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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from to

Commission file number: 001-34249

FARMER BROS. CO.

(Exact Name of Registrant as Specified in Its Charter)

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

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

682-549-6600
(Registrant's Telephone Number, Including Area Code)

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

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

None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

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

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

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

As of May 6, 2024, the registrant had 21,264,327 shares outstanding of its common stock, par value $1.00 per share, which is the registrant's only class of common stock.

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Item 1. Financial Statements

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

	March 31, 2024	June 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,524	$ 5,244
Restricted cash	175	175
Accounts receivable, net of allowance for credit losses of $710 and $416, respectively	32,785	45,129
Inventories	54,394	49,276
Short-term derivative assets	13	68
Prepaid expenses	4,482	5,334
Assets held for sale	3,284	7,770
Total current assets	100,657	112,996
Property, plant and equipment, net	33,973	33,782
Intangible assets, net	11,783	13,493
Right-of-use operating lease assets	30,884	24,593
Other assets	1,804	2,917
Total assets	$ 179,101	$ 187,781
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	42,867	60,088
Accrued payroll expenses	10,895	10,082
Right-of-use operating lease liabilities - current	13,591	8,040
Short-term derivative liability	306	2,636
Other current liabilities	3,064	4,519
Total current liabilities	70,723	85,365
Long-term borrowings under revolving credit facility	23,300	23,021
Accrued pension liabilities	19,123	19,761
Accrued postretirement benefits	795	763
Accrued workers' compensation liabilities	2,504	3,065
Right-of-use operating lease liabilities - noncurrent	17,850	17,157
Other long-term liabilities	1,661	537
Total liabilities	$ 135,956	$ 149,669
Commitments and contingencies		
Stockholders' equity:		
Common stock, $1.00 par value, 50,000,000 shares authorized; 21,264,327 and 20,142,973 shares issued and outstanding as of March 31, 2024 and June 30, 2023, respectively	21,266	20,144
Additional paid-in capital	79,525	77,278
Accumulated deficit	(25,764)	(26,479)
Accumulated other comprehensive loss	(31,882)	(32,831)
Total stockholders' equity	$ 43,145	$ 38,112
Total liabilities and stockholders' equity	$ 179,101	$ 187,781

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Net sales	$ 85,358	$ 85,723	$ 256,698	$ 254,468
Cost of goods sold	51,127	56,968	155,571	167,671
Gross profit	34,231	28,755	101,127	86,797
Selling expenses	28,001	26,693	82,970	78,081
General and administrative expenses	9,581	9,424	32,066	27,239
Net gains from sale of assets	(2,883)	(557)	(15,806)	(7,685)
Operating expenses	34,699	35,560	99,230	97,635
(Loss) income from operations	(468)	(6,805)	1,897	(10,838)
Other (expense) income:				
Interest expense	(1,849)	(2,227)	(5,978)	(6,155)
Other, net	1,635	2,135	4,830	(82)
Total other expense	(214)	(92)	(1,148)	(6,237)
(Loss) income from continuing operations before taxes	(682)	(6,897)	749	(17,075)
Income tax expense	—	30	32	113
(Loss) income from continuing operations	$ (682)	$ (6,927)	$ 717	$ (17,188)
Loss from discontinued operations, net of income taxes	$ —	$ (4,496)	$ —	$ (15,216)
Net (loss) income	$ (682)	$ (11,423)	$ 717	$ (32,404)
(Loss) income from continuing operations available to common stockholders per common share, basic and diluted	$ (0.03)	$ (0.34)	$ 0.03	$ (0.88)
Loss from discontinued operations available to common stockholders per common share, basic and diluted	$ —	$ (0.23)	$ —	$ (0.78)
Net (loss) income available to common stockholders per common share, basic and diluted	$ (0.03)	$ (0.57)	$ 0.03	$ (1.66)
Weighted average common shares outstanding—basic	21,104,728	19,923,577	20,743,861	19,467,022
Weighted average common shares outstanding—diluted	21,104,728	19,923,577	20,948,329	19,467,022

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Net (loss) income	$ (682)	$ (11,423)	$ 717	$ (32,404)
Other comprehensive income (loss), net of taxes:				
Unrealized gains (losses) on derivatives designated as cash flow hedges	142	819	293	(1,993)
Losses (gains) on derivatives designated as cash flow hedges reclassified to cost of goods sold	26	(331)	656	(2,213)
Losses on derivative instruments undesignated as cash flow hedges reclassified to interest expense	—	267	—	833
Total comprehensive (loss) income	$ (514)	$ (10,668)	$ 1,666	$ (35,777)

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

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

	Common Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2023	**20,142,973**	**$ 20,144**	**$ 77,278**	**$ (26,479)**	**$ (32,831)**	**$ 38,112**
Net loss	—	—	—	(1,307)	—	(1,307)
Cash flow hedges, net of taxes	—	—	—	—	(628)	(628)
401(k) compensation expense, including reclassifications	154,046	154	653	—	—	807
Share-based compensation	—	—	814	—	—	814
Issuance of common stock and stock option exercises	279,464	280	(280)	—	—	—
Balance at September 30, 2023	**20,576,483**	**$ 20,578**	**$ 78,465**	**$ (27,786)**	**$ (33,459)**	**$ 37,798**
Net income	—	—	—	2,704	—	2,704
Cash flow hedges, net of taxes	—	—	—	—	1,409	1,409
401(k) compensation expense, including reclassifications	171,786	172	740	—	—	912
Share-based compensation	—	—	438	—	—	438
Issuance of common stock and stock option exercises	45,687	45	(45)	—	—	—
Balance at December 31, 2023	**20,793,956**	**$ 20,795**	**$ 79,598**	**$ (25,082)**	**$ (32,050)**	**$ 43,261**
Net loss	—	—	—	(682)	—	(682)
Cash flow hedges, net of taxes	—	—	—	—	168	168
401(k) compensation expense, including reclassifications	269,199	270	(294)	—	—	(24)
Share-based compensation	—	—	422	—	—	422
Issuance of common stock and stock option exercises	201,172	201	(201)	—	—	—
Balance at March 31, 2024	**21,264,327**	**$ 21,266**	**$ 79,525**	**$ (25,764)**	**$ (31,882)**	**$ 43,145**

