to a postretirement death benefit, when originally issued, and failure to record the appropriate amounts reflecting the cash surrender value of life insurance policies purchased to fund the postretirement death benefit.

We cannot be certain that the measures we have taken since we completed the restatement process will ensure that restatements will not occur in the future. The restatement may affect investor confidence in the accuracy of our financial disclosures, may raise reputational issues for our business and may result in a decline in share price and stockholder lawsuits related to the restatement. The restatement process was resource-intensive and involved a significant amount of internal resources, including attention from management, and significant accounting costs. Although we have now completed the restatement, we cannot guarantee that we will not receive inquiries from the SEC or The Nasdaq Stock Market LLC ("NASDAQ") regarding our restated financial statements or matters relating thereto. Any future inquiries from the SEC or NASDAQ as a result of the restatement of our historical financial statements will, regardless of the outcome, likely consume a significant amount of our internal resources and result in additional legal and accounting costs.

WE CANNOT ASSURE INVESTORS THAT WE WILL BE ABLE TO FULLY ADDRESS THE MATERIAL WEAKNESS IN OUR INTERNAL CONTROLS THAT LED TO OUR RESTATEMENT, OR THAT REMEDIATION EFFORTS WILL PREVENT MATERIAL WEAKNESSES IN THE FUTURE.

We have identified control deficiencies in our financial reporting process that constituted a material weakness in our controls over our accounting for and reporting of other postretirement benefit obligations, leading to the restatement of certain prior period financial statements. Specifically, our controls did not properly identify the failure to apply generally accepted accounting principles with respect to the accounting for death benefits and the related cash surrender value of life insurance, and did not properly detect when changes or amendments to other postretirement benefit plans occurred that should have resulted in changes to the related benefit plan obligations. As a result, material errors to the recorded postretirement benefit liability, postretirement death benefit liability and cash surrender value of life insurance purchased to fund the postretirement death benefit occurred and were not timely detected.

We are currently evaluating the controls and procedures we will design and put in place to address this material weakness and plan to implement appropriate measures as part of this effort. If we are unsuccessful in remediating the material weakness, or if we suffer other deficiencies or material weaknesses in the future, it could result in a material misstatement of our annual or quarterly financial statements that would not be prevented or detected on a timely basis, which could cause investors to lose confidence in our financial reporting and negatively affect the trading price of our common stock.

INCREASES IN THE COST OF GREEN COFFEE COULD REDUCE OUR GROSS MARGIN AND PROFIT.

Our primary raw material is green coffee, an agricultural commodity. The bulk of the world's green coffee supply is grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived supply shortages, speculation in the commodity markets, political unrest, tariffs, labor actions, currency fluctuations, armed conflict in coffee producing nations, and government actions, including treaties and trade controls between the U.S. and coffee producing nations, can affect the price of green coffee. In fiscal 2012, the market for green Arabica coffee increased approximately 80% per pound compared to the prior fiscal year. Although green coffee prices decreased significantly in fiscal 2013, there can be no assurance that green coffee prices will remain at these levels in the future. Additionally, green specialty coffees sell at a

premium to other green coffees because they taste cleaner, fresher, have less overall defects, offer improved cup quality and cost more to produce. The cost spread between specialty and non-specialty coffees is widening as the demand for specialty coffees continues to grow with only a limited supply to satisfy the demand and thus cost volatility can be expected to be even more pronounced.

Green coffee prices can also be affected by the actions of producer organizations. The most prominent of these are the Colombian Coffee Federation, Inc. (CCF) and the International Coffee Organization (ICO). Large coffee organizations such as larger producers, the CCF and the ICO may release information from time to time that can affect coffee prices.

There can be no assurance that we will be successful in passing commodity price increases on to our customers without losses in sales volume or gross margin in the future. Additionally, if green coffee beans from a region become unavailable or prohibitively expensive, we could be forced to use alternative coffee beans or discontinue certain blends, which could adversely impact our sales.

OUR EFFORTS TO SECURE AN ADEQUATE SUPPLY OF QUALITY COFFEES MAY BE UNSUCCESSFUL AND IMPACT OUR ABILITY TO SUPPLY OUR CUSTOMERS OR EXPOSE US TO COMMODITY PRICE RISK.

Some of the Arabica coffee beans of the quality we purchase do not trade directly on the commodity markets. Rather, we purchase these coffee beans on a negotiated basis from coffee brokers, exporters and growers. If any of these supply relationships with coffee brokers, exporters or growers deteriorate, we may be unable to procure a sufficient quantity of high quality coffee beans at prices acceptable to us or at all. In such cases, we may not be able to fulfill the demand of our existing customers, supply new customers or expand other channels of distribution.

Maintaining a steady supply of green coffee is essential to be able to keep inventory levels low and, at the same time, secure sufficient stock to meet customer needs. To help ensure future supplies, we may purchase coffee for delivery, in some instances, up to 18 months in the future. Non-performance by suppliers could expose us to credit and supply risk. Additionally, entering into such future commitments exposes us to purchase price risk. Because we are not always able to pass price changes through to our customers due to competitive pressures, unpredictable price changes can have an immediate effect on operating results that cannot be corrected in the short run.

DECLINES IN GREEN COFFEE COMMODITY PRICES MAY NOT BE IMMEDIATELY REFLECTED IN OUR COST OF GOODS SOLD AND MAY INCREASE VOLATILITY IN OUR RESULTS.

We routinely purchase exchange traded coffee contracts to enable us to lock in green coffee prices within a pre-established range, and hold a mix of futures contracts and options to help hedge against volatility in green coffee prices. Beginning April 1, 2013, we implemented procedures to enable us to account for certain coffee-related derivatives as accounting hedges. Accounting rules require that at the end of each reporting period we value those open hedging contracts that are not 100% effective as cash flow hedges and those that are not designated as accounting hedges by marking them to period-end market price and including in our financial results the unrealized gains or losses based on whether the period-end market price was higher or lower than the price we locked-in. If the period-end green coffee commodity prices decline below our locked-in price for these contracts, we will be required to recognize the resulting losses in our results of operations. Although such losses are expected to be offset by future derivative gains as the coffee market changes, recovered through operating income as a result of lower cost of goods assigned to the related coffee or recovered from customers for whom contracts were purchased for their accounts, such transactions could cause volatility in our results because the recognition of losses and the offsetting gains may occur in different fiscal periods. Rapid, sharp decreases in the cost of green coffee could also force us to lower sales prices before realizing cost reductions in our green coffee inventory. Open contracts associated with these hedging activities are described in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of this Form 10-K. **WE FACE EXPOSURE TO OTHER COMMODITY COST FLUCTUATIONS, WHICH COULD IMPACT OUR MARGINS AND PROFITABILITY.**

We are exposed to cost fluctuations in other commodities, including milk, spices, natural gas and gasoline. Our key packaging materials include plastic resins derived from petroleum, including polyethylene terephthalate (PET) and polypropylene resin used for plastic bottles and film packaging used for our roasted coffees, closures, cardboard and paperboard cartons. Some of these raw materials and supplies are available from a limited number of suppliers or are

in shortest supply when seasonal demand is at its peak. In addition, an increase in the cost of fuel could indirectly lead to higher electricity costs, transportation costs and other commodity costs. Much like green coffee costs, the costs of these commodities depend on various factors beyond our control, including economic and political conditions, foreign currency fluctuations, and global weather patterns. To the extent we are unable to pass along such costs to our customers through price increases, our margins and profitability will decrease.

INCREASE IN THE COST, DISRUPTION OF SUPPLY OR SHORTAGE OF ENERGY OR FUEL COULD AFFECT OUR PROFITABILITY.

We operate a large fleet of trucks and other motor vehicles to distribute and deliver our products to customers. In addition, we use a significant amount of electricity, natural gas and other energy sources to operate our plants and distribution facilities. An increase in the price, disruption of supply or shortage of fuel and other energy sources in North America that may be caused by increasing demand or by events such as natural disasters, power outages, or the like, would increase our operating costs and negatively impact our profitability.

IMPAIRMENT CHARGES RELATED TO OUR INDEFINITE-LIVED INTANGIBLE ASSETS COULD ADVERSELY AFFECT OUR FUTURE OPERATING RESULTS.

Indefinite-lived intangible assets (other than goodwill) are not amortized but instead are reviewed for impairment annually and on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired. An indefinite-lived intangible asset (other than goodwill) is deemed impaired if its estimated fair value is less than its carrying value. Failure to achieve our forecasted operating results, due to weakness in the economic environment or other factors, and declines in our market capitalization, among other things, could result in further impairment of our indefinite-lived intangible assets and adversely affect our operating results.

OUR LEVEL OF INDEBTEDNESS COULD ADVERSELY AFFECT OUR ABILITY TO RAISE ADDITIONAL CAPITAL TO FUND OUR OPERATIONS AND LIMIT OUR ABILITY TO REACT TO CHANGES IN THE ECONOMY OR OUR INDUSTRY.

We have a \$75.0 million senior secured revolving credit facility. As of September 30, 2013, we had estimated outstanding borrowings of \$20.3 million, including loan extension fees of \$0.1 million, utilized \$11.2 million of the letters of credit sublimit, and had excess availability under the credit facility of \$36.8 million. Maintaining a large loan balance under our credit facility could adversely affect our business and limit our ability to plan for or respond to changes in our business. Additionally, a portion of our borrowings under the credit facility are at variable rates of interest, exposing us to the risk of interest rate volatility, which could lead to an increase in our net loss. Our debt obligations could also:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including funding daily operations, investing in future business opportunities and capital expenditures;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate thereby placing us at a competitive disadvantage compared to our competitors that may have less debt or debt with less restrictive debt covenants;
- limit, by the financial and other restrictive covenants in our loan agreement, our ability to borrow additional funds; and
- have a material adverse effect on us if we fail to comply with the covenants in our loan agreement because such failure could result in an event of default which, if not cured or waived, could result in our indebtedness becoming immediately due and payable.

RESTRICTIVE COVENANTS IN OUR CREDIT FACILITY MAY RESTRICT OUR ABILITY TO PURSUE OUR BUSINESS STRATEGIES.

Our credit facility contains various covenants that limit our ability and/or our subsidiaries' ability to, among other things:

- incur additional indebtedness;
- pay dividends on or make distributions in respect of capital stock or make certain other restricted payments or investments;
- sell assets;
- create liens on certain assets to secure debt; and
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

Our credit facility also contains restrictive covenants that require the Company and its subsidiaries to satisfy financial condition and liquidity tests. Our ability to meet those tests may be affected by events beyond our control, and there can be no assurance that we will meet those tests. The breach of any of these covenants or our failure to meet the financial condition or liquidity tests could result in a default under the credit facility, and the lenders could elect to declare all amounts borrowed thereunder, together with accrued interest, to be due and payable and could proceed against the collateral securing that indebtedness.

OUR BUSINESS IS SUBJECT TO RISKS ASSOCIATED WITH THE CURRENT ECONOMIC CLIMATE.

Our success depends to a significant extent on a number of factors that affect discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence, which have deteriorated due to recent economic conditions. In a slow economy, businesses and individuals scale back their discretionary spending on travel and entertainment, including “dining out” as well as the purchase of high-end consumables like specialty coffee. Economic conditions may also cause businesses to reduce travel and entertainment expenses, and may even cause office coffee benefits to be eliminated. The recent economic downturn and decrease in consumer spending may continue to adversely impact our revenues, and may affect our ability to market our products or otherwise implement our business strategy. Additionally, many of the effects and consequences of the global financial crisis and broader global economic downturn are currently unknown; any one or all of them could potentially have a material adverse effect on our liquidity and capital resources, including our ability to sell third party securities in which we have invested some of our short-term assets or raise additional capital, if needed, or the ability of our lenders to honor draws on our credit facility, or otherwise negatively affect our business, financial condition, operating results and cash flows.

WE RELY ON INFORMATION TECHNOLOGY AND ARE DEPENDENT ON ENTERPRISE RESOURCE PLANNING SOFTWARE IN OUR OPERATIONS. ANY MATERIAL FAILURE, INADEQUACY, INTERRUPTION OR SECURITY FAILURE OF THAT TECHNOLOGY COULD AFFECT OUR ABILITY TO EFFECTIVELY OPERATE OUR BUSINESS.

We rely on information technology systems across our operations, including management of our supply chain, point-of-sale processing, and various other processes and transactions. Our ability to effectively manage our business and coordinate the production, distribution and sale of our products depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively and continuously, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems could result in delays in processing replenishment orders from our branch warehouses, an inability to record product sales and reduced operational efficiency. Significant capital investments could be required to remediate any potential problems. In addition, if we are unable to prevent security breaches, we may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to us or to our customers or suppliers. In addition, the disclosure of non-public sensitive information through external media channels could lead to the loss of intellectual property or damage our reputation and brand image.

VOLATILITY IN THE EQUITY MARKETS COULD REDUCE THE VALUE OF OUR INVESTMENT PORTFOLIO.

We maintain a portfolio of fixed-income based investments disclosed as cash equivalents and short-term investments on our consolidated balance sheets. The value of our investments may be adversely affected by interest rate fluctuations, downgrades in credit ratings, illiquidity in the capital markets and other factors which may result in other than temporary declines in the value of our investments. Any of these events could cause us to record impairment charges with respect to our investment portfolio or to realize losses on the sale of investments. If our operating losses continue, a portion or this entire investment portfolio may be liquidated to fund those losses.

WE ARE LARGELY RELIANT ON MAJOR FACILITIES IN CALIFORNIA, TEXAS AND OREGON FOR PRODUCTION OF OUR PRODUCT LINE.

A significant interruption in operations at any of our manufacturing facilities in Torrance, California (our largest facility); Houston, Texas; or Portland, Oregon, whether as a result of a natural disaster, terrorism or other causes, could significantly impair our ability to operate our business. The majority of our green coffee comes through the Ports of Los Angeles, Long Beach, Houston, San Francisco and Portland. Any interruption to port operations, highway arteries, gas mains or electrical service in these areas could restrict our ability to manufacture and distribute our products for sale and would adversely impact our business.

INCREASED SEVERE WEATHER PATTERNS MAY INCREASE COMMODITY COSTS, DAMAGE OUR FACILITIES AND IMPACT OR DISRUPT OUR PRODUCTION CAPABILITIES AND SUPPLY CHAIN.

There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere have caused and will continue to cause significant changes in weather patterns around the globe and an increase in the frequency and severity of extreme weather events. Major weather phenomena like El Niño and La Niña are dramatically affecting coffee growing countries. The wet and dry seasons are becoming unpredictable in timing and duration, causing improper development of the coffee cherries. Decreased agricultural productivity in certain regions as a result of changing weather patterns may affect the quality, limit the availability or increase the cost of key agricultural commodities, such as green coffee, sugar and tea, which are important ingredients for our products. Increased frequency or duration of extreme weather conditions could also damage our facilities, impair production capabilities, disrupt our supply chain or impact demand for our products. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations. **OUR INDUSTRY IS HIGHLY COMPETITIVE AND WE MAY NOT HAVE THE RESOURCES TO COMPETE EFFECTIVELY.**

We primarily compete with other coffee companies, including multi-national firms with substantially greater financial, marketing and operating resources than the Company. We face competition from many sources including the institutional foodservice divisions of multi-national manufacturers of retail products such as J.M. Smucker (Folgers Coffee), Dunkin' Donuts and Kraft Foods Inc. (Maxwell House Coffee), wholesale foodservice distributors such as Sysco Corporation and U.S. Foods, regional institutional coffee roasters such as S & D Coffee, Inc. and Boyd Coffee Company, and specialty coffee suppliers such as Green Mountain Coffee Roasters, Inc., Rogers Family Company, Distant Lands Coffee, Mother Parkers Tea & Coffee, Inc., Starbucks Coffee Company and Peet's Coffee & Tea, Inc. As many of our customers are small foodservice operators, we also compete with club stores such as Costco and Restaurant Depot. If we do not succeed in differentiating ourselves from our competitors or our competitors adopt our strategies, then our competitive position may be weakened. In addition, from time to time, we may need to reduce our prices in response to competitive and customer pressures and to maintain our market share. Competition and customer pressures, however, also may restrict our ability to increase prices in response to commodity and other cost increases. Our results of operations will be adversely affected if our profit margins decrease, as a result of a reduction in prices or an increase in costs, and if we are unable to increase sales volumes to offset those profit margin decreases.

VOLATILITY IN THE EQUITY MARKETS OR INTEREST RATE FLUCTUATIONS COULD SUBSTANTIALLY INCREASE OUR PENSION FUNDING REQUIREMENTS AND NEGATIVELY IMPACT OUR FINANCIAL POSITION.

At June 30, 2013, the projected benefit obligation under our single employer defined benefit pension plans was \$132.2 million and the fair value of plan assets was \$92.4 million. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit cost and ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic benefit cost and increase our future funding requirements.

OUR SALES AND DISTRIBUTION NETWORK IS COSTLY TO MAINTAIN.

Our sales and distribution network requires a large investment to maintain and operate. Costs include the fluctuating cost of gasoline, diesel and oil, costs associated with managing, purchasing, leasing, maintaining and insuring a fleet of delivery vehicles, the cost of maintaining distribution centers and branch warehouses throughout the country, and

the cost of hiring, training and managing our RSR's. Many of these costs are beyond our control, and many are fixed rather than variable. Some

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competitors use alternate methods of distribution that fix, control, reduce or eliminate many of the costs associated with our method of distribution.

EMPLOYEE STRIKES AND OTHER LABOR-RELATED DISRUPTIONS MAY ADVERSELY AFFECT OUR OPERATIONS.

We have union contracts relating to a significant portion of our workforce. Although we believe union relations have been amicable in the past, there is no assurance that this will continue in the future. There are potential adverse effects of labor disputes with our own employees or by others who provide transportation (shipping lines, truck drivers) or cargo handling (longshoremen), both domestic and foreign, of our raw materials or other products. These actions could restrict our ability to obtain, process and/or distribute our products.

GOVERNMENT MANDATORY HEALTHCARE REQUIREMENTS COULD ADVERSELY AFFECT OUR PROFITS.

We offer healthcare benefits to all employees who work at least 40 hours a week and meet service eligibility requirements. In the past, some states, including California, have proposed legislation mandating that employers pay healthcare premiums into a state-run fund for all employees immediately upon hiring or pay a penalty for failing to do so. If legislation similar to this were to be enacted in California, or in the other states in which we do business, it could have an adverse effect on our results of operations. In addition, comprehensive health care legislation (the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010) was passed and signed into law in March 2010. Due to the breadth and complexity of this legislation, it is difficult to predict the financial and operational impacts this legislation will have on us. Our expenses may significantly increase over the long-term as a result of this legislation.

POSSIBLE LEGISLATION OR REGULATION INTENDED TO ADDRESS CONCERNS ABOUT CLIMATE CHANGE COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS, CASH FLOWS AND FINANCIAL CONDITION.

Governmental agencies are evaluating changes in laws to address concerns about the possible effects of greenhouse gas emissions on climate. Increased public awareness and concern over climate change may increase the likelihood of more proposals to reduce or mitigate the emission of greenhouse gases. Laws enacted that directly or indirectly affect our suppliers (through an increase in the cost of production or their ability to produce satisfactory products) or our business (through an impact on our inventory availability, cost of goods sold, operations or demand for the products we sell) could adversely affect our business, financial condition, results of operations and cash flows. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, including increased government regulations to limit carbon dioxide and other greenhouse gas emissions as a result of concern over climate change, could require us to reduce emissions and to incur compliance costs which could affect our profitability or impede the production or distribution of our products, which could affect our results of operations, cash flows and financial condition. In addition, public expectations for reductions in greenhouse gas emissions could result in increased energy, transportation and raw material costs and may require us to make additional investments in facilities and equipment.

CHANGES IN CONSUMER PREFERENCES COULD ADVERSELY AFFECT OUR BUSINESS.

Our continued success depends, in part, upon the demand for coffee. We believe that competition from other beverages continues to dilute the demand for coffee. Consumers who choose soft drinks (including highly caffeinated energy drinks), juices, bottled water, teas and other beverages reduce spending on coffee. Consumer trends away from coffee could negatively impact our business.

WE ARE SELF-INSURED AND OUR RESERVES MAY NOT BE SUFFICIENT TO COVER FUTURE CLAIMS.

We are self-insured for many risks up to significant deductible amounts. The premiums associated with our insurance continue to increase. General liability, fire, workers' compensation, directors and officers liability, life, employee medical, dental and vision and automobile risks present a large potential liability. While we accrue for this liability based on historical experience, future claims may exceed claims we have incurred in the past. Should a different number of claims occur compared to what was estimated or the cost of the claims increase beyond what was anticipated, reserves recorded may not be sufficient and the accruals may need to be adjusted accordingly in future periods. In May 2011, we did not meet the minimum credit rating criteria for participation in the alternative security

program for California self-insurers. As a result we were required to post a \$5.9 million letter of credit as a security deposit to the State of California Department of Industrial Relations Self-Insurance Plans. As of June 30, 2013, this letter of credit continues to serve as a security deposit and has been reduced to \$5.4 million.

COMPETITORS MAY BE ABLE TO DUPLICATE OUR ROASTING AND BLENDING METHODS, WHICH COULD HARM OUR COMPETITIVE POSITION.

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

OUR OPERATING RESULTS MAY HAVE SIGNIFICANT FLUCTUATIONS FROM PERIOD TO PERIOD WHICH COULD HAVE A NEGATIVE EFFECT ON OUR STOCK PRICE.

Our operating results may fluctuate from period to period or within certain periods as a result of a number of factors, including fluctuations in the price and supply of green coffee, fluctuations in the selling prices of our products, the success of our hedging strategy, competition from existing or new competitors in our industry, changes in consumer preferences, and our ability to manage inventory and fulfillment operations and maintain gross margins. At the end of each quarter, we record the expected effect of the liquidation of last in, first out ("LIFO") inventory quantities, if any, and record the actual impact at fiscal year-end. Fluctuations in our operating results as a result of these factors or for any other reason, could cause our stock price to decline. Accordingly, we believe that period-to-period comparisons of our operating results are not necessarily meaningful, and such comparisons should not be relied upon as indicators of future performance.

OPERATING LOSSES MAY CONTINUE AND, AS A RESULT, COULD LEAD TO INCREASED LEVERAGE WHICH MAY HARM OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We have incurred operating losses and net losses in each of the prior three fiscal years. If our current strategies are unsuccessful we may not achieve the levels of sales and earnings we expect. As a result, we could suffer additional losses in future years and our stock price could decline leading to deterioration in our credit rating, which could limit the availability of additional financing and increase the cost of obtaining financing. In addition, an increase in leverage could raise the likelihood of a financial covenant breach which in turn could limit our access to existing funding under our credit facility.

Our ability to satisfy our operating lease obligations and make payments of principal and interest on our indebtedness depends on our future performance. Should we experience deterioration in operating performance, we will have less cash flow available to meet these obligations. In addition, if such deterioration were to lead to the closure of branch warehouses or distribution centers, we would need to fund the costs of terminating those leases. If we are unable to generate sufficient cash flow from operations in the future to satisfy these financial obligations, we may be required to, among other things:

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

Such measures might not be sufficient to enable us to satisfy our financial obligations. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms.

WE COULD FACE SIGNIFICANT WITHDRAWAL LIABILITY IF WE WITHDRAW FROM PARTICIPATION IN THE MULTIEMPLOYER PENSION PLANS IN WHICH WE PARTICIPATE.

We participate in a multiemployer defined benefit pension plan and a multiemployer defined contribution pension plan for certain union employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. In the event we withdraw from participation in one or both of these plans, we could be required to make an additional lump-sum contribution to the plan, which would be reflected as an expense in our consolidated statement of operations and a liability on our consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan's funding of vested benefits. Future collective bargaining negotiations may result in the Company withdrawing from the remaining multiemployer pension plans in which we participate and, if successful, may result in a withdrawal liability, the amount of which could be material to

our results of operations and cash flows.

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WE DEPEND ON THE EXPERTISE OF KEY PERSONNEL. THE UNEXPECTED LOSS OF ONE OR MORE OF THESE KEY EMPLOYEES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR OPERATIONS AND COMPETITIVE POSITION.

Our continued success largely depends on the efforts and abilities of our executive officers and other key personnel. There is limited management depth in certain key positions throughout the Company. We must continue to recruit, retain and motivate management and other employees to maintain our current business and support our projected growth. The loss of key employees could adversely affect our operations and competitive position. We do not maintain key person life insurance policies on any of our executive officers.

QUALITY CONTROL PROBLEMS MAY ADVERSELY AFFECT OUR BRANDS THEREBY NEGATIVELY IMPACTING OUR SALES.

Our success depends on our ability to provide customers with high quality products and service. Although we take measures to ensure that we sell only fresh coffee, tea and culinary products, we have no control over our products once they are purchased by our customers. Accordingly, customers may store our products for longer periods of time, potentially affecting product quality. If consumers do not perceive our products and service to be of high quality, then the value of our brands may be diminished and, consequently, our operating results and sales may be adversely affected.

ADVERSE PUBLIC OR MEDICAL OPINIONS ABOUT CAFFEINE AND REPORTS OF INCIDENTS INVOLVING FOOD BORNE ILLNESS AND TAMPERING MAY HARM OUR BUSINESS.

Coffee contains significant amounts of caffeine and other active compounds, the health effects of some of which are not fully understood. A number of research studies conclude or suggest that excessive consumption of caffeine may lead to increased adverse health effects. An unfavorable report on the health effects of caffeine or other compounds present in coffee could significantly reduce the demand for coffee which could harm our business and reduce our sales.

Similarly, instances or reports, whether true or not, of unclean water supply, food-borne illnesses and food tampering have in the past severely injured the reputations of companies in the food processing sector and could in the future affect us as well. Any report linking us to the use of unclean water, food-borne illnesses or food tampering could damage the value of our brands, negatively impact sales of our products, and potentially lead to product liability claims. Clean water is critical to the preparation of coffee beverages. We have no ability to ensure that our customers use a clean water supply to prepare coffee beverages.

PRODUCT RECALLS AND INJURIES CAUSED BY PRODUCTS COULD REDUCE OUR SALES AND HARM OUR BUSINESS.

Selling products for human consumption involves inherent legal risks. We could be required to recall products due to product contamination, spoilage or other adulteration, product misbranding or product tampering. We may also suffer losses if our products or operations violate applicable laws or regulations, or if our products cause injury, illness or death. A significant product liability claim against us, whether or not successful, or a widespread product recall may reduce our sales and harm our business.

GOVERNMENT REGULATIONS AFFECTING THE CONDUCT OF OUR BUSINESS COULD INCREASE OUR OPERATING COSTS, REDUCE DEMAND FOR OUR PRODUCTS OR RESULT IN LITIGATION.

The conduct of our business, including the production, distribution, sale, advertising, marketing, labeling, safety, transportation and use of many of our products, are subject to various federal, state and local laws and regulations. These laws and regulations and interpretations thereof are subject to change as a result of political, economic or social events. Such changes may include changes in: food and drug laws; laws relating to product labeling, advertising and marketing practices; laws regarding ingredients used in our products; and increased regulatory scrutiny of, and increased litigation involving, product claims and concerns regarding the effects on health of ingredients in, or attributes of, our products. For example, we are subject to the California Safe Drinking Water and Toxic Enforcement Act of 1986 (commonly known as "Proposition 65"), a law which requires that a specific warning appear on any product sold in California that contains a substance listed by that State as having been found to cause cancer or birth defects. Proposition 65 exposes all food and beverage producers to the possibility of having to provide warnings on their products in California because it does not provide for any generally applicable quantitative threshold below which the

presence of a listed substance is exempt from the warning requirement. Consequently, the detection of even a trace amount of a listed substance can subject an affected product to the requirement of a warning label. The Council for Education and Research on Toxics has filed suit against a number of companies, including CBI, which sell

coffee in California for allegedly failing to issue clear and reasonable warnings that the coffee they produce, distribute and/or sell contains acrylamide in accordance with Proposition 65.

Any action under Proposition 65 would likely seek statutory penalties and costs of enforcement, as well as a requirement to provide warnings and other notices to customers or remove acrylamide from finished products (which may be impossible). If we were required to add warning labels to any of our products or place warnings in certain locations where our products are sold, sales of those products could suffer not only in those locations but elsewhere. Any change in labeling requirements for our products also may lead to an increase in packaging costs or interruptions or delays in packaging deliveries. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our results of operations.

COMPLIANCE WITH REGULATIONS AFFECTING PUBLICLY TRADED COMPANIES HAS RESULTED IN INCREASED COSTS AND MAY CONTINUE TO RESULT IN INCREASED COSTS IN THE FUTURE.

We are subject to laws, rules and regulations of federal and state regulatory authorities, including NASDAQ and financial market entities, charged with the protection of investors and the oversight of publicly traded companies. During the past few years, these entities, including the Public Company Accounting Oversight Board, the SEC and NASDAQ, have issued new regulations and continue to develop additional regulations, most notably the Sarbanes-Oxley Act of 2002 ("SOX") and, more recently, the Dodd-Frank Wall Street Reform and Consumer Protection Act. Our efforts to comply with these requirements and regulations have resulted in, and are likely to continue to result in, increased expenses and a diversion of substantial management time and attention from revenue-generating activities to compliance activities. In particular, our efforts to comply with Section 404 of SOX and the related regulations regarding our required assessment of our internal control over financial reporting and our independent registered public accounting firm's audit of the effectiveness of our internal control over financial reporting, have required, and continue to require, the commitment of significant financial and management resources. To the extent that we identify areas of our disclosure controls and procedures and/or internal controls requiring improvement (such as the material weakness in internal controls as of June 30, 2013 discussed in Part II, Item 9A of this Form 10-K), we may have to incur additional costs and divert management's time and attention. Because these regulations are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. Failure to comply with such regulations could have a material adverse effect on our business and stock price.

CONCENTRATION OF OWNERSHIP AMONG OUR PRINCIPAL STOCKHOLDERS MAY DISSUADE POTENTIAL INVESTORS FROM PURCHASING OUR STOCK, MAY PREVENT NEW INVESTORS FROM INFLUENCING SIGNIFICANT CORPORATE DECISIONS AND MAY RESULT IN A LOWER TRADING PRICE FOR OUR STOCK THAN IF OWNERSHIP OF OUR STOCK WAS LESS CONCENTRATED.

As of October 8, 2013, members of the Farmer family or entities controlled by the Farmer family (including trusts) comprising a group for purposes of Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), beneficially owned approximately 36.9% of our outstanding common stock. As a result, these stockholders, acting together, may be able to influence the outcome of stockholder votes, including votes concerning the election and removal of directors and approval of significant corporate transactions. This level of concentrated ownership may have the effect of delaying or preventing a change in the management or voting control of the Company. In addition, this significant concentration of share ownership may adversely affect the trading price of our common stock if investors perceive disadvantages in owning stock in a company with such concentrated ownership.

FUTURE SALES OF SHARES BY EXISTING STOCKHOLDERS COULD CAUSE OUR STOCK PRICE TO DECLINE.

All of our outstanding shares are eligible for sale in the public market, subject in certain cases to limitations under Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"). Also, shares subject to outstanding options and restricted stock under the Farmer Bros. Co. 2007 Omnibus Plan (the "Omnibus Plan") are eligible for sale in the

public market to the extent permitted by the provisions of various vesting agreements, our stock ownership guidelines, and Rule 144 under the Securities Act. If these shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our common stock could decline.

ANTI-TAKEOVER PROVISIONS COULD MAKE IT MORE DIFFICULT FOR A THIRD PARTY TO ACQUIRE US.

We have adopted a stockholder rights plan (the “Rights Plan”) pursuant to which each share of our outstanding common stock is accompanied by one preferred share purchase right (a “Right”). Each Right, when exercisable, will entitle the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, \$1.00 par value per share, at a purchase price of \$112.50, subject to adjustment. The Rights expire on March 28, 2015, unless they are earlier redeemed, exchanged or terminated as provided in the Rights Plan. Because the Rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our Board of Directors, our Rights Plan could make it more difficult for a third party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our Board of Directors regarding such acquisition.

In addition, our Board of Directors has the authority to issue up to 500,000 shares of preferred stock (of which 200,000 shares have been designated as Series A Junior Participating Preferred Stock) and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by stockholders. The rights of the holders of our common stock may be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deterring or preventing a change in control of the Company without further action by stockholders and may adversely affect the voting and other rights of the holders of our common stock. Further, certain provisions of our charter documents, including a classified board of directors, provisions eliminating the ability of stockholders to take action by written consent, and provisions limiting the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice, may have the effect of delaying or preventing changes in control or management of the Company, which could have an adverse effect on the market price of our stock. In addition, our charter documents do not permit cumulative voting, which may make it more difficult for a third party to gain control of our Board of Directors. Further, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which will prohibit us from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, even if such combination is favored by a majority of stockholders, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change in control or management.

Item 1.B. Unresolved Staff Comments

None.

Item 2. Properties

Our largest and most significant facility is our corporate headquarters in Torrance, California. Our Torrance facility is a manufacturing facility and the distribution hub for our long-haul trucking fleet and houses our primary administrative offices. Coffee purchasing, roasting, grinding, packaging and product development takes place at our Torrance, California; Portland, Oregon; and Houston, Texas plants. Spice blending, grinding, packaging and product development takes place at our Torrance, California plant. Our distribution centers include our Torrance, Portland and Houston plants as well as distribution centers in Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey.