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

	Preferred Shares	Preferred Stock Amount	Common Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2022	**14,700**	**$ 15**	**18,464,966**	**$ 18,466**	**$ 71,997**	**$ 52,701**	**$ (38,431)**	**$ 104,748**
Net loss	—	—	—	—	—	(7,374)	—	(7,374)
Cash flow hedges, net of taxes	—	—	—	—	—	—	(1,521)	(1,521)
401(k) compensation expense, including reclassifications	—	—	257,052	257	940	—	—	1,197
Share-based compensation	—	—	—	—	1,165	—	—	1,165
Issuance of common stock and stock option exercises	—	—	158,744	159	(159)	—	—	—
Conversion and cancellation of preferred shares	(14,700)	(15)	399,208	399	(1,750)	—	—	(1,366)
Balance at September 30, 2022	**—**	**—**	**19,279,970**	**$ 19,281**	**$ 72,193**	**$ 45,327**	**$ (39,952)**	**$ 96,849**
Net loss	—	—	—	—	—	(13,608)	—	(13,608)
Cash flow hedges, net of taxes	—	—	—	—	—	—	(2,606)	(2,606)
401(k) compensation expense, including reclassifications	—	—	264,712	265	1,059	—	—	1,324
Share-based compensation	—	—	—	—	979	—	—	979
Issuance of common stock and stock option exercises	—	—	137,261	137	(137)	—	—	—
Balance at December 31, 2022	**—**	**—**	**19,681,943**	**$ 19,683**	**$ 74,094**	**$ 31,719**	**$ (42,558)**	**$ 82,938**
Net loss	—	—	—	—	—	(11,423)	—	(11,423)
Cash flow hedges, net of taxes	—	—	—	—	—	—	755	755
401(k) compensation expense, including reclassifications	—	—	271,838	272	773	—	—	1,045
Share-based compensation	—	—	—	—	528	—	—	528
Balance at March 31, 2023	**—**	**$ —**	**19,953,781**	**$ 19,955**	**$ 75,395**	**$ 20,296**	**$ (41,803)**	**$ 73,843**

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

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

	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Cash flows from operating activities:		
Net income (loss)	$ 717	$ (32,404)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities		
Depreciation and amortization	8,675	16,725
Gain on settlement related to Boyd's acquisition	—	(1,917)
Net gains from sale of assets	(17,019)	(7,685)
Net losses on derivative instruments	363	1,189
401(k) and share-based compensation expense	3,368	6,237
Provision for credit losses	551	535
Change in operating assets and liabilities:		
Accounts receivable, net	13,007	(7,698)
Inventories	(5,119)	17,363
Derivative (liabilities) assets, net	(594)	(3,751)
Other assets	2,035	(510)
Accounts payable	(17,203)	12,101
Accrued expenses and other	(1,933)	(6,468)
Net cash used in operating activities	(13,152)	(6,283)
Cash flows from investing activities:		
Sale of business	(1,214)	—
Purchases of property, plant and equipment	(10,267)	(11,113)
Proceeds from sales of property, plant and equipment	24,847	11,507
Net cash provided by investing activities	13,366	394
Cash flows from financing activities:		
Proceeds from Credit Facilities	6,279	54,000
Repayments on Credit Facilities	(6,000)	(50,167)
Payments of finance lease obligations	(144)	(144)
Payment of financing costs	(69)	(363)
Net cash provided by financing activities	66	3,326
Net increase in cash and cash equivalents and restricted cash	280	(2,563)
Cash and cash equivalents and restricted cash at beginning of period	5,419	9,994
Cash and cash equivalents and restricted cash at end of period	$ 5,699	$ 7,431
Supplemental disclosure of non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 11,039	$ 3,487
Non-cash issuance of ESOP and 401(K) common stock	595	793
Non cash additions to property, plant and equipment	19	167

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

FARMER BROS. CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Introduction and Basis of Presentation

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the "Company," or "Farmer Bros."), is a leading coffee roaster, wholesaler, equipment servicer and distributor of coffee, tea and other allied products. The Company serves a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurants, department and convenience store retailers, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors.

On June 30, 2023, the Company completed its sale of certain assets of the Company related to its direct ship and private label business, including the Company's production facility and corporate office building in Northlake, Texas (the "Sale"). The Sale and the related direct ship and private label operations are reported in loss from discontinued operations, net of income taxes on the consolidated statements of operations. See Note 3, Discontinued Operations for more information related to the Sale and the discontinued operations. All other footnotes present results of the continuing operations.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of the interim financial data have been included. Operating results for the three and nine months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2024.

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2023, filed with the Securities and Exchange Commission (the "SEC") on September 12, 2023, as amended by the Form 10-K/A filed on October 27, 2023 (as amended, the "2023 Form 10-K").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries. All intercompany balances and transactions have been eliminated. Certain amounts disclosed in fiscal 2023 have been reclassified to conform with the discontinued operations.

Use of Estimates

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

Note 2. Summary of Significant Accounting Policies

For a detailed discussion about the Company's significant accounting policies, see Note 2, "*Summary of Significant Accounting Policies,*" in the Notes to Consolidated Financial Statements in the 2023 Form 10-K.

During the three and nine months ended March 31, 2024, there were no significant updates made to the Company's significant accounting policies.

Concentration of Credit Risk

At March 31, 2024 and June 30, 2023, the financial instruments which potentially expose the Company to concentration of credit risk consist of cash in financial institutions (in excess of federally insured limits), derivative instruments and trade receivables.

The Company does not have any credit-risk related contingent features that would require it to post additional collateral in support of its net derivative liability positions.

The Company estimates its credit risk for accounts receivable at the amount recorded on the balance sheet. The accounts receivable are generally short-term and all estimated credit losses have been appropriately considered in establishing the allowance for credit losses. There were no individual customers with balances over 10% of the Company's accounts receivable balance.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board (the "FASB"). ASUs not listed below were assessed and either determined to be not applicable or expected to have minimal impact on its consolidated financial statements.

The following table provides a brief description of the recent ASUs applicable to the Company:

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
In March 2020, the FASB issued ASU No. 2020-04, "Facilitation of the Effect of Reference Rate Reform on Financial Reporting" ("ASU 2020-04")	The London Interbank Offered Rate (LIBOR) is being discontinued between December 2021 and June 2023. The Company has not entered into any new contracts after December 31, 2021 subject to LIBOR. With the overnight, 1-month, 3-month, 6-month and 12-month USD LIBOR rates being published through June 30, 2023, we will continue to leverage these for the existing contracts. ASU 2020-04 provides temporary optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the transition from LIBOR to alternative reference rate.	Issuance date of March 12, 2020 through December 31, 2024.	The Company does not anticipate any material impacts on its consolidated financial statements.
In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740)", Improvements to Income Tax Disclosures	The amendments in this Update address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.	Effective for annual periods beginning after December 15, 2024.	The Company is still evaluating the impact of this standard.
In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting (Topic 280)", Improvements to Reportable Segment Disclosures.	The amendments in this Update are to improve the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses.	Effective for annual periods beginning after December 15, 2024.	The Company is still evaluating the impact of this standard.