We stage our products in 117 branch warehouses throughout the contiguous United States. These branch warehouses and our six distribution centers, taken together, represent a vital part of our business, but no individual branch warehouse is material to the business as a whole. Our branch warehouses vary in size from approximately 2,500 to 50,000 square feet.

Approximately 54% of our facilities are leased with a variety of expiration dates through 2020, although our two largest facilities, in Torrance and Houston, are owned. The lease on the Portland facility expires in 2018 and has a 10 year renewal option.

We believe our plants, distribution centers and branch warehouses will continue to provide adequate capacity for the foreseeable future. A complete list of properties operated by Farmer Bros. is attached hereto as Exhibit 99.1 and

incorporated herein by reference.

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Item 3. Legal Proceedings

On August 31, 2012, the Council for Education and Research on Toxics (“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 requested 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. The Company has joined a Joint Defense Group and, along with the other co-defendants, has answered the complaint, and the pleadings stage of case has been completed. Discovery in preparation for trial recently commenced, following a stay while summary adjudication was resolved in a related case. 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. We are party to various other pending legal and administrative proceedings. It is our opinion that the outcome of such proceedings will not have a material impact on our financial position, results of operations, or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

We have one class of common stock which is traded on the NASDAQ Global Market under the symbol “FARM.” The following table sets forth, for the periods indicated, the cash dividends declared and the high and low sales prices of the shares of common stock of the Company as quoted on the NASDAQ Global Market.

| | Fiscal year ended June 30, 2013 | | | Fiscal year ended June 30, 2012 | | |
|-------------|---------------------------------|---------|----------|---------------------------------|--------|----------|
| | High | Low | Dividend | High | Low | Dividend |
| 1st Quarter | \$10.15 | \$7.00 | \$— | \$12.45 | \$4.43 | \$— |
| 2nd Quarter | \$15.37 | \$8.96 | \$— | \$8.00 | \$4.96 | \$— |
| 3rd Quarter | \$15.00 | \$12.23 | \$— | \$12.25 | \$7.67 | \$— |
| 4th Quarter | \$16.90 | \$13.39 | \$— | \$10.92 | \$6.73 | \$— |

Holders

As of October 8, 2013, there were approximately 2,300 holders of record and the closing price of our common stock on NASDAQ was \$15.81. Determination of holders of record is based upon the number of record holders and individual participants in security position listings.

Dividends

Although historically the Company has paid a dividend to stockholders, in light of the Company’s current financial position, the Company’s Board of Directors has omitted the payment of a quarterly dividend since the third quarter of fiscal 2011. The amount, if any, of dividends to be paid in the future will depend upon the Company’s then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors. For a description of the loan agreement restrictions on the payment of dividends, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” included in Part II, Item 7 of this report, and Note 12, “Bank Loan,” of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this report.

Equity Compensation Plan Information

This information appears in Part III, Item 12 of this report.

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Performance Graph

The chart set forth below shows the value of an investment of \$100.00 at the close of trading on June 30, 2007 in each of Farmer Bros. Co. common stock, the Russell 2000 Index and the Value Line Food Processing Index. All values assume reinvestment of the pre-tax value of dividends paid by companies included in these indices and are calculated as of June 30 of each year. The historical stock price performance of the Company's common stock shown in the performance graph below is not necessarily indicative of future stock price performance.

Comparison of Five-Year Cumulative Total Return

Farmer Bros. Co., Russell 2000 Index and Value Line Food Processing Index

(Performance Results Through June 30, 2013)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Farmer Bros. Co. | \$ 100.00 | \$ 110.48 | \$ 74.53 | \$ 51.06 | \$ 40.08 | \$ 70.79 |
| Russell 2000 Index | \$ 100.00 | \$ 74.99 | \$ 91.11 | \$ 125.19 | \$ 122.59 | \$ 152.26 |
| Value Line Food Processing Index | \$ 100.00 | \$ 95.02 | \$ 116.36 | \$ 150.71 | \$ 163.75 | \$ 196.43 |

Source: Value Line Publishing, LLC

Item 6. Selected Financial Data

As discussed in Note 2, "Restatement," and Note 19, "Selected Quarterly Financial Data (Unaudited)," of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of this Form 10-K, we have restated in this Form 10-K our consolidated financial statements for certain prior periods to correct certain errors in those financial statements. The errors related to our accounting for certain postretirement benefit obligations for our retiree medical plan, failure to timely adopt accounting guidance relating to a postretirement death benefit, when originally issued, and failure to record the appropriate amounts reflecting the cash surrender value of life insurance policies purchased to fund the postretirement death benefit. The financial statements and data for the restated periods also reflect certain other immaterial adjustments and reclassifications to conform to the current year presentation.

The following selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes to those consolidated financial statements included elsewhere in this Form 10-K.

The consolidated statements of operations data set forth below for the fiscal years ended June 30, 2013, 2012 and 2011, and the consolidated balance sheet data as of June 30, 2013 and 2012, are derived from, and are qualified in their entirety by reference to, our audited consolidated financial statements included elsewhere in this Form 10-K. The consolidated statements of operations data set forth below for the fiscal years ended June 30, 2010 and 2009, and the consolidated balance sheet data as of June 30, 2011, 2010 and 2009, has been restated to conform to the consolidated financial statements included in this Form 10-K.

| | Fiscal Year Ended June 30, | | | | |
|---|----------------------------|-------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2010 | 2009(1) |
| | | As Restated | As Restated | As Restated | As Restated |
| Consolidated Statement of Operations | | | | | |
| Data (in thousands, except per share data): | | | | | |
| Net sales | \$509,964 | \$495,442 | \$463,945 | \$450,318 | \$341,724 |
| Cost of goods sold | \$318,825 | \$322,540 | \$306,458 | \$254,686 | \$180,321 |
| Loss from operations | \$(4,095) | \$(22,114) | \$(70,367) | \$(40,599) | \$(14,306) |
| Loss from operations per common share | \$(0.26) | \$(1.43) | \$(4.67) | \$(2.73) | \$(0.99) |
| Net loss(2)(3) | \$(8,462) | \$(26,576) | \$(52,033) | \$(25,359) | \$(34,142) |
| Net loss per common share-basic and diluted | \$(0.54) | \$(1.72) | \$(3.45) | \$(1.71) | \$(2.35) |
| Cash dividends declared per common share | \$— | \$— | \$0.18 | \$0.46 | \$0.46 |
| | | | | | |
| | June 30, | 2012 | 2011 | 2010 | 2009(1) |
| | 2013 | As Restated | As Restated | As Restated | As Restated |
| Consolidated Balance Sheet Data (in thousands, except per share data): | | | | | |
| Total assets(4) | \$244,136 | \$257,916 | \$292,050 | \$342,084 | \$334,244 |
| Capital lease obligations(5) | \$12,168 | \$15,867 | \$8,636 | \$3,861 | \$1,252 |
| Long-term borrowings under revolving credit facility | \$10,000 | \$— | \$— | \$— | \$— |
| Long-term derivative liability | \$1,129 | \$— | \$— | \$— | \$— |
| Total liabilities(6) | \$162,298 | \$174,364 | \$158,635 | \$180,341 | \$139,048 |

(1) Includes the results of operations of the DSD Coffee Business since its acquisition by the Company effective February 28, 2009.

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(2) Includes: (a) \$0.1 million in impairment losses on intangible assets, \$34,000 in pension curtailment expense, \$1.1 million in beneficial effect of liquidation of LIFO inventory quantities and \$4.5 million in net gains from sales of assets, primarily real estate, in fiscal 2013; (b) \$5.6 million in impairment losses on goodwill and intangible assets, \$4.6 million in pension withdrawal expense, \$14.2 million in beneficial effect of liquidation of LIFO inventory quantities and \$1.4 million in net gains from sales of assets, primarily real estate, in fiscal 2012; (c) \$7.8 million in impairment losses on intangible assets, \$1.5 million in pension curtailment expense, \$1.1 million in beneficial effect of liquidation of LIFO inventory quantities, \$1.4 million in net gains from sales of assets, primarily real estate, and \$13.4 million in income tax benefit in fiscal 2011; (d) \$0.8 million in beneficial effect of liquidation of LIFO inventory quantities and \$2.5 million in income tax benefit in fiscal 2010; and (e) a deferred tax asset valuation allowance of \$20.4 million recorded as income tax expense in fiscal 2009. Excludes in fiscal 2013, \$7.9 million in losses from coffee-related derivatives designated as cash flow hedges.

Net loss, as restated, compared to net loss, as originally reported, reflects a decrease (increase) of \$2.8 million, \$2.3 million, \$(1.4) million and \$(0.9) million in fiscal 2012, 2011, 2010 and 2009, respectively. Net loss per

(3) common share—basic and diluted, as restated, compared to net loss per common share—basic and diluted, as originally reported, reflects a decrease (increase) of \$0.17, \$0.16, \$(0.10) and \$(0.06) in fiscal 2012, 2011, 2010 and 2009, respectively.

(4) Total assets, as restated, compared to total assets, as originally reported, reflects a \$2.2 million, \$2.1 million, \$2.9 million and \$2.7 million increase in cash surrender value of life insurance policies purchased to fund the postretirement death benefit in fiscal 2012, 2011, 2010 and 2009, respectively, included in "Other assets" on our consolidated balance sheets.

(5) Excludes imputed interest.

(6) Total liabilities, as restated, compared to total liabilities, as originally reported, reflects (a) an \$8.1 million, \$6.4 million, \$6.4 million and \$5.1 million increase in accrued postretirement benefits in fiscal 2012, 2011, 2010 and 2009, respectively, related to the postretirement death benefit; and (b) a \$(20.7) million and \$(11.2) million reduction in accrued postretirement benefits in fiscal 2012 and 2011, respectively, related to the retiree medical plan. See Note 2, "Restatement."

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

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. The results of operations for the fiscal years ended June 30, 2013, 2012 and 2011 are not necessarily indicative of the results that may be expected for any future period. The following discussion should be read in combination with the consolidated financial statements and the notes thereto included in Part II, Item 8 of this report and with the "Risk Factors" described in Part I, Item 1A of this report.

Restatement of Previously Issued Financial Statements

As discussed in Note 2, "Restatement," and Note 19, "Selected Quarterly Financial Data (Unaudited)," of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of this Form 10-K, we have restated in this Form 10-K our consolidated financial statements for the fiscal years ended June 30, 2012 and 2011 and our unaudited quarterly financial data for each of the quarters in the fiscal year ended June 30, 2012 and for the first three quarters in the fiscal year ended June 30, 2013. Specifically, we have restated our consolidated financial statements as a result of certain errors related to our accounting for certain postretirement benefit obligations for our retiree medical plan, failure to timely adopt accounting guidance relating to a postretirement death benefit, when originally issued, and failure to record the appropriate amounts reflecting the cash surrender value of life insurance policies purchased to fund the postretirement death benefit. The financial statements and data for the restated periods also reflect certain other immaterial adjustments and reclassifications to conform to the current year presentation. The combined impact of these adjustments to the applicable line items in our consolidated financial statements is set forth in Notes 2 and 19 of the Notes to Consolidated Financial Statements.

Management has also concluded that, as of June 30, 2013, our internal controls over financial reporting were not effective due to a material weakness in our controls over our accounting for and reporting of other postretirement benefit obligations. See "Controls and Procedures" included in Part II, Item 9A of this Form 10-K.

Overview

We are a manufacturer, wholesaler and distributor of coffee, tea and culinary products. We are a direct distributor of coffee to restaurants, hotels, casinos, offices, QSR's, convenience stores, healthcare facilities and other foodservice providers, as well as private brand retailers in the QSR, grocery, drugstore, restaurant, convenience store and independent coffeehouse channels. We were founded in 1912, were incorporated in California in 1923, and reincorporated in Delaware in 2004. We operate in one business segment.

Since 2007, Farmer Bros. has achieved growth, primarily through the acquisition in 2007 of CBH, the parent company of CBI, a specialty coffee manufacturer and wholesaler headquartered in Portland, Oregon, and the acquisition in 2009 from Sara Lee of certain assets used in connection with the DSD Coffee Business.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Our significant accounting policies are discussed in Note 1 to our consolidated financial statements, included herein at Part II, Item 8. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to inventory valuation, including LIFO reserves, the allowance for doubtful accounts, deferred tax assets, liabilities relating to retirement benefits, liabilities resulting from self-insurance of our workers' compensation liabilities, tax liabilities and litigation. We base our estimates, judgments and assumptions on historical experience and other relevant factors that are believed to be reasonable based on information available to us at the time these estimates are made.

While we believe that the historical experience and other factors considered provide a meaningful basis for the accounting policies applied in the preparation of the consolidated financial statements, actual results may differ from these estimates, which could require us to make adjustments to these estimates in future periods.

We believe that the estimates, judgments and assumptions involved in the accounting policies described below require the most subjective judgment and have the greatest potential impact on our financial statements, so we consider these to be our

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critical accounting policies. Our senior management has reviewed the development and selection of these critical accounting policies and estimates, and their related disclosure in this report, with the Audit Committee of our Board of Directors.

Coffee Brewing Equipment and Service

We classify certain expenses related to coffee brewing equipment provided to customers as cost of goods sold. These costs include the cost of the equipment as well as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts) and are considered directly attributable to the generation of revenues from our customers. We capitalize coffee brewing equipment and depreciate it over a three or five year period, depending on the assessment of its useful life and report the depreciation expense in cost of goods sold.

Investments

Our investments consist of money market instruments, marketable debt and equity securities, various derivative instruments, primarily exchange traded treasury and green coffee futures and options. Investments are held for trading purposes and stated at fair value. The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Derivative Instruments

We routinely purchase exchange traded coffee contracts to enable us to lock in green coffee prices within a pre-established range, and hold a mix of futures contracts and options to help hedge against volatility in green coffee prices. The fair value of derivative instruments is based upon broker quotes. Beginning April 1, 2013, we implemented procedures following the guidelines of Accounting Standards Codification ("ASC") 815, "Derivatives and Hedging," to enable us to account for certain coffee-related derivatives as accounting hedges in order to minimize the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods. As a result, in the fourth quarter of fiscal 2013, a portion of the gains and losses from re-valuing the coffee-related derivative contracts to their market prices is being recorded in accumulated other comprehensive income (loss) on our consolidated balance sheet and subsequently reclassified to cost of goods sold in the period or periods when the hedged transaction affects earnings. At June 30, 2013, approximately 89% of our outstanding coffee-related derivatives were designated as cash flow hedges. At June 30, 2012, no derivative instruments were designated as accounting hedges. Changes in fair value of all derivative instruments designated as cash flow hedges are recorded in other comprehensive income (loss) ("OCI"). The portion of open hedging contracts that are not 100% effective as cash flow hedges and those that are not designated as accounting hedges are marked to period-end market price and unrealized gains or losses based on whether the period-end market price was higher or lower than the price we locked-in are recognized in our results of operations.

The Company had \$8.1 million and \$1.6 million, respectively, in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments at June 30, 2013 and 2012 which is classified as a current asset. Changes in commodity prices could have a significant impact on cash deposit requirements under our broker and counterparty agreements.

Allowance for Doubtful Accounts

We maintain an allowance for estimated losses resulting from the inability of our customers to meet their obligations. Due to improved collection of our outstanding receivables, in fiscal 2013 and 2012, we decreased the allowance for doubtful accounts by \$0.8 million and \$1.0 million, respectively.

Inventories

Inventories are valued at the lower of cost or market. We account for coffee, tea and culinary products on a LIFO basis, and coffee brewing equipment manufactured on a first in, first out ("FIFO") basis. We regularly evaluate our inventories to determine whether market conditions are correctly reflected in the recorded carrying value. At the end of each quarter, we record the expected effect of the liquidation of LIFO inventory quantities, if any, and record the actual impact at fiscal year-end. An actual valuation of inventory under the LIFO method is made only at the end of each fiscal year based on the inventory levels and costs at that time.

If inventory quantities decline at the end of the fiscal year compared to the beginning of the fiscal year, the reduction results in the liquidation of LIFO inventory quantities carried at the cost prevailing in prior years. This LIFO inventory

liquidation may result in a decrease or increase in cost of goods sold depending on whether the cost prevailing in prior years was lower or higher, respectively, than the current year cost. In fiscal 2013, 2012 and 2011, the beneficial effect of this

liquidation of LIFO inventory quantities reduced cost of goods sold and net loss in the amounts of \$1.1 million, \$14.2 million and \$1.1 million, respectively.

In fiscal 2013, as a result of optimizing and simplifying our product portfolio and discontinuing over 800 SKU's, we established a reserve for slow-moving and obsolete inventory in the amount of \$0.7 million.

Impairment of Goodwill and Indefinite-lived Intangible Assets

We perform our annual impairment test of goodwill and/or other indefinite-lived intangible assets as of June 30 of each fiscal year. Goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually and on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired. Testing for impairment of goodwill is a two-step process. The first step requires us to compare the fair value of our reporting units to the carrying value of the net assets of the respective reporting units, including goodwill. If the fair value of a reporting unit is less than its carrying value, goodwill of the reporting unit is potentially impaired and we then complete step two to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill, which is the residual fair value remaining after deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized equal to the difference. Indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values.

In our annual test of impairment in the fourth quarter of fiscal 2012, we identified indicators of impairment including a decline in market capitalization and continuing losses from operations. We performed impairment tests to determine the recoverability of the carrying values of the assets or if impairment should be measured. We were required to make estimates of the fair value of our intangible assets, and all assets of CBI, the reporting unit. As a result of these impairment tests, we determined that our trademarks acquired in connection with the CBI acquisition were impaired and that the carrying value of all of the assets of CBI excluding goodwill exceeded their estimated fair values resulting in an implied fair value of zero for CBI's goodwill. Accordingly, in the fourth quarter of fiscal 2012, we recorded total impairment charges of \$5.6 million including \$5.1 million in impairment losses on goodwill, which is included in operating expenses. As of June 30, 2012, goodwill was written down to zero.

In our annual test of impairment in the fourth quarter of fiscal 2013, we determined that the book value of a certain trademark acquired in connection with the DSD Coffee Business acquisition was higher than the present value of the estimated future cash flows and concluded that the trademark was impaired. As a result, we recorded an impairment charge of \$0.1 million to earnings in the fourth quarter of fiscal 2013.

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

We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. In our annual test of impairment as of the end of fiscal 2011, we determined that definite-lived intangible assets consisting of the customer relationships acquired, and the distribution agreement and co-pack agreement entered into, in connection with the DSD Coffee Business acquisition were impaired. As a result, in fiscal 2011 we recorded an impairment charge of \$7.8 million in operating expenses.

Self-Insurance

We are self-insured for California workers' compensation insurance subject to specific retention levels and use historical analysis to determine and record the estimates of expected future expenses resulting from workers' compensation claims. The estimated outstanding losses are the accrued cost of unpaid claims valued as of June 30, 2013. The estimated outstanding losses, including allocated loss adjustment expenses ("ALAE"), include case reserves, the development of known claims and incurred but not reported claims. ALAE are the direct expenses for settling specific claims. The amounts reflect per occurrence and annual aggregate limits maintained by the Company. The

analysis does not include estimating a provision for unallocated loss adjustment expenses.

In fiscal 2013, we increased our estimate of expected future expenses resulting from workers' compensation claims by \$1.3 million. Management believes that the amount recorded at June 30, 2013 is adequate to cover all known claims at

June 30, 2013. If the actual costs of such claims and related expenses exceed the amount estimated, additional reserves may be required which could have a material negative effect on operating results. If our estimate were off by as much as 15%, the reserve could be under or overstated by approximately \$1.0 million as of June 30, 2013.

In May 2011, we did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers. As a result, we were required to post a \$5.9 million letter of credit as a security deposit to the State of California Department of Industrial Relations Self-Insurance Plans. As of June 30, 2013, this letter of credit continues to serve as a security deposit and has been reduced to \$5.4 million.

Estimated Company liability resulting from our general liability and automobile liability policies, within our deductible limits, is accounted for by specific identification. Large losses have historically been infrequent, and the lag between incurred but not reported claims has historically been short. Once a potential loss has been identified, the case is monitored by our risk manager to try and determine a likely outcome. Lawsuits arising from injury that are expected to reach our deductible are not reserved until we have consulted with legal counsel, become aware of the likely amount of loss and determined when payment is expected.

The estimated liability related to our self-insured group medical insurance is recorded on an incurred but not reported basis, within deductible limits, based on actual claims and the average lag time between the date insurance claims are filed and the date those claims are paid.

Retirement Plans

We have a defined benefit pension plan, the Farmer Bros. Salaried Employees Pension Plan (the "Farmer Bros. Plan"), for the majority of our employees who are not covered under a collective bargaining agreement, and two defined benefit pension plans for certain hourly employees covered under collective bargaining agreements (the "Brewmatic Plan" and the "Hourly Employees' Plan"). In addition, we contribute to a multiemployer defined benefit pension plan and a multiemployer defined contribution plan for certain union employees.

In the fourth quarter of fiscal 2013, we determined that we would shut down our equipment refurbishment operations in Los Angeles, California and move them to our Oklahoma City distribution center effective August 30, 2013. Due to this shut down, all hourly employees responsible for these operations in Los Angeles were terminated and their pension benefits in the Brewmatic Plan were frozen effective August 30, 2013. As a result, we recorded a pension curtailment expense of \$34,000 in the fourth quarter of fiscal 2013 which is included in "Selling expenses" in our consolidated statement of operations for the fiscal year ended June 30, 2013 and in "Accrued pension liabilities" on our consolidated balance sheet at June 30, 2013.

We 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 plan, and new hires are not eligible to participate in the plan. However, account balances continue to be credited with interest until paid out. As a result, we recorded a pension curtailment expense of \$1.5 million in the fourth quarter of fiscal 2011 for the Farmer Bros. Plan. As all plan participants became inactive following this 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. Beginning in fiscal 2012, pension expense is significantly lower than in prior fiscal years due to this curtailment.

We obtain actuarial valuations for our plans and in fiscal 2013 we discounted the pension obligations using a 4.5% discount rate and we estimated an 8.0% long-term return on plan assets. The performance of the stock market and other investments as well as the overall health of the economy can have a material effect on pension investment returns and these assumptions. A change in these assumptions could affect our operating results.

At June 30, 2013, the projected benefit obligation under our single employer defined benefit pension plans was \$132.2 million and the fair value of plan assets was \$92.4 million. The difference between the projected benefit obligation and the fair value of plan assets is recognized as a decrease in OCI and an increase in pension liability and deferred tax assets. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit costs and ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic benefit cost and increase our future funding requirements. For the fiscal year ended June 30, 2013, we made \$1.8 million in contributions to these plans and accrued \$1.2 million in expense. We expect to make approximately \$1.3 million in contributions to our single

employer defined benefit pension plans in fiscal 2014 and accrue expense of approximately \$0.7 million per year beginning in fiscal 2014. These pension payments are expected to continue at this level for several years, and the current economic environment increases the risk that we may be required to make even larger contributions in the future.

The following chart quantifies the effect on the projected benefit obligation and the net periodic benefit cost of a change in the discount rate assumption and the impact on the net periodic benefit cost of a change in the assumed rate of return on plan assets for fiscal 2014:

| | (Dollars in thousands) | | |
|---------------------------------------|------------------------|-------------|-----------|
| Farmer Bros. Plan Discount Rate | 4.0% | Actual 4.5% | 5.0% |
| Net periodic benefit cost | \$354 | \$316 | \$265 |
| Projected benefit obligation | \$134,844 | \$126,205 | \$118,424 |
| Farmer Bros. Plan Rate of Return | 7.5% | Actual 8.0% | 8.5% |
| Net periodic benefit cost | \$743 | \$316 | \$(112) |
| Brewmatic Plan Discount Rate | 4.0% | Actual 4.5% | 5.0% |
| Net periodic benefit cost | \$14 | \$16 | \$17 |
| Projected benefit obligation | \$4,164 | \$3,946 | \$3,749 |
| Brewmatic Plan Rate of Return | 7.5% | Actual 8.0% | 8.5% |
| Net periodic benefit cost | \$30 | \$16 | \$1 |
| Hourly Employees' Plan Discount Rate | 4.0% | Actual 4.5% | 5.0% |
| Net periodic benefit cost | \$441 | \$403 | \$374 |
| Projected benefit obligation | \$2,232 | \$2,056 | \$1,900 |
| Hourly Employees' Plan Rate of Return | 7.5% | Actual 8.0% | 8.5% |
| Net periodic benefit cost | \$409 | \$403 | \$396 |

Income Taxes

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

Deferred Tax Asset Valuation Allowance

We assess whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets will or will not ultimately be realized in future periods. In making such assessment, significant weight is to be given to evidence that can be objectively verified such as recent operating results and less consideration is to be given to less objective indicators such as future earnings projections.

After consideration of positive and negative evidence, including the recent history of losses, we cannot conclude that it is more likely than not that we will generate future earnings sufficient to realize our deferred tax assets as of June 30, 2013. Accordingly, a valuation allowance of \$82.5 million has been recorded to offset this deferred tax asset. The valuation allowance increased by \$3.1 million, \$20.7 million and \$13.3 million in the fiscal years ended June 30, 2013, 2012 and 2011, respectively. Deferred tax assets were \$84.7 million as of June 30, 2013 compared to \$83.1 million in fiscal 2012 and \$67.1 million in fiscal 2011. In fiscal 2012, deferred tax assets increased primarily due to net loss carryovers and a decrease in expected pension asset values related to a change in actuarial assumptions.

Postretirement Benefits

We sponsor a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees. The plan provides medical, dental and vision coverage for retirees under age 65 and medical coverage only

for retirees age 65 and above. Under this postretirement plan, our 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, but subject to a maximum monthly Company contribution. Our retiree medical, dental and vision plan is unfunded and its liability was calculated using an assumed discount rate of 4.8% at June 30, 2013. We project an initial medical trend rate of 7.0% in fiscal 2013, and 6.5% in fiscal 2014, ultimately reducing to 5.0% in 4 years.

We also provide a postretirement death benefit to certain of our 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. We record the actuarially determined liability for the present value of the postretirement death benefit. We have purchased life insurance policies to fund the postretirement death benefit wherein we own the policy but the postretirement death benefit is paid to the employee's or retiree's beneficiary. We record an asset for the fair value of the life insurance policies which equates to the cash surrender value of the policies.

Share-based Compensation

We measure all share-based compensation cost at the grant date, based on the fair value of the award, and recognize such cost as an expense in our consolidated statements of operations over the requisite service period. The process of estimating the fair value of share-based compensation awards and recognizing share-based compensation cost over the requisite service period involves significant assumptions and judgments. We estimate the fair value of stock option awards on the date of grant using the Black-Scholes valuation model which requires that we make certain assumptions regarding: (i) the expected volatility in the market price of our common stock; (ii) dividend yield; (iii) risk-free interest rates; and (iv) the period of time employees are expected to hold the award prior to exercise (referred to as the expected holding period). In addition, we estimate the expected impact of forfeited awards and recognize share-based compensation cost only for those awards ultimately expected to vest. If actual forfeiture rates differ materially from our estimates, share-based compensation expense could differ significantly from the amounts we have recorded in the current period. We will periodically review actual forfeiture experience and revise our estimates, as necessary. We will recognize as compensation cost the cumulative effect of the change in estimated forfeiture rates on current and prior periods in earnings of the period of revision. As a result, if we revise our assumptions and estimates, our share-based compensation expense could change materially in the future. In fiscal 2013 and 2012, we used an estimated 6.5% annual forfeiture rate to calculate share-based compensation expense based on actual forfeiture experience from the inception of the Omnibus Plan.

Liquidity and Capital Resources

Credit Facility

On September 12, 2011, we entered into an Amended and Restated Loan and Security Agreement (the "Loan Agreement") among the Company and CBI, as Borrowers, certain of the Company's other subsidiaries, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association ("Wells Fargo"), as Agent.

On January 9, 2012, the Loan Agreement was amended in connection with JPMorgan Chase Bank, N.A. ("JPMorgan Chase"), becoming an additional Lender thereunder. On March 18, 2013, the Loan Agreement was amended further ("Amendment No. 2") to amend the definition of "Maximum Credit" available thereunder to \$75.0 million from \$85.0 million. Pursuant to Amendment No. 2, Wells Fargo will provide a commitment of \$53.0 million and JPMorgan Chase will provide a commitment of \$22.0 million.

The Loan Agreement provides for a senior secured revolving credit facility of up to \$75.0 million, with a letter of credit sublimit of \$20.0 million. The revolving credit facility provides for advances of 85% of eligible accounts receivable and 75% of eligible inventory (subject to a \$60.0 million inventory loan limit), as defined. The Loan Agreement provides for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.0% to Adjusted Eurodollar Rate + 2.5%. The Loan Agreement has an amendment fee of 0.375% and an unused line fee of 0.25%. Outstanding obligations under the Loan Agreement are collateralized by all of the Borrowers' assets, including the Company's preferred stock portfolio. The term of the Loan Agreement expires on March 2, 2015.

The Loan Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including those relating to reporting requirements, maintenance of records, properties and corporate existence, compliance with laws, incurrence of other indebtedness and liens, limitations on certain payments,

including the payment of dividends and capital expenditures, and transactions and extraordinary corporate events. The Loan Agreement allows us to pay dividends, provided, among other things, certain liquidity requirements are met, the aggregate amount of all such payments in any fiscal year shall not exceed \$7.0 million (\$1.75 million in any fiscal quarter), and no event of default exists or has occurred and is continuing as of the date of any such payment and after giving effect thereto. The Loan Agreement also contains financial covenants requiring the Borrowers to maintain minimum Excess Availability and Total Liquidity levels. The Loan Agreement allows the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to

us, to reflect events, conditions, or risks that would have a reasonable likelihood of adversely affecting the Lender's collateral or our assets, including our green coffee inventory.

The Loan Agreement provides that an event of default includes, among other things, subject to certain grace periods: (i) payment defaults; (ii) failure by any guarantor to perform any guarantee in favor of Lender; (iii) failure to abide by loan covenants; (iv) default with respect to other material indebtedness; (v) final judgment in a material amount not discharged or stayed; (vi) any change of control; (vii) bankruptcy or insolvency; and (viii) the failure of the Farmer Bros. Co. Employee Stock Ownership Benefit Trust, created by the Company to implement the Farmer Bros. Co. Employee Stock Ownership Plan ("ESOP"), to be duly qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, or exempt from federal income taxation, or if the ESOP engages in a material non-exempt prohibited transaction.

Effective December 1, 2012, we entered into an interest rate swap transaction utilizing a notional amount of \$10.0 million and a maturity date of March 1, 2015. We entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of our borrowings under the revolving credit facility. The swap transaction is intended to manage our interest rate risk related to our borrowings under the revolving credit facility and requires us to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA. As of June 30, 2013, the variable interest rate based on 1-month USD LIBOR-BBA was 0.19%.

We have not designated our interest rate swap as an accounting hedge. We record the interest rate swap on our consolidated balance sheet at fair value with the changes in fair value recorded as gain or loss in "Other, net" in our consolidated statements of operations. In fiscal 2013, we recorded a loss of \$25,000 for the change in fair value of our interest rate swap. No such gains or losses were recorded in fiscal 2012.

On June 30, 2013, we were eligible to borrow up to a total of \$61.7 million under the credit facility. As of June 30, 2013, we had outstanding borrowings of \$19.8 million, including loan extension fees of \$0.1 million, utilized \$11.6 million of the letters of credit sublimit, and had excess availability under the credit facility of \$30.3 million. In connection with entering into the interest rate swap agreement, we reclassified \$10.0 million of our borrowings under the credit facility as long-term because we intend to repay the borrowings in accordance with the termination date of the swap agreement which extends beyond one year. The weighted average interest rate on our outstanding borrowings under the credit facility was 1.37% at June 30, 2013. We believe that the carrying value of our outstanding borrowings under the credit facility approximates fair value at June 30, 2013 as the credit facility bears interest at a variable interest rate based on prevailing market conditions.

As of June 30, 2013, we were in compliance with all restrictive covenants under the Loan Agreement. On October 3, 2013, we and Wells Fargo entered into a Letter Agreement regarding Waiver of Event of Default (the "Waiver Agreement") pursuant to which Wells Fargo, as Agent, and the Lenders agreed to waive the event of default arising under the Loan Agreement as a result of our failure to furnish, in a timely manner, our audited consolidated financial statements and unaudited consolidating financial statements, and the accompanying notes thereto, together with the unqualified opinion of independent certified public accountants with respect to the audited consolidated financial statements, for the fiscal year ended June 30, 2013; provided that we furnish to Agent such financial information not later than October 15, 2013. There can be no assurance that the Lenders will issue a waiver or grant an amendment to the covenants in future periods, if the Company required one.

As of September 30, 2013, we had estimated outstanding borrowings of \$20.3 million, including loan extension fees of \$0.1 million, utilized \$11.2 million of the letters of credit sublimit, and had excess availability under the credit facility of \$36.8 million. As of September 30, 2013, the weighted average interest rate on our outstanding borrowings under the credit facility was 1.7%.

Liquidity

We generally finance our operations through cash flow from operations and borrowings under our revolving credit facility described above. As of June 30, 2013, we had \$2.7 million in cash and cash equivalents, \$8.1 million in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments and \$20.5 million in short-term investments. We believe our revolving credit facility, to the extent available, in addition to our cash flows from operations and other liquid assets, are sufficient to fund our working capital and capital expenditure requirements for the next 12 months.