Note 3. Discontinued Operations

On June 30, 2023, the Company completed the sale of certain assets of the Company related to its direct ship and private label business, including the Company's production facility and corporate office building in Northlake, Texas, pursuant to that certain Asset Purchase Agreement dated as of June 6, 2023, by and between the Company and TreeHouse Foods, Inc. (the "Buyer"), as amended by that certain Amendment to the Asset Purchase Agreement, dated June 30, 2023.

The accounting requirements for reporting the Sale as a discontinued operation were met when the Sale was completed as of June 30, 2023. Accordingly, the consolidated financial statements reflect the results of the Sale as a discontinued operation. During Q2 2024, the Company recorded a net loss of $1.2 million related to a working capital adjustment in continuing operations.

The Company also entered into (i) a Transition Services Agreement with the Buyer pursuant to which the Company will provide the Buyer certain specified services on a temporary basis, (ii) a Co-Manufacturing Agreement with the Buyer pursuant to which the Company and Buyer will manufacture certain products for each other on a temporary basis and (iii) a Lease Agreement with the Buyer pursuant to which the Company will lease office and warehouse space from the Buyer on a temporary basis. The Transition Services Agreement expired on March 31, 2024.

There was no activity related to the discontinued operations for the three and nine months ended March 31, 2024. The operating results of the divested operations have been reclassified as discontinued operations in the Consolidated Statements of Operations for the three and nine months ended March 31, 2023, as detailed in the table below:

(In thousands)	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2023
Net sales	$ 38,511	$ 123,838
Cost of goods sold	38,595	124,977
Gross loss	(84)	(1,139)
Selling expenses	1,632	5,055
General and administrative expenses	1,115	3,619
Operating expense	2,747	8,674
Loss from discontinued operations	(2,831)	(9,813)
Other (expense) income:		
Interest expense	(1,983)	(6,276)
Other, net	318	873
Total other expense	(1,665)	(5,403)
Loss from discontinued operations before taxes	(4,496)	(15,216)
Income tax benefit	—	—
Loss from discontinued operations, net of income taxes	$ (4,496)	$ (15,216)

Interest expense for the Revolver (as defined below) was allocated on a ratio of net assets discontinued to the sum of consolidated net assets plus consolidated debt and the Term Loan (as defined below) was fully allocated to discontinued operations as it was required to be repaid in full.

Applicable Consolidated Statements of Cash Flow information related to the divested operations for the nine month period ended March 31, 2023 is detailed in the table below:

(In thousands)	March 31, 2023
Cash Flows from Discontinued Operations	
Net cash used in operating activities	$ (20,339)
Net cash used in investing activities	(1,787)

Note 4. Leases

The Company has entered into leases for building facilities, vehicles and other equipment. The Company’s leases have remaining contractual terms through April 30, 2030, some of which have options to extend the lease for up to 10 years. For purposes of calculating operating lease liabilities, lease terms are deemed not to include options to extend the lease renewal until it is reasonably certain that the Company will exercise that option. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease expense are as follows:

(In thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Operating lease expense	$ 3,595	$ 1,964	$ 9,164	$ 5,910
Finance lease expense:				
Amortization of finance lease assets	41	41	123	123
Interest on finance lease liabilities	6	8	19	27
Total lease expense	$ 3,642	$ 2,013	$ 9,306	$ 6,060

Maturities of lease liabilities are as follows:

(In thousands)	March 31, 2024 Operating Leases	March 31, 2024 Finance Leases
2024	$ 3,587	$ 48
2025	12,237	193
2026	7,796	96
2027	5,524	—
2028	4,495	—
Thereafter	1,740	—
Total lease payments	35,379	337
Less: interest	(3,938)	(19)
Total lease obligations	$ 31,441	$ 318

Lease term and discount rate:

	March 31, 2024	June 30, 2023
Weighted-average remaining lease terms (in years):		
Operating lease	5.3	5.9
Finance lease	1.8	2.5
Weighted-average discount rate:		
Operating lease	6.48 %	6.20 %
Finance lease	6.50 %	6.50 %

Other Information:

(In thousands)	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 9,289	$ 5,830
Operating cash flows from finance leases	19	27
Financing cash flows from finance leases	123	144

Note 5. Derivative Instruments

Derivative Instruments Held

Coffee-Related Derivative Instruments

The Company is exposed to commodity price risk associated with its price to be fixed green coffee purchase contracts, which are described further in Note 2, "*Summary of Significant Accounting Policies*," in the Notes to the Consolidated Financial Statements in the 2023 Form 10-K. The Company utilizes forward and option contracts to manage exposure to the variability in expected future cash flows from forecasted purchases of green coffee attributable to commodity price risk. Certain of these coffee-related derivative instruments utilized for risk management purposes have been designated as cash flow hedges, while other coffee-related derivative instruments have not been designated as cash flow hedges or do not qualify for hedge accounting despite hedging the Company's future cash flows on an economic basis.

The following table summarizes the notional volumes for the coffee-related derivative instruments held by the Company at March 31, 2024 and June 30, 2023:

(In thousands)	March 31, 2024	June 30, 2023
Derivative instruments designated as cash flow hedges:		
Long coffee pounds	—	1,538
Derivative instruments not designated as cash flow hedges:		
Long coffee pounds	35	6,713
Short coffee pounds	—	(4,388)
Total	35	3,863

At March 31, 2024 and June 30, 2023 approximately 0% and 40%, respectively, of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges.

Interest Rate Swap Derivative Instruments

Pursuant to an International Swap Dealers Association, Inc. ("ISDA") Master Agreement, which was effective March 20, 2019, the Company on March 27, 2019, entered into an interest rate swap transaction utilizing a notional amount of $80.0 million, with an effective date of April 11, 2019 and a maturity date of October 11, 2023 (the "Original Rate Swap"). In December 2019, the Company amended the notional amount to $65.0 million. The Original Rate Swap was intended to manage the Company's interest rate risk on its floating-rate indebtedness under the Company's revolving credit facility.

The Company had designated the Original Rate Swap derivative instrument as a cash flow hedge; however, during the quarter ended September 30, 2020, the Company de-designated the Original Rate Swap derivative instruments. On May 16, 2023, the Company settled the Original Rate Swap. The net settlement of the Original Rate Swap was a $13 thousand loss.

Effect of Derivative Instruments on the Financial Statements

Balance Sheets

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

	Derivative Instruments Designated as Cash Flow Hedges		Derivative Instruments Not Designated as Accounting Hedges	
(In thousands)	**March 31, 2024**	**June 30, 2023**	**March 31, 2024**	**June 30, 2023**
Financial Statement Location:				
Short-term derivative assets:				
Coffee-related derivative instruments (1)	$ —	$ 4	$ 13	$ 64
Long-term derivative assets:				
Coffee-related derivative instruments (2)	—	—	23	—
Short-term derivative liabilities:				
Coffee-related derivative instruments (3)	—	158	306	2,478
Long-term derivative liabilities:				
Coffee-related derivative instruments (4)	—	—	1,095	—

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

Statements of Operations

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

	Three Months Ended March 31,		Nine Months Ended March 31,		
(In thousands)	**2024**	**2023**	**2024**	**2023**	**Financial Statement Classification**
Net (losses) gains recognized from AOCI to earnings - Interest rate swap	—	(1)	—	385	Interest Expense
Net losses reclassified from AOCI to earnings for de-designated Interest rate swap	—	(266)	—	(1,218)	Interest Expense
Net gain (losses) recognized in AOCI - Coffee-related	142	819	293	(1,993)	AOCI
Net (losses) gains recognized in earnings - Coffee - related	(26)	331	(656)	2,213	Cost of goods sold

For the three and nine months ended March 31, 2024 and 2023, there were no gains or losses recognized in earnings as a result of excluding amounts from the assessment of hedge effectiveness.

Net losses (gains) on derivative instruments in the Company's consolidated statements of cash flows also include net (gains) losses on coffee-related derivative instruments designated as cash flow hedges reclassified to cost of goods sold from AOCI in the three and nine months ended March 31, 2024 and 2023. Gains and losses on coffee-related derivative instruments not designated as accounting hedges are included in "Other, net" in the Company's consolidated statements of operations and in Net losses (gains) on derivative instruments in the Company's consolidated statements of cash flows.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Net gains (losses) on coffee-related derivative instruments (1)	$ 93	$ 1,424	$ 294	$ (2,181)
Non-operating pension and other postretirement benefits	915	727	2,746	2,182
Other gains (losses), net	627	(16)	1,790	(83)
Other, net	$ 1,635	$ 2,135	$ 4,830	$ (82)

(1) Excludes net gains and losses on coffee-related derivative instruments designated as cash flow hedges recorded in cost of goods sold in the three and nine months ended March 31, 2024 and 2023.

Statement of Comprehensive Income (Loss)

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Accumulated other comprehensive loss (income) beginning balance	$ 395	$ 2,436	$ 1,176	$ (1,692)
Net (losses) gains recognized from AOCI to earnings - Interest rate swap	—	(1)	—	385
Net losses reclassified from AOCI to earnings for partial unwind of interest swap - Interest rate swap	—	(266)	—	(1,218)
Net (gains) losses recognized in AOCI - Coffee-related	(142)	(819)	(293)	1,993
Net (losses) gains recognized in earnings - Coffee - related	(26)	331	(656)	2,213
Accumulated other comprehensive loss ending balance	$ 227	$ 1,681	$ 227	$ 1,681

Offsetting of Derivative Assets and Liabilities

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

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

(In thousands)		**Gross Amount Reported on Balance Sheet**	**Netting Adjustments**	**Cash Collateral Posted**	**Net Exposure**
March 31, 2024	Derivative Assets	$ 36	$ (36)	$ —	$ —
	Derivative Liabilities	1,401	(36)	—	1,365
June 30, 2023	Derivative Assets	68	(68)	—	—
	Derivative Liabilities	2,636	(68)	—	2,568

Cash Flow Hedges

Changes in the fair value of the Company’s coffee-related derivative instruments designated as cash flow hedges are deferred in AOCI and subsequently reclassified into cost of goods sold in the same period or periods in which the hedged forecasted purchases affect earnings, or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. Based on recorded values at March 31, 2024, $0.2 million of net gains on coffee-related derivative instruments designated as a cash flow hedge are expected to be reclassified into cost of goods sold within the next 12 months. These recorded values are based on market prices of the commodities as of March 31, 2024.

Note 6. Fair Value Measurements

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

(In thousands)	Total	Level 1	Level 2	Level 3
March 31, 2024				
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets (1)	36	—	36	—
Coffee-related derivative liabilities (1)	1,401	—	1,401	—

	Total	Level 1	Level 2	Level 3
June 30, 2023				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative assets (1)	$ 4	$ —	$ 4	$ —
Coffee-related derivative liabilities (1)	158	—	158	—
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets (1)	64	—	64	—
Coffee-related derivative liabilities (1)	2,478	—	2,478	—

(1) The Company's coffee-related derivative instruments are traded over-the-counter and, therefore, classified as Level 2.

Note 7. Accounts Receivable, Net

(In thousands)	March 31, 2024	June 30, 2023
Trade receivables	$ 30,587	$ 42,914
Other receivables (1)	2,908	2,631
Allowance for credit losses	(710)	(416)
Accounts receivable, net	$ 32,785	$ 45,129

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

There was no material change in the allowance for credit losses during the nine months ended March 31, 2024.

Note 8. Inventories

(In thousands)	March 31, 2024	June 30, 2023
Coffee		
Processed	$ 19,228	$ 15,860
Unprocessed	7,146	7,409
Total	$ 26,374	$ 23,269
Tea and culinary products		
Processed	24,018	21,418
Unprocessed	77	63
Total	$ 24,095	$ 21,481
Coffee brewing equipment parts	3,925	4,526
Total inventories	$ 54,394	$ 49,276

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

Note 9. Property, Plant and Equipment

(In thousands)	March 31, 2024	June 30, 2023
Buildings and facilities	$ 20,548	$ 20,146
Machinery, vehicles and equipment	135,387	144,473
Capitalized software	8,726	7,934
Office furniture and equipment	8,475	8,231
	$ 173,136	$ 180,784
Accumulated depreciation	(140,081)	(147,920)
Land	918	918
Property, plant and equipment, net	$ 33,973	$ 33,782

Coffee Brewing Equipment ("CBE") and Service

Capitalized CBE included in machinery, vehicles and equipment above are:

(In thousands)	March 31, 2024	June 30, 2023
Coffee Brewing Equipment	$ 92,062	$ 93,159
Accumulated depreciation	(65,598)	(66,953)
Coffee Brewing Equipment, net	$ 26,464	$ 26,206

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	2024	2023	2024	2023
Depreciation expense in COGS	$ 1,866	$ 1,785	$ 5,450	$ 5,403
CBE Costs excl. depreciation exp	9,174	8,950	27,865	23,370

Other expenses related to CBE provided to customers, such as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts), are considered directly attributable to the generation of revenues from the customers. Therefore, these costs are included in cost of goods sold.