We generate cash from operating activities primarily from cash collections related to the sale of our products. Net cash provided by operating activities was \$21.9 million in fiscal 2013 compared to \$18.1 million in fiscal 2012 and \$33.9 million in fiscal 2011. The increase in net cash provided by operating activities in fiscal 2013 compared to the prior fiscal year was primarily due to lower net loss in fiscal 2013 compared to fiscal 2012.

Net cash used in investing activities decreased to \$10.2 million in fiscal 2013 compared to \$14.5 million in fiscal 2012 and \$17.4 million in fiscal 2011, primarily due to reduced levels of capital expenditures. In fiscal 2013, cash inflow from sales of fixed assets, primarily real estate, was \$5.7 million and cash outflow for capital expenditures was \$15.9 million. In fiscal 2012, cash inflow from sales of fixed assets, primarily real estate, was \$3.0 million and cash outflow for capital expenditures was \$17.5 million. In fiscal 2011, cash inflow from sales of fixed assets, primarily real estate, was \$2.0 million and cash outflow for capital expenditures was \$19.4 million.

Net cash used in financing activities was \$12.9 million in fiscal 2013 compared to \$5.8 million in fiscal 2012 and \$14.6 million in fiscal 2011. Net cash used in financing activities in fiscal 2013 included net repayments on our credit facility of \$10.8 million, partially offset by \$1.2 million in proceeds from stock option exercises, compared to net repayments of \$4.0 million and \$8.5 million in fiscal 2012 and fiscal 2011, respectively. In addition, there were no dividend payments in fiscal 2013 and fiscal 2012, compared to dividend payments of \$4.7 million in fiscal 2011. In fiscal 2013, we capitalized \$15.9 million in property, plant and equipment purchases which included \$9.3 million in expenditures to replace normal wear and tear of coffee brewing equipment, \$0.5 million in building and facility improvements, \$5.0 million in expenditures for vehicles, and machinery and equipment, and \$1.1 million in information technology related expenditures.

Our expected capital expenditures for fiscal 2014 include expenditures to replace normal wear and tear of coffee brewing equipment, vehicles, and machinery and equipment, and are expected to increase approximately 33% from fiscal 2013 levels.

Our working capital is comprised of the following:

| | June 30, 2013 | 2012 As Restated |
|------------------------|------------------|---------------------|
| | (In thousands) | |
| Current assets | \$ 139,749 | \$ 136,178 |
| Current liabilities(1) | 76,550 | 86,737 |
| Working capital | \$ 63,199 | \$ 49,441 |

(1) Includes \$9.9 million in coffee-related short-term derivative liability in fiscal 2013.

Liquidity Information:

| | June 30, 2013 | 2012 As Restated | 2011 As Restated |
|----------------------|------------------|---------------------|---------------------|
| | (In thousands) | | |
| Capital expenditures | \$ 15,894 | \$ 17,498 | \$ 19,416 |
| Dividends paid | \$— | \$— | \$ 4,657 |

Results of Operations

Fiscal Years Ended June 30, 2013 and 2012

Overview

In fiscal 2013, green coffee commodity prices continued to fall but fuel costs remained high. Green coffee commodity market prices fell from \$1.70 per pound at the end of fiscal 2012 to \$1.20 per pound at the end of fiscal 2013. In fiscal 2013 we continued our hedging strategy intended to establish predictable prices for future supply of green coffee with futures contracts that we purchase for certain of our national account customers and for our own account for longer periods of time than was done previously because the cost of coffee significantly declined during the last 12 to 18 months, making these long-term futures contracts relatively less expensive than they had been previously. Net unrealized and realized losses relating to coffee-related derivatives which are not designated as accounting hedges, in accordance with GAAP, are recognized immediately in our consolidated statements of operations as the derivative contracts are re-valued to their market prices. These losses are expected to be offset by future derivative gains as the coffee market changes, recovered through operating income as a result of the lower cost of goods assigned to the related coffee or recovered from customers for whom contracts were purchased for their accounts. Beginning April 1,

2013, we implemented procedures following the guidelines of ASC 815 to

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enable us to account for certain coffee-related derivatives as accounting hedges in order to minimize the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods. As a result, beginning in the fourth quarter of fiscal 2013, a portion of the gains and losses from re-valuing the coffee-related derivative contracts to their market prices is being recorded in accumulated other comprehensive income (loss) on our consolidated balance sheet and reclassified to cost of goods sold when the hedged transaction affects earnings. To address the increase in freight and fuel expense, the energy surcharge instituted in fiscal 2011 and 2012 continued in fiscal 2013.

In fiscal 2013, we invested in additional sales and marketing training and product re-branding. We also launched the Artisan Collection by Farmer Brothers™, our premium line of coffees, and the new Farmer Brothers teas. During fiscal 2013, we completed the integration of certain key functions including marketing, green coffee management, national sales and human resources at our Portland and Torrance facilities. We also continued to improve our real-estate asset management by divesting underutilized properties.

Operations

Net sales in fiscal 2013 increased \$14.6 million, or 2.9%, to \$510.0 million from \$495.4 million in fiscal 2012, primarily due to increases in sales of our coffee and tea products.

Cost of goods sold in fiscal 2013 decreased \$3.7 million, or 1.1%, to \$318.8 million, or 62.5% of net sales, from \$322.5 million, or 65.1% of net sales, in fiscal 2012. The decrease in cost of goods sold as a percentage of net sales in fiscal 2013 is primarily due to a 30.8% decrease in the average cost of green coffee purchased and a reduction in inventory, which resulted in the liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The beneficial effect of this liquidation of LIFO inventory quantities reduced cost of goods sold by \$1.1 million compared to \$14.2 million in the prior fiscal year.

Gross profit in fiscal 2013 increased \$18.2 million, or 10.5%, to \$191.1 million from \$172.9 million in fiscal 2012. Gross margin increased to 37.5% in fiscal 2013 from 34.9% in the prior fiscal year. The increases in gross profit and gross margin were primarily due to the increase in sales and a 31% decrease in the average cost of green coffee purchased in fiscal 2013.

In fiscal 2013, operating expenses increased \$0.2 million, or 0.1%, to \$195.2 million, or 38.3% of net sales, from \$195.0 million, or 39.4% of net sales, in fiscal 2012. The increase in operating expenses in fiscal 2013 is primarily due to a \$10.2 million increase in expenses primarily from our investments in additional sales and marketing training, expenses related to the launch of the Artisan Collection by Farmer Brothers™ and the new Farmer Brothers teas, higher startup costs associated with the increase in national account customers, higher expenses related to severance and storm-related losses in our Moonachie, Oklahoma City and Houston distribution centers, partially offset by a \$10.0 million decrease in losses from impairment of goodwill and intangible assets, and pension withdrawal expense.

In our annual test of impairment in the fourth quarter of fiscal 2013, we determined that the book value of a certain trademark acquired in connection with the DSD Coffee Business acquisition was higher than the present value of the estimated future cash flows and concluded that the trademark was impaired. As a result, we recorded an impairment charge of \$0.1 million to earnings in the fourth quarter of fiscal 2013.

In the fourth quarter of fiscal 2013, we determined that we would shut down our equipment refurbishment operations in Los Angeles, California and move them to our Oklahoma City distribution center effective August 30, 2013. Due to this shut down, all hourly employees responsible for these operations in Los Angeles were terminated and their pension benefits in the Brewmatic Plan were frozen effective August 30, 2013. As a result, we recorded a pension curtailment expense of \$34,000 in the fourth quarter of fiscal 2013 which is included in "Selling expenses" in our consolidated statement of operations for the fiscal year ended June 30, 2013 and in "Accrued pension liabilities" on our consolidated balance sheet at June 30, 2013.

Loss from operations in fiscal 2013 was \$(4.1) million compared to \$(22.1) million in fiscal 2012, primarily due to the improvement in gross profit.

Total other income (expense)

Total other expense in fiscal 2013 was \$5.2 million compared to \$4.8 million in fiscal 2012, primarily due to higher net losses on derivatives and investments of \$11.1 million in fiscal 2013 compared to \$6.2 million in fiscal 2012. The net losses on derivatives and investments were primarily due to net realized and unrealized losses from coffee-related

derivative instruments not designated as accounting hedges. Net realized and unrealized losses from coffee-related derivative instruments in fiscal 2013 were \$11.3 million compared to \$7.3 million in fiscal 2012. The increase in net realized and unrealized coffee-related derivative losses in fiscal 2013 compared to fiscal 2012 is due in large part to the increase in the number of futures contracts

combined with a continued decline in coffee commodity costs in fiscal 2013. There was a significant increase in the number of our coffee-related derivative contracts as of June 30, 2013 covering 49.6 million pounds of green coffee compared to 18.2 million pounds of green coffee covered as of June 30, 2012. The increase in the number of such contracts is primarily due to the increase in the number of our national account customers since a majority of the contracts are purchased for their accounts. Additionally, during the first three quarters in fiscal 2013, when none of our coffee-related derivative instruments was designated as an accounting hedge, we recognized in our consolidated statements of operations, the net unrealized and realized losses from the continuing decline in green coffee commodity prices below our locked-in prices as the derivative contracts were re-valued to their market prices. We expect such losses to be offset by future derivative gains as the coffee market changes, recovered through operating income as a result of the lower cost of goods assigned to the related coffee or recovered from customers for whom contracts were purchased for their accounts. For the fiscal year ended June 30, 2013, we recognized \$0.4 million in losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness.

Total other expense in fiscal 2013 included \$4.5 million in net gains from sales of assets, primarily real estate, compared to \$1.4 million in net gains from sales of assets, primarily real estate, in fiscal 2012. Total other expense in fiscal 2013 also included \$0.8 million in recovery of an account previously deemed uncollectable.

Income taxes

In fiscal 2013, we recorded an income tax benefit of \$0.8 million compared to \$0.3 million in fiscal 2012. Income tax benefit for fiscal 2013 was primarily attributable to the gain on postretirement benefits. Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in ASC 740, "Tax Provisions" ("ASC 740"), when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the income tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the income tax expense recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from postretirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the fiscal year ended June 30, 2013, we recorded income tax expense of \$1.1 million in OCI related to the gain on postretirement benefits, and recorded a corresponding income tax benefit of \$1.1 million in continuing operations.

Income tax benefit for fiscal 2012 was primarily attributable to the settlement of certain tax issues with the Internal Revenue Service and the State of California during our exam appeals. In fiscal 2012, unrecognized tax benefits related to certain tax refunds were released and the resulting benefit was recorded.

Net Loss

As a result of the foregoing factors, net loss decreased to \$(8.5) million, or \$(0.54) per common share, in fiscal 2013 from \$(26.6) million, or \$(1.72) per common share, in fiscal 2012.

Fiscal Years Ended June 30, 2012 and 2011

Overview

In fiscal 2012, commodity prices remained high through the first half of the fiscal year and started to fall during the second half of the fiscal year, with the exception of fuel costs which remained high throughout fiscal 2012. We utilized several strategies to minimize the impact of increasing green coffee prices, including the purchase of future coffee contracts, in some instances, up to 18 months in advance of the actual delivery date, to enable us to lock-in green coffee prices within a pre-established range. Although this strategy minimizes the impact of increasing green coffee prices, if green coffee prices decline after we lock the purchase cost, the cost of our purchases reflected in our financial results may be higher compared to the prevailing market cost of green coffee. To address the increase in freight and fuel expense, in fiscal 2011 we instituted an energy surcharge which continued in fiscal 2012.

To address downward margin pressures, we continued to focus on streamlining our operations in fiscal 2012.

Specifically, we continued our focus on expense reductions and asset redeployment to improve our operating results. The benefit of initiatives we implemented in fiscal 2011 intended to reduce the cost of our operations, including headcount reduction, inventory reduction, implementation of improved collection practices of past due accounts,

cost-sharing measures to address increases in employee healthcare costs, automation of certain functions, centralization of certain IT functions, and in-sourcing of certain business support functions, also started to be realized. In fiscal 2012, we also implemented employee benefit plan

restructuring, and continued to improve our real-estate asset management by divesting underutilized properties and renegotiating our lease terms in response to more favorable market conditions in certain markets.

Operations

Net sales in fiscal 2012 increased \$31.5 million, or 6.8%, to \$495.4 million from \$463.9 million in fiscal 2011, primarily due to increases in list prices of our coffee, cappuccino, cocoa and selected spice products implemented in the second half of fiscal 2011, offset in part by the effect of a decrease in the number of customers who purchased our products as compared to the prior fiscal year.

Cost of goods sold in fiscal 2012 increased \$16.0 million, or 5.2%, to \$322.5 million, or 65.1% of net sales, from \$306.5 million, or 66.1% of net sales, in fiscal 2011, primarily due to the increase in net sales. The decrease in cost of goods sold as a percentage of net sales in fiscal 2012 is primarily due to a reduction in coffee inventory, which resulted in the liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The beneficial effect of this liquidation of LIFO inventory quantities reduced cost of goods sold by \$14.2 million in fiscal 2012 compared to \$1.1 million in fiscal 2011. This reduction in cost of goods sold was offset, in part, by a 16% increase in the average cost of green coffee purchased in fiscal 2012 compared to the prior fiscal year.

Gross profit in fiscal 2012 increased \$15.4 million, or 9.8%, to \$172.9 million from \$157.5 million in fiscal 2011.

Gross margin increased to 34.9% in fiscal 2012 from 34.0% in the prior fiscal year. The increase in gross profit and gross margin is primarily due to the beneficial effect of the liquidation of LIFO inventory quantities and the full year benefit of price increases for our coffee, cappuccino, cocoa and selected spice products in fiscal 2012, offset by changes in the mix of our customers and the products we sell to them and a 16% increase in the average cost of green coffee purchased in fiscal 2012.

In fiscal 2012, operating expenses decreased \$32.9 million, or 14.4%, to \$195.0 million, or 39.4% of net sales, from \$227.9 million, or 49.1% of net sales, in fiscal 2011. The reduction in operating expenses in fiscal 2012 is primarily due to lower payroll and related expenses resulting from a decreased employee headcount, savings from employee benefit plan restructuring and ongoing cost control measures. The decrease in operating expenses was offset, in part, by impairment losses on goodwill and intangible assets in the amount of \$5.6 million and charges related to withdrawal from multiemployer pension plans in the amount of \$4.6 million.

In our annual test of impairment of long-lived assets, we determined that goodwill and certain trademarks acquired in connection with the CBI acquisition were impaired. Accordingly, in the fourth quarter of fiscal 2012, we recorded total impairment charges of \$5.6 million including \$5.1 million in impairment losses to write off goodwill.

In fiscal 2012, we withdrew from two multiemployer defined benefit pension plans and recorded a charge of \$4.3 million associated with withdrawal from one of these plans, representing the present value of the estimated withdrawal liability expected to be paid in quarterly installments of \$0.1 million over 80 quarters. Installment payments will commence once the final determination of the amount of withdrawal liability is established, which determination may take up to 24 months from the date of withdrawal from the pension plan. Upon withdrawal, the employees covered under one of these multiemployer pension plans were included in our 401(k) plan ("401(k) Plan") and the other defined benefit multiemployer pension plan was replaced with a defined contribution pension plan. The \$4.3 million withdrawal expense is included in our consolidated statement of operations for the fiscal year ended June 30, 2012 as "Pension withdrawal expense" and in current and long-term liabilities on our consolidated balance sheet at June 30, 2012. In addition, we recorded \$0.3 million in pension withdrawal expense for acquisition-related pension withdrawal liability assumed in connection with the DSD Coffee Business acquisition that was fully paid in fiscal 2012.

Loss from operations in fiscal 2012 was \$(22.1) million compared to \$(70.4) million in fiscal 2011, due to improvement in gross profit and reduction in operating expenses.

Total other income (expense)

Total other expense in fiscal 2012 was \$(4.8) million compared to total other income of \$4.9 million in fiscal 2011, primarily due to net derivative losses of \$(6.2) million in fiscal 2012 compared to net derivative gains of \$1.3 million in fiscal 2011. The net derivative losses and gains were primarily due to coffee-related futures contracts.

Income taxes

In fiscal 2012, we recorded an income tax benefit of \$0.3 million compared to \$13.4 million in fiscal 2011. Income tax benefit for fiscal 2012 was primarily attributable to the settlement of certain tax issues with the Internal Revenue Service and the State of California during our exam appeals. In fiscal 2012, unrecognized tax benefits related to certain tax refunds were released and the resulting benefit was recorded.

Income tax benefit for fiscal 2011 was primarily attributable to gains on postretirement benefits. Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in ASC 740 when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the income tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the income tax expense recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from postretirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the fiscal year ended June 30, 2011, we recorded an income tax expense of \$14.1 million in OCI related to the gain on postretirement benefits, and recorded a corresponding income tax benefit of \$14.1 million in continuing operations.

Net Loss

As a result of the foregoing factors, net loss decreased to \$(26.6) million, or \$(1.72) per common share, in fiscal 2012 compared to a net loss of \$(52.0) million, or \$(3.45) per common share, in fiscal 2011.

Non-GAAP Financial Measures

In addition to net income (loss) determined in accordance with GAAP, we use certain non-GAAP financial measures, such as "EBITDAE," in assessing our operating performance. We believe this non-GAAP measure serves as an appropriate measure to be used in evaluating the performance of our business.

We define "EBITDAE" as net income (loss) excluding the impact of income taxes, interest expense, depreciation and amortization expense, ESOP and share-based compensation expense, non-cash impairment losses, pension withdrawal expense, and "Other, net," which includes net gains and losses from derivatives and investments, and net gains and losses on sales of assets. We reference this particular non-GAAP financial measure frequently in our decision-making because it provides supplemental information that facilitates internal comparisons to the historical operating performance of prior periods. In addition, incentive compensation is based, in part, on EBITDAE and we base certain of our forward-looking estimates on EBITDAE to facilitate quantification of planned business activities and enhance subsequent follow-up with comparisons of actual to planned EBITDAE. EBITDAE as defined by us may not be comparable to similarly titled measures reported by other companies. We do not intend for non-GAAP financial measures to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP.

Set forth below is a reconciliation of reported net loss to EBITDAE:

| (In thousands) | Year Ended June 30, | | |
|---|---------------------|---------------------|---------------------|
| | 2013 | 2012 As Restated | 2011 As Restated |
| Net loss, as reported (1)(2) | \$(8,462 |) \$(26,576 |) \$(52,033 |
| Income tax benefit | (825 |) (347 |) (13,396 |
| Interest expense | 1,782 | 2,137 | 1,965 |
| Depreciation and amortization expense | 32,542 | 32,113 | 31,758 |
| ESOP and share-based compensation expense | 3,563 | 3,287 | 3,825 |
| Impairment losses on goodwill and intangible assets | 92 | 5,585 | 7,805 |
| Pension withdrawal expense | — | 4,568 | — |
| Other, net (2) | 4,965 | 4,117 | (4,191 |
| EBITDAE (1)(2) | \$33,657 | \$24,884 | \$(24,267 |

(1) Includes the beneficial effect of liquidation of LIFO inventory quantities in the amounts of \$1.1 million, \$14.2 million and \$1.1 million in fiscal 2013, 2012 and 2011, respectively.

(2) Includes \$4.5 million, \$1.4 million and \$1.4 million in net gains from sales of assets, primarily real estate, in fiscal 2013, 2012 and 2011, respectively; excludes in fiscal 2013, \$7.9 million in losses from coffee-related derivatives designated as cash flow hedges.

Contractual Obligations

The following table contains information regarding total contractual obligations as of June 30, 2013, including capital leases:

| (In thousands) | Payment due by period | | | | |
|---|-----------------------|-----------------------|--------------|--------------|----------------------|
| | Total | Less Than One Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Contractual obligations: | | | | | |
| Operating lease obligations | \$12,594 | \$3,868 | \$5,281 | \$2,612 | \$833 |
| Capital lease obligations(1) | 13,428 | 4,001 | 7,068 | 2,266 | 93 |
| Pension plan obligations | 77,534 | 6,641 | 13,745 | 14,705 | 42,443 |
| Postretirement benefits other than pension plans | 10,707 | 640 | 1,598 | 1,947 | 6,522 |
| Revolving credit facility(2) | 19,654 | 9,654 | 10,000 | — | — |
| Purchase commitments (3) | 18,583 | 18,583 | — | — | — |
| | \$152,500 | \$43,387 | \$37,692 | \$21,530 | \$49,891 |

(1) Includes imputed interest of \$1,260.

(2) Reclassified \$10.0 million to long-term borrowings in accordance with the termination date of the swap agreement.

(3) 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, 2013.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

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

The following table demonstrates the impact of varying interest rate changes based on our preferred securities holdings and market yield and price relationships at June 30, 2013. This table is predicated on an “instantaneous” change in the general level of interest rates and assumes predictable relationships between the prices of our preferred securities holdings and the yields on U.S. Treasury securities. At June 30, 2013, we had no futures contracts or put options with respect to our preferred securities portfolio designated as interest rate risk hedges.

| | Market Value of Preferred Securities at June 30, 2013 | Change in Market Value |
|-----------------------|---|------------------------|
| | (In thousands) | |
| Interest Rate Changes | | |
| –150 basis points | \$21,309 | \$767 |
| –100 basis points | \$21,080 | \$538 |
| Unchanged | \$20,542 | \$— |
| +100 basis points | \$19,909 | \$(633) |
| +150 basis points | \$19,600 | \$(942) |

The Loan Agreement for our revolving credit facility provides for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.0% to Adjusted Eurodollar Rate + 2.5%. Effective December 1, 2012, we entered into an interest rate swap transaction utilizing a notional amount of \$10.0 million and a maturity date of March 1, 2015. We entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of our borrowings under our revolving credit facility. In connection with entering into the interest rate swap agreement, we reclassified \$10.0 million of our borrowings under the revolving credit facility as long-term because we intend to repay the borrowings in accordance with the termination date of the swap agreement which extends beyond one year. The swap transaction is intended to manage our interest rate risk related to our borrowings under our revolving credit facility and requires us to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA. As of June 30, 2013, the variable interest rate based on 1-month USD LIBOR-BBA was 0.19%.

We have not designated our interest rate swap as an accounting hedge. We record the interest rate swap on our consolidated balance sheet at fair value with the changes in fair value recorded as gain or loss in "Other, net" in our consolidated statements of operations. In fiscal 2013, we recorded a loss of \$25,000 for the change in fair value of our interest rate swap. No such gain or loss was recorded in fiscal 2012.

As of June 30, 2013, we had outstanding borrowings of \$19.8 million, including loan extension fees of \$0.1 million, utilized \$11.6 million of the letters of credit sublimit, and had excess availability under the credit facility of \$30.3 million. The weighted average interest rate on our outstanding borrowings under the credit facility at June 30, 2013 was 1.37%.

The following table demonstrates the impact of interest rate changes on our annual interest expense under the revolving credit facility based on the outstanding balance and interest rate as of June 30, 2013:

| Interest Rate Changes | Interest Rate | Annual Interest Expense (In thousands) |
|-----------------------|---------------|---|
| -100 basis points | 0.37 | % \$ 73 |
| -50 basis points | 0.87 | % \$ 172 |
| Unchanged | 1.37 | % \$ 271 |
| +50 basis points | 1.87 | % \$ 369 |
| +100 basis points | 2.37 | % \$ 468 |

Commodity Price Risk

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

We routinely purchase exchange traded coffee contracts to enable us to lock in green coffee prices within a pre-established range, and hold a mix of futures contracts and options to help hedge against volatility in green coffee prices. Prior to April 1, 2013, none of our derivative instruments was designated as an accounting hedge. Beginning April 1, 2013, we implemented procedures following the guidelines of ASC 815 to enable us to account for certain coffee-related derivatives as accounting hedges in order to minimize the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods.

When coffee-related futures contracts are designated as cash flow hedges, we formally document the hedging instruments and hedged items, and measure at each balance sheet date the effectiveness of our hedges. Beginning in the fourth quarter of fiscal 2013, the effective portion of the change in fair value of the derivative is reported as accumulated other comprehensive income (loss) ("AOCI") and subsequently reclassified into cost of goods sold in the period or periods when the hedged transaction affects earnings. In fiscal 2013 we reclassified \$55,000 in net gains into cost of goods sold from AOCI. Any ineffective portion of the derivative's change in fair value is recognized currently in "Other, net." Gains or losses deferred in AOCI associated with terminated derivatives, derivatives that cease to be highly effective hedges, derivatives for which the forecasted transaction is reasonably possible but no longer probable of occurring, and cash flow hedges that have been otherwise discontinued remain in AOCI until the hedged item affects earnings. If it becomes probable that the forecasted transaction designated as the hedged item in a cash flow hedge will not occur, we recognize any gain or loss deferred in AOCI in "Other, net" at that time.

For derivative instruments that are not designated in a hedging relationship, and for which the normal purchases and normal sales exception has not been elected, the changes in fair value are reported in "Other, net."

For the fiscal years ended June 30, 2013, 2012 and 2011, we recorded net realized and unrealized losses from coffee-related derivatives not designated as accounting hedges in "Other, net" in the amounts of \$11.3 million, \$7.3 million and \$1.5 million, respectively (see Note 3 to the consolidated financial statements).

The following table summarizes the potential impact as of June 30, 2013 to net income and OCI from a hypothetical 10% change in coffee commodity prices. The information provided below relates only to the coffee-related derivative instruments designated as cash flow hedges and does not represent the corresponding changes in the underlying hedged items:

| | Increase (Decrease) to Net Income | | Increase (Decrease) to OCI | |
|---|--|---------------------------------------|------------------------------------|---------------------------------------|
| | 10% Increase in Underlying Rate (In thousands) | 10% Decrease in Underlying Rate | 10% Increase in Underlying Rate | 10% Decrease in Underlying Rate |
| Coffee-related derivative instruments designated as cash flow hedges | \$669 | \$(669) | \$5,510 | \$(5,510) |

Item 8. Financial Statements and Supplementary Data
Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Farmer Bros. Co. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Farmer Bros. Co. and Subsidiaries as of June 30, 2013 and 2012 (restated), and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the years ended June 30, 2013, June 30, 2012 (restated) and June 30, 2011 (restated). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Farmer Bros. Co. and Subsidiaries at June 30, 2013 and 2012 (restated), and the consolidated results of their operations and their cash flows for the years ended June 30, 2013, June 30, 2012 (restated) and June 30, 2011 (restated), in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the June 30, 2012 and 2011 consolidated financial statements have been restated to correct errors for the improper accounting for other postretirement benefit obligations.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Farmer Bros. Co. and Subsidiaries' internal control over financial reporting as of June 30, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated October 9, 2013 expressed an adverse opinion thereon.

/s/ Ernst & Young LLP
Los Angeles, California
October 9, 2013

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

| | June 30, 2013 | June 30, 2012 As Restated |
|--|---------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$2,678 | \$3,906 |
| Restricted cash | 8,084 | 1,612 |
| Short-term investments | 20,546 | 19,736 |
| Accounts and notes receivable, net of allowance for doubtful accounts of \$1,115 and \$1,872, respectively | 43,922 | 40,736 |
| Inventories | 60,867 | 65,981 |
| Income tax receivable | 409 | 762 |
| Prepaid expenses | 3,243 | 3,445 |
| Total current assets | 139,749 | 136,178 |
| Property, plant and equipment, net | 92,159 | 108,137 |
| Intangible assets, net | 6,277 | 7,615 |
| Other assets | 5,484 | 5,125 |
| Deferred income taxes | 467 | 861 |
| Total assets | \$244,136 | \$257,916 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$27,740 | \$27,266 |
| Accrued payroll expenses | 19,757 | 19,130 |
| Short-term borrowings under revolving credit facility | 9,654 | 29,126 |
| Short-term obligations under capital leases | 3,409 | 3,737 |
| Short-term derivative liability | 9,896 | 737 |
| Deferred income taxes | 923 | 1,445 |
| Other current liabilities | 5,171 | 5,296 |
| Total current liabilities | 76,550 | 86,737 |
| Long-term borrowings under revolving credit facility | 10,000 | — |
| Long-term derivative liability | 1,129 | — |
| Accrued postretirement benefits | 16,076 | 22,526 |
| Other long-term liabilities—capital leases | 8,759 | 12,130 |
| Accrued pension liabilities | 43,800 | 48,191 |
| Accrued workers' compensation liabilities | 5,132 | 4,131 |
| Deferred income taxes | 852 | 649 |
| Total liabilities | \$162,298 | \$174,364 |
| Commitments and contingencies (Note 18) | | |
| Stockholders' equity: | | |
| Preferred stock, \$1.00 par value, 500,000 shares authorized and none issued | \$— | \$— |
| Common stock, \$1.00 par value, 25,000,000 shares authorized; 16,454,422 and 16,308,859 issued and outstanding at June 30, 2013 and 2012, respectively | 16,454 | 16,309 |
| Additional paid-in capital | 34,654 | 34,834 |
| Retained earnings | 94,080 | 102,542 |
| Unearned ESOP shares | (20,836 |) (25,637 |
| Less accumulated other comprehensive loss | (42,514 |) (44,496 |
| Total stockholders' equity | \$81,838 | \$83,552 |

| | | |
|--|-----------|-----------|
| Total liabilities and stockholders' equity | \$244,136 | \$257,916 |
|--|-----------|-----------|

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

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

| | Year ended June 30, | | |
|--|---------------------|---------------------|---------------------|
| | 2013 | 2012 As Restated | 2011 As Restated |
| Net sales | \$509,964 | \$495,442 | \$463,945 |
| Cost of goods sold | 318,825 | 322,540 | 306,458 |
| Gross profit | 191,139 | 172,902 | 157,487 |
| Selling expenses | 158,079 | 150,641 | 170,670 |
| General and administrative expenses | 37,063 | 34,222 | 49,379 |
| Impairment losses on goodwill and intangible assets | 92 | 5,585 | 7,805 |
| Pension withdrawal expense | — | 4,568 | — |
| Operating expenses | 195,234 | 195,016 | 227,854 |
| Loss from operations | (4,095 |) (22,114 |) (70,367 |
| Other (expense) income: | | | |
| Dividend income | 1,103 | 1,231 | 2,534 |
| Interest income | 452 | 214 | 178 |
| Interest expense | (1,782 |) (2,137 |) (1,965 |
| Other, net | (4,965 |) (4,117 |) 4,191 |
| Total other (expense) income | (5,192 |) (4,809 |) 4,938 |
| Loss before taxes | (9,287 |) (26,923 |) (65,429 |
| Income tax benefit | (825 |) (347 |) (13,396 |
| Net loss | \$(8,462 |) \$(26,576 |) \$(52,033 |
| Net loss per common share—basic and diluted | \$(0.54 |) \$(1.72 |) \$(3.45 |
| Weighted average common shares outstanding—basic and diluted | 15,604,452 | 15,492,314 | 15,066,663 |
| Cash dividends declared per common share | \$— | \$— | \$0.18 |

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

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

| | Year Ended June 30, | | | |
|---|---------------------|--------------|--------------|---|
| | 2013 | 2012 | 2011 | |
| | | As Restated | As Restated | |
| Net loss | \$ (8,462 |) \$ (26,576 |) \$ (52,033 |) |
| Other comprehensive income (loss), net of tax: | | | | |
| Deferred losses on derivatives designated as cash flow hedges | (7,921 |) — | — |) |
| Change in the funded status of retiree benefit obligations | 10,969 | (26,574 |) 36,731 |) |
| Income tax expense | (1,066 |) — | (14,053 |) |
| Total comprehensive loss, net of tax | \$ (6,480 |) \$ (53,150 |) \$ (29,355 |) |

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

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

| | Year ended June 30, | | |
|---|---------------------|--------------|--------------|
| | 2013 | 2012 | 2011 |
| | | As Restated | As Restated |
| Cash flows from operating activities: | | | |
| Net loss | \$ (8,462 |) \$ (26,576 |) \$ (52,033 |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | |
| Depreciation and amortization | 32,542 | 32,113 | 31,758 |
| (Recovery of) provision for doubtful accounts | (757 |) (980 |) 2,024 |
| Deferred income taxes | 74 | (78 |) 338 |
| Impairment losses on goodwill and intangible assets | 92 | 5,585 | 7,805 |
| Net (gains) losses on sales of assets | (4,466 |) (268 |) 358 |
| ESOP and share-based compensation expense | 3,563 | 3,287 | 3,825 |
| Net losses (gains) on derivatives and investments | 11,132 | 6,175 | (1,312 |
| Change in operating assets and liabilities: | | | |
| Restricted cash | (6,472 |) (1,153 |) (460 |
| Short-term investments | (11,942 |) (1,497 |) 28,294 |
| Accounts and notes receivable | (2,429 |) 3,745 | (2,929 |
| Inventories | 5,115 | 13,236 | 3,640 |
| Income tax receivable | 353 | (314 |) 5,392 |
| Prepaid expenses and other assets | (157 |) (860 |) 400 |
| Accounts payable | 1,773 | (13,441 |) 12,493 |
| Accrued payroll expenses and other liabilities | 1,741 | 1,949 | 2,156 |
| Accrued postretirement benefits | (6,451 |) 3,530 | (9,557 |
| Other long-term liabilities | 6,678 | (6,320 |) 1,745 |
| Net cash provided by operating activities | \$ 21,927 | \$ 18,133 | \$ 33,937 |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | (15,894 |) (17,498 |) (19,416 |
| Proceeds from sales of property, plant and equipment | 5,666 | 3,037 | 2,021 |
| Net cash used in investing activities | \$ (10,228 |) \$ (14,461 |) \$ (17,395 |
| Cash flows from financing activities: | | | |
| Proceeds from revolving credit facility | 43,990 | 17,250 | 35,450 |
| Repayments on revolving credit facility | (54,761 |) (21,200 |) (43,970 |
| Payments of capital lease obligations | (3,359 |) (1,897 |) (1,433 |
| Proceeds from stock option exercises | 1,203 | — | — |
| Dividends paid | — | — | (4,657 |
| Net cash used in financing activities | \$ (12,927 |) \$ (5,847 |) \$ (14,610 |
| Net (decrease) increase in cash and cash equivalents | \$ (1,228 |) \$ (2,175 |) \$ 1,932 |
| Cash and cash equivalents at beginning of year | 3,906 | 6,081 | 4,149 |
| Cash and cash equivalents at end of year | \$ 2,678 | \$ 3,906 | \$ 6,081 |

(continued on next page)

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued from previous page)

(In thousands)

| | Year ended June 30, | | |
|---|---------------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| | | As Restated | As Restated |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest | \$ 1,783 | \$ 2,123 | \$ 1,945 |
| Cash paid for income taxes | \$ 370 | \$ 317 | \$ 324 |
| Non-cash financing and investing activities: | | | |
| Equipment acquired under capital leases | \$ 626 | \$ 9,508 | \$ 5,659 |

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share and per share data)

| | Common Shares | Stock Amount | Additional Paid-in Capital | Retained Earnings | Unearned ESOP Shares | Accumulated Other Comprehensive Income (Loss) | Total |
|--|------------------|-----------------|----------------------------------|----------------------|----------------------------|--|------------|
| Balance at June 30, 2010 (As Previously Reported) | 16,164,179 | \$ 16,164 | \$ 37,468 | \$ 186,900 | \$(35,238) | \$(39,699) | \$ 165,595 |
| Restatement adjustments (see Note 2) | — | — | — | (2,950) | — | (901) | (3,851) |
| Balance at June 30, 2010 (As Restated) | 16,164,179 | \$ 16,164 | \$ 37,468 | \$ 183,950 | \$(35,238) | \$(40,600) | \$ 161,744 |
| Net loss (As Restated) | — | — | — | (52,033) | — | — | (52,033) |
| Change in the funded status of retiree benefit obligations, net of tax of \$14,053 (As Restated) | — | — | — | — | — | 22,678 | 22,678 |
| Dividends (\$0.18 per share) | — | — | — | (2,799) | — | — | (2,799) |
| ESOP contributions | 1,040 | 1 | 8 | — | (9) | — | — |
| ESOP compensation expense, including reclassifications | — | — | (2,173) | — | 4,810 | — | 2,637 |
| Share-based compensation | 21,153 | 21 | 1,167 | — | — | — | 1,188 |
| Balance at June 30, 2011 (As Restated) | 16,186,372 | \$ 16,186 | \$ 36,470 | \$ 129,118 | \$(30,437) | \$(17,922) | \$ 133,415 |
| Net loss (As Restated) | — | — | — | (26,576) | — | — | (26,576) |
| Change in the funded status of retiree benefit obligations, net of tax of \$0 (As Restated) | — | — | — | — | — | (26,574) | (26,574) |
| ESOP compensation expense, including reclassifications | — | — | (3,327) | — | 4,800 | — | 1,473 |
| Share-based compensation | 122,487 | 123 | 1,691 | — | — | — | 1,814 |
| Balance at June 30, 2012 (As Restated) | 16,308,859 | \$ 16,309 | \$ 34,834 | \$ 102,542 | \$(25,637) | \$(44,496) | \$ 83,552 |
| Net loss | — | — | — | (8,462) | — | — | (8,462) |
| Deferred losses on derivatives designated as cash flow hedges, net of reclassifications to earnings | — | — | — | — | — | (7,921) | (7,921) |
| Change in the funded status of retiree benefit obligations, net of tax of \$1,066 | — | — | — | — | — | 9,903 | 9,903 |
| ESOP compensation expense, including reclassifications | — | — | (2,738) | — | 4,801 | — | 2,063 |
| Share-based compensation | 28,081 | 28 | 1,472 | — | — | — | 1,500 |
| Stock option exercises | 117,482 | 117 | 1,086 | — | — | — | 1,203 |
| Balance at June 30, 2013 | 16,454,422 | \$ 16,454 | \$ 34,654 | \$ 94,080 | \$(20,836) | \$(42,514) | \$ 81,838 |

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

FARMER BROS. CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization

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

The Company's product line includes roasted coffee, liquid coffee, coffee-related products such as coffee filters, sugar and creamers, assorted iced and hot teas, cappuccino, cocoa, spices, gelatins and puddings, soup bases, dressings, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves. Most sales are made "off-truck" by the Company to its customers at their places of business.

The Company serves its customers from six distribution centers and its distribution trucks are replenished from 117 branch warehouses located throughout the contiguous United States. The Company operates its own trucking fleet to support its long-haul distribution requirements. A portion of the Company's products is distributed by third parties or is direct shipped via common carrier.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries FBC Finance Company and Coffee Bean Holding Co., Inc. All inter-company balances and transactions have been eliminated.

Financial Statement Preparation

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

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

Investments

The Company's investments consist of money market instruments, marketable debt and equity securities, various derivative instruments, primarily exchange traded treasury and green coffee futures and options. Investments are held for trading purposes and stated at fair value. The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Derivative Instruments

The Company purchases various derivative instruments as investments or to create economic hedges of its commodity price risk and interest rate risk. These derivative instruments consist primarily of futures and swaps. The Company reports the fair value of derivative instruments on its consolidated balance sheets in "Short-term investments," "Other assets," "Short-term derivative liability," or "Long-term derivative liability." The Company determines the current and noncurrent classification based on the timing of expected future cash flows of individual trades and reports these amounts on a gross basis. Additionally, the Company reports cash held on deposit in margin accounts for coffee-related derivative instruments on a gross basis.

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

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

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

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

Prior to April 1, 2013, the Company had no derivative instruments that were designated as accounting hedges. Beginning April 1, 2013, the Company implemented procedures following the guidelines of ASC 815, "Derivatives and Hedging" ("ASC 815"), to enable it to account for certain coffee-related derivatives as accounting hedges in order to minimize the volatility created in the Company's quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods. For a derivative to qualify for designation in a hedging relationship, it must meet specific criteria and the Company must maintain appropriate documentation. The Company establishes hedging relationships pursuant to its risk management policies. The hedging relationships are evaluated at the inception of the hedging relationship and on an ongoing basis to determine whether the hedging relationship is, and is expected to remain, highly effective in achieving offsetting changes in fair value or cash flows attributable to the underlying risk being hedged. The Company also regularly assesses whether the hedged forecasted transaction is probable of occurring. If a derivative ceases to be or is no longer expected to be highly effective, or if the Company believes the likelihood of occurrence of the hedged forecasted transaction is no longer probable, hedge accounting is discontinued prospectively, and future changes in the fair value of the derivative are recognized currently in "Other, net."

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

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

-

Realized and unrealized gains and losses on all derivatives that are not designated as cash flow hedges and for which the normal purchases and normal sales exception has not been elected; and

•The ineffective portion of unrealized gains and losses on derivatives that are designated as cash flow hedges.

The fair value of derivative instruments is based upon broker quotes. At June 30, 2013, approximately 89% of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges (see Note 3). At June 30, 2012, no derivative instruments were designated as accounting hedges.

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

Concentration of Credit Risk

At June 30, 2013, the financial instruments which potentially expose the Company to concentration of credit risk consist of cash in financial institutions (which exceeds federally insured limits), short-term investments, investments in the preferred stocks of other companies, derivatives and trade receivables. Cash equivalents and short-term investments are not concentrated by issuer, industry or geographic area. Maturities are generally shorter than 180 days. Investments in the preferred stocks of other companies are limited to high quality issuers and are not concentrated by geographic area or issuer.

The Company does not have any credit-risk related contingent features that would require it, in certain circumstances, to post additional collateral in support of its net derivative liability positions. The Company had \$8.1 million and \$1.6 million, respectively, in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments at June 30, 2013 and 2012 (see Note 6). Changes in commodity prices could have a significant impact on cash deposit requirements under the Company's broker and counterparty agreements.

Concentration of credit risk with respect to trade receivables for the Company is limited due to the large number of customers comprising the Company's customer base and their dispersion across many different geographic areas. The trade receivables are generally short-term and all probable bad debt losses have been appropriately considered in establishing the allowance for doubtful accounts. In fiscal 2010, based on a larger customer base due to the recent Company acquisitions and in response to slower collection of the Company's accounts receivable resulting from the impact of the economic downturn on the Company's customers, the Company increased its allowance for doubtful accounts from the previous fiscal year by \$2.1 million and recorded a \$3.2 million charge to bad debt expense. Due to improved collections of outstanding receivables, in fiscal 2013, 2012 and 2011, the Company decreased the allowance for doubtful accounts by \$0.8 million, \$1.0 million and \$0.4 million, respectively.

Inventories

Inventories are valued at the lower of cost or market. The Company accounts for coffee, tea and culinary products on a last in, first out ("LIFO") basis, and coffee brewing equipment manufactured on a first in, first out ("FIFO") basis. The Company regularly evaluates these inventories to determine whether market conditions are correctly reflected in the recorded carrying value. At the end of each quarter, the Company records the expected effect of the liquidation of LIFO inventory quantities, if any, and records the actual impact at fiscal year-end. An actual valuation of inventory under the LIFO method is made only at the end of each fiscal year based on the inventory levels and costs at that time.

If inventory quantities decline at the end of the fiscal year compared to the beginning of the fiscal year, the reduction results in the liquidation of LIFO inventory quantities carried at the cost prevailing in prior years. This LIFO inventory liquidation may result in a decrease or increase in cost of goods sold depending on whether the cost prevailing in prior years was lower or higher, respectively, than the current year cost.

Property, Plant and Equipment

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

| | |
|--------------------------------|----------------|
| Buildings and facilities | 10 to 30 years |
| Machinery and equipment | 3 to 5 years |
| Equipment under capital leases | Term of lease |
| Office furniture and equipment | 5 years |
| Capitalized software | 3 years |

When assets are sold or retired, the asset and related accumulated depreciation are removed from the respective account balances and any gain or loss on disposal is included in operations. Maintenance and repairs are charged to expense, and betterments are capitalized.

Coffee Brewing Equipment and Service

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

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

revenues from its customers. Accordingly, such costs included in cost of goods sold in the accompanying consolidated financial statements for the years ended June 30, 2013, 2012 and 2011 are \$25.6 million, \$24.9 million and \$27.1 million, respectively.

The Company has capitalized coffee brewing equipment in the amounts of \$9.3 million and \$13.9 million in fiscal 2013 and 2012, respectively. During fiscal 2013, 2012 and 2011, the Company had depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold in the amounts of \$12.8 million, \$12.2 million and \$9.6 million, respectively.

Income Taxes

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

Revenue Recognition

Most product sales are made "off-truck" to the Company's customers at their places of business by the Company's sales representatives. Revenue is recognized at the time the Company's sales representatives physically deliver products to customers and title passes or when it is accepted by the customer when shipped by third-party delivery.

The Company sells roast and ground coffee and tea to The J.M. Smucker Company ("J.M. Smucker") pursuant to a co-packing agreement. The Company recognizes revenue from the co-packing arrangement for the sale of tea on a net basis, net of direct costs of revenue, since the Company acts as an agent of J.M. Smucker in such transactions. As of June 30, 2013 and 2012, the Company had \$0.3 million and \$0.8 million, respectively, of receivables relating to this arrangement which are included in "Other receivables" (see Note 7).

Earnings (Loss) Per Common Share

Basic earnings (loss) per share ("EPS") represents net earnings attributable to common stockholders divided by the weighted-average number of common shares outstanding for the period, excluding unallocated shares held by the Company's Employee Stock Ownership Plan ("ESOP") (see Note 13). Diluted EPS represents net earnings attributable to common stockholders divided by the weighted-average number of common shares outstanding, inclusive of the dilutive impact of common equivalent shares outstanding during the period. However, nonvested restricted stock awards (referred to as participating securities) are excluded from the dilutive impact of common equivalent shares outstanding in accordance with authoritative guidance under the two-class method. The nonvested restricted stockholders are entitled to participate in dividends declared on common stock as if the shares were fully vested and hence are deemed to be participating securities. Under the two-class method, earnings (loss) attributable to nonvested restricted stockholders are excluded from net earnings (loss) attributable to common stockholders for purposes of calculating basic and diluted EPS. Computation of EPS for the years ended June 30, 2013, 2012 and 2011 does not include the dilutive effect of 557,427, 667,235 and 497,810 shares, respectively, issuable under stock options since their inclusion would be anti-dilutive. Accordingly, the consolidated financial statements present only basic net loss per common share for all periods presented (see Note 17).

Dividends Declared

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

Employee Stock Ownership Plan

Compensation cost for the ESOP is based on the fair market value of shares released or deemed to be released for the period. Dividends on allocated shares retain the character of true dividends, but dividends on unallocated shares are considered

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

compensation cost. As a leveraged ESOP with the Company as lender, a contra equity account is established to offset the Company's note receivable. The contra account will change as compensation is recognized.

Impairment of Goodwill and Intangible Assets

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

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

In its annual test of impairment in the fourth quarter of fiscal 2012, the Company identified indicators of impairment including a decline in market capitalization and continuing losses from operations. The Company performed impairment tests to determine the recoverability of the carrying values of the assets or if impairment should be measured. The Company was required to make estimates of the fair value of the Company's intangible assets, and all assets of CBI, the reporting unit, which were based on the use of the income approach and/or market approach. The Company used the relief from royalty method under the income approach to estimate the fair value of its indefinite-lived intangible assets. Inputs to this method included estimated royalty rates associated with licensing and franchise royalty agreements in related industries, which are Level 3 inputs within the fair value hierarchy. To estimate the fair value of CBI, the Company used discounted cash flow analysis under the income approach and the guideline public company method under the market approach. Inputs to the discounted cash flow analysis included the projection of future cash flows which are Level 3 inputs within the fair value hierarchy. Inputs to the guideline public company analysis included valuation multiples of publicly traded companies similar to CBI, which are Level 2 inputs within the fair value hierarchy.

As a result of these impairment tests, the Company determined that the Company's trademarks acquired in connection with the CBI acquisition were impaired and that the carrying value of all of the assets of CBI excluding goodwill exceeded their estimated fair values resulting in an implied fair value of zero for CBI's goodwill. Accordingly, in the fourth quarter of fiscal 2012, the Company recorded total impairment charges of \$5.6 million including \$5.1 million in impairment losses on goodwill. As of June 30, 2012, goodwill was written down to zero.

In its annual test of impairment in the fourth quarter of fiscal 2013, the Company determined that the book value of a certain trademark acquired in connection with the DSD Coffee Business acquisition was higher than the present value of the estimated future cash flows and concluded that the trademark was impaired. As a result, the Company recorded an impairment charge of \$0.1 million to earnings in the fourth quarter of fiscal 2013.

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

The Company reviews the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. In its annual test of impairment as of the end of fiscal 2011, the Company determined that definite-lived intangible assets consisting of the

customer relationships acquired, and the distribution agreement and co-pack agreement entered into, in connection with the DSD Coffee Business acquisition were impaired. As a result, in fiscal 2011, the Company recorded an impairment charge of \$7.8 million in operating expenses.

Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

Shipping and Handling Costs

The Company distributes its products directly to its customers and shipping and handling costs are recorded as Company selling expenses.

Collective Bargaining Agreements

Certain Company employees are subject to collective bargaining agreements. The duration of these agreements extend to 2017. Approximately 35% of the workforce is covered by such agreements.

Recently Adopted Accounting Standards

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-08, "Goodwill and Other (Topic 350), Testing Goodwill for Impairment" ("ASU 2011-08"). Pursuant to ASU 2011-08 companies have the option to first assess qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If, after considering the totality of events and circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, performing the two-step impairment test is unnecessary. The amendments include examples of events and circumstances that an entity should consider. ASU 2011-08 was effective for annual and interim impairment tests performed for fiscal years beginning after June 15, 2012 and was effective for the Company for fiscal 2013 beginning July 1, 2012. Adoption of ASU 2011-08 did not have a material effect on the results of operations, financial position or cash flows of the Company.

On July 1, 2012, the Company adopted ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income" ("ASU 2011-05"), except for the provisions of ASU 2011-05 which were deferred by ASU No. 2011-12, "Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income" ("ASU 2011-12"). The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, the Company presents other comprehensive income in a separate statement following the consolidated statements of operations. The new guidance also requires entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the consolidated statement of operations and the consolidated statement of comprehensive income. ASU 2011-12 indefinitely deferred the guidance related to the presentation of reclassification adjustments. ASU 2011-05 only relates to disclosure requirements and its adoption did not have a material effect on the results of operations, financial position or cash flows of the Company.

In May 2011, the FASB issued ASU No. 2011-04, "Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU 2011-04"). ASU 2011-04 amends the fair value measurement and disclosure guidance in ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), of the FASB for financial assets and liabilities to converge GAAP and International Financial Reporting Standards requirements for measuring amounts at fair value as well as disclosures about these measurements. Many of the amendments clarify existing concepts and are generally not expected to result in significant changes to how many companies currently apply the fair value principles. In certain instances, however, the FASB changed a principle to achieve convergence, and while limited, these amendments have the potential to significantly change practice for some companies. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. The Company adopted the amendments beginning July 1, 2012. The adoption of ASU 2011-04 did not have a material effect on the results of operations, financial position or cash flows of the Company.

New Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, "Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU 2013-02"), an update to the authoritative guidance related to the reporting of amounts reclassified out of accumulated other comprehensive income. This new requirement about presenting information about amounts reclassified out of accumulated other comprehensive income and their corresponding effect on net income will present, in one place, information about significant amounts reclassified and, in some cases, cross-references to related footnote disclosures. The disclosure amendments in this update are effective prospectively

for fiscal years (and interim periods within those years) beginning after December 15, 2012 and early adoption is permitted. ASU 2013-02 is effective for the Company beginning July 1, 2013. Adoption of ASU 2013-02 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

In February 2013, the FASB issued ASU No. 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" ("ASU 2013-01"). The amendments limit the scope of ASU No. 2011-11, "Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11") to certain derivative instruments (including bifurcated embedded derivatives), repurchase agreements and reverse repurchase agreements, and securities borrowing and lending arrangements that are either (1) offset on the balance sheet or (2) subject to an enforceable master netting arrangement or similar agreement. The requirements as initially written in ASU 2011-11 would have applied more broadly than intended. The disclosure amendments in this update are effective prospectively for fiscal years (and interim periods within those years) beginning after January 1, 2013. The amendments will be applied retrospectively for all comparative periods presented on the balance sheet. ASU 2013-01 is effective for the Company beginning in July 1, 2013. Adoption of ASU 2013-01 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In July 2012, the FASB issued ASU No. 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU 2012-02"), an update to the authoritative guidance related to the impairment testing of indefinite-lived intangible assets. Similar to the guidance for goodwill impairment testing, companies will have the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying value. The guidance provides companies with a revised list of examples of events and circumstances to consider, in their totality, to determine whether it is more likely than not that the fair value of the asset is less than its carrying amount. If a company concludes that this is the case, the company is required to perform the quantitative impairment test by comparing the fair value with the carrying value. Otherwise, a company can skip the quantitative test. Companies are not required to perform the qualitative assessment and are permitted to skip the qualitative assessment for any indefinite-lived asset in any period and proceed directly to the quantitative impairment test. The company may resume performing the qualitative assessment in any subsequent period. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. ASU 2012-02 is effective for the Company beginning July 1, 2013. Adoption of ASU 2012-02 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

Note 2. Restatement

The Company has restated its previously issued consolidated financial statements for the fiscal years ended June 30, 2012, 2011 and 2010, and its unaudited quarterly financial information (i) for each of the quarters in the fiscal year ended June 30, 2012 and (ii) for the first three quarters in the fiscal year ended June 30, 2013, to correct certain errors as described below:

Postretirement benefit obligations related to retiree medical plan

In fiscal 2011, the Company amended its retiree medical plan to increase the minimum annual premium contribution required by participants. The increased participant contributions and a resulting reduction in the number of participants electing to maintain this benefit coverage were not appropriately considered in the Company's actuarial estimate of its postretirement benefit liability recorded in its consolidated financial statements for the fiscal years ended June 30, 2012 and 2011. This resulted in an overstatement of the amount of accrued postretirement benefits in the Company's consolidated financial statements as of June 30, 2012 and 2011 by \$20.7 million and \$11.2 million, respectively, and an understatement of other comprehensive income in the amounts of \$19.2 million and \$11.1 million, respectively.

The Company re-measured its postretirement benefit obligations as of June 30, 2012 and 2011, using the appropriate census data and premium information. In accordance with Accounting Standards Codification ("ASC") 715-60, "Compensation-Retirement Benefits-Defined Benefit Plans-Other Postretirement" ("ASC 715-60"), the substantial changes to the retiree medical plan resulted in a negative plan amendment and, therefore, the reduction in related obligations is not immediately recognized as a reduction of current period costs but is included in accumulated other comprehensive income.

Postretirement benefit obligations related to death benefit and related cash surrender value ("CSV")
In connection with a postretirement death benefit provided to certain of its employees and retirees, the Company did not timely adopt the accounting guidance in Emerging Issues Task Force No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," as of the applicable effective date, July 1, 2008. As a result, the Company failed to record a liability equal to the present value of the postretirement death benefit, which resulted in an understatement of accrued

Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

postretirement benefits in the Company's consolidated financial statements as of June 30, 2012 and 2011 by \$8.1 million and \$6.4 million, respectively. In addition, the Company failed to properly record the CSV of the life insurance policies that it purchased to fund the postretirement death benefit, resulting in an understatement of the Company's total assets in its consolidated financial statements as of June 30, 2012 and 2011 by \$2.2 million and \$2.1 million, respectively. The aggregate impact of failure to adopt EITF 06-4 and failure to properly record the CSV resulted in an overstatement of other comprehensive income in fiscal 2012 and 2011 by \$2.2 million and \$0.8 million, respectively.

In connection with the restatement, the Company also recorded certain other immaterial adjustments primarily related to inventory, property, plant and equipment, and net and accrued payroll expenses. In addition, the Company appropriately reclassified: (a) cash held on deposit in margin accounts for coffee-related derivative instruments from "Short-term investments" to "Restricted cash"; and (b) "Short-term derivative liability" from "Accounts payable" and "Other current liabilities," to conform to current period presentation. The Company also corrected the classification of pension liabilities from "Other current liabilities" to "Accrued pension liabilities."

Aggregate impact of restatement corrections, adjustments and reclassifications:

The aggregate impact of the restatement corrections and adjustments:

• increased total assets as of June 30, 2012 and 2011; and

• decreased total liabilities in fiscal 2012 and 2011 from the decrease in postretirement liability related to the amendment of the retiree medical plan, net of the increase in liability related to the postretirement death benefit.

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

A summary of the impact of the restatement corrections and other immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) for fiscal 2012, 2011 and 2010 is presented below:

| (In thousands) | Overstatement (Understatement) of Net Loss | | |
|--|--|----------|-----------|
| | Year ended June 30, | | |
| Description | 2012 | 2011 | 2010 |
| Restatement corrections: | | | |
| Correction of other postretirement benefit obligations—retiree medical plan | \$ 1,356 | \$ 105 | \$ — |
| Correction of other postretirement benefit obligations—death benefit | (22 |) (1,022 |) 38 |
| Tax effect of corrections of other postretirement benefit obligations | — | 4,230 | 1 |
| Net impact of restatement corrections on net loss | 1,334 | 3,313 | 39 |
| Immaterial adjustments: | | | |
| Correction of coffee brewing equipment expense | (233 |) 233 | (1,542 |
| Correction of accrued fringe benefits liability | 1,471 | (1,471 |) 487 |
| Correction of inventory | 310 | 80 | (390 |
| Correction of net periodic pension costs | (129 |) 129 | — |
| Total impact of immaterial adjustments on net loss | 1,419 | (1,029 |) (1,445 |
| Total impact of restatement corrections and immaterial adjustments on net loss | \$ 2,753 | \$ 2,284 | \$ (1,406 |

| (In thousands) | Overstatement (Understatement) of | | |
|---|-----------------------------------|----------|-----------|
| | Total Comprehensive Loss (Income) | | |
| Description | Year ended June 30, | | |
| | 2012 | 2011 | 2010 |
| Total impact of restatement corrections and immaterial adjustments on net loss | \$ 2,753 | \$ 2,284 | \$ (1,406 |
| Restatement corrections: | | | |
| Correction of postretirement benefit obligations—retiree medical plan | 8,120 | 11,074 | — |
| Correction of postretirement benefit obligations—death benefit | (1,482 |) 152 | (1,151 |
| Tax effect of corrections of other postretirement benefit obligations | — | (4,230 |) — |
| Net impact of restatement corrections on total comprehensive loss (income) | \$ 6,638 | \$ 6,996 | \$ (1,151 |
| Immaterial adjustments: | | | |
| Correction of net periodic pension costs | 129 | (129 |) — |
| Total impact of immaterial adjustments on total comprehensive loss (income) | 129 | (129 |) — |
| Total impact of restatement corrections and immaterial adjustments on total comprehensive loss (income) | \$ 9,520 | \$ 9,151 | \$ (2,557 |

The restatement corrections and immaterial adjustments had no effect on the Company's reported net sales, cash flows from operating activities, or reported cash position in fiscal 2012, 2011 and 2010.

The restated consolidated financial information as of June 30, 2012 and 2011, as of the end of the quarters within fiscal 2012 and the first three quarters within fiscal 2013, included in this Form 10 K has been labeled as "As Restated."

The following tables in the remainder of this Note 2 and in Note 19 present the impact of the restatement corrections and immaterial adjustments on the Company's previously issued financial statements for the periods indicated.

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

CONSOLIDATED BALANCE SHEET

(In thousands, except share and per share data)

June 30, 2012

| | Previously Reported | Adjustments(1) | As Restated | |
|---|------------------------|----------------|--------------|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 3,906 | \$ — | \$ 3,906 | |
| Restricted cash | — | 1,612 | 1,612 | |
| Short-term investments | 21,021 | (1,285 |) 19,736 | |
| Accounts and notes receivable, net of allowance for doubtful accounts of \$1,872 | 40,736 | — | 40,736 | |
| Inventories | 65,981 | — | 65,981 | |
| Income tax receivable | 762 | — | 762 | |
| Prepaid expenses | 3,445 | — | 3,445 | |
| Total current assets | 135,851 | 327 | 136,178 | |
| Property, plant and equipment, net | 108,135 | 2 | 108,137 | |
| Intangible assets, net | 7,615 | — | 7,615 | |
| Other assets | 2,904 | 2,221 | 5,125 | |
| Deferred income taxes | 854 | 7 | 861 | |
| Total assets | \$ 255,359 | \$ 2,557 | \$ 257,916 | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 27,676 | \$ (410 |) \$ 27,266 | |
| Accrued payroll expenses | 20,494 | (1,364 |) 19,130 | |
| Short-term borrowings under revolving credit facility | 29,126 | — | 29,126 | |
| Short-term obligations under capital leases | 3,737 | — | 3,737 | |
| Short-term derivative liability | — | 737 | 737 | |
| Deferred income taxes | 1,480 | (35 |) 1,445 | |
| Other current liabilities | 10,176 | (4,880 |) 5,296 | |
| Total current liabilities | 92,689 | (5,952 |) 86,737 | |
| Accrued postretirement benefits | 34,557 | (12,031 |) 22,526 | |
| Other long-term liabilities—capital leases | 12,130 | — | 12,130 | |
| Accrued pension liabilities | 42,513 | 5,678 | 48,191 | |
| Accrued workers' compensation liabilities | 4,131 | — | 4,131 | |
| Deferred income taxes | 607 | 42 | 649 | |
| Total liabilities | \$ 186,627 | \$ (12,263 |) \$ 174,364 | |
| Commitments and contingencies | | | | |
| Stockholders' equity: | | | | |
| Preferred stock, \$1.00 par value, 500,000 shares authorized and none issued | \$ — | \$ — | \$ — | |
| Common stock, \$1.00 par value, 25,000,000 shares authorized; 16,308,859 issued and outstanding | 16,309 | — | 16,309 | |
| Additional paid-in capital | 34,834 | — | 34,834 | |
| Retained earnings | 100,455 | 2,087 | 102,542 | |
| Unearned ESOP shares | (25,637 |) — | (25,637 |) |
| Less accumulated other comprehensive loss | (57,229 |) 12,733 | (44,496 |) |
| Total stockholders' equity | \$ 68,732 | \$ 14,820 | \$ 83,552 | |

| | | | |
|--|-----------|---------|-----------|
| Total liabilities and stockholders' equity | \$255,359 | \$2,557 | \$257,916 |
|--|-----------|---------|-----------|

(1) For details see the introduction section included elsewhere in this Note 2.

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

CONSOLIDATED BALANCE SHEET

(In thousands, except share and per share data)

June 30, 2011

| | Previously Reported | Adjustments (1) | As Restated | |
|---|------------------------|-----------------|--------------|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 6,081 | \$ — | \$ 6,081 | |
| Restricted cash | — | 460 | 460 | |
| Short-term investments | 24,874 | (460 |) 24,414 | |
| Accounts and notes receivable, net of allowance for doubtful accounts of \$2,852 | 43,501 | — | 43,501 | |
| Inventories | 79,759 | (310 |) 79,449 | |
| Income tax receivable | 448 | — | 448 | |
| Prepaid expenses | 2,747 | — | 2,747 | |
| Total current assets | 157,410 | (310 |) 157,100 | |
| Property, plant and equipment, net | 114,107 | 233 | 114,340 | |
| Goodwill | 5,310 | — | 5,310 | |
| Intangible assets, net | 9,329 | — | 9,329 | |
| Other assets | 2,892 | 2,071 | 4,963 | |
| Deferred income taxes | 1,005 | 3 | 1,008 | |
| Total assets | \$ 290,053 | \$ 1,997 | \$ 292,050 | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 42,473 | \$ (51 |) \$ 42,422 | |
| Accrued payroll expenses | 15,675 | 1,283 | 16,958 | |
| Short-term borrowings under revolving credit facility | 31,362 | — | 31,362 | |
| Short-term obligations under capital leases | 1,570 | — | 1,570 | |
| Short-term derivative liabilities | — | 1,729 | 1,729 | |
| Deferred income taxes | 500 | (24 |) 476 | |
| Other current liabilities | 11,882 | (7,355 |) 4,527 | |
| Total current liabilities | 103,462 | (4,418 |) 99,044 | |
| Accrued postretirement benefits | 23,585 | (4,589 |) 18,996 | |
| Other long-term liabilities—capital leases | 7,066 | — | 7,066 | |
| Accrued pension liabilities | 22,371 | 5,677 | 28,048 | |
| Accrued workers' compensation liabilities | 3,639 | — | 3,639 | |
| Deferred income taxes | 1,815 | 27 | 1,842 | |
| Total liabilities | \$ 161,938 | \$ (3,303 |) \$ 158,635 | |
| Commitments and contingencies | | | | |
| Stockholders' equity: | | | | |
| Preferred stock, \$1.00 par value, 500,000 shares authorized and none issued | \$ — | \$ — | \$ — | |
| Common stock, \$1.00 par value, 25,000,000 shares authorized; 16,186,372 issued and outstanding | 16,186 | — | 16,186 | |
| Additional paid-in capital | 36,470 | — | 36,470 | |
| Retained earnings | 129,784 | (666 |) 129,118 | |
| Unearned ESOP shares | (30,437 |) — | (30,437 |) |
| Less accumulated other comprehensive loss | (23,888 |) 5,966 | (17,922 |) |

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| | | | |
|--|------------|----------|------------|
| Total stockholders' equity | \$ 128,115 | \$ 5,300 | \$ 133,415 |
| Total liabilities and stockholders' equity | \$ 290,053 | \$ 1,997 | \$ 292,050 |

(1) For details see the introduction section included elsewhere in this Note 2.