Note 10. Intangible Assets

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

		March 31, 2024			June 30, 2023		
(In thousands)	Weighted Average Amortization Period as of March 31, 2024	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:							
Customer relationships	3.0	$ 33,003	$ (25,742)	$ 7,261	$ 33,003	$ (24,092)	$ 8,911
Recipes	0.0	930	(930)	—	930	(885)	45
Trade name/brand name	0.0	510	(510)	—	510	(495)	15
Total amortized intangible assets		$ 34,443	$ (27,182)	$ 7,261	$ 34,443	$ (25,472)	$ 8,971
Unamortized intangible assets:							
Trademarks, trade names and brand name with indefinite lives		$ 4,522	$ —	$ 4,522	$ 4,522	$ —	$ 4,522
Total unamortized intangible assets		$ 4,522	$ —	$ 4,522	$ 4,522	$ —	$ 4,522
Total intangible assets		$ 38,965	$ (27,182)	$ 11,783	$ 38,965	$ (25,472)	$ 13,493

Aggregate amortization expense for the three months ended March 31, 2024 and 2023 was $0.5 million and $0.6 million, respectively. Aggregate amortization expense for the nine months ended March 31, 2024 and 2023 was $1.7 million and $1.8 million, respectively.

Note 11. Employee Benefit Plans

Single Employer Pension Plans

As of March 31, 2024, the Company has two defined benefit pension plans for certain employees, the "Farmer Bros. Plan" and the "Hourly Employees' Plan." The Company froze benefit accruals and participation in these plans effective June 30, 2011 and October 1, 2016, respectively. After the plan freezes, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	2024	2023	2024	2023
Interest cost	$ 1,204	$ 1,156	$ 3,612	$ 3,468
Expected return on plan assets	(1,122)	(1,009)	(3,366)	(3,027)
Amortization of net loss (1)	207	281	620	844
Net periodic benefit cost	$ 289	$ 428	$ 866	$ 1,285

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

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost

	March 31, 2024	June 30, 2023
Discount rate	5.05%	4.50%
Expected long-term return on plan assets	7.00%	6.50%

Multiemployer Pension Plans

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	2024	2023	2024	2023
Contributions to WCTPP	$ 272	$ 313	$ 944	$ 978
Contributions to All Other Plans	9	6	27	22

Multiemployer Plans Other Than Pension Plans

The Company participates in nine multiemployer defined contribution plans other than pension plans that provide medical, vision, dental and disability benefits for active, union-represented employees subject to collective bargaining agreements. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, and provide that participating employers make monthly contributions to the plans in an amount as specified in the collective bargaining agreements. Also, the plans provide that participants make self-payments to the plans, the amounts of which are negotiated through the collective bargaining process. The Company's participation in these plans is governed by collective bargaining agreements which expire on or before March 31, 2027.

401(k) Plan

Farmer Bros. Co. 401(k) Plan (the "401(k) Plan") is available to all eligible employees. The Company has a matching program that 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.

Beginning in January 2022, the Company amended the 401(k) matching program, whereby the Company on a quarterly basis, will contribute, instead of cash, shares of the Company's common stock, par value $1.00 per share (the "Common Stock") with a value equal to 50% of any non-union employee's annual contribution to the 401(k) Plan, up to 6% of such employee's eligible income. The terms of the match are substantially the same as the safe-harbor non-elective contribution. On January 1, 2023, the Company changed its match to 100% of the first 3% each eligible employee contributes plus 50%

on the next 2% they contribute. Effective January 1, 2024, the Company amended the 401(k) matching program, whereby the Company on an annual basis will contribute cash for 100% of the first 3% each eligible employee contributes plus 50% on the next 2% they contribute.

The Company recorded matching contributions of $0.4 million and $0.4 million in operating expenses in the three months ended March 31, 2024 and 2023, respectively. The Company recorded matching contributions of $0.9 million and $1.5 million in operating expenses in the nine months ended March 31, 2024 and 2023, respectively.

Note 12. Debt Obligations

The following table summarizes the Company's debt obligations:

(In thousands)	Debt Origination Date	Maturity	Principal Borrowing Amount	March 31, 2024 Carrying Value	March 31, 2024 Weighted Average Interest Rate	June 30, 2023 Carrying Value	June 30, 2023 Weighted Average Interest Rate
Revolver	Various	4/26/2027	N/A	$ 23,300	7.07 %	$ 23,021	6.66 %

Revolver Facility

On April 26, 2021, the Company entered into a senior secured facility which included a Revolver Credit Facility Agreement (the "Revolver Credit Facility"). The Revolver Credit Facility had a commitment of up to $80.0 million and a maturity date of April 25, 2025. On August 8, 2022, the Company and certain of its subsidiaries entered into the Increase Joinder and Amendment No. 2 to Credit Agreement (the "2nd Amendment"), with Wells Fargo, as administrative agent for each member of the lender group and as a lender. On August 31, 2022, the Company entered into Amendment No. 3 to Credit Agreement (the "3rd Amendment"), with the lenders party thereto, and Wells Fargo Bank, N.A., as administrative agent for each member of the lender group and as a lender.

On June 30, 2023, the Company and certain of its subsidiaries entered into that certain Consent and Amendment No. 4 to Credit Agreement (the "Fourth Amendment"), with the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent for each member of the lender group. The Fourth Amendment amends that certain Revolver Credit Facility Agreement, originally entered into by and among the parties on April 26, 2021. The Fourth Amendment includes a consent to the Sale by the administrative agent and the lenders and amends certain terms and conditions of the Credit Agreement by, among other things: (i) reflecting the payoff in full, with proceeds from the Sale, of the $47.0 million outstanding amount of the Term Loan, (ii) reflecting the paydown, with proceeds from the Sale, of the Revolver Credit Facility (and a reduction of the maximum commitment of the lenders under the Revolver Credit Facility to $75.0 million), (iii) releasing liens of the administrative agent securing the obligations under the Credit Agreement on assets sold pursuant to the Sale, and (iv) amending the Credit Agreement so that the Company's financial covenant (i.e., fixed charge coverage ratio) is only in effect during such times when the Company's liquidity falls below certain thresholds.

On December 4, 2023 (the "Effective Date"), the Company, and certain of its subsidiaries entered into that certain Consent and Amendment No. 5 to Credit Agreement (the "Consent and Amendment"), with the lenders party thereto (the "Lenders"), and Wells Fargo Bank, National Association, as administrative agent for each member of the lender group (in such capacity, the "Agent") to amended certain terms of the agreement, including the definition of specified real property and the release of security interests in certain real properties. The Consent and Amendment amends that certain Credit Agreement, originally entered into by the parties on April 26, 2021, which governs the Company's revolving credit facility (as amended or otherwise modified, the "Credit Agreement").