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

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except share and per share data)

Year ended June 30, 2012

| | Previously Reported | Adjustments(1) | As Restated | |
|--|------------------------|----------------|-------------|---|
| Net sales | \$495,442 | \$— | \$495,442 | |
| Cost of goods sold | 322,618 | (78 |) 322,540 | |
| Gross profit | 172,824 | 78 | 172,902 | |
| Selling expenses | 150,641 | — | 150,641 | |
| General and administrative expenses | 36,897 | (2,675 |) 34,222 | |
| Impairment losses on goodwill and intangible assets | 5,585 | — | 5,585 | |
| Pension withdrawal expense | 4,568 | — | 4,568 | |
| Operating expenses | 197,691 | (2,675 |) 195,016 | |
| (Loss) income from operations | (24,867 |) 2,753 | (22,114 |) |
| Other income (expense): | | | | |
| Dividend income | 1,231 | — | 1,231 | |
| Interest income | 214 | — | 214 | |
| Interest expense | (2,137 |) — | (2,137 |) |
| Other, net | (4,117 |) — | (4,117 |) |
| Total other expense | (4,809 |) — | (4,809 |) |
| (Loss) income before taxes | (29,676 |) 2,753 | (26,923 |) |
| Income tax benefit | (347 |) — | (347 |) |
| Net (loss) income | \$(29,329 |) \$2,753 | \$(26,576 |) |
| Net (loss) income per common share—basic and diluted | \$(1.89 |) | \$(1.72 |) |
| Weighted average common shares outstanding—basic and diluted | 15,492,314 | | 15,492,314 | |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

Year Ended June 30, 2012

| | Previously Reported | Adjustments(1) | As Restated | |
|--|------------------------|----------------|-------------|---|
| Net (loss) income | \$(29,329 |) \$2,753 | \$(26,576 |) |
| Other comprehensive (loss) income, net of tax: | | | | |
| Change in the funded status of retiree benefit obligations | (33,341 |) 6,767 | (26,574 |) |
| Income tax benefit | — | — | — | |
| Total comprehensive (loss) income, net of tax | \$(62,670 |) \$9,520 | \$(53,150 |) |

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included elsewhere in this Note 2.

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

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except share and per share data)

Year ended June 30, 2011

| | Previously Reported | Adjustments(1) | As Restated |
|--|------------------------|----------------|-------------|
| Net sales | \$463,945 | \$— | \$463,945 |
| Cost of goods sold | 306,771 | (313 |) 306,458 |
| Gross profit | 157,174 | 313 | 157,487 |
| Selling expenses | 170,670 | — | 170,670 |
| General and administrative expenses | 47,121 | 2,258 | 49,379 |
| Impairment losses on intangible assets | 7,805 | — | 7,805 |
| Operating expenses | 225,596 | 2,258 | 227,854 |
| Loss from operations | (68,422 |) (1,945 |) (70,367 |
| Other income (expense): | | | |
| Dividend income | 2,534 | — | 2,534 |
| Interest income | 178 | — | 178 |
| Interest expense | (1,965 |) — | (1,965 |
| Other, net | 4,191 | — | 4,191 |
| Total other income | 4,938 | — | 4,938 |
| Loss before taxes | (63,484 |) (1,945 |) (65,429 |
| Income tax benefit | (9,167 |) (4,229 |) (13,396 |
| Net (loss) income | \$(54,317 |) \$2,284 | \$(52,033 |
| Net (loss) income per common share—basic and diluted | \$(3.61 |) | \$(3.45 |
| Weighted average common shares outstanding—basic and diluted | 5,066,663 | | 15,066,663 |
| Cash dividends declared per common share | \$0.18 | | \$0.18 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

Year Ended June 30, 2011

| | Previously Reported | Adjustments(1) | As Restated |
|--|------------------------|----------------|-------------|
| Net loss (income) | \$(54,317 |) \$2,284 | \$(52,033 |
| Other comprehensive (loss) income, net of tax: | | | |
| Change in the funded status of retiree benefit obligations | 25,634 | 11,097 | 36,731 |
| Income tax expense | (9,823 |) (4,230 |) (14,053 |
| Total comprehensive (loss) income, net of tax | \$(38,506 |) \$9,151 | \$(29,355 |

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included elsewhere in this Note 2.

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

CONSOLIDATED STATEMENT OF OPERATIONS

| (In thousands, except share and per share data) | Year ended June 30, 2010 | | |
|--|--------------------------|----------------|--------------|
| | Previously Reported | Adjustments(1) | As Restated |
| Net sales | \$450,318 | \$— | \$450,318 |
| Cost of goods sold | 252,754 | 1,932 | 254,686 |
| Gross profit | 197,564 | (1,932) |) 195,632 |
| Selling expenses | 187,685 | (395) |) 187,290 |
| General and administrative expenses | 49,071 | (130) |) 48,941 |
| Operating expenses | 236,756 | (525) |) 236,231 |
| Loss from operations | (39,192) |) (1,407) |) (40,599) |
| Other income (expense): | | | |
| Dividend income | 3,224 | — | 3,224 |
| Interest income | 303 | — | 303 |
| Interest expense | (986) |) — | (986) |
| Other, net | 10,169 | — | 10,169 |
| Total other income | 12,710 | — | 12,710 |
| Loss before taxes | (26,482) |) (1,407) |) (27,889) |
| Income tax benefit | (2,529) |) (1) |) (2,530) |
| Net loss | \$(23,953) |) \$(1,406) |) \$(25,359) |
| Net loss per common share—basic and diluted | \$(1.61) |) | \$(1.71) |
| Weighted average common shares outstanding—basic and diluted | 14,866,306 | | 14,866,306 |
| Cash dividends declared per common share | \$0.46 | | \$0.46 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

| (In thousands) | Year Ended June 30, 2010 | | |
|--|--------------------------|----------------|--------------|
| | Previously Reported | Adjustments(1) | As Restated |
| Net loss | \$(23,953) |) \$(1,406) |) (25,359) |
| Other comprehensive loss, net of tax: | | | |
| Change in the funded status of retiree benefit obligations | (4,787) |) (1,151) |) (5,938) |
| Income tax expense | — | — | — |
| Total comprehensive loss, net of tax | \$(28,740) |) \$(2,557) |) \$(31,297) |

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included elsewhere in this Note 2.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

| (In thousands) | Year Ended June 30, 2012 | | |
|--|--------------------------|----------------|--------------|
| | Previously Reported | Adjustments(1) | As Restated |
| Cash flows from operating activities: | | | |
| Net (loss) income | \$ (29,329 |) \$ 2,753 | \$ (26,576) |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 32,113 | — | 32,113 |
| Recovery of doubtful accounts | (980 |) — | (980) |
| Deferred income taxes | (78 |) — | (78) |
| Impairment losses on goodwill and intangible assets | 5,585 | — | 5,585 |
| Net gains on sales of assets | (268 |) — | (268) |
| ESOP and share-based compensation expense | 3,287 | — | 3,287 |
| Net losses on derivatives and investments | 6,175 | — | 6,175 |
| Change in operating assets and liabilities: | | | |
| Restricted cash | — | (1,153 |) (1,153) |
| Short-term investments | (2,322 |) 825 | (1,497) |
| Accounts and notes receivable | 3,745 | — | 3,745 |
| Inventories | 13,314 | (78 |) 13,236 |
| Income tax receivable | (314 |) — | (314) |
| Prepaid expenses and other assets | (711 |) (149 |) (860) |
| Accounts payable | (13,083 |) (358 |) (13,441) |
| Accrued payroll expenses and other liabilities | 3,112 | (1,163 |) 1,949 |
| Accrued postretirement benefits | 995 | 2,535 | 3,530 |
| Other long-term liabilities | (3,108 |) (3,212 |) (6,320) |
| Net cash provided by operating activities | \$ 18,133 | \$ — | \$ 18,133 |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | (17,498 |) — | (17,498) |
| Proceeds from sales of property, plant and equipment | 3,037 | — | 3,037 |
| Net cash used in investing activities | \$ (14,461 |) \$ — | \$ (14,461) |
| Cash flows from financing activities: | | | |
| Proceeds from revolving credit facility | 17,250 | — | 17,250 |
| Repayments on revolving credit facility | (21,200 |) — | (21,200) |
| Payments of capital lease obligations | (1,897 |) — | (1,897) |
| Net cash used in financing activities | \$ (5,847 |) \$ — | \$ (5,847) |
| Net decrease in cash and cash equivalents | \$ (2,175 |) \$ — | \$ (2,175) |
| Cash and cash equivalents at beginning of year | 6,081 | | 6,081 |
| Cash and cash equivalents at end of year | \$ 3,906 | \$ — | \$ 3,906 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest | \$ 2,123 | \$ — | \$ 2,123 |
| Cash paid for income taxes | \$ 317 | \$ — | \$ 317 |
| Non-cash financing and investing activities: | | | |
| Equipment acquired under capital leases | \$ 9,508 | \$ — | \$ 9,508 |

(1) See the introduction section included elsewhere in this Note 2.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

| (In thousands) | Year Ended June 30, 2011 | | |
|--|--------------------------|-----------------|--------------|
| | Previously Reported | Adjustments (1) | As Restated |
| Cash flows from operating activities: | | | |
| Net (loss) income | \$ (54,317 |) \$ 2,284 | \$ (52,033) |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 31,758 | — | 31,758 |
| Provision for doubtful accounts | 2,024 | — | 2,024 |
| Deferred income taxes | 336 | 2 | 338 |
| Impairment losses on goodwill and intangible assets | 7,805 | — | 7,805 |
| Net losses on sales of assets | 358 | — | 358 |
| ESOP and share-based compensation expense | 3,825 | — | 3,825 |
| Net gains on derivatives and investments | (1,312 |) — | (1,312) |
| Change in operating assets and liabilities: | | | |
| Restricted cash | — | (460 |) (460) |
| Short-term investments | 27,381 | 913 | 28,294 |
| Accounts and notes receivable | (2,929 |) — | (2,929) |
| Inventories | 3,952 | (312 |) 3,640 |
| Income tax receivable | 5,392 | — | 5,392 |
| Prepaid expenses and other assets | (434 |) 834 | 400 |
| Accounts payable | 12,997 | (504 |) 12,493 |
| Accrued payroll expenses and other liabilities | 2,112 | 44 | 2,156 |
| Accrued postretirement benefits | 1,399 | (10,956 |) (9,557) |
| Other long-term liabilities | (6,410 |) 8,155 | 1,745 |
| Net cash provided by operating activities | \$ 33,937 | \$ — | \$ 33,937 |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | (19,416 |) — | (19,416) |
| Proceeds from sales of property, plant and equipment | 2,021 | — | 2,021 |
| Net cash used in investing activities | \$ (17,395 |) \$ — | \$ (17,395) |
| Cash flows from financing activities: | | | |
| Proceeds from revolving credit facility | 35,450 | — | 35,450 |
| Repayments on revolving credit facility | (43,970 |) — | (43,970) |
| Payments of capital lease obligations | (1,433 |) — | (1,433) |
| Dividends paid | (4,657 |) — | (4,657) |
| Net cash used in financing activities | \$ (14,610 |) \$ — | \$ (14,610) |
| Net increase in cash and cash equivalents | \$ 1,932 | \$ — | \$ 1,932 |
| Cash and cash equivalents at beginning of year | 4,149 | — | 4,149 |
| Cash and cash equivalents at end of year | \$ 6,081 | \$ — | \$ 6,081 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest | \$ 1,945 | \$ — | \$ 1,945 |
| Cash paid for income taxes | \$ 324 | \$ — | \$ 324 |
| Non-cash financing and investing activities: | | | |
| Equipment acquired under capital leases | \$ 5,659 | \$ — | \$ 5,659 |
| Dividends accrued, but not paid | | | |

(1) See the introduction section included elsewhere in this Note 2.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

| (In thousands) | Year Ended June 30, 2010 | | |
|---|--------------------------|-----------------|--------------|
| | Previously Reported | Adjustments (1) | As Restated |
| Cash flows from operating activities: | | | |
| Net loss | \$ (23,953 |) \$ (1,406 |) \$ (25,359 |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | |
| Depreciation and amortization | 26,778 | — | 26,778 |
| Provision for doubtful accounts | 3,188 | — | 3,188 |
| Deferred income taxes | 758 | 427 | 1,185 |
| Net losses on sales of assets | 430 | — | 430 |
| ESOP and share-based compensation expense | 4,785 | (1 |) 4,784 |
| Net gain on derivatives and investments | (9,382 |) — | (9,382 |
| Change in operating assets and liabilities: | | | |
| Restricted cash | — | — | — |
| Short-term investments | 1,365 | (453 |) 912 |
| Accounts and notes receivable | (40 |) — | (40 |
| Inventories | (14,751 |) 1,932 | (12,819 |
| Income tax receivable | (1,677 |) — | (1,677 |
| Prepaid expenses and other assets | 178 | (187 |) (9 |
| Accounts payable | (738 |) 617 | (121 |
| Accrued payroll expenses and other liabilities | 2,904 | (542 |) 2,362 |
| Accrued postretirement benefits | 3,926 | 1,302 | 5,228 |
| Other long-term liabilities | 5,182 | (1,689 |) 3,493 |
| Net cash provided by operating activities | \$ (1,047 |) \$ — | \$ (1,047 |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | (28,484 |) — | (28,484 |
| Proceeds from sales of property, plant and equipment | 437 | — | 437 |
| Net cash used in investing activities | \$ (28,047 |) \$ — | \$ (28,047 |
| Cash flows from financing activities: | | | |
| Proceeds from revolving credit facility | 33,737 | — | 33,737 |
| Repayments on revolving credit facility | (12,756 |) — | (12,756 |
| Payments of capital lease obligations | (837 |) — | (837 |
| Dividends paid | (6,939 |) — | (6,939 |
| Net cash used in financing activities | \$ 13,205 | \$ — | \$ 13,205 |
| Net decrease in cash and cash equivalents | \$ (15,889 |) \$ — | \$ (15,889 |
| Cash and cash equivalents at beginning of year | 20,038 | — | 20,038 |
| Cash and cash equivalents at end of year | \$ 4,149 | \$ — | \$ 4,149 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest | \$ 890 | \$ — | \$ 890 |
| Cash paid for income taxes | \$ 154 | \$ — | \$ 154 |
| Non-cash financing and investing activities: | | | |
| Equipment acquired under capital leases | \$ 3,954 | \$ — | \$ 3,954 |
| Dividends accrued, but not paid | \$ 1,849 | \$ — | \$ 1,849 |

(1) See the introduction section included elsewhere in this Note 2.

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

Note 3. Derivative Instruments

Derivative Instruments Held
Coffee-Related Derivative Instruments

The Company is exposed to commodity price risk associated with its PTF green coffee purchase contracts, which are described further in Note 1. The Company utilizes futures contracts and options to manage exposure to the variability in expected future cash flows from forecasted purchases of green coffee attributable to commodity price risk, in some instances, as much as 18 months prior to the actual delivery date. Certain of these coffee-related derivative instruments utilized for risk management purposes have been designated as cash flow hedges, while other coffee-related derivative instruments have not been designated as cash flow hedges or do not qualify for hedge accounting despite hedging the Company's future cash flows on an economic basis.

At June 30, 2013, approximately 89% of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges. At June 30, 2012 no coffee-related derivative instruments were designated as accounting hedges.

For the fiscal year ended June 30, 2013, the Company recorded coffee-related net derivative losses in OCI in the amount of \$7.9 million. No coffee-related net derivative gains or losses were recorded in OCI for the fiscal years ended June 30, 2012 and 2011.

Interest Rate Swap

Effective December 1, 2012, the Company entered into an interest rate swap transaction utilizing a notional amount of \$10.0 million and a maturity date of March 1, 2015. The Company entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of its borrowings under the revolving credit facility. The swap transaction is intended to manage the Company's interest rate risk related to its revolving credit facility and requires the Company to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA. The interest rate swap is not designated as an accounting hedge.

Effect of Derivative Instruments on the Financial Statements

Balance Sheet

Fair values of derivative instruments on the consolidated balance sheets (in thousands):

| Financial Statement Location: | Derivatives Designated as Cash Flow Hedges | | Derivatives Not Designated as Accounting Hedges | |
|----------------------------------|---|---------------------|--|---------------------|
| | June 30, 2013 | 2012 As Restated | June 30, 2013 | 2012 As Restated |
| Short-term investments: | | | | |
| Coffee-related derivatives | \$— | \$— | \$4 | \$339 |
| Short-term derivative liability: | | | | |
| Coffee futures | \$9,331 | \$— | \$565 | \$737 |
| Other current liabilities: | | | | |
| Interest rate swap | \$— | \$— | \$25 | \$— |
| Long-term derivative liability: | | | | |
| Coffee futures | \$1,129 | \$— | \$— | \$— |

Statement of Operations

For the fiscal year ended June 30, 2013, the Company recognized \$0.4 million in losses on coffee-related derivative instruments designated as cash flow hedges for ineffectiveness and 11% of the total coffee-related derivative instruments were

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

excluded from the effectiveness assessment since they were not designated as cash flow hedges. Cash flow hedge contracts outstanding as of June 30, 2013 will expire within 18 months.

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

| | Year Ended June 30, | | | Financial Statement Classification |
|--|---------------------|-------|------|--|
| | 2013 | 2012 | 2011 | |
| Net gains recognized in earnings (effective portion) | \$ 55 | \$— | \$— | Costs of goods sold |
| Net losses recognized in other comprehensive income (loss) (effective portion) | \$(7,921) |) \$— | \$— | AOCI |
| Net losses recognized in earnings (ineffective portion) | \$(447) |) \$— | \$— | Other, net |

For the year ended June 30, 2013, there were no gains or losses recognized in income as a result of excluding amounts from the assessment of hedge effectiveness or as a result of reclassifications to earnings following the discontinuance of any cash flow hedges.

Gains and losses on derivatives not designated as accounting hedges are included in "Other, net" in the Company's consolidated statements of operations and in "Net losses (gains) on derivatives and investments" in the Company's consolidated statements of cash flow.

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

| | Year Ended June 30, | | |
|--|---------------------|-------------|-----------|
| | 2013 | 2012 | 2011 |
| | (In thousands) | | |
| Realized (losses) gains, net | \$(8,676) |) \$(8,577) |) \$916 |
| Unrealized (losses) gains, net | (2,661) |) 1,248 | (2,402) |
| Net realized and unrealized losses from coffee-related derivatives not designated as accounting hedges | (11,337) |) (7,329) |) (1,486) |
| Net realized and unrealized gains from investments | 230 | 1,154 | 2,798 |
| Net unrealized losses from interest rate swap | (25) |) — | — |
| Net (losses) gains on derivatives and investments | (11,132) |) (6,175) |) 1,312 |
| Net gains from sales of assets | 4,467 | 1,375 | 1,359 |
| Other gains, net | 1,700 | 683 | 1,520 |
| Other, net | \$(4,965) |) \$(4,117) |) \$4,191 |

Credit-Risk-Related Features

The Company does not have any credit-risk-related contingent features that would require it, in certain circumstances, to post additional collateral in support of its net derivative liability positions. The Company had \$8.1 million and \$1.6 million, respectively, in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments at June 30, 2013 and 2012 (see Note 6). Changes in commodity prices could have a significant impact on cash deposit requirements under the Company's broker and counterparty agreements.

Cash Flow Hedges

Changes in the fair value of the Company's coffee-related derivative instruments designated as cash flow hedges, to the extent effective, are deferred in AOCI and reclassified into earnings in the same period or periods in which the

hedged forecasted purchases affect earnings, or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. Based on recorded values at June 30, 2013, \$6.8 million of net losses will be reclassified

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

into earnings within the next twelve months. These recorded values are based on market prices of the commodities as of June 30, 2013. Due to the volatile nature of commodity prices, actual gains or losses realized within the next twelve months will likely differ from these values. These gains or losses are expected to substantially offset net losses or gains that will be realized in earnings from previous unfavorable or favorable market movements associated with underlying hedged transactions.

Note 4. Investments

Preferred stock investments as of June 30, 2013 consisted of securities with a fair value of \$13.2 million in an unrealized gain position and securities with a fair value of \$7.3 million in an unrealized loss position. Preferred stock investments as of June 30, 2012 consisted of securities with a fair value of \$16.5 million in an unrealized gain position and securities with a fair value of \$2.9 million in an unrealized loss position.

The following tables show gross unrealized losses (although such losses have been recognized in the consolidated statements of operations) and fair value for those investments that were in an unrealized loss position as of June 30, 2013 and 2012, aggregated by the length of time those investments have been in a continuous loss position:

| (In thousands) | June 30, 2013 | | | |
|-----------------|---------------------|-----------------|------------|-----------------|
| | Less than 12 Months | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Preferred stock | \$5,391 | \$(161) | \$7,318 | \$(228) |

| (In thousands) | June 30, 2012 | | | |
|-----------------|---------------------|-----------------|------------|-----------------|
| | Less than 12 Months | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Preferred stock | \$1,750 | \$(16) | \$2,891 | \$(40) |

Note 5. Fair Value Measurements

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

Level 1—Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2—Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3—Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

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

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

| June 30, 2013 | Total | Level 1 | Level 2 | Level 3 |
|--|----------|----------|---------|---------|
| Preferred stock(1) | \$20,542 | \$15,738 | \$4,804 | \$— |
| Futures, options and other derivative assets(1) | \$4 | \$— | \$4 | \$— |
| Derivatives designated as cash flow hedges: | | | | |
| Coffee-related derivative liabilities | \$10,460 | \$10,460 | \$— | \$— |
| Derivatives not designated as accounting hedges: | | | | |
| Coffee-related derivative liabilities | \$565 | \$565 | \$— | \$— |
| Derivative liabilities — interest rate swap | \$25 | \$— | \$25 | \$— |
| | | | | |
| June 30, 2012 (As Restated) | Total | Level 1 | Level 2 | Level 3 |
| Preferred stock(1) | \$19,395 | \$14,078 | \$5,317 | \$— |
| Futures, options and other derivative assets(1) | \$341 | \$— | \$341 | \$— |
| Derivative liabilities | \$737 | \$— | \$737 | \$— |

(1)Included in "Short-term investments" on the consolidated balance sheets.

There were no significant transfers of securities between Level 1 and Level 2.

Effective December 1, 2012, the Company entered into an interest rate swap transaction utilizing a notional amount of \$10.0 million and a maturity date of March 1, 2015. The Company entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of its borrowings under the revolving credit facility. The swap transaction is intended to manage the Company's interest rate risk related to its revolving credit facility and requires the Company to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA.

The Company values its interest rate swap using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities.

Valuation of the interest rate swap transaction is based on proprietary curves that take into account both Level 1 and Level 2 inputs. The fair value of the interest rate swap is determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves). These forward curves are market-based, utilizing observable market data. Discount curves for present value purposes are constructed using rates representing estimated costs of funding swap positions for early terminations based on an appropriate observable discount rate.

Note 6. Restricted Cash

The Company had \$8.1 million and \$1.6 million, respectively, in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments at June 30, 2013 and 2012. Changes in commodity prices could have a significant impact on cash deposit requirements under the Company's broker and counterparty agreements.

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

Note 7. Accounts and Notes Receivable, Net

| | June 30, 2013 | 2012 |
|---------------------------------|------------------|----------|
| | (In thousands) | |
| Trade receivables | \$43,965 | \$40,687 |
| Other receivables | 1,072 | 1,921 |
| Allowance for doubtful accounts | (1,115 |) (1,872 |
| | \$43,922 | \$40,736 |

In fiscal 2010, based on a larger customer base due to recent Company acquisitions and in response to slower collection of the Company's accounts receivable resulting from the impact of the economic downturn on the Company's customers, the Company recorded a \$3.2 million charge to bad debt expense resulting in a net increase of \$2.1 million in its allowance for doubtful accounts. In fiscal 2013, fiscal 2012 and fiscal 2011, due to improvements in the collection of past due accounts, the Company reduced its allowance for doubtful accounts by \$0.8 million, \$1.0 million and \$0.4 million, respectively.

Allowance for doubtful accounts:

| | (In thousands) |
|--------------------------|----------------|
| Balance at June 30, 2010 | \$(3,293 |
| Additions | (2,024 |
| Write-offs | 2,465 |
| Balance at June 30, 2011 | (2,852 |
| Recovery | 980 |
| Write-offs | — |
| Balance at June 30, 2012 | (1,872 |
| Recovery | 757 |
| Write-offs | — |
| Balance at June 30, 2013 | \$(1,115 |

Note 8. Inventories

| June 30, 2013 | Processed (In thousands) | Unprocessed | Total |
|---------------------------|-----------------------------|-------------|----------|
| Coffee | \$12,553 | \$12,796 | \$25,349 |
| Tea and culinary products | 21,406 | 4,194 | 25,600 |
| Coffee brewing equipment | 5,144 | 4,774 | 9,918 |
| | \$39,103 | \$21,764 | \$60,867 |

| June 30, 2012 | Processed (In thousands) | Unprocessed | Total |
|---------------------------|-----------------------------|-------------|----------|
| Coffee | \$15,485 | \$11,836 | \$27,321 |
| Tea and culinary products | 24,502 | 4,817 | 29,319 |
| Coffee brewing equipment | 3,977 | 5,364 | 9,341 |
| | \$43,964 | \$22,017 | \$65,981 |

Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

Current cost of coffee, tea and culinary inventories exceeds the LIFO cost by:

| (In thousands) | June 30, | |
|---------------------------|----------|----------|
| | 2013 | 2012 |
| Coffee | \$27,755 | \$34,844 |
| Tea and culinary products | 7,757 | 7,239 |
| Total | \$35,512 | \$42,083 |

In fiscal 2013, as a result of optimizing and simplifying its product portfolio and discontinuing over 800 SKU's, the Company established a reserve for slow-moving and obsolete inventory in the amount of \$0.7 million.

In fiscal 2013 and 2012, certain inventory quantities were reduced. This reduction resulted in the liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The beneficial effect of this liquidation of LIFO inventory quantities reduced cost of goods sold and net loss for fiscal 2013, 2012 and 2011 by \$1.1 million, \$14.2 million and \$1.1 million, respectively.

Note 9. Property, Plant and Equipment

| | June 30, | |
|------------------------------------|----------------|------------|
| | 2013 | 2012 |
| | (In thousands) | |
| Buildings and facilities | \$77,807 | \$78,608 |
| Machinery and equipment | 138,470 | 129,846 |
| Equipment under capital leases | 18,806 | 19,731 |
| Capitalized software | 17,993 | 18,524 |
| Office furniture and equipment | 15,610 | 16,818 |
| | \$268,686 | \$263,527 |
| Accumulated depreciation | (185,718 |) (164,661 |
| Land | 9,191 | 9,271 |
| Property, plant and equipment, net | \$92,159 | \$108,137 |

Capital leases consist mainly of vehicle leases at June 30, 2013 and 2012.

The Company capitalized coffee brewing equipment (included in machinery and equipment) in the amounts of \$9.3 million and \$13.9 million in fiscal 2013 and 2012, respectively. Depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold was \$12.8 million, \$12.2 million and \$9.6 million in fiscal 2013, 2012 and 2011, respectively. Depreciation and amortization expense includes amortization expense for assets recorded under capitalized leases.

Maintenance and repairs to property, plant and equipment charged to expense for the years ended June 30, 2013, 2012 and 2011 were \$7.6 million, \$7.9 million and \$10.3 million, respectively.

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

Note 10. Goodwill and Intangible Assets

The following is a summary of the Company's amortized and unamortized intangible assets other than goodwill, along with amortization expense on these intangible assets for the past three fiscal years and estimated aggregate amortization expense for each of the next five fiscal years:

| | June 30, 2013 | | June 30, 2012 | |
|-------------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| | (In thousands) | | | |
| Amortized intangible assets: | | | | |
| Customer relationships | \$ 10,083 | \$(9,434) | \$ 10,083 | \$(8,188) |
| Total amortized intangible assets | \$ 10,083 | \$(9,434) | \$ 10,083 | \$(8,188) |
| Unamortized intangible assets: | | | | |
| Tradenames with indefinite lives | \$ 3,640 | \$— | \$ 3,640 | \$— |
| Trademarks with indefinite lives | 1,988 | — | 2,080 | — |
| Total unamortized intangible assets | \$ 5,628 | \$— | \$ 5,720 | \$— |
| Total intangible assets | \$ 15,711 | \$(9,434) | \$ 15,803 | \$(8,188) |

Aggregate amortization expense for the past three fiscal years:

| | |
|---|----------|
| For the fiscal year ended June 30, 2013 | \$ 1,246 |
| For the fiscal year ended June 30, 2012 | \$ 1,439 |
| For the fiscal year ended June 30, 2011 | \$ 2,948 |

Estimated amortization expense for each of the next five fiscal years:

| | |
|--|--------|
| For the fiscal year ending June 30, 2014 | \$ 649 |
|--|--------|

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

| | |
|--------------------------------|-----|
| Customer relationships (years) | 0.8 |
|--------------------------------|-----|

Summary of changes in the carrying value of goodwill:

| | |
|--------------------------|----------|
| Balance at June 30, 2011 | \$ 5,310 |
| Reclassification | (165) |
| Impairment loss | (5,145) |
| Balance at June 30, 2012 | \$— |

Note 11. Employee Benefit Plans

The Company provides pension plans for most full time employees. Generally the plans provide benefits based on years of service and/or a combination of years of service and earnings. 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 sheet. The Company is also required to recognize in OCI certain gains and losses that arise during the period but are deferred under pension accounting rules.

Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

Single Employer Pension Plans

The Company has a defined benefit pension plan, the Farmer Bros. Salaried Employees Pension Plan (the "Farmer Bros. Plan"), for the majority of its employees 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 plan, and new hires are not eligible to participate in the plan. As a result, the Company recorded a pension curtailment expense of \$1.5 million in the fourth quarter of fiscal 2011 for 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"). In the fourth quarter of fiscal 2013, the Company determined that it would shut down its equipment refurbishment operations in Los Angeles, California and move them to its Oklahoma City distribution center effective August 30, 2013. Due to this shut down, all hourly employees responsible for these operations in Los Angeles were terminated and their pension benefits in the Brewmatic Plan were frozen effective August 30, 2013. As a result, the Company recorded a pension curtailment expense of \$34,000 in the fourth quarter of fiscal 2013 which is included in "Selling expenses" in the Company's consolidated statement of operations for the fiscal year ended June 30, 2013 and in "Accrued pension liabilities" on the Company's consolidated balance sheet at June 30, 2013.

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

Obligations and Funded Status

| | Farmer Bros. Plan | | Brewmatic Plan | | Hourly Employees' Plan | | |
|--|-------------------|--------------|------------------|-------------|------------------------|-----------|---|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 | June 30, 2013 | 2012 | |
| | (In thousands) | | (In thousands) | | (In thousands) | | |
| Change in projected benefit obligation | | | | | | | |
| Benefit obligation at the beginning of the year | \$ 124,828 | \$ 107,071 | \$ 4,022 | \$ 3,662 | \$ 1,520 | \$ 1,055 | |
| Service cost | — | — | 59 | 39 | 418 | 456 | |
| Interest cost | 5,550 | 5,846 | 176 | 197 | 69 | 59 | |
| Plan participant contributions | — | 81 | — | — | — | — | |
| Actuarial (gain) loss | 1,333 | 17,066 | (24) | 416 | 56 | (38) | |
| Benefits paid | (5,506) | (5,236) | (287) | (292) | (7) | (12) | |
| Effect of curtailment | — | — | — | — | — | — | |
| Projected benefit obligation at the end of the year | \$ 126,205 | \$ 124,828 | \$ 3,946 | \$ 4,022 | \$ 2,056 | \$ 1,520 | |
| Change in plan assets | | | | | | | |
| Fair value of plan assets at the beginning of the year | \$ 82,110 | \$ 80,448 | \$ 2,718 | \$ 2,871 | \$ 1,013 | \$ 421 | |
| Actual return on plan assets | 10,145 | 246 | 322 | (25) | 125 | (4) | |
| Employer contributions | 1,348 | 6,571 | 310 | 164 | 117 | 608 | |
| Plan participant contributions | — | 81 | — | — | — | — | |
| Benefits paid | (5,506) | (5,236) | (287) | (292) | (7) | (12) | |
| Fair value of plan assets at the end of the year | \$ 88,097 | \$ 82,110 | \$ 3,063 | \$ 2,718 | \$ 1,248 | \$ 1,013 | |
| Funded status at end of year (underfunded) overfunded | \$ (38,108) | \$ (42,718) | \$ (883) | \$ (1,304) | \$ (808) | \$ (507) | |
| Amounts recognized in consolidated balance sheet | | | | | | | |
| Non-current assets | \$— | \$— | \$— | \$— | \$— | \$— | |
| Current liabilities | — | — | — | — | — | — | |
| Non-current liabilities | (38,108) | (42,718) | (883) | (1,304) | (808) | (507) | |
| Total | \$ (38,108) | \$ (42,718) | \$ (883) | \$ (1,304) | \$ (808) | \$ (507) | |
| Amounts recognized in consolidated balance sheet | | | | | | | |
| Total net (gain) loss | \$ 44,841 | \$ 48,720 | \$ 1,878 | \$ 2,154 | \$ 108 | \$ 90 | |
| Transition (asset) obligation | — | — | — | — | — | — | |
| Prior service cost (credit) | — | — | — | 53 | — | — | |
| Total accumulated OCI (not adjusted for applicable tax) | \$ 44,841 | \$ 48,720 | \$ 1,878 | \$ 2,207 | \$ 108 | \$ 90 | |
| Weighted average assumptions used to determine benefit obligations | | | | | | | |
| Discount rate | 4.50 | % 4.55 | % 4.50 | % 4.55 | % 4.50 | % 4.55 | % |
| Rate of compensation increase | N/A | N/A | N/A | N/A | N/A | N/A | |

Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

Components of Net Periodic Benefit Cost and

Other Changes Recognized in Other Comprehensive Income (Loss) (OCI)

| | Farmer Bros. Plan | | Brewmatic Plan | | Hourly Employees' Plan | |
|--|-------------------|----------|------------------|--------|------------------------|--------|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 | June 30, 2013 | 2012 |
| | (In thousands) | | (In thousands) | | (In thousands) | |
| Components of net periodic benefit cost | | | | | | |
| Service cost | \$— | \$— | \$59 | \$39 | \$418 | \$456 |
| Interest cost | 5,550 | 5,846 | 176 | 197 | 69 | 59 |
| Expected return on plan assets | (6,355) | (6,569) | (196) | (213) | (87) | (28) |
| Amortization of net (gain) loss | 1,422 | 570 | 126 | 87 | — | — |
| Amortization of prior service cost (credit) | — | — | 19 | 18 | — | — |
| Amount recognized due to special event (curtailment) | — | — | 34 | — | — | — |
| Net periodic benefit cost | \$617 | \$(153) | \$218 | \$128 | \$400 | \$487 |
| Other changes recognized in OCI | | | | | | |
| Net (gain) loss | \$(2,456) | \$23,389 | \$(150) | \$654 | \$18 | \$(6) |
| Prior service cost (credit) | — | — | — | — | — | — |
| Amortization of net gain (loss) | (1,422) | (570) | (126) | (87) | — | — |
| Amortization of transition asset (obligation) | — | — | — | — | — | — |
| Amortization of prior service (cost) credit | — | — | (19) | (18) | — | — |
| Amount recognized due to special event (curtailment) | — | — | (34) | — | — | — |
| Total recognized in OCI | \$(3,878) | \$22,819 | \$(329) | \$549 | \$18 | \$(6) |
| Total recognized in net periodic benefit cost and OCI | \$(3,261) | \$22,666 | \$(111) | \$677 | \$418 | \$481 |
| Weighted-average assumptions used to determine net periodic benefit cost | | | | | | |
| Discount rate | 4.55 | % 5.60 | % 4.55 | % 5.60 | % 4.55 | % 5.60 |
| Expected long-term return on plan assets | 8.00 | % 8.25 | % 8.00 | % 8.25 | % 8.00 | % 8.25 |
| Rate of compensation increase | N/A | N/A | N/A | N/A | N/A | 3.0 |

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

Historical and future projected returns of multiple asset classes were analyzed to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocations of the plans.

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

Description of Investment Policy

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

Additional Disclosures

| | Farmer Bros. Plan | | Brewmatic Plan | | Hourly Employees' Plan | | |
|---|-------------------|------------|-------------------|----------|------------------------|----------|---|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 | June 30, 2013 | 2012 | |
| | (\$ In thousands) | | (\$ In thousands) | | (\$ In thousands) | | |
| Comparison of obligations to plan assets | | | | | | | |
| Projected benefit obligation | \$ 126,205 | \$ 124,828 | \$ 3,946 | \$ 4,022 | \$ 2,056 | \$ 1,520 | |
| Accumulated benefit obligation | \$ 126,205 | \$ 124,828 | \$ 3,946 | \$ 4,022 | \$ 2,056 | \$ 1,520 | |
| Fair value of plan assets at measurement date | \$ 88,097 | \$ 82,110 | \$ 3,063 | \$ 2,718 | \$ 1,248 | \$ 1,013 | |
| Plan assets by category | | | | | | | |
| Equity securities | \$ 58,681 | \$ 53,396 | \$ 2,059 | \$ 1,767 | \$ 811 | \$ 686 | |
| Debt securities | 24,822 | 24,610 | 843 | 815 | 375 | 261 | |
| Real estate | 4,594 | 4,104 | 161 | 136 | 62 | 66 | |
| Total | \$ 88,097 | \$ 82,110 | \$ 3,063 | \$ 2,718 | \$ 1,248 | \$ 1,013 | |
| Plan assets by category | | | | | | | |
| Equity securities | 67 | % 65 | % 67 | % 65 | % 65 | % 68 | % |
| Debt securities | 28 | % 30 | % 28 | % 30 | % 30 | % 26 | % |
| Real estate | 5 | % 5 | % 5 | % 5 | % 5 | % 6 | % |
| Total | 100 | % 100 | % 100 | % 100 | % 100 | % 100 | % |

Fair values of plan assets were as follows:

| (In thousands) | June 30, 2013 | | | |
|------------------------|---------------|---------|-----------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Farmer Bros. Plan | \$ 88,097 | \$— | \$ 88,097 | \$— |
| Brewmatic Plan | \$ 3,063 | \$— | \$ 3,063 | \$— |
| Hourly Employees' Plan | \$ 1,248 | \$— | \$ 1,248 | \$— |

| (In thousands) | June 30, 2012 | | | |
|------------------------|---------------|---------|-----------|----------|
| | Total | Level 1 | Level 2 | Level 3 |
| Farmer Bros. Plan | \$ 82,110 | \$— | \$ 78,006 | \$ 4,104 |
| Brewmatic Plan | \$ 2,718 | \$— | \$ 2,582 | \$ 136 |
| Hourly Employees' Plan | \$ 1,013 | \$— | \$ 947 | \$ 66 |

As of June 30, 2013 and 2012, approximately 100% and 95%, respectively, of the assets in each of the Farmer Bros. Plan, the Brewmatic Plan and the Hourly Employees' Plan were invested in pooled separate accounts ("PSA's") which

did not have publicly quoted prices. The PSA's invest in publicly traded mutual funds. The fair values of the mutual funds were publicly quoted pricing input (Level 1) and were used to determine the net asset value of the PSA's. Therefore, these assets have Level 2 pricing inputs.

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Notes to Consolidated Financial Statements (continued)

As of June 30, 2013 and 2012, approximately 5% of the assets in each of the Farmer Bros. Plan, the Brewmatic Plan and the Hourly Employees' Plan were invested in PSA's which invested mainly in commercial real estate and include mortgage loans which are backed by the associated properties. These underlying real estate investments had certain temporary restrictions that prevented them from being able to redeem their investment at net asset value per share ("NAV"), and therefore, were considered to have unobservable Level 3 pricing inputs. The fair value of the underlying real estate was estimated using discounted cash flow valuation models that utilize public real estate market data inputs such as transaction prices, market rents, vacancy levels, leasing absorption, market capitalization rates and discount rates. In addition, each property was appraised annually by an independent appraiser. As of June 30, 2013, these PSA's were considered Level 2 assets since the temporary restrictions that prevented them from being able to redeem their investment at NAV which disqualified them for Level 2 asset categorization were removed. Accordingly, as of June 30, 2013, none of the assets in the Farmer Bros. Plan, the Brewmatic Plan and the Hourly Employees' Plan were categorized as Level 3. The amounts and types of investments within plan assets did not change significantly from June 30, 2012.

The following is a reconciliation of asset balances with Level 3 input pricing:

| | Beginning Balance | Total Gains | Settlements | Transfers | Ending Balance | |
|------------------------|----------------------|-------------|-------------|-------------------|-------------------|---------------------|
| June 30, 2013 | (In thousands) | | | | | |
| Farmer Bros. Plan | \$4,104 | \$— | \$— | \$(4,104) |) | \$— |
| Brewmatic Plan | \$136 | \$— | \$— | \$(136) |) | \$— |
| Hourly Employees' Plan | \$66 | \$— | \$— | \$(66) |) | \$— |
| | Beginning Balance | Total Gains | Settlements | Ending Balance | | Unrealized Gains |
| June 30, 2012 | (In thousands) | | | | | |
| Farmer Bros. Plan | \$4,711 | \$561 | \$(1,168) |) | \$4,104 | \$561 |
| Brewmatic Plan | \$167 | \$19 | \$(50) |) | \$136 | \$19 |
| Hourly Employees' Plan | \$25 | \$5 | \$36 | | \$66 | \$5 |

The following is the target asset allocation for the Company's single employer pension plans for fiscal 2014:

| Target Plan Asset Allocation for Farmer Bros. Plan, Brewmatic Plan and Hourly Employees' Plan | Fiscal 2014 | |
|---|-------------|---|
| U.S. large cap equity securities | 35.8 | % |
| U.S. small cap equity securities | 9.2 | % |
| International equity securities | 15.0 | % |
| Debt securities | 30.0 | % |
| Real estate | 10.0 | % |
| Total | 100.0 | % |

Estimated Amounts in OCI Expected To Be Recognized

In fiscal 2014, the Company expects to recognize \$0.3 million as a component of net periodic benefit cost for the Farmer Bros. Plan, \$16,000 for the Brewmatic Plan, and \$0.4 million for the Hourly Employees' Plan.

Estimated Future Contributions and Refunds

In fiscal 2014, the Company expects to contribute \$1.0 million to the Farmer Bros. Plan, \$0.1 million to the Brewmatic Plan, and \$0.2 million to the Hourly Employees' Plan. The Company is not aware of any refunds expected from postretirement plans.

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Notes to Consolidated Financial Statements (continued)

Estimated Future Benefit Payments

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

Estimated future benefit payments

| Year ending | Farmer Bros. Plan | Brewmatic Plan | Hourly Employees' Plan |
|--------------------------------|-------------------|----------------|------------------------|
| | (In thousands) | | |
| June 30, 2014 | \$5,970 | \$290 | \$34 |
| June 30, 2015 | \$6,110 | \$290 | \$47 |
| June 30, 2016 | \$6,260 | \$280 | \$64 |
| June 30, 2017 | \$6,520 | \$280 | \$81 |
| June 30, 2018 | \$6,740 | \$290 | \$100 |
| June 30, 2019 to June 30, 2023 | \$37,640 | \$1,380 | \$810 |

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

Multiemployer Pension Plans

The Company participates in a multiemployer defined benefit pension plan, the Western Conference of Teamsters Pension Plan ("WCTPP"), that is union sponsored and collectively bargained for the benefit of certain employees subject to collective bargaining agreements. The Company makes contributions to WCTPP 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 2013 and fiscal year 2012 is for the plan's year ended December 31, 2012 and December 31, 2011, 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 annual report on Form 5500, WCTPP was 90.0% and 90.3% funded for its plan year beginning January 1, 2013 and 2012, respectively. 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 | | FIP/RP Status | Surcharge Imposed | Expiration Date of Collective Bargaining Agreements |
|--|--------------------------------|---------------------|-----------------|--------------|---------------------|-------------------|---|
| | | | July 1, 2012 | July 1, 2011 | Pending/Implemented | | |
| Western Conference of Teamsters Pension Plan | 91-6145047 | 001 | Green | Green | No | No | January 2014 to June 2017 |

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 \$11.6 million if the withdrawal had occurred in calendar year 2012. 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 2012 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 to determine the amount of withdrawal liability that

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

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.

Effective October 2011, the Company withdrew from the defined benefit pension plan, United Teamsters Pension Fund, and replaced it with the defined contribution pension plan, "United Teamsters Annuity Fund" ("Annuity Fund"), for its employees covered by a certain collective bargaining agreement with a term expiring in 2014. The Company incurred no withdrawal liability related to the withdrawal from the United Teamsters Pension Fund. The Company's contributions to the Annuity Fund are based on the number of compensable hours worked by the Company's employees who participate in the Annuity Fund.

In fiscal 2012, the Company withdrew from the Labor Management 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. Installment payments will commence once the final determination of the amount of withdrawal liability is established, which determination may take up to 24 months from the date of withdrawal from the pension plan. Upon withdrawal, the employees covered under this multiemployer pension plan were included in the Company's 401(k) plan (the "401(k) Plan"). The \$4.3 million estimated withdrawal charge is included in the Company's consolidated statement of operations for the fiscal year ended June 30, 2012 as "Pension withdrawal expense," with the short-term and long-term portions reflected in current and long-term liabilities, respectively, on the Company's consolidated balance sheets at June 30, 2012 and June 30, 2013. In the fourth quarter ended June 30, 2012, the Company paid a final settlement of \$0.3 million towards withdrawal from the Central States Pension Fund that was part of the DSD Coffee Business acquisition and recorded the charge as "Pension withdrawal expense."

In connection with the intended shut down of the Company's equipment refurbishment operations in Los Angeles, California and termination of all hourly employees responsible for such operations effective as of August 30, 2013, in the fourth quarter of fiscal 2013, the Company recorded a pension curtailment expense of \$34,000 since the pension benefits of all such employees in the Brewmatic Plan are expected to be frozen as of August 30, 2013.

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, 2013 | \$3,064 | \$37 |
| June 30, 2012 | \$3,048 | \$113 |
| June 30, 2011 | \$2,929 | \$254 |

(1) Individually significant plan.

(2) Less than 5% of total contribution to WCTPP based on WCTPP's most recent annual report on Form 5500 for the calendar year ended December 31, 2012.

The Company guarantees that one hundred seventy-three (173) hours will be contributed upon for all employees (3) 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 plans that are not individually significant.

For the fiscal year ending June 30, 2014, the Company expects to make \$3.4 million in contributions to multiemployer pension plans.

Multiemployer Plans Other Than Pension Plans

The Company participates in eight defined contribution multiemployer 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 the collective bargaining

Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

agreements which expire on or before June 30, 2017. The Company's contributions in the fiscal years ended June 30, 2013, 2012 and 2011 were \$5.8 million, \$5.8 million and \$5.4 million, respectively. The Company expects to contribute \$6.4 million towards multiemployer plans other than pension plans in fiscal 2014.

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 2011, 2012 and 2013, 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. A participant is automatically vested in the event of death, disability or attainment of age 65 while employed by the Company. Employees are 100% vested in their contributions. For employees subject to a collective bargaining agreement, the match is only available if so provided in the labor agreement.

The Company recorded matching contributions of \$1.2 million, \$1.4 million and \$0.1 million in operating expenses for the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

Postretirement Benefits

The Company sponsors a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees. The plan provides medical, dental and vision coverage for retirees under age 65 and medical coverage only for retirees age 65 and above. Under this postretirement plan, the Company's contributions toward premiums for retiree medical, dental and vision coverage for participants and dependents are scaled based on length of service, with greater Company contributions for retirees with greater length of service, but 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 4.8% at June 30, 2013. The Company projects an initial medical trend rate of 7.0% in fiscal 2013, and 6.5% in fiscal 2014, ultimately reducing to 5.0% in 4 years.

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

The following table shows the components of net periodic postretirement benefit cost for the fiscal years ended June 30, 2013, 2012 and 2011. Net periodic postretirement benefit cost for fiscal 2013 was based on employee census information as of July 1, 2012 and asset information as of June 30, 2013.

| | Year Ended June 30, | | |
|---|---------------------|---------------------|---------------------|
| | 2013 | 2012 As Restated | 2011 As Restated |
| Components of Net Periodic Postretirement Benefit Cost: | (In thousands) | | |
| Service cost | \$1,972 | \$1,817 | \$1,617 |
| Interest cost | 969 | 1,100 | 1,496 |
| Expected return on plan assets | — | — | — |
| Amortization of net gain | 17 | (164 |) (712 |

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| | | | |
|---|---------|----------|----------|
| Amortization of unrecognized transition (asset) obligation | — | — | — |
| Amortization of prior service cost (credit) | (1,757 |) (1,757 |) (358) |
| Net periodic postretirement benefit cost | \$1,201 | \$996 | \$2,043 |

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

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

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) (dollars in thousands):

| Date Established | Balance at July 1, 2012 | Annual Amortization | Years Remaining | Curtailment | Balance at June 30, 2013 |
|------------------|----------------------------|------------------------|-----------------|-------------|-----------------------------|
| January 1, 2008 | \$(1,653 |) \$230 | 7.2 | — | \$(1,423) |
| July 1, 2012 | (17,581 |) 1,527 | 11.5 | — | (16,054) |
| | \$(19,234 |) \$1,757 | | | \$(17,477) |

| | Year Ended June 30, | | Death Benefit | |
|---|---------------------|---------------------|---------------|---------------------|
| | 2013 | 2012 As Restated | 2013 | 2012 As Restated |
| Amortization of Net (Gain) Loss (dollars in thousands): | | | | |
| Net (gain) loss as of July 1 | \$(12,087) | \$(3,941) | \$1,850 | \$2,231 |
| Asset (gains) losses not yet recognized in market related value of assets | — | — | — | — |
| Net (gain) loss subject to amortization | (12,087) | (3,941) | 1,850 | 2,231 |
| Corridor (10% of greater of APBO or assets) | 872 | 1,527 | (798) | (806) |
| Net (gain) loss in excess of corridor | \$(11,215) | \$(2,414) | \$1,052 | \$1,425 |
| Amortization years | 11.1 | 11.9 | 8.0 | 8.8 |

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

| | Year Ended June 30, | |
|--|---------------------|---------------------|
| | 2013 | 2012 As Restated |
| Change in Benefit Obligation: | (In thousands) | |
| Projected postretirement benefit obligation at beginning of year | \$23,325 | \$19,957 |
| Service cost | 1,972 | 1,817 |
| Interest cost | 969 | 1,100 |
| Participant contributions | 729 | 665 |
| Amendments | — | — |
| Actuarial (gains) losses | (8,520) | 1,419) |
| Benefits paid | (1,774) | (1,633) |
| Projected postretirement benefit obligation at end of year | \$16,701 | \$23,325 |

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

| | Year Ended June 30, | |
|--|---------------------|-------------|
| | 2013 | 2012 |
| | | As Restated |
| Change in Plan Assets: | (In thousands) | |
| Fair value of plan assets at beginning of year | \$— | \$— |
| Actual return on assets | — | — |
| Employer contributions | 1,045 | 968 |
| Participant contributions | 729 | 665 |
| Benefits paid | (1,774 |) (1,633 |
| Fair value of plan assets at end of year | — | \$— |
| Funded status of plan | \$(16,701 |) \$(23,325 |

| | June 30, | |
|--|----------------|-------------|
| | 2013 | 2012 |
| | | As Restated |
| Amounts Recognized in the Consolidated Balance Sheet Consist of: | (In thousands) | |
| Non-current assets | \$— | \$— |
| Current liabilities | (625 |) (799 |
| Non-current liabilities | (16,076 |) (22,526 |
| Total | \$(16,701 |) \$(23,325 |

| | Year Ended June 30, | |
|---|---------------------|-------------|
| | 2013 | 2012 |
| | | As Restated |
| Amounts Recognized in Accumulated OCI Consist of: | (In thousands) | |
| Net gain | \$(10,131 |) \$(1,594 |
| Transition obligation | — | — |
| Prior service cost (credit) | (17,604 |) (19,361 |
| Total accumulated OCI | \$(27,735 |) \$(20,955 |

| | Year Ended June 30, | |
|---|---------------------|-------------|
| | 2013 | 2012 |
| | | As Restated |
| Other Changes in Plan Assets and Benefit Obligations Recognized in OCI: | (In thousands) | |
| Unrecognized actuarial loss (gain) | \$(8,520 |) \$1,419 |
| Unrecognized transition (asset) obligation | — | — |
| Unrecognized prior service cost | — | — |
| Amortization of net loss | (17 |) 164 |
| Amortization of prior service cost | 1,757 | 1,757 |
| Total recognized in OCI | (6,780 |) 3,340 |
| Net periodic benefit cost | 1,201 | 996 |
| Total recognized in net periodic benefit cost and OCI | \$(5,579 |) \$4,336 |

The estimated net gain and prior service cost (credit) that will be amortized from accumulated OCI into net periodic benefit cost in fiscal 2014 are \$0.8 million and \$1.8 million, respectively.

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

Estimated Future Benefit Payments (in thousands):

| | |
|--------------------------------|---------|
| Year ending | |
| June 30, 2014 | \$640 |
| June 30, 2015 | \$762 |
| June 30, 2016 | \$836 |
| June 30, 2017 | \$913 |
| June 30, 2018 | \$1,034 |
| June 30, 2019 to June 30, 2023 | \$6,522 |

Expected Contributions (in thousands)

| | |
|---------------|-------|
| June 30, 2014 | \$640 |
|---------------|-------|

Sensitivity in Fiscal 2013 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 2013 (in thousands):

| | 1-Percentage Point | | |
|---|--------------------|----------|---|
| | Increase | Decrease | |
| Effect on total of service and interest cost components | \$305 | \$(271) |) |
| Effect on accumulated postretirement benefit obligation | \$1,230 | \$(976) |) |

Note 12. Bank Loan

On September 12, 2011, the Company entered into an Amended and Restated Loan and Security Agreement (the "Loan Agreement") among the Company and Coffee Bean International, Inc. ("CBI"), as Borrowers, certain of the Company's other subsidiaries, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association ("Wells Fargo"), as Agent.

On January 9, 2012, the Loan Agreement was amended in connection with JPMorgan Chase Bank, N.A. ("JPMorgan Chase"), becoming an additional Lender thereunder. On March 18, 2013, the Loan Agreement was amended further ("Amendment No. 2") to amend the definition of "Maximum Credit" available thereunder to \$75.0 million from \$85.0 million. Pursuant to Amendment No. 2, Wells Fargo will provide a commitment of \$53.0 million and JPMorgan Chase will provide a commitment of \$22.0 million.

The Loan Agreement provides for a senior secured revolving credit facility of up to \$75.0 million, with a letter of credit sublimit of \$20.0 million. The revolving credit facility provides for advances of 85% of eligible accounts receivable and 75% of eligible inventory (subject to a \$60.0 million inventory loan limit), as defined. The Loan Agreement provides for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.0% to Adjusted Eurodollar Rate + 2.5%. The Loan Agreement has an amendment fee of 0.375% and an unused line fee of 0.25%. Outstanding obligations under the Loan Agreement are collateralized by all of the Borrowers' assets, including the Company's preferred stock portfolio. The Loan Agreement expires on March 2, 2015.

The Loan Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including those relating to reporting requirements, maintenance of records, properties and corporate existence, compliance with laws, incurrence of other indebtedness and liens, limitations on certain payments, including the payment of dividends and capital expenditures, and transactions and extraordinary corporate events. The Loan Agreement allows the Company to pay dividends, provided, among other things, certain liquidity requirements are met, the aggregate amount of all such payments in any fiscal year shall not exceed \$7.0 million (\$1.75 million in any fiscal quarter), and no event of default exists or has occurred and is continuing as of the date of any such payment

and after giving effect thereto. The Loan Agreement also contains financial covenants requiring the Borrowers to maintain minimum Excess Availability and Total Liquidity levels. The Loan Agreement allows the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to the Company, to reflect events, conditions, or risks that would have a reasonable likelihood of adversely affecting the Lender's collateral or the Company's assets, including the Company's green coffee inventory.

Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

Effective December 1, 2012, the Company entered into an interest rate swap transaction utilizing a notional amount of \$10.0 million and a maturity date of March 1, 2015. The Company entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of its borrowings under the revolving credit facility. The swap transaction is intended to manage the Company's interest rate risk related to its revolving credit facility and requires the Company to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA. As of June 30, 2013, the variable interest rate based on 1-month USD LIBOR-BBA was 0.19%.

The Company has not designated its interest rate swap as an accounting hedge. The Company records the interest rate swap on its consolidated balance sheet at fair value with the changes in fair value recorded as gain or loss in "Other, net" in its consolidated statements of operations. In fiscal 2013, the Company recorded a loss of \$25,000 for the change in fair value of its interest rate swap. No such gains or losses were recorded in fiscal 2012 (see Note 3). On June 30, 2013, the Company was eligible to borrow up to a total of \$61.7 million under the credit facility. As of June 30, 2013, the Company had outstanding borrowings of \$19.8 million, including loan extension fees of \$0.1 million, utilized \$11.6 million of the letters of credit sublimit, and had excess availability under the credit facility of \$30.3 million. In connection with entering into the interest rate swap agreement, the Company reclassified \$10.0 million of its borrowings under the revolving credit facility as long-term because the Company intends to repay the borrowings in accordance with the termination date of the swap agreement which extends beyond one year. At June 30, 2013, the weighted average interest rate on the Company's outstanding borrowings under the credit facility was 1.37%.

As of June 30, 2013, the Company was in compliance with all restrictive covenants under the credit facility. On October 3, 2013, the Company and Wells Fargo, as Agent, and the Lenders entered into a Letter Agreement regarding Waiver of Event of Default (the "Waiver Agreement") pursuant to which Wells Fargo agreed to waive the event of default arising under the Loan Agreement as a result of the Company's failure to furnish, in a timely manner, its audited consolidated financial statements and unaudited consolidating financial statements, and the accompanying notes thereto, together with the unqualified opinion of independent certified public accountants with respect to the audited consolidated financial statements, for the fiscal year ended June 30, 2013; provided that the Company furnish to Agent such financial information by October 15, 2013. There can be no assurance that the Lenders will issue a waiver or grant an amendment to the covenants in future periods, if the Company required one.

Note 13. 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. The loans will be 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 1.69% at June 30, 2013, which is updated on a quarterly basis.

| | As of and for the years ended | | |
|----------------------------|-------------------------------|----------|----------|
| | June 30, | | |
| | 2013 | 2012 | 2011 |
| Loan amount (in thousands) | \$20,836 | \$25,637 | \$30,437 |
| Shares purchased | — | — | — |

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.

In fiscal 2011, the Company used \$1.3 million of the dividends 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 2013 and 2012. In fiscal 2011, the Company issued 1,040 shares of common stock to the ESOP to compensate for a shortfall in unallocated, uncommitted shares.

The Company reports compensation expense equal to the fair market value of shares committed to be released to employees in the period in which they are committed. The cost of shares purchased by the ESOP which have not been committed to be released or allocated to participants are shown as a contra-equity account "Unearned ESOP Shares" and

are excluded from earnings per share calculations.

During the fiscal years ended June 30, 2013, 2012 and 2011, the Company charged \$2.1 million, \$1.5 million, and \$2.6 million to compensation expense related to the ESOP. The difference between cost and fair market value of committed to be

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Notes to Consolidated Financial Statements (continued)

released shares, which was \$0.1 million, \$0.1 million and \$(1.4) million for the fiscal years ended June 30, 2013, 2012 and 2011, respectively, is recorded as additional paid-in capital.

| | June 30, 2013 | 2012 |
|---------------------------------|------------------|-----------|
| Allocated shares | 1,885,060 | 1,763,742 |
| Committed to be released shares | 173,244 | 185,538 |
| Unallocated shares | 738,355 | 911,599 |
| Total ESOP shares | 2,796,659 | 2,860,879 |

| | (In thousands) | |
|---------------------------|----------------|----------|
| Fair value of ESOP shares | \$39,321 | \$22,773 |

Note 14. Share-based Compensation

On August 23, 2007, the Company's Board of Directors approved the Farmer Bros. Co. 2007 Omnibus Plan (the "Omnibus Plan"), which was approved by stockholders on December 6, 2007. On December 6, 2012, the stockholders approved an amendment to increase the maximum number of shares of common stock available for issuance under the Omnibus Plan to 1,125,000 from 1,000,000, subject to adjustment as provided in the Omnibus Plan. Prior to adoption of the Omnibus Plan the Company had no share-based compensation plan. Awards issued under the Omnibus Plan may take the form of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance-based awards, stock payments, cash-based awards or other incentives payable in cash or shares of stock, or any combination thereof. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms and conditions of the award.

The Company measures and recognizes compensation expense for all share-based payment awards made under the Omnibus Plan based on estimated fair values.

Stock Options

The Company estimates the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period in the Company's consolidated statements of operations.

Share-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Compensation expense recognized for all stock option awards granted is recognized using the straight-line method over the vesting period. The options generally vest ratably over a period of 3 years, however, fiscal 2012 grants included nonqualified stock option awards to executive officers with different vesting periods, in each case, subject to certain events of acceleration as provided in the applicable employment agreement or award agreement with the executive officer.

The share-based compensation expense recognized in the Company's consolidated statements of operations for the fiscal years ended June 30, 2013, 2012 and 2011 is based on awards ultimately expected to vest. Currently, management estimates an annual forfeiture rate of 6.5% based on actual forfeiture experience from the inception of the Omnibus Plan. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company uses the Black-Scholes option valuation model, which requires management to make certain assumptions for estimating the fair value of stock options at the date of the grant. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion the existing models may not necessarily provide a reliable single measure of the fair value of the Company's stock options. Although the fair value of stock options is determined using an option

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

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Notes to Consolidated Financial Statements (continued)

The following are the weighted average assumptions used in the Black-Scholes valuation model:

| | Year Ended June 30, | | | | |
|---------------------------------|---------------------|---------|---------|---|---|
| | 2013 | 2012 | 2011 | | |
| Average fair value of options | \$5.69 | \$4.42 | \$7.05 | | |
| Forfeiture rate | 6.5 | % 6.5 | % 6.5 | % | % |
| Risk-free interest rate | 0.9 | % 1.1 | % 2.7 | % | % |
| Dividend yield | — | % — | % 1.3 | % | % |
| Average expected life | 6 years | 6 years | 6 years | | |
| Expected stock price volatility | 49.5 | % 52.5 | % 54.7 | % | % |

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 life is based on the midpoint between the vesting date and the end of the contractual term of the award.

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

| Outstanding Stock Options: | Number of Stock Options | Weighted Average Exercise Price (\$) | Weighted Average Grant Date Fair Value (\$) | Weighted Average Remaining Life (Years) | Aggregate Intrinsic Value (Dollars in thousands) |
|--|-------------------------|--------------------------------------|---|---|--|
| Outstanding at June 30, 2010 | 404,943 | 20.17 | 6.25 | 5.8 | — |
| Granted | 327,656 | 14.95 | 7.05 | — | — |
| Cancelled/Forfeited | (234,789) | 19.21 | 6.97 | — | — |
| Outstanding at June 30, 2011 | 497,810 | 17.19 | 6.44 | 5.7 | 61 |
| Granted | 356,834 | 8.90 | 4.42 | — | — |
| Cancelled/Forfeited | (187,409) | 16.89 | 5.06 | — | — |
| Outstanding at June 30, 2012 | 667,235 | 12.84 | 4.78 | 4.8 | 143 |
| Granted | 192,892 | 12.12 | 5.69 | 6.5 | 374 |
| Exercised | (117,482) | 10.24 | 5.23 | — | 336 |
| Cancelled/Forfeited | (185,218) | 13.83 | 5.92 | — | — |
| Outstanding at June 30, 2013 | 557,427 | 12.81 | 5.44 | 5.1 | 1,620 |
| Vested and exercisable, June 30, 2013 | 241,766 | 15.43 | 5.85 | 3.9 | 515 |
| Vested and expected to vest, June 30, 2013 | 529,637 | 12.91 | 5.45 | 5.1 | 1,527 |

The aggregate intrinsic values in the table above represent the total pretax intrinsic value, based on the Company's closing stock price of \$14.06 at June 28, 2013, \$7.96 at June 29, 2012 and \$10.14 at June 30, 2011, representing the last trading day of the respective fiscal years, which would have been received by award holders had all award holders exercised their awards that were in-the-money as of those dates. Total fair value of options vested during fiscal 2013, 2012 and 2011 was \$1.0 million, \$1.2 million and \$0.7 million, respectively.

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Notes to Consolidated Financial Statements (continued)

| Nonvested Stock Options: | Number of Stock Options | Weighted Average Exercise Price (\$) | Weighted Average Grant Date Fair Value (\$) | Weighted Average Remaining Life (Years) |
|------------------------------|----------------------------------|---|--|--|
| Outstanding at June 30, 2010 | 300,794 | 19.42 | 6.22 | 2.1 |
| Granted | 327,656 | 14.95 | 7.05 | — |
| Vested | (105,458) | 20.29 | 6.30 | — |
| Forfeited | (200,123) | 18.74 | 7.09 | — |
| Outstanding at June 30, 2011 | 322,869 | 15.02 | 6.50 | 1.7 |
| Granted | 356,834 | 8.90 | 4.42 | 6.6 |
| Vested | (243,518) | 13.00 | 5.85 | — |
| Forfeited | (92,946) | 12.54 | 5.80 | — |
| Outstanding at June 30, 2012 | 343,239 | 10.76 | 4.20 | 6.3 |
| Granted | 192,892 | 12.12 | 5.69 | 6.5 |
| Vested | (188,909) | 11.56 | 5.33 | — |
| Forfeited | (31,561) | 13.82 | 5.92 | — |
| Outstanding at June 30, 2013 | 315,661 | 10.80 | 5.12 | 6.1 |

As of June 30, 2013, 2012 and 2011, there was approximately \$1.3 million, \$1.3 million and \$1.5 million, respectively, of unrecognized compensation cost related to stock options. Compensation expense recognized in general and administrative expenses was \$0.9 million, \$1.2 million and \$0.7 million for fiscal 2013, 2012 and 2011, respectively.

Restricted Stock

During each of fiscal 2013, 2012 and 2011 the Company granted a total of 51,177 shares, 142,070 shares and 63,979 shares of restricted stock, respectively, with a weighted average grant date fair value of \$11.67, \$7.70 and \$16.67 per share, respectively, to eligible employees, officers and directors under the Omnibus Plan. Shares of restricted stock generally vest at the end of three years for eligible employees and officers who are employees. The fiscal 2012 grants included awards to executive officers with different vesting periods, in each case, subject to accelerated vesting as provided in the applicable employment agreement or award agreement with the executive officer. Shares of restricted stock generally vest ratably over a period of three years for directors.

Compensation expense is recognized on a straight-line basis over the service period based on the estimated fair value of the restricted stock. Compensation expense recognized in general and administrative expenses was \$0.6 million, \$0.6 million and \$0.5 million, for the fiscal years ended June 30, 2013, 2012 and 2011, respectively. As of June 30, 2013, 2012 and 2011, there was approximately \$1.0 million, \$1.3 million and \$0.9 million, respectively, of unrecognized compensation cost related to restricted stock.