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

The Revolver Credit Facility Agreement, among other things include:

1. a commitment of up to $75.0 million ("Revolver") calculated as the lesser of (a) $75.0 million or (b) the amount equal to the sum of (i) 85% of eligible accounts receivable (less a dilution reserve), plus (ii) the lesser of: (a) 80% of eligible raw material inventory, eligible in-transit inventory and eligible finished goods inventory (collectively, "Eligible Inventory"), and (b) 85% of the net orderly liquidation value of Eligible Inventory, minus (c) applicable reserve;
2. sublimit on letters of credit of $10.0 million;
3. maturity date of April 26, 2027 and has no scheduled payback required on the principal prior to the maturity date;
4. fully collateralized by all existing and future capital stock of the Borrowers (other than the Company) and all of the Borrowers' personal and real property;
5. interest under the Revolver is either if the relevant Obligation is a SOFR Loan, at a per annum rate equal to Term

SOFR plus the SOFR Margin (1.75%), and otherwise, at a per annum rate equal to the Base Rate (the greater of the Federal Funds Rate + 0.5% or Term SOFR +1%) plus the Base Rate Margin (0.75%).; and

6. in the event that Borrowers' availability to borrow under the Revolver falls below $9.375 million, the financial covenant requires the Company to meet or exceed a fixed charge coverage ratio of at least 1.00:1.00 at all such times.

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

There are no required principal payments on the Revolver debt obligation.

At March 31, 2024, the Company had outstanding borrowings on the Revolver Credit Facility of $23.3 million and had utilized $4.6 million of the letters of credit sublimit. At March 31, 2024, we had $30.5 million available for borrowing under our Revolver Credit Facility.

As of March 31, 2024, the Company was in compliance with all of the financial covenants under the Revolver Credit Facility Agreement. Furthermore, the Company believes it will be in compliance with the related financial covenants under this agreement for the next 12 months.

Note 13. Share-based Compensation

Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan (the "2017 Plan")

As of March 31, 2024, there were 1,781,990 shares available under the 2017 Plan including shares that were forfeited under the prior plans for future issuance.

Farmer Bros. Co. 2020 Inducement Incentive Award Plan (the "2020 Inducement Plan")

As of March 31, 2024, there were 182,919 shares available under the 2020 Inducement Plan.

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

One-third of the total number of shares subject to each stock option vest ratably on each of the first three anniversaries of the grant date, contingent on continued employment, and subject to accelerated vesting in certain circumstances. There were no NQOs granted during the nine months ended March 31, 2024.

The following table summarizes NQO activity for nine months ended March 31, 2024:

Outstanding NQOs:	Number of NQOs	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2023	331,658	11.69	3.35	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled/Forfeited	—	—	—	—
Expired	(312,208)	11.31	—	—
Outstanding at March 31, 2024	19,450	17.75	2.39	$ —
Exercisable at March 31, 2024	19,450	17.75	2.39	$ —

There were no NQOs exercised during nine months ended March 31, 2024 and 2023.

At March 31, 2024 and June 30, 2023, all NQOs are vested resulting in no compensation cost. Total compensation expense for NQOs was $5 thousand and $0.1 million for the three and nine months ended March 31, 2023.

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

The following table summarizes PNQ activity for the nine months ended March 31, 2024:

Outstanding PNQs:	Number of PNQs	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2023	991	32.85	0.36	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled/Forfeited	—	—	—	—
Expired	(991)	32.85	—	—
Outstanding at March 31, 2024	—	—	0.00	$ —
Exercisable at March 31, 2024	—	—	0.00	$ —

There were no PNQs exercised during nine months ended March 31, 2024 and 2023.

At March 31, 2024 and 2023, there was no PNQ compensation expense and no unrecognized PNQ compensation cost.

Restricted Stock

The following table summarizes restricted stock activity for the nine months ended March 31, 2024:

Outstanding and Nonvested Restricted Stock Awards:	Shares Awarded	Weighted Average Grant Date Fair Value ($)
Outstanding and nonvested at June 30, 2023	882,554	6.14
Granted	507,489	2.99
Vested/Released	(443,923)	5.67
Cancelled/Forfeited	(306,086)	6.61
Outstanding and nonvested at March 31, 2024	640,034	3.73

The weighted average grant date fair value of RSUs granted during the quarter ended March 31, 2024 and 2023 were $3.67 and $5.68, respectively. The total grant-date fair value of restricted stock granted during the nine months ended March 31, 2024 was $1.5 million. The total fair value of awards vested during the nine months ended March 31, 2024 and 2023 were $1.3 million and $1.6 million, respectively.

At March 31, 2024 and June 30, 2023, there was $1.9 million and $3.6 million, respectively, of unrecognized compensation cost related to restricted stock. The unrecognized compensation cost related to restricted stock at March 31, 2024 is expected to be recognized over the weighted average period of 2.0 years. Total compensation expense for restricted stock was $0.3 million and $0.5 million, respectively, in the three months ended March 31, 2024 and 2023. Total compensation expense for restricted stock was $1.4 million and $1.9 million, respectively, in the nine months ended March 31, 2024 and 2023.

Performance-Based Restricted Stock Units ("PBRSUs")

The following table summarizes PBRSU activity for the nine months ended March 31, 2024:

Outstanding and Nonvested PBRSUs:	PBRSUs Awarded	Weighted Average Grant Date Fair Value ($)
Outstanding and nonvested at June 30, 2023	549,291	5.92
Granted	394,576	2.95
Vested/Released	(134,660)	4.10
Cancelled/Forfeited	(414,631)	6.51
Outstanding and nonvested at March 31, 2024	394,576	2.95

The weighted average grant date fair value of PBRSUs granted during the quarter ended March 31, 2024 and 2023 were $3.40 and $6.40, respectively. The total grant-date fair value of PBRSU granted during the nine months ended March 31, 2024 was $1.2 million. The total fair value of awards vested during the nine months ended March 31, 2024 and 2023 were $0.3 million and $3 thousand, respectively.

At March 31, 2024 and June 30, 2023, there was $1.1 million and $1.7 million, respectively, of unrecognized PBRSU compensation cost. The unrecognized PBRSU compensation cost at March 31, 2024 is expected to be recognized over the weighted average period of 2.1 years. Total compensation expense for PBRSUs was $0.1 million and $0.1 million, respectively, for the three months ended March 31, 2024 and 2023. Total compensation expense for PBRSUs was $0.3 million and $0.5 million, respectively, for the nine months ended March 31, 2024 and 2023.

Cash-Settled Restricted Stock Units ("CSRSUs")

CSRSUs vest in equal installments over a three-year period from the grant date, and are cash-settled upon vesting based on the closing share price of Common Stock on the vesting date.

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

The following table summarizes CSRSU activity for the nine months ended March 31, 2024:

Outstanding and Nonvested CSRSUs:	CSRSUs Awarded	Weighted Average Grant Date Fair Value ($)
Outstanding and nonvested at June 30, 2023	184,807	6.15
Granted	556,000	2.42
Vested/Released	(63,934)	6.25
Cancelled/Forfeited	(39,380)	5.15
Outstanding and nonvested at March 31, 2024	637,493	2.93

There were no CRSUs granted during the quarter ended March 31, 2024. The weighted average grant date fair value of CRSUs granted during the quarter ended March 31, 2023 was $6.40. The total grant-date fair value of CRSU granted during the nine months ended March 31, 2024 was $1.3 million. The total fair value of awards vested during the nine months ended March 31, 2024 and 2023 was $0.2 million and $0.2 million, respectively.

At March 31, 2024 and June 30, 2023, there was $1.7 million and $0.4 million, respectively, of unrecognized compensation cost related to CSRSU. The unrecognized compensation cost related to CSRSU at March 31, 2024 is expected to be recognized over the weighted average period of 2.5 years. Total compensation expense for CSRSUs was $0.2 million and $38 thousand, respectively for the three months ended March 31, 2024 and 2023. Total compensation expense for CSRSUs was $0.4 million and $0.2 million, respectively for the nine months ended March 31, 2024 and 2023.

Note 14. Other Current Liabilities

Other current liabilities consist of the following:

(In thousands)	March 31, 2024	June 30, 2023
Accrued workers' compensation liabilities	$ 612	$ 992
Finance lease liabilities	193	193
Other (1)	2,259	3,334
Other current liabilities	$ 3,064	$ 4,519

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

Note 15. Other Long-Term Liabilities

Other long-term liabilities include the following:

(In thousands)	March 31, 2024	June 30, 2023
Derivative liabilities—noncurrent	$ 1,095	$ —
Deferred compensation (1)	422	267
Finance lease liabilities	144	270
Other long-term liabilities	$ 1,661	$ 537

(1) Includes payroll taxes and cash-settled restricted stock units liabilities.

Note 16. Income Taxes

The income tax expense and the related effective tax rates are as follows (in thousands, except effective tax rate):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Income tax expense	$ 0	$ 30	$ 32	$ 113
Effective tax rate	0.0 %	(0.4)%	4.3 %	(0.7)%

The Company's interim tax provision is determined using an estimated annual effective tax rate and adjusted for discrete taxable events that may occur during the quarter. The Company recognizes the effects of tax legislation in the period in which the law is enacted. Deferred tax assets and liabilities are remeasured using enacted tax rates expected to apply to taxable income in the years the Company estimates the related temporary differences to reverse. The Company evaluates its deferred tax assets quarterly to determine if a valuation allowance is required. In making such assessment, significant weight is given to evidence that can be objectively verified, such as recent operating results, and less consideration is given to less objective indicators such as future income projections.

Tax expense in the three months ended March 31, 2024 was zero compared to $30 thousand in the three months ended March 31, 2023, which primarily relates to state income tax.

Tax expense in the nine months ended March 31, 2024 was $32 thousand compared to $113 thousand in the nine months ended March 31, 2023, which primarily relates to state income tax.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by U.S. federal, state and local tax authorities. With limited exceptions, as of March 31, 2024, the Company is no longer subject to income tax audits by taxing authorities for any years prior to 2020. Although the outcome of tax audits is always uncertain, the Company does not believe the outcome of any future audit will have a material adverse effect on the Company's consolidated financial statements.

Note 17. Net Income (Loss) Per Common Share

Basic net income (loss) per common share is calculated by dividing net income (loss) attributable to the Company by the weighted average number of common shares outstanding during the periods presented. Diluted net income (loss) per common share is calculated by dividing diluted net income (loss) attributable to the Company by the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, unvested performance-based restricted stock units, RSUs and shares of the Company's Series A Convertible Participating Cumulative Perpetual Preferred Stock, par value $1.00 per share ("Series A Preferred Stock"), as converted, during the periods presented. The calculation of dilutive shares outstanding excludes out-of-the-money stock options (i.e., such option's exercise prices were greater than the average market price of our common shares for the period). Potentially dilutive securities include unvested RSUs and performance-based restricted stock units. For the three and nine months ended March 31, 2024 and for the three and nine months ended March 31, 2023, shares of the Company's outstanding RSUs, PBRSUs and stock options were not included in the computation of diluted loss per common share as their effects were anti-dilutive.

The following table presents the computation of basic and diluted net earnings income (loss) per common share:

(In thousands, except share and per share amounts)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
(Loss) income from continuing operations available to common stockholders	$ (682)	$ (6,927)	$ 717	$ (17,188)
Loss from discontinued operations available to common stockholders	—	(4,496)	—	(15,216)
Net (loss) income available to common stockholders—basic and diluted	(682)	(11,423)	717	(32,404)
Weighted average shares outstanding - basic	21,104,728	19,923,577	20,743,861	19,467,022
Effect of dilutive securities:				
Shares issuable under RSUs and PBSRUs	—	—	204,468	—
Weighted average common shares outstanding - diluted	21,104,728	19,923,577	20,948,329	19,467,022
(Loss) income from continuing operations per share available to common stockholders—basic and diluted	$ (0.03)	$ (0.34)	$ 0.03	$ (0.88)
Loss from discontinued operations per share available to common stockholders—basic and diluted	$ —	$ (0.23)	$ —	$ (0.78)
Net (loss) income per common share available to stockholders—basic and diluted	$ (0.03)	$ (0.57)	$ 0.03	$ (1.66)

Note 18. Preferred Stock

The Company is authorized to issue 500,000 shares of preferred stock at a par value of $1.00, including 21,000 authorized shares of Series A Preferred Stock. There are no preferred shares issued and outstanding as of March 31, 2024.

Effective August 25, 2022, 12,964 shares of Series A Preferred Stock were converted into 399,208 shares of common stock at a conversion price of $38.32, in accordance with the terms of the Company's Designation of Series A Preferred Stock.

The shares of Series A Preferred Stock were originally issued to Boyd Coffee Company ("Boyd") on October 2, 2017 pursuant to the Boyd Purchase Agreement. 1,736 shares of Series A Preferred Stock originally issued to Boyd in accordance with the terms of the Boyd Purchase Agreement were previously reacquired and cancelled by the Company as part of a settlement with Boyd on July 26, 2022. The shares of Series A Preferred Stock converted represented all of the issued and outstanding shares of Series A Preferred Stock. In connection therewith, the Company withheld the Holdback Shares against Boyd.