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

The following table summarizes restricted stock activity:

| 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, 2010 | 80,208 | 19.91 | 2.0 | 1,210 |
| Granted | 63,979 | 16.67 | — | 1,066 |
| Exercised/Released | (20,674) |) 21.52 | — | 332 |
| Cancelled/Forfeited | (42,826) |) 19.19 | — | 497 |
| Outstanding at June 30, 2011 | 80,687 | 17.31 | 2.6 | 818 |
| Granted | 142,070 | 7.70 | 2.1 | 1,094 |
| Exercised/Released | (27,227) |) 15.80 | — | 202 |
| Cancelled/Forfeited | (19,583) |) 13.92 | — | — |
| Outstanding June 30, 2012 | 175,947 | 10.16 | 1.9 | 1,401 |
| Granted | 51,177 | 11.67 | — | 597 |
| Exercised/Released | (64,668) |) 11.27 | — | 832 |
| Cancelled/Forfeited | (23,096) |) 12.21 | — | — |
| Outstanding at June 30, 2013 | 139,360 | 9.87 | 1.9 | 1,959 |
| Expected to vest, June 30, 2013 | 117,099 | 9.84 | 1.9 | 1,646 |

Note 15. Other Current Liabilities

Other current liabilities consist of the following:

| | June 30, 2013 | 2012 As Restated |
|---|------------------|---------------------|
| | (In thousands) | |
| Accrued postretirement benefits | \$625 | \$798 |
| Accrued workers' compensation liabilities | 1,496 | 1,244 |
| Short-term pension liabilities | 347 | 686 |
| Other (including net taxes payable) | 2,703 | 2,568 |
| | \$5,171 | \$5,296 |

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

Note 16. Income Taxes

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

| | June 30, 2013 | | 2012 As Restated | | 2011 As Restated |
|--|------------------|---|---------------------|---|---------------------|
| | (In thousands) | | | | |
| Current: | | | | | |
| Federal | \$(24 |) | \$(385 |) | \$(4 |
| State | 191 | | 115 | | 323 |
| Total current income tax expense (benefit) | 167 | | (270 |) | 319 |
| Deferred: | | | | | |
| Federal | (819 |) | (63 |) | (11,373 |
| State | (173 |) | (14 |) | (2,342 |
| Total deferred income tax benefit | (992 |) | (77 |) | (13,715 |
| Income tax benefit | \$(825 |) | \$(347 |) | \$(13,396 |

Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in ASC 740, "Tax Provisions," when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the income tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the income tax expense recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from postretirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the fiscal years ended June 30, 2013, 2012 and 2011, the Company recorded income tax expense of \$1.1 million, \$0 and \$14.1 million, respectively, in OCI related to the gain on postretirement benefits, and recorded a corresponding income tax benefit of \$1.1 million, \$0 and \$14.1 million, respectively, in continuing operations.

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

| | June 30, 2013 | | 2012 As Restated | | 2011 As Restated |
|---|------------------|---|---------------------|---|---------------------|
| Statutory tax rate | 34% | | 34% | | 34% |
| | (In thousands) | | | | |
| Income tax benefit at statutory rate | \$(3,158 |) | \$(9,154 |) | \$(22,246 |
| State income tax (net of federal tax benefit) | (223 |) | (1,023 |) | (2,874 |
| Dividend income exclusion | — | | (85 |) | (532 |
| Valuation allowance | 3,074 | | 10,588 | | 13,188 |
| Change in contingency reserve (net) | (7 |) | (561 |) | (1,308 |
| Research tax credit (net) | — | | (15 |) | (16 |
| Other (net) | (511 |) | (97 |) | 392 |
| Income tax benefit | \$(825 |) | \$(347 |) | \$(13,396 |

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

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

| | June 30, 2013 | 2012 As Restated | 2011 As Restated |
|---------------------------------|------------------|---------------------|---------------------|
| | (In thousands) | | |
| Deferred tax assets: | | | |
| Postretirement benefits | \$26,014 | \$27,568 | \$18,260 |
| Accrued liabilities | 4,477 | 3,958 | 4,138 |
| Capital loss carryforward | 1,105 | 2,865 | 2,945 |
| Net operating loss carryforward | 44,607 | 44,736 | 36,328 |
| Intangible assets | 694 | 919 | — |
| Other | 7,840 | 3,080 | 5,458 |
| Total deferred tax assets | 84,737 | 83,126 | 67,129 |
| Deferred tax liabilities: | | | |
| Fixed assets | (2,641 |) (4,117 |) (7,881 |
| Intangible assets | — | — | (1,032 |
| Other | (882 |) (794 |) (814 |
| Total deferred tax liabilities | (3,523 |) (4,911 |) (9,727 |
| Valuation allowance | (82,522 |) (79,448 |) (58,712 |
| Net deferred tax liability | \$(1,308 |) \$(1,233 |) \$(1,310 |

The Company has approximately \$114.4 million and \$112.7 million of federal and state net operating loss carryforwards that will begin to expire in the years ending June 30, 2025 and June 30, 2020, respectively. The Company also has approximately \$2.7 million and \$1.2 million of federal and state capital loss carryforwards, respectively, that may only be used to offset capital gains that begin expiring in June 30, 2014. Additionally, the Company has \$0.8 million of federal business tax credits that begin expiring in June 30, 2025 and \$2.2 million of charitable contributions carryforwards that begin expiring in June 30, 2014.

At June 30, 2013, the Company had total deferred tax assets of \$84.7 million and net deferred tax assets before valuation allowance of \$81.2 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 earnings projections.

After consideration of positive and negative evidence, including the recent history of losses, the Company cannot conclude that it is more likely than not that it will generate future earnings sufficient to realize the Company's deferred tax assets as of June 30, 2013. Accordingly, a valuation allowance of \$82.5 million has been recorded to offset this deferred tax asset. The valuation allowance increased by \$3.1 million, \$20.7 million and \$13.3 million, in the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

A tabular reconciliation of the total amounts (in absolute values) of unrecognized tax benefits is as follows:

| | Year Ended June 30, 2013 | 2012 As Restated | 2011 As Restated |
|---|-----------------------------|---------------------|---------------------|
| | (In thousands) | | |
| Unrecognized tax benefits at beginning of year | \$3,211 | \$3,902 | \$5,218 |
| Increases in tax positions for prior years | — | — | — |
| (Decreases) increases in tax positions for current year | — | — | (1,316 |

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| | | | |
|--|---------|---------|---------|
| Settlements | — | (691 |) — |
| Lapse in statute of limitations | — | — | — |
| Unrecognized tax benefits at end of year | \$3,211 | \$3,211 | \$3,902 |

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

At June 30, 2013 and 2012, the Company has approximately \$3.1 million and \$3.1 million, respectively, of unrecognized tax benefits that, if recognized, would affect the effective tax rate, subject to the valuation allowance. The Company believes it is reasonably possible that none of its total unrecognized tax benefits could be released in the next 12 months.

The Company appealed a decision reached by the Internal Revenue Service regarding its June 30, 2003 through June 30, 2008 tax returns, and in August 2013 the appeals officer upheld the audit result. Additionally, in January 2012, the State of California completed an audit of the Company's June 30, 2006 and June 30, 2007 tax returns, and the Company also reached a Settlement Agreement with the State of California regarding the Company's June 30, 2002 to June 30, 2005 research and development tax credit claims. As a result of these decisions, the Company released none of the unrecognized tax benefit in the fourth quarter of fiscal 2013.

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, 2003.

The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. As of June 30, 2013 and 2012, the Company recorded \$0 and \$10,000, respectively, in accrued interest and penalties associated with uncertain tax positions. Additionally, the Company recorded income (expense) of \$10,000, \$37,000 and \$(12,000), related to interest and penalties on uncertain tax positions in the years ended June 30, 2013, 2012 and 2011, respectively.

Note 17. Earnings (Loss) Per Common Share

| | Year ended June 30, | | |
|--|--|--------------|--------------|
| | 2013 | 2012 | 2011 |
| | | As Restated | As Restated |
| | (In thousands, except share and per share amounts) | | |
| Net loss attributable to common stockholders—basic | \$ (8,401 |) \$ (26,274 |) \$ (51,631 |
| Net loss attributable to nonvested restricted stockholders | (61 |) (302 |) (402 |
| Total net loss | \$ (8,462 |) \$ (26,576 |) \$ (52,033 |
| Weighted average shares outstanding—basic | 15,604,452 | 15,492,314 | 15,066,663 |
| Effect of dilutive securities: | | | |
| Shares issuable under stock options | — | — | — |
| Weighted average shares outstanding—diluted | 15,604,452 | 15,492,314 | 15,066,663 |
| Net loss per common share—basic and diluted | \$ (0.54 |) \$ (1.72 |) \$ (3.45 |

Note 18. Commitments and Contingencies

With the acquisition of the DSD Coffee Business in the fiscal year ended June 30, 2009, the Company assumed some of the operating lease obligations associated with the acquired vehicles. The Company also refinanced some of the existing leases and entered into new capital leases for certain vehicles. The terms of the capital leases vary from 12 months to 84 months with varying expiration dates through 2020.

The Company is also obligated under operating leases for branch warehouses. Some operating leases have renewal options that allow the Company, as lessee, to extend the leases. The Company has one operating lease with a term greater than five years that expires in 2018 and has a ten year renewal option, and operating leases for computer hardware with terms that do not exceed five years. Rent expense for the fiscal years ended June 30, 2013, 2012 and 2011 was \$3.6 million, \$4.5 million and \$6.3 million, respectively.

In May 2011, the Company did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers. As a result, the Company was required to post a \$5.9 million letter of credit as a security deposit to the State of California Department of Industrial Relations Self-Insurance Plans. As of June 30, 2013, this letter of credit continues to serve as a security deposit and has been reduced to \$5.4 million.

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

Contractual obligations for future fiscal years are as follows (in thousands):

| Year Ended June 30, | Contractual Obligations | | | | | |
|---|---------------------------|-----------------------------|--------------------------|--|---------------------------|----------------------|
| | Capital Lease Obligations | Operating Lease Obligations | Pension Plan Obligations | Postretirement Benefits Other Than Pension Plans | Revolving Credit Facility | Purchase Commitments |
| 2014 | \$4,001 | \$3,868 | \$6,641 | \$ 640 | \$9,654 | \$ 18,583 |
| 2015 | 3,692 | 3,130 | 6,794 | 762 | 10,000 | — |
| 2016 | 3,376 | 2,151 | 6,951 | 836 | — | — |
| 2017 | 1,469 | 1,398 | 7,228 | 913 | — | — |
| 2018 | 797 | 1,214 | 7,477 | 1,034 | — | — |
| Thereafter | 93 | 833 | 42,443 | 6,522 | — | — |
| | | \$12,594 | \$77,534 | \$ 10,707 | \$19,654 | \$ 18,583 |
| Total minimum lease payments | \$13,428 | | | | | |
| Less: imputed interest (0.82% to 10.7%) | (1,260) | | | | | |
| Present value of future minimum lease payments | \$12,168 | | | | | |
| Less: current portion | 3,409 | | | | | |
| Long-term capital lease obligations | \$8,759 | | | | | |

On August 31, 2012, the Council for Education and Research on Toxics (“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 requested 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. The Company has joined a Joint Defense Group and, along with the other co-defendants, has answered the complaint, and the pleadings stage of case has been completed. Discovery in preparation for trial recently commenced, following a stay while summary adjudication was resolved in a related case. At this time, the Company is not able to predict the probability of the outcome or estimate of loss, if any, related to these matters. 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.

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

Note 19. 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, 2013. 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 unaudited quarterly data presented below, with the exception of the quarter ended June 30, 2013, have been restated to correct errors related to the Company's accounting for certain postretirement benefit obligations for its retiree medical plan, failure to timely adopt accounting guidance relating to a postretirement death benefit, when originally issued, and failure to record the appropriate amounts reflecting the cash surrender value of life insurance policies purchased by the Company to fund the postretirement death benefit, as well as to reflect corrections for certain immaterial adjustments and reclassifications to conform to the current year presentation. See Note 2 for additional information. In addition, reconciliations from the amounts as originally reported to the applicable restated amounts for the quarters ended March 31, 2013, December 31, 2012, September 30, 2012, June 30, 2012, March 31, 2012, December 31, 2011 and September 30, 2011 can be found in the unaudited consolidated financial statements immediately following the tables below.

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.

| | September 30, 2012 As Restated | December 31, 2012 As Restated | March 31, 2013 As Restated | June 30, 2013 |
|--|---------------------------------------|-------------------------------------|----------------------------------|---------------------------------|
| | (In thousands, except per share data) | | | |
| Net sales | \$119,153 | \$135,705 | \$126,343 | \$128,763 |
| Gross profit | \$44,621 | \$50,353 | \$48,675 | \$47,490 |
| (Loss) income from operations | \$(1,419) |) \$547 | \$(494) |) \$(2,729) |
| Net income (loss) | \$2,979 | \$(7,157) | \$(1,306) |) \$(2,978) |
| Net income (loss) per common share—basic and diluted | \$0.19 | \$(0.46) | \$(0.08) |) \$(0.19) |
| | September 30, 2011 As Restated | December 31, 2011 As Restated | March 31, 2012 As Restated | June 30, 2012 As Restated |
| | (In thousands, except per share data) | | | |
| Net sales | \$121,197 | \$131,770 | \$121,527 | \$120,948 |
| Gross profit | \$39,685 | \$44,541 | \$43,147 | \$45,529 |
| Loss from operations | \$(4,334) |) \$(5,353) | \$(3,812) |) \$(8,615) |
| Net loss | \$(7,280) |) \$(3,813) | \$(5,211) |) \$(10,272) |
| Net loss per common share—basic and diluted | \$(0.48) |) \$(0.25) | \$(0.33) |) \$(0.65) |

During the fourth quarter and for the fiscal year ended June 30, 2013, the Company recorded \$0.1 million in impairment loss on indefinite-lived intangible assets (see Note 1). During the fourth quarter and for the fiscal year ended June 30, 2012, the Company recorded \$5.1 million in impairment loss on goodwill and \$0.5 million in impairment loss on its indefinite-lived intangible assets related to CBI (see Note 1). During the fourth quarter of fiscal 2012, the Company also recorded \$9.2 million in income tax benefit (see Note 16).

The following tables present the effects of adjustments made to the Company's previously reported unaudited consolidated quarterly financial statements for the quarters ended March 31, 2013, December 31, 2012, September 30, 2012, June 30, 2012, March 31, 2012, December 31, 2011 and September 30, 2011. For further information regarding

these adjustments, see Note 2.

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

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

| | March 31, 2013 | | | December 31, 2012 | | |
|---|---------------------|-----------------|-------------|---------------------|-----------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated | Previously Reported | Adjustments (1) | As Restated |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$5,525 | \$— | \$5,525 | \$5,218 | \$— | \$5,218 |
| Restricted cash | 3,751 | — | 3,751 | — | 3,599 | 3,599 |
| Short-term investments | 20,769 | — | 20,769 | 20,570 | (17) | 20,553 |
| Accounts and notes receivable, net | 42,793 | — | 42,793 | 43,752 | — | 43,752 |
| Inventories | 67,273 | — | 67,273 | 68,385 | — | 68,385 |
| Income tax receivable | 139 | (22) | 117 | 478 | (6) | 472 |
| Prepaid expenses | 2,800 | — | 2,800 | 2,740 | — | 2,740 |
| Total current assets | 143,050 | (22) | 143,028 | 141,143 | 3,576 | 144,719 |
| Property, plant and equipment, net | 93,837 | 1 | 93,838 | 98,159 | 1 | 98,160 |
| Intangible assets, net | 6,586 | — | 6,586 | 6,929 | — | 6,929 |
| Other assets | 3,026 | 2,221 | 5,247 | 3,052 | 2,221 | 5,273 |
| Deferred income taxes | 854 | 7 | 861 | 854 | 7 | 861 |
| Total assets | \$247,353 | \$2,207 | \$249,560 | \$250,137 | \$5,805 | \$255,942 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$30,909 | \$(1,031) | \$29,878 | \$31,594 | \$(1,141) | \$30,453 |
| Accrued payroll expenses | 16,735 | (1,363) | 15,372 | 18,372 | (1,363) | 17,009 |
| Short-term borrowings under revolving credit facility | 9,912 | — | 9,912 | 15,074 | — | 15,074 |
| Short-term obligations under capital leases | 3,435 | — | 3,435 | 3,527 | — | 3,527 |
| Short-term derivative liability | — | 5,916 | 5,916 | — | 6,292 | 6,292 |
| Deferred income taxes | 1,480 | (35) | 1,445 | 1,479 | (34) | 1,445 |
| Other current liabilities | 16,492 | (9,764) | 6,728 | 11,691 | (6,449) | 5,242 |
| Total current liabilities | 78,963 | (6,277) | 72,686 | 81,737 | (2,695) | 79,042 |
| Long-term borrowings under revolving credit facility | 10,000 | — | 10,000 | 10,000 | — | 10,000 |
| Accrued postretirement benefits | 35,393 | (12,404) | 22,989 | 35,158 | (12,280) | 22,878 |
| Other long-term liabilities—capital leases | 9,552 | — | 9,552 | 10,617 | — | 10,617 |
| Accrued pension liabilities | 41,973 | 5,678 | 47,651 | 41,778 | 5,678 | 47,456 |
| Accrued workers' compensation liabilities | 4,022 | — | 4,022 | 4,022 | — | 4,022 |
| Deferred income taxes | 718 | 41 | 759 | 607 | 41 | 648 |
| Total liabilities | \$180,621 | \$(12,962) | \$167,659 | \$183,919 | \$(9,256) | \$174,663 |
| Commitments and contingencies | | | | | | |
| Stockholders' equity: | | | | | | |
| Preferred stock, \$1.00 par value, 500,000 shares authorized and none | \$— | \$— | \$— | \$— | \$— | \$— |

issued

Common stock, \$1.00 par value,
25,000,000 shares authorized;

| | | | | | | |
|---|--------|---|--------|--------|---|--------|
| 16,449,456 and 16,341,662 issued and outstanding as of March 31, 2013 and December 31, 2012, respectively | 16,449 | — | 16,449 | 16,342 | — | 16,342 |
|---|--------|---|--------|--------|---|--------|

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

| (In thousands, except share and per share data) | March 31, 2013 | | | December 31, 2012 | | |
|--|---------------------|-----------------|-------------|---------------------|-----------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated | Previously Reported | Adjustments (1) | As Restated |
| Additional paid-in capital | 33,728 | — | 33,728 | 31,906 | — | 31,906 |
| Retained earnings | 94,620 | 2,436 | 97,056 | 96,035 | 2,328 | 98,363 |
| Unearned ESOP shares | (20,836) | — | (20,836) | (20,836) | — | (20,836) |
| Less accumulated other comprehensive loss (income) | (57,229) | 12,733 | (44,496) | (57,229) | 12,733 | (44,496) |
| Total stockholders' equity | \$66,732 | \$ 15,169 | \$81,901 | \$66,218 | \$ 15,061 | \$81,279 |
| Total liabilities and stockholders' equity | \$247,353 | \$ 2,207 | \$249,560 | \$250,137 | \$ 5,805 | \$255,942 |

(1) For details see the introduction section included in Note 2.

Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

| | September 30, 2012 | | | March 31, 2012 | | |
|--|---------------------|-----------------|-------------|---------------------|-----------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated | Previously Reported | Adjustments (1) | As Restated |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$2,545 | \$— | \$2,545 | \$3,463 | \$— | \$3,463 |
| Restricted cash | — | 129 | 129 | — | 1,774 | \$1,774 |
| Short-term investments | 20,591 | (105) | 20,486 | 18,715 | (229) | 18,486 |
| Accounts and notes receivable, net | 43,139 | — | 43,139 | 41,685 | — | 41,685 |
| Inventories | 69,924 | — | 69,924 | 75,762 | (311) | 75,451 |
| Income tax receivable | 388 | (19) | 369 | 825 | 5 | 830 |
| Prepaid expenses | 3,091 | — | 3,091 | 2,792 | (1) | 2,791 |
| Total current assets | 139,678 | 5 | 139,683 | 143,242 | 1,238 | 144,480 |
| Property, plant and equipment, net | 103,315 | 2 | 103,317 | 106,622 | 233 | 106,855 |
| Goodwill | — | — | — | 5,310 | — | 5,310 |
| Intangible assets, net | 7,272 | — | 7,272 | 8,232 | — | 8,232 |
| Other assets | 3,138 | 2,220 | 5,358 | 2,766 | 2,073 | 4,839 |
| Deferred income taxes | 854 | 7 | 861 | 1,005 | 2 | 1,007 |
| Total assets | \$254,257 | \$2,234 | \$256,491 | \$267,177 | \$3,546 | \$270,723 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$29,201 | \$(5) | \$29,196 | \$31,688 | \$— | \$31,688 |
| Accrued payroll expenses | 19,704 | (1,363) | 18,341 | 16,757 | 1,283 | 18,040 |
| Short-term borrowings under revolving credit facility | 24,996 | — | 24,996 | 28,702 | — | 28,702 |
| Short-term obligations under capital leases | 3,683 | — | 3,683 | 2,745 | — | 2,745 |
| Short-term derivative liability | — | 29 | 29 | — | 2,585 | 2,585 |
| Deferred income taxes | 1,480 | (35) | 1,445 | 500 | (24) | 476 |
| Other current liabilities | 10,148 | (4,880) | 5,268 | 12,005 | (6,718) | 5,287 |
| Total current liabilities | 89,212 | (6,254) | 82,958 | 92,397 | (2,874) | 89,523 |
| Accrued postretirement benefits | 34,970 | (12,155) | 22,815 | 24,715 | (5,476) | 19,239 |
| Other long-term liabilities—capital leases | 11,368 | — | 11,368 | 9,759 | — | 9,759 |
| Accrued pension liabilities | 41,539 | 5,678 | 47,217 | 21,231 | 5,678 | 26,909 |
| Accrued workers' compensation liabilities | 4,131 | — | 4,131 | 3,821 | — | 3,821 |
| Deferred income taxes | 607 | 42 | 649 | 1,815 | 27 | 1,842 |
| Total liabilities | \$181,827 | \$(12,689) | \$169,138 | \$153,738 | \$(2,645) | \$151,093 |
| Commitments and contingencies | | | | | | |
| Stockholders' equity: | | | | | | |
| Preferred stock, \$1.00 par value, 500,000 shares authorized and none issued | \$— | \$— | \$— | \$— | \$— | \$— |

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| | | | | | | |
|---|--------|---|--------|--------|---|--------|
| Common stock, \$1.00 par value, 25,000,000 shares authorized; 16,314,154 and 16,281,035 issued and outstanding as of September 30, 2012 and March 31, 2012, respectively | 16,314 | — | 16,314 | 16,281 | — | 16,281 |
| Additional paid-in capital | 35,653 | — | 35,653 | 34,093 | — | 34,093 |

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

(In thousands, except share and per share data)

| | September 30, 2012 | | | March 31, 2012 | | |
|--|---------------------|-----------------|-------------|---------------------|-----------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated | Previously Reported | Adjustments (1) | As Restated |
| Retained earnings | 103,329 | 2,190 | 105,519 | 112,589 | 225 | 112,814 |
| Unearned ESOP shares | (25,637) | — | (25,637) | (25,636) | — | (25,636) |
| Less accumulated other comprehensive loss (income) | (57,229) | 12,733 | (44,496) | (23,888) | 5,966 | (17,922) |
| Total stockholders' equity | \$ 72,430 | \$ 14,923 | \$ 87,353 | \$ 113,439 | \$ 6,191 | \$ 119,630 |
| Total liabilities and stockholders' equity | \$ 254,257 | \$ 2,234 | \$ 256,491 | \$ 267,177 | \$ 3,546 | \$ 270,723 |

(1) For details see the introduction section included in Note 2.

Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

| | December 31, 2011 | | | September 30, 2011 | | |
|--|---------------------|-----------------|-------------|---------------------|-----------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated | Previously Reported | Adjustments (1) | As Restated |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$4,121 | \$— | \$4,121 | \$4,552 | \$— | \$4,552 |
| Restricted cash | — | 1,813 | 1,813 | — | 628 | 628 |
| Short-term investments | 18,881 | (1,249) | 17,632 | 16,193 | (368) | 15,825 |
| Accounts and notes receivable, net | 44,765 | — | 44,765 | 44,554 | — | 44,554 |
| Inventories | 78,185 | (311) | 77,874 | 83,408 | (310) | 83,098 |
| Income tax receivable | 170 | 8 | 178 | 161 | 7 | 168 |
| Prepaid expenses | 3,196 | — | 3,196 | 2,249 | — | 2,249 |
| Total current assets | 149,318 | 261 | 149,579 | 151,117 | (43) | 151,074 |
| Property, plant and equipment, net | 104,798 | 233 | 105,031 | 108,711 | 233 | 108,944 |
| Goodwill and intangible assets, net | 13,902 | — | 13,902 | 14,270 | — | 14,270 |
| Other assets | 2,803 | 2,074 | 4,877 | 2,846 | 2,073 | 4,919 |
| Deferred income taxes | 1,005 | 2 | 1,007 | 1,005 | 2 | 1,007 |
| Total assets | \$271,826 | \$2,570 | \$274,396 | \$277,949 | \$2,265 | \$280,214 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$39,818 | \$— | \$39,818 | \$38,414 | \$(268) | \$38,146 |
| Accrued payroll expenses | 17,243 | 1,282 | 18,525 | 14,888 | 1,283 | 16,171 |
| Short-term borrowings under revolving credit facility | 25,971 | — | 25,971 | 33,398 | — | 33,398 |
| Short-term obligations under capital leases | 1,674 | — | 1,674 | 1,588 | — | 1,588 |
| Short-term derivative liability | — | 794 | 794 | — | 3,283 | 3,283 |
| Deferred income taxes | 500 | (24) | 476 | 500 | (24) | 476 |
| Other current liabilities | 10,183 | (5,907) | 4,276 | 12,495 | (8,432) | 4,063 |
| Total current liabilities | 95,389 | (3,855) | 91,534 | 101,283 | (4,158) | 97,125 |
| Accrued postretirement benefits | 24,352 | (5,180) | 19,172 | 23,911 | (4,884) | 19,027 |
| Other long-term liabilities—capital leases | 6,254 | — | 6,254 | 6,664 | — | 6,664 |
| Accrued pension liabilities | 22,495 | 5,678 | 28,173 | 19,316 | 5,677 | 24,993 |
| Accrued workers' compensation liabilities | 3,624 | — | 3,624 | 3,639 | — | 3,639 |
| Deferred income taxes | 1,815 | 27 | 1,842 | 1,815 | 27 | 1,842 |
| Total liabilities | \$153,929 | \$(3,330) | \$150,599 | \$156,628 | \$(3,338) | \$153,290 |
| Commitments and contingencies | | | | | | |
| Stockholders' equity: | | | | | | |
| Preferred stock, \$1.00 par value, 500,000 shares authorized and none issued | \$— | \$— | \$— | \$— | \$— | \$— |
| | 16,262 | — | 16,262 | 16,187 | — | 16,187 |

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Common stock, \$1.00 par value,
 25,000,000 shares authorized;
 16,261,723 and 16,186,852 issued
 and outstanding as of December 31,
 2011 and September 30, 2011,
 respectively

| | | | | | | |
|----------------------------|---------|-----|-----------|---------|------|-----------|
| Additional paid-in capital | 33,071 | — | 33,071 | 37,259 | — | 37,259 |
| Retained earnings | 118,089 | (66 |) 118,023 | 122,200 | (363 |) 121,837 |

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

| (In thousands, except share and per share data) | December 31, 2011 | | | September 30, 2011 | | |
|--|---------------------|-----------------|-------------|---------------------|-----------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated | Previously Reported | Adjustments (1) | As Restated |
| Unearned ESOP shares | (25,637) | | (25,637) | (30,437) | — | (30,437) |
| Less accumulated other comprehensive loss (income) | (23,888) | 5,966 | (17,922) | (23,888) | 5,966 | (17,922) |
| Total stockholders' equity | \$ 117,897 | \$ 5,900 | \$ 123,797 | \$ 121,321 | \$ 5,603 | \$ 126,924 |
| Total liabilities and stockholders' equity | \$ 271,826 | \$ 2,570 | \$ 274,396 | \$ 277,949 | \$ 2,265 | \$ 280,214 |

(1) For details see the introduction section included in Note 2.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

| (In thousands, except per share data) | Three Months Ended September 30, 2012 | | | Three Months Ended September 30, 2011 | | |
|--|---------------------------------------|-----------------|-------------|---------------------------------------|-----------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated | Previously Reported | Adjustments (1) | As Restated |
| Net sales | \$ 119,153 | \$ — | \$ 119,153 | \$ 121,197 | \$ — | \$ 121,197 |
| Cost of goods sold | 74,532 | — | 74,532 | 81,512 | — | 81,512 |
| Gross profit | 44,621 | — | 44,621 | 39,685 | — | 39,685 |
| Selling expenses | 37,271 | — | 37,271 | 35,681 | — | 35,681 |
| General and administrative expenses | 8,893 | (124) | 8,769 | 8,634 | (296) | 8,338 |
| Operating expenses | 46,164 | (124) | 46,040 | 44,315 | (296) | 44,019 |
| (Loss) income from operations | (1,543) | 124 | (1,419) | (4,630) | 296 | (4,334) |
| Other income (expense): | | | | | | |
| Dividend income | 259 | — | 259 | 359 | — | 359 |
| Interest income | 92 | — | 92 | 15 | — | 15 |
| Interest expense | (457) | — | (457) | (575) | — | (575) |
| Other, net | 4,945 | — | 4,945 | (2,407) | — | (2,407) |
| Total other income (expense) | 4,839 | — | 4,839 | (2,608) | — | (2,608) |
| Income (loss) before taxes | 3,296 | 124 | 3,420 | (7,238) | 296 | (6,942) |
| Income tax expense | 422 | 19 | 441 | 346 | (8) | 338 |
| Net income (loss) | \$ 2,874 | \$ 105 | \$ 2,979 | \$ (7,584) | \$ 304 | \$ (7,280) |
| Net income (loss) per common share—basic and diluted | \$ 0.19 | | \$ 0.19 | \$ (0.50) | | \$ (0.48) |
| Weighted average common shares outstanding—basic and diluted | 15,490 | | 15,490 | 15,182 | | 15,182 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| (In thousands) | Three Months Ended September 30, 2012 | | | Three Months Ended September 30, 2011 | | |
|--|---------------------------------------|----------------|-------------|---------------------------------------|----------------|-------------|
| | Previously Reported | Adjustments(1) | As Restated | Previously Reported | Adjustments(1) | As Restated |
| Net income (loss) | \$ 2,874 | \$ 105 | \$ 2,979 | \$ (7,584) | \$ 304 | \$ (7,280) |
| Other comprehensive income (loss): | | | | | | |
| Change in the funded status of retiree benefit obligations | — | — | — | — | — | — |
| Income tax (expense) benefit | — | — | — | — | — | — |
| Total comprehensive income (loss), net of tax | \$ 2,874 | \$ 105 | \$ 2,979 | \$ (7,584) | \$ 304 | \$ (7,280) |

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

| (In thousands, except per share data) | Three Months Ended December 31, 2012 | | | Six Months Ended December 31, 2012 | | |
|---|---|--------------------|-------------|---------------------------------------|--------------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated | Previously Reported | Adjustments (1) | As Restated |
| Net sales | \$ 135,705 | \$ — | \$ 135,705 | \$ 254,858 | \$ — | \$ 254,858 |
| Cost of goods sold | 85,352 | — | 85,352 | 159,884 | — | 159,884 |
| Gross profit | 50,353 | — | 50,353 | 94,974 | — | 94,974 |
| Selling expenses | 40,765 | — | 40,765 | 78,036 | — | 78,036 |
| General and administrative expenses | 9,165 | (124) | 9,041 | 18,058 | (248) | 17,810 |
| Operating expenses | 49,930 | (124) | 49,806 | 96,094 | (248) | 95,846 |
| Income (loss) from operations | 423 | 124 | 547 | (1,120) | 248 | (872) |
| Other income (expense): | | | | | | |
| Dividend income | 284 | — | 284 | 543 | — | 543 |
| Interest income | 99 | — | 99 | 191 | — | 191 |
| Interest expense | (463) | — | (463) | (920) | — | (920) |
| Other, net | (7,656) | — | (7,656) | (2,711) | — | (2,711) |
| Total other expense | (7,736) | — | (7,736) | (2,897) | — | (2,897) |
| (Loss) income before taxes | (7,313) | 124 | (7,189) | (4,017) | 248 | (3,769) |
| Income tax (benefit) expense | (19) | (13) | (32) | 403 | 6 | 409 |
| Net (loss) income | \$(7,294) | \$ 137 | \$(7,157) | \$(4,420) | \$ 242 | \$(4,178) |
| Net (loss) income per common share—basic and diluted | \$(0.47) | | \$(0.46) | \$(0.28) | | \$(0.27) |
| Weighted average common shares outstanding—basic and diluted | 15,548 | | 15,548 | 15,520 | | 15,520 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| (In thousands) | Three Months Ended December 31, 2012 | | | Six Months Ended December 31, 2012 | | |
|---|---|----------------|-------------|------------------------------------|----------------|-------------|
| | Previously Reported | Adjustments(1) | As Restated | Previously Reported | Adjustments(1) | As Restated |
| Net (loss) income | \$(7,294) | \$ 137 | \$(7,157) | \$(4,420) | \$ 242 | \$(4,178) |
| Other comprehensive income (loss): | | | | | | |
| Change in the funded status of retiree benefit obligations | — | — | — | — | — | — |
| Income tax (expense) benefit | — | — | — | — | — | — |
| Total comprehensive (loss) income, net of tax | \$(7,294) | \$ 137 | \$(7,157) | \$(4,420) | \$ 242 | \$(4,178) |

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

| (In thousands, except per share data) | Three Months Ended December 31, 2011 | | | Six Months Ended December 31, 2011 | | |
|--|--------------------------------------|-----------------|-------------|------------------------------------|-----------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated | Previously Reported | Adjustments (1) | As Restated |
| Net sales | \$ 131,770 | \$ — | \$ 131,770 | \$ 252,967 | \$ — | \$ 252,967 |
| Cost of goods sold | 87,229 | — | 87,229 | 168,741 | — | 168,741 |
| Gross profit | 44,541 | — | 44,541 | 84,226 | — | 84,226 |
| Selling expenses | 36,771 | — | 36,771 | 72,452 | — | 72,452 |
| General and administrative expenses | 9,071 | (296) | 8,775 | 17,705 | (592) | 17,113 |
| Pension withdrawal expense | 4,348 | — | 4,348 | 4,348 | — | 4,348 |
| Operating expenses | 50,190 | (296) | 49,894 | 94,505 | (592) | 93,913 |
| (Loss) income from operations | (5,649) | 296 | (5,353) | (10,279) | 592 | (9,687) |
| Other income (expense): | | | | | | |
| Dividend income | 304 | — | 304 | 663 | — | 663 |
| Interest income | 21 | — | 21 | 36 | — | 36 |
| Interest expense | (506) | — | (506) | (1,081) | — | (1,081) |
| Other, net | 1,780 | — | 1,780 | (627) | — | (627) |
| Total other income (expense) | 1,599 | — | 1,599 | (1,009) | — | (1,009) |
| (Loss) income before taxes | (4,050) | 296 | (3,754) | (11,288) | 592 | (10,696) |
| Income tax expense (benefit) | 60 | (1) | 59 | 406 | (9) | 397 |
| Net (loss) income | \$(4,110) | \$ 297 | \$(3,813) | \$(11,694) | \$ 601 | \$(11,093) |
| Net (loss) income per common share—basic and diluted | \$(0.27) | | \$(0.25) | \$(0.77) | | \$(0.73) |
| Weighted average common shares outstanding—basic and diluted | 15,247 | | 15,247 | 15,215 | | 15,215 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| (In thousands) | Three Months Ended December 31, 2011 | | | Six Months Ended December 31, 2011 | | |
|--|--------------------------------------|----------------|-------------|------------------------------------|----------------|-------------|
| | Previously Reported | Adjustments(1) | As Restated | Previously Reported | Adjustments(1) | As Restated |
| Net (loss) income | \$(4,110) | \$ 297 | \$(3,813) | \$(11,694) | \$ 601 | \$(11,093) |
| Other comprehensive income (loss): | | | | | | |
| Change in the funded status of retiree benefit obligations | — | — | — | — | — | — |
| Income tax (expense) benefit | — | — | — | — | — | — |
| Total comprehensive (loss) income, net of tax | \$(4,110) | \$ 297 | \$(3,813) | \$(11,694) | \$ 601 | \$(11,093) |

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

| (In thousands, except per share data) | Three Months Ended March 31, 2013 | | | Nine Months Ended March 31, 2013 | | |
|--|-----------------------------------|-----------------|-------------|----------------------------------|-----------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated | Previously Reported | Adjustments (1) | As Restated |
| Net sales | \$ 126,343 | \$ — | \$ 126,343 | \$ 381,201 | \$ — | \$ 381,201 |
| Cost of goods sold | 77,668 | — | 77,668 | 237,552 | — | 237,552 |
| Gross profit | 48,675 | — | 48,675 | 143,649 | — | 143,649 |
| Selling expenses | 39,135 | — | 39,135 | 117,171 | — | 117,171 |
| General and administrative expenses | 10,159 | (125) | 10,034 | 28,217 | (373) | 27,844 |
| Operating expenses | 49,294 | (125) | 49,169 | 145,388 | (373) | 145,015 |
| (Loss) income from operations | (619) | 125 | (494) | (1,739) | 373 | (1,366) |
| Other income (expense): | | | | | | |
| Dividend income | 286 | — | 286 | 829 | — | 829 |
| Interest income | 92 | — | 92 | 283 | — | 283 |
| Interest expense | (466) | — | (466) | (1,386) | — | (1,386) |
| Other, net | (764) | — | (764) | (3,475) | — | (3,475) |
| Total other expense | (852) | — | (852) | (3,749) | — | (3,749) |
| (Loss) income before taxes | (1,471) | 125 | (1,346) | (5,488) | 373 | (5,115) |
| Income tax (benefit) expense | (56) | 16 | (40) | 347 | 22 | 369 |
| Net (loss) income | \$(1,415) | \$ 109 | \$(1,306) | \$(5,835) | \$ 351 | \$(5,484) |
| Net (loss) income per common share—basic and diluted | \$(0.09) | | \$(0.08) | \$(0.38) | | \$(0.35) |
| Weighted average common shares outstanding—basic and diluted | 15,600 | | 15,600 | 15,541 | | 15,541 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| (In thousands) | Three Months Ended March 31, 2013 | | | Nine Months Ended March 31, 2013 | | |
|--|-----------------------------------|----------------|-------------|----------------------------------|----------------|-------------|
| | Previously Reported | Adjustments(1) | As Restated | Previously Reported | Adjustments(1) | As Restated |
| Net income (loss) | \$(1,415) | \$ 109 | \$(1,306) | \$(5,835) | \$ 351 | \$(5,484) |
| Other comprehensive income (loss): | | | | | | |
| Change in the funded status of retiree benefit obligations | — | — | — | — | — | — |
| Income tax (expense) benefit | — | — | — | — | — | — |
| Total comprehensive income (loss) net of tax | \$(1,415) | \$ 109 | \$(1,306) | \$(5,835) | \$ 351 | \$(5,484) |

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

| (In thousands except per share data) | Three Months Ended March 31, 2012 | | | Nine Months Ended March 31, 2012 | | |
|--|-----------------------------------|-----------------|-------------|----------------------------------|-----------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated | Previously Reported | Adjustments (1) | As Restated |
| Net sales | \$ 121,527 | \$ — | \$ 121,527 | \$ 374,494 | \$ — | \$ 374,494 |
| Cost of goods sold | 78,380 | — | 78,380 | 247,121 | — | 247,121 |
| Gross profit | 43,147 | — | 43,147 | 127,373 | — | 127,373 |
| Selling expenses | 37,909 | — | 37,909 | 110,361 | — | 110,361 |
| General and administrative expenses | 9,345 | (295) | 9,050 | 27,050 | (887) | 26,163 |
| Pension withdrawal expense | — | — | — | 4,348 | — | 4,348 |
| Operating expenses | 47,254 | (295) | 46,959 | 141,759 | (887) | 140,872 |
| (Loss) income from operations | (4,107) | 295 | (3,812) | (14,386) | 887 | (13,499) |
| Other income (expense): | | | | | | |
| Dividend income | 295 | — | 295 | 958 | — | 958 |
| Interest income | 63 | — | 63 | 99 | — | 99 |
| Interest expense | (498) | — | (498) | (1,579) | — | (1,579) |
| Other, net | (1,831) | — | (1,831) | (2,458) | — | (2,458) |
| Total other (expense) income | (1,971) | — | (1,971) | (2,980) | — | (2,980) |
| (Loss) income before taxes | (6,078) | 295 | (5,783) | (17,366) | 887 | (16,479) |
| Income tax (benefit) expense | (577) | 5 | (572) | (171) | (4) | (175) |
| Net (loss) income | \$(5,501) | \$ 290 | \$(5,211) | \$(17,195) | \$ 891 | \$(16,304) |
| Net (loss) income per common share—basic and diluted | \$(0.35) | | \$(0.33) | \$(1.11) | | \$(1.06) |
| Weighted average common shares outstanding—basic and diluted | 15,592 | | 15,592 | 15,449 | | 15,449 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| (In thousands) | Three Months Ended March 31, 2012 | | | Nine Months Ended March 31, 2012 | | |
|--|-----------------------------------|----------------|-------------|----------------------------------|----------------|-------------|
| | Previously Reported | Adjustments(1) | As Restated | Previously Reported | Adjustments(1) | As Restated |
| Net (loss) income | \$(5,501) | \$ 290 | \$(5,211) | \$(17,195) | \$ 891 | \$(16,304) |
| Other comprehensive (loss) income: | | | | | | |
| Change in the funded status of retiree benefit obligations | — | — | — | — | — | — |
| Income tax (expense) benefit | — | — | — | — | — | — |
| Total comprehensive (loss) income, net of tax | \$(5,501) | \$ 290 | \$(5,211) | \$(17,195) | \$ 891 | \$(16,304) |

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

| | Three Months Ended June 30, 2012 | | |
|--|----------------------------------|-----------------|-------------|
| | Previously Reported | Adjustments (1) | As Restated |
| Net sales | \$ 120,948 | \$— | \$ 120,948 |
| Cost of goods sold | 75,497 | (78) | 75,419 |
| Gross profit | 45,451 | 78 | 45,529 |
| Selling expenses | 40,280 | — | 40,280 |
| General and administrative expenses | 9,847 | (1,788) | 8,059 |
| Impairment losses on goodwill and intangible assets | 5,585 | — | 5,585 |
| Pension withdrawal expense | 220 | — | 220 |
| Operating expenses | 55,932 | (1,788) | 54,144 |
| Loss (income) from operations | (10,481) | 1,866 | (8,615) |
| Other income (expense): | | | |
| Dividend income | 273 | — | 273 |
| Interest income | 115 | — | 115 |
| Interest expense | (558) | — | (558) |
| Other, net | (1,659) | — | (1,659) |
| Total other expense | (1,829) | — | (1,829) |
| (Loss) income before taxes | (12,310) | 1,866 | (10,444) |
| Income tax (benefit) expense | (176) | 4 | (172) |
| Net (loss) income | (12,134) | 1,862 | (10,272) |
| Net (loss) income per common share—basic and diluted | \$ (0.77) | | \$ (0.65) |
| Weighted average common shares outstanding—basic and diluted | 15,723 | | 15,723 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

| | Three Months Ended June 30, 2012 | | |
|--|----------------------------------|----------------|--------------|
| | Previously Reported | Adjustments(1) | As Restated |
| Net (loss) income | \$ (12,134) | \$ 1,862 | \$ (10,272) |
| Other comprehensive (loss) income: | | | |
| Change in the funded status of retiree benefit obligations | (33,341) | 6,641 | (26,700) |
| Income tax (expense) benefit | — | — | — |
| Total comprehensive (loss) income, net of tax | \$ (45,475) | \$ 8,503 | \$ (36,972) |

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

| (In thousands) | Three Months Ended September 30, 2012 | | | Three Months Ended September 30, 2011 | | |
|---|---------------------------------------|----------------|-------------|---------------------------------------|----------------|-------------|
| | Previously Reported | Adjustments(1) | As Restated | Previously Reported | Adjustments(1) | As Restated |
| Cash flows from operating activities: | | | | | | |
| Net loss | \$2,874 | \$ 105 | \$2,979 | \$(7,584) |) \$ 304 | \$(7,280) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation and amortization | 8,340 | — | 8,340 | 7,923 | — | 7,923 |
| (Recovery of) provision for doubtful accounts | (922) |) — | (922) |) 590 | — | 590 |
| Gain on sales of assets | (3,213) |) — | (3,213) |) 98 | — | 98 |
| ESOP and share-based compensation expense | 823 | — | 823 | 790 | — | 790 |
| Net gain on investments | (802) |) — | (802) |) 2,621 | — | 2,621 |
| Change in operating assets and liabilities: | | | | | | |
| Restricted cash | — | 1,483 | 1,483 | — | (168) |) (168) |
| Short-term investments | 1,232 | (1,180) |) 52 | 6,059 | (92) |) 5,967 |
| Accounts and notes receivable | (1,481) |) — | (1,481) |) (1,643) |) — | (1,643) |
| Inventories | (3,943) |) — | (3,943) |) (3,192) |) — | (3,192) |
| Income tax receivable | 374 | 19 | 393 | 287 | (8) |) 279 |
| Prepaid expenses and other assets | 120 | — | 120 | 543 | — | 543 |
| Accounts payable | 1,863 | 405 | 2,268 | (3,650) | (190) |) (3,840) |
| Accrued payroll expenses and other liabilities | (834) |) (708) |) (1,542) |) (147) |) 451 | 304 |
| Accrued postretirement benefits | 412 | (124) |) 288 | 327 | (297) |) 30 |
| Other long-term liabilities | (1,191) |) — | (1,191) |) (3,055) |) — | (3,055) |
| Net cash provided by operating activities | \$3,652 | \$ — | \$3,652 | \$(33) |) \$ — | \$(33) |
| Cash flows from investing activities: | | | | | | |
| Purchases of property, plant and equipment | (3,572) |) — | (3,572) |) (2,910) |) — | (2,910) |
| Proceeds from sales of property, plant and equipment | 3,786 | — | 3,786 | 198 | — | 198 |
| Net cash provided by investing activities | \$214 | \$ — | \$214 | \$(2,712) |) \$ — | \$(2,712) |

Cash flows from financing activities:

| | | | | | | |
|---|-------|---|-------|-------|---|-------|
| Proceeds from revolving credit facility | 4,800 | — | 4,800 | 8,400 | — | 8,400 |
|---|-------|---|-------|-------|---|-------|

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

| (In thousands) | Three Months Ended September 30, 2012 | | | Three Months Ended September 30, 2011 | | |
|--|---------------------------------------|----------------|-------------|---------------------------------------|----------------|-------------|
| | Previously Reported | Adjustments(1) | As Restated | Previously Reported | Adjustments(1) | As Restated |
| Repayments on revolving credit facility | (9,250) |) — | (9,250) | (6,800) |) — | (6,800) |
| Payments of capital lease obligations | (777) |) — | (777) | (384) |) — | (384) |
| Net cash used in financing activities | \$ (5,227) |) \$ — | \$ (5,227) | \$ 1,216 |) \$ — | \$ 1,216 |
| Net decrease in cash and cash equivalents | \$ (1,361) |) \$ — | \$ (1,361) | \$ (1,529) |) \$ — | \$ (1,529) |
| Cash and cash equivalents at beginning of year | 3,906 | — | 3,906 | 6,081 | — | 6,081 |
| Cash and cash equivalents at end of year | \$ 2,545 |) \$ — | \$ 2,545 | \$ 4,552 |) \$ — | \$ 4,552 |

(1)For details see the introduction section included in Note 2.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

| (In thousands) | Six Months Ended December 31, 2012 | | | Six Months Ended December 31, 2011 | | |
|---|------------------------------------|----------------|-------------|------------------------------------|----------------|--------------|
| | Previously Reported | Adjustments(1) | As Restated | Previously Reported | Adjustments(1) | As Restated |
| Cash flows from operating activities: | | | | | | |
| Net loss | \$ (4,420) | \$ 242 | \$ (4,178) | \$ (11,694) | \$ 601 | \$ (11,093) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation and amortization | 16,640 | — | 16,640 | 15,821 | — | 15,821 |
| (Recovery of) provision for doubtful accounts | (963) | — | (963) | 737 | — | 737 |
| Gain on sales of assets | (3,202) | — | (3,202) | (662) | — | (662) |
| ESOP and share-based compensation expense | 1,906 | — | 1,906 | 1,476 | — | 1,476 |
| Net loss on investments | 7,038 | — | 7,038 | 2,250 | — | 2,250 |
| Change in operating assets and liabilities: | | | | | | |
| Restricted cash | — | (1,987) | (1,987) | — | (1,353) | (1,353) |
| Short-term investments | (6,587) | (1,267) | (7,854) | 3,743 | 789 | 4,532 |
| Accounts and notes receivable | (2,053) | — | (2,053) | (2,000) | — | (2,000) |
| Inventories | (2,404) | — | (2,404) | 1,110 | — | 1,110 |
| Income tax receivable | 284 | 5 | 289 | 277 | (9) | 268 |
| Prepaid expenses and other assets | 558 | — | 558 | (361) | — | (361) |
| Accounts payable | 4,615 | (730) | 3,885 | (1,712) | 51 | (1,661) |
| Accrued payroll expenses and other liabilities | (605) | 3,986 | 3,381 | (165) | 513 | 348 |
| Accrued postretirement benefits | 600 | (249) | 351 | 767 | (592) | 175 |
| Other long-term liabilities | (1,302) | — | (1,302) | 112 | — | 112 |
| Net cash provided by operating activities | \$ 10,105 | \$ — | \$ 10,105 | \$ 9,699 | \$ — | \$ 9,699 |
| Cash flows from investing activities: | | | | | | |
| Purchases of property, plant and equipment | (6,396) | — | (6,396) | (5,808) | — | (5,808) |
| Proceeds from sales of property, plant and equipment | 3,911 | — | 3,911 | 1,227 | — | 1,227 |
| Net cash used in investing activities | \$ (2,485) | \$ — | \$ (2,485) | \$ (4,581) | \$ — | \$ (4,581) |
| Cash flows from financing activities: | | | | | | |
| Proceeds from revolving credit facility | 15,000 | — | 15,000 | 9,400 | — | 9,400 |
| Repayments on revolving credit facility | (19,750) | — | (19,750) | (15,700) | — | (15,700) |

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| | | | | | | |
|--|------------|------|------------|------------|------|------------|
| Payments of capital lease obligations | (1,558) | — | (1,558) | (778) | — | (778) |
| Net cash used in financing activities | \$(6,308) | \$ — | \$(6,308) | \$(7,078) | \$ — | \$(7,078) |
| Net increase in cash and cash equivalents | \$ 1,312 | \$ — | \$ 1,312 | \$(1,960) | \$ — | \$(1,960) |
| Cash and cash equivalents at beginning of period | 3,906 | — | 3,906 | 6,081 | — | 6,081 |

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

| (In thousands) | Six Months Ended December 31, 2012 | | | Six Months Ended December 31, 2011 | | |
|--|------------------------------------|----------------|-------------|------------------------------------|----------------|-------------|
| | Previously Reported | Adjustments(1) | As Restated | Previously Reported | Adjustments(1) | As Restated |
| Cash and cash equivalents at end of period | \$5,218 | \$ — | \$5,218 | \$4,121 | \$ — | \$4,121 |

(1) For details see the introduction section included in Note 2.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

| (In thousands) | Nine Months Ended March 31, 2013 | | | Nine Months Ended March 31, 2012 | | |
|---|----------------------------------|----------------|-------------|----------------------------------|----------------|--------------|
| | Previously Reported | Adjustments(1) | As Restated | Previously Reported | Adjustments(1) | As Restated |
| Cash flows from operating activities: | | | | | | |
| Net loss | \$ (5,835) | \$ 351 | \$ (5,484) | \$ (17,195) | \$ 891 | \$ (16,304) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation and amortization | 24,778 | — | 24,778 | 23,831 | — | 23,831 |
| (Recovery of) provision for doubtful accounts | (890) | — | (890) | 880 | — | 880 |
| Deferred income taxes | 111 | — | 111 | — | — | — |
| Gain on sales of assets | (4,388) | — | (4,388) | (1,161) | — | (1,161) |
| ESOP and share-based compensation expense | 2,639 | — | 2,639 | 2,519 | — | 2,519 |
| Net loss on investments | 9,315 | — | 9,315 | 5,131 | — | 5,131 |
| Change in operating assets and liabilities: | | | | | | |
| Restricted cash | — | (2,140) | (2,140) | — | (1,314) | (1,314) |
| Short-term investments | (9,063) | (1,284) | (10,347) | 1,027 | (231) | 796 |
| Accounts and notes receivable | (1,167) | — | (1,167) | 936 | — | 936 |
| Inventories | (1,291) | — | (1,291) | 3,533 | — | 3,533 |
| Income tax receivable | 622 | 23 | 645 | (377) | (4) | (381) |
| Prepaid expenses and other assets | 522 | — | 522 | 81 | — | 81 |
| Accounts payable | 4,359 | (622) | 3,737 | (9,342) | 51 | (9,291) |
| Accrued payroll expenses and other liabilities | (1,312) | 4,046 | 2,734 | 1,102 | 1,494 | 2,596 |
| Accrued postretirement benefits | 836 | (374) | 462 | 1,130 | (887) | 243 |
| Other long-term liabilities | (1,416) | — | (1,416) | (1,083) | — | (1,083) |
| Net cash provided by operating activities | \$ 17,820 | \$ — | \$ 17,820 | \$ 11,012 | \$ — | \$ 11,012 |
| Cash flows from investing activities: | | | | | | |
| Purchases of property, plant and equipment | (10,118) | — | (10,118) | (10,533) | — | (10,533) |
| Proceeds from sales of property, plant and equipment | 5,556 | — | 5,556 | 2,112 | — | 2,112 |
| Net cash used in investing activities | \$ (4,562) | \$ — | \$ (4,562) | \$ (8,421) | \$ — | \$ (8,421) |
| Cash flows from financing activities: | | | | | | |
| Proceeds from revolving credit facility | 22,550 | — | 22,550 | 13,700 | — | 13,700 |
| Repayments on revolving credit facility | (32,771) | — | (32,771) | (17,700) | — | (17,700) |

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| | | | | | | |
|---|-------------|------|-------------|------------|------|------------|
| Payments of capital lease obligations | (2,613) | — | (2,613) | (1,209) | — | (1,209) |
| Proceeds from exercise of stock options | 1,195 | — | 1,195 | — | — | — |
| Net cash used in financing activities | \$(11,639) | \$ — | \$(11,639) | \$(5,209) | \$ — | \$(5,209) |
| Net increase in cash and cash equivalents | \$1,619 | \$ — | \$1,619 | \$(2,618) | \$ — | \$(2,618) |

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Farmer Bros. Co.

Notes to Consolidated Financial Statements (continued)

| (In thousands) | Nine Months Ended March 31, 2013 | | | Nine Months Ended March 31, 2012 | | |
|--|----------------------------------|----------------|----------------|----------------------------------|----------------|----------------|
| | Previously Reported | Adjustments(1) | As Restated | Previously Reported | Adjustments(1) | As Restated |
| Cash and cash equivalents at beginning of period | 3,906 | — | 3,906 | 6,081 | — | 6,081 |
| Cash and cash equivalents at end of period | \$5,525 | \$ — | \$5,525 | \$3,463 | \$ — | \$3,463 |

(1)For details see the introduction section included in Note 2.

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, 2013, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) promulgated under the Exchange Act. Based on that evaluation and as a result of the material weakness in internal control over financial reporting as set forth below, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2013. Our management's annual report on internal control over financial reporting is set forth below.

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.

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 1992 "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, as of June 30, 2013, our internal controls over financial reporting were not effective due to a material weakness in our controls over our accounting for postretirement benefit obligations.

A "material weakness" is defined as a deficiency, or combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

As of June 30, 2013, there was a material weakness in the Company's controls over its accounting for and reporting of other postretirement benefit obligations. Specifically, our controls did not properly identify the failure to apply generally accepted accounting principles with respect to the accounting for death benefits and the related cash surrender value of life insurance, and did not properly detect when changes or amendments to other postretirement benefit plans occurred that should have resulted in changes to the related benefit plan obligations. As a result, material errors to the recorded postretirement benefit liability, postretirement death benefit liability and cash surrender value of life insurance purchased to fund the postretirement death benefit occurred and were not timely detected.

Ernst & Young LLP, an independent registered public accounting firm, issued an attestation report on the Company's internal control over financial reporting as of June 30, 2013, as stated in their report which is included herein.

Remediation Efforts to Address Material Weakness

To remediate the material weakness described above, we are currently evaluating the controls and procedures we will design and put in place to address this material weakness and plan to implement appropriate measures as part of this effort. These controls and procedures may include:

- engagement of independent consultants to review the Company's other postretirement benefit obligation controls and to make recommendations to address the design gaps in these controls;

- retention of additional knowledgeable accounting personnel to review the accuracy of data and plan information provided to actuaries engaged to perform valuation services;
- design of processes to facilitate improved interaction among human resources, external actuaries and accounting personnel; and
- additional focused training of our finance personnel in the area of accounting and reporting for our other postretirement obligations, including any changes in the relevant accounting guidance and timely adoption thereof.

Any actions we have taken or may take to remediate this material weakness are subject to continued management review supported by testing, as well as oversight by the Audit Committee of our Board of Directors. We cannot assure you that material weaknesses or significant deficiencies will not occur in the future and that we will be able to remediate such weaknesses or deficiencies in a timely manner, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows.

Changes in Internal Control Over Financial Reporting

Except as described above, 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, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders of
Farmer Bros. Co. and Subsidiaries

We have audited Farmer Bros. Co. and Subsidiaries' internal control over financial reporting as of June 30, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Farmer Bros. Co. and Subsidiaries 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 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's report on internal control over financial reporting. Management has identified a material weakness in the design and operation of the Company's controls over its accounting for and reporting of other postretirement benefit obligations. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), consolidated balance sheets of Farmer Bros. Co. and Subsidiaries as of June 30, 2013 and 2012 (restated) and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the years ended June 30, 2013, June 30, 2012 (restated) and June 30, 2011 (restated). This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the those financial statements, and this report does not affect our report dated October 9, 2013, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Farmer Bros. Co. and Subsidiaries has not maintained effective internal control over financial reporting as of June 30, 2013, based on the COSO criteria.

/s/ Ernst & Young LLP
Los Angeles, California
October 9, 2013

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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 or Form 10-K/A and is incorporated in this report by reference.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended June 30, 2013, its officers, directors and ten percent stockholders complied with all applicable Section 16(a) filing requirements, with the exception of those filings 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, 2013.

Item 11. Executive Compensation

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

Equity Compensation Plan Information

Information about our equity compensation plans at June 30, 2013 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(2) |
|--|---|---|--|
| Equity compensation plans approved by stockholders(1) | 557,427 | \$12.81 | 189,271 |
| Equity compensation plans not approved by stockholders | — | — | — |
| Total | 557,427 | \$12.81 | 189,271 |

(1) Includes the Omnibus Plan.

(2) Shares available for future issuance under the Omnibus Plan may be awarded in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance-based awards, stock payments, or other incentives payable in shares of stock, or any combination thereof. Shares covered by an award will be counted as used at the time the award is granted to a participant. If any award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares are issued under the Omnibus Plan to a participant and are thereafter reacquired by the Company, the shares subject to such awards and the reacquired shares will again be available for issuance under the Omnibus Plan. In addition to the shares that are actually issued to a participant, the following items will be counted against the total number of shares available for issuance under the Omnibus Plan: (i) shares subject to an award that are not delivered to a participant because the award is exercised through a reduction of shares subject to the award (i.e., "net exercised"); (ii) shares subject to an award that are not delivered to a participant because such shares are withheld in satisfaction of the withholding of taxes incurred in connection with the exercise of or issuance of shares under certain types of awards; and (iii) shares that are tendered to the Company to pay the exercise price of any stock award. The following items will not be counted against the total number of shares available for issuance under the Omnibus Plan: (A) the payment in cash of dividends or dividend equivalents; and (B) any

award that is settled in cash rather than by issuance of stock.

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

The information required by this item will be set forth in the Proxy Statement or Form 10-K/A 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 or Form 10-K/A 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, 2013 and 2012 (as restated)

Consolidated Statements of Operations for the Years Ended June 30, 2013, 2012 (as restated) and 2011 (as restated)

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended June 30, 2013, 2012 (as restated) and 2011 (as restated)

Consolidated Statements of Cash Flows for the Years Ended June 30, 2013, 2012 (as restated) and 2011 (as restated)

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2013, 2012 (as restated) and 2011 (as restated)

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.

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)
 Date: October 9, 2013

By: /s/MARK J. NELSON
 Mark J. Nelson
 Treasurer and Chief Financial Officer
 (principal financial and accounting officer)
 Date: October 9, 2013

By: /s/HORTENSIA R. GÓMEZ
 Hortensia R. Gómez
 Vice President and Controller
 (controller)
 Date: October 9, 2013

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/GUENTER W. BERGER Guenter W. Berger | Chairman of the Board and Director | October 9, 2013 |
| /s/ HAMIDEH ASSADI Hamideh Assadi | Director | October 9, 2013 |
| /s/RANDY E. CLARK Randy E. Clark | Director | October 9, 2013 |
| Jeanne Farmer Grossman | Director | |
| /s/MARTIN A. LYNCH Martin A. Lynch | Director | October 9, 2013 |
| /s/JAMES J. MCGARRY James J. McGarry | Director | October 9, 2013 |
| /s/MICHAEL H. KEOWN Michael H. Keown | Director | October 9, 2013 |

EXHIBIT INDEX

- 3.1 Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 filed with the SEC on May 11, 2009 and incorporated herein by reference).
- 3.2 Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on April 25, 2011 and incorporated herein by reference).
- 4.1 Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).
- 4.2 Rights Agreement, dated March 17, 2005, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A., as Rights Agent (filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).
- 4.3 Specimen Stock Certificate (filed as Exhibit 4.1 to the Company's Form 8-A/A filed with the SEC on February 6, 2009 and incorporated herein by reference).
- 10.1 Amended and Restated Loan and Security Agreement, dated September 12, 2011, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the SEC on September 12, 2011 and incorporated herein by reference).
- 10.2 Amendment No. 1 to Amended and Restated Loan and Security Agreement, effective January 9, 2012, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2011 filed with the SEC on February 8, 2012 and incorporated herein by reference).
- 10.3 Amendment No. 2 to Amended and Restated Loan and Security Agreement, dated as of March 18, 2013, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 20, 2013 and incorporated herein by reference).
- 10.4 Letter Agreement regarding Waiver of Event of Default, dated October 3, 2013, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 4, 2013 and incorporated herein by reference).
- 10.5 ISDA Master Agreement, dated as of November 19, 2012, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the

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SEC on November 26, 2012 and incorporated herein by reference).

10.6 Schedule to the ISDA Master Agreement, dated as of November 19, 2012, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on November 26, 2012 and incorporated herein by reference).

10.7 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).*

10.8 Amendment No. 1 to Farmer Bros. Co. Retirement Plan effective June 30, 2011 (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the SEC on September 12, 2011 and incorporated herein by reference).*

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- 10.9 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 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012 filed with the SEC on February 6, 2013 and incorporated herein by reference).*
- 10.10 Farmer Bros. Co. 2005 Incentive Compensation Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 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 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 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 as Exhibit 10.7 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).*
- 10.13 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 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).
- 10.14 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 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).
- 10.15 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 10.15 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).
- 10.16 Employment Agreement, dated March 9, 2012, by and between Farmer Bros. Co. and Michael H. Keown (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 13, 2012 and incorporated herein by reference).*
- 10.17 Second Amended and Restated Employment Agreement, effective as of February 13, 2012, by and between Farmer Bros. Co. and Jeffrey A. Wahba (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 17, 2012 and incorporated herein by reference).*
- 10.18 Consulting Services Agreement, effective as of March 1, 2013, between Farmer Bros. Co. and Jeffrey A. Wahba (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on

February 28, 2013 and incorporated herein by reference).*

10.19 Letter Agreement by and between Farmer Bros. Co. and Jeffrey A. Wahba (filed as Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*

10.20 Employment Agreement, dated as of April 4, 2012, by and between Farmer Bros. Co. and Thomas W. Mortensen (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on April 10, 2012 and incorporated herein by reference).*

10.21 Amended and Restated Employment Agreement, effective as of February 13, 2012, by and between Farmer Bros. Co. and Patrick G. Criteser (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 17, 2012 and incorporated herein by reference).*

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- 10.22 Resignation Agreement, dated as of July 20, 2012, by and between Farmer Bros. Co. and Larry B. Garrett (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on July 24, 2012 and incorporated herein by reference).*
- 10.23 Employment Agreement, dated as of April 1, 2013, by and between Farmer Bros. Co. and Mark J. Nelson* (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
- 10.24 Farmer Bros. Co. 2007 Omnibus Plan, as amended (as approved by the stockholders at the 2012 Annual Meeting of Stockholders on December 6, 2012) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 12, 2012 and incorporated herein by reference).*
- 10.25 Form of 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).*
- 10.26 Form of 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).*
- 10.27 Stock Ownership Guidelines for Directors and Executive Officers (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
- 10.28 Form of Award Letter (Fiscal 2012) under 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 September 24, 2012 and incorporated herein by reference).*
- 10.29 Form of Target Award Notification Letter (Fiscal 2013) under 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 September 28, 2012 and incorporated herein by reference).*
- 10.30 Form of Change in Control Severance Agreement for Executive Officers of the Company (with schedule of executive officers attached) (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
- 10.31 Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on May 18, 2006 and as amended on December 31, 2008 (with schedule of indemnitees attached) (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
- 14.1 Farmer Bros. Co. Code of Conduct and Ethics adopted on August 26, 2010 and updated February 2013 (filed herewith).
- 21.1 List of all Subsidiaries of Farmer Bros. Co. (filed herewith).
- 23.1 Consent of Independent Registered 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).

99.1 Properties List (filed herewith)

101 The following financial statements from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, 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).

* Management contract or compensatory plan or arrangement.

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