In fiscal year 2023, as a result of the settlement entered into with Boyd, the Company recorded a $1.9 million gain on settlement with Boyd, in general and administrative expense on the consolidated statement of operations, which included the cancellation of preferred shares and settlement of acquisition-related contingent liabilities.

Note 19. Revenue Recognition

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

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

The Company disaggregates net sales from contracts with customers based on the characteristics of the products sold:

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2024		2023		2024		2023	
(In thousands)	$	% of total	$	% of total	$	% of total	$	% of total
Net Sales by Product Category:								
Coffee (Roasted)	$ 39,437	46.2 %	$ 39,324	45.9 %	$ 119,333	46.5 %	$ 119,078	46.8 %
Tea & Other Beverages (1)	23,213	27.2 %	22,575	26.3 %	67,637	26.3 %	66,832	26.3 %
Culinary	16,176	19.0 %	17,114	20.0 %	49,678	19.4 %	48,193	18.9 %
Spices	5,268	6.2 %	5,777	6.7 %	16,258	6.3 %	17,510	6.9 %
Delivery Surcharge	1,264	1.4 %	933	1.1 %	3,792	1.5 %	2,855	1.1 %
Net sales from continuing operations by product category	$ 85,358	100.0 %	$ 85,723	100.0 %	$ 256,698	100.0 %	$ 254,468	100.0 %

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

The Company does not have any material contract assets and liabilities as of March 31, 2024. Receivables from contracts with customers are included in "Accounts receivable, net" on the Company's consolidated balance sheets.

Note 20. Commitments and Contingencies

For a detailed discussion about the Company's commitments and contingencies, see Note 19, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in the 2023 Form 10-K. During the nine months ended March 31, 2024, other than the following, or as otherwise disclosed herein, there were no material changes in the Company's commitments and contingencies.

Purchase Commitments

As of March 31, 2024, the Company had committed to purchase green coffee inventory totaling $29.3 million under fixed-price contracts, and $14.2 million in inventory and other purchases under non-cancelable purchase orders.

Legal Proceedings

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

Note 21. Sales of Assets

Sale of Branch Properties

During the nine months ended March 31, 2024, the Company completed the sale of 12 branch properties. The total sales price was $25.9 million and net proceeds was $23.9 million. The completed sale of branch properties resulted in a gain on sale of $19.4 million.

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

This Quarterly Report on Form 10-Q and other documents we file with the Securities and Exchange Commission ("SEC") contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, our future performance, our financial condition, our products, our business strategy, our beliefs and our management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "could," "may," "assumes" and other words of similar meaning. These statements are based on management's beliefs, assumptions, estimates and observations of future events based on information available to our management at the time the statements are made and include any statements that do not relate to any historical or current fact. These statements are not guarantees of future performance and they involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed, implied or forecast by our forward-looking statements due in part to the risks, uncertainties and assumptions set forth in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 filed with the SEC on September 12, 2023, as amended by the Form 10-K/A filed on October 27, 2023 (as amended, the "2023 Form 10-K"), as well as those discussed elsewhere in this Quarterly Report on Form 10-Q and other factors described from time to time in our filings with the SEC. The Company's results of operations for all periods presented have been adjusted to reflect the discontinued operations related to the Sale.

Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, severe weather, levels of consumer confidence in national and local economic business conditions, the impact of labor market conditions, the increase of costs due to inflation, an economic downturn caused by any pandemic, epidemic or other disease outbreak, comparable or similar to COVID-19, the success of our turnaround strategy, the impact of capital improvement projects, the adequacy and availability of capital resources to fund our existing and planned business operations and our capital expenditure requirements, our ability to meet financial covenant requirements in our Credit Facility, which could impact, among other things, our liquidity, the relative effectiveness of compensation-based employee incentives in causing improvements in our performance, the capacity to meet the demands of our large national account customers, the extent of execution of plans for the growth of our business and achievement of financial metrics related to those plans, our success in retaining and/or attracting qualified employees, our success in adapting to technology and new commerce channels, the effect of the capital markets as well as other external factors on stockholder value, fluctuations in availability and cost of green coffee, competition, organizational changes, the effectiveness of our hedging strategies in reducing price and interest rate risk, changes in consumer preferences, our ability to provide sustainability in ways that do not materially impair profitability, changes in the strength of the economy, including any effects from inflation, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, as well as other risks described in this Quarterly Report on Form 10-Q and other factors described from time to time in our filings with the SEC.

Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Quarterly Report on Form 10-Q and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise, except as required under federal securities laws and the rules and regulations of the SEC.

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Favorable (Unfavorable) Change	Favorable (Unfavorable) % Change	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023	Favorable (Unfavorable) Change	Favorable (Unfavorable) % Change
Income Statement Data:								
Net sales	$ 85,358	$ 85,723	$(365)	(0.4)%	$ 256,698	$ 254,468	$2,230	0.9%
Gross margin	40.1 %	33.5 %	6.6%	NM	39.4 %	34.1 %	5.3%	NM
Operating expenses as a % of sales	40.7 %	41.5 %	0.8%	NM	38.7 %	38.4 %	(0.3)%	NM
(Loss) income from operations	$ (468)	$ (6,805)	$6,337	93.1%	$ 1,897	$ (10,838)	$12,735	117.5%
(Loss) income from continuing operations	$ (682)	$ (6,927)	$6,245	90.2%	$ 717	$ (17,188)	$17,905	104.2%
Operating Data:								
Coffee pounds sold	5,420	5,899	(479)	(8.1)%	16,729	18,232	(1,503)	(8.2)%
EBITDA (1)	$ 2,836	$ (2,743)	$5,579	203.4%	$ 11,758	$ (4,618)	$16,376	354.6%
EBITDA Margin (1)	3.3 %	(3.2)%	6.5%	NM	4.6 %	(1.8)%	6.4%	NM
Adjusted EBITDA (1)	$ 271	$ (579)	$850	146.8%	$ 2,132	$ (6,708)	$8,840	131.8%
Adjusted EBITDA Margin (1)	0.3 %	(0.7)%	1.0%	NM	0.8 %	(2.6)%	3.4%	NM
Percentage of Total Net Sales By Product Category								
Coffee (Roasted)	46.2 %	45.9 %	0.3%	0.7%	46.5 %	46.8 %	(0.3)%	(0.6)%
Tea & Other Beverages (2)	27.2 %	26.3 %	0.9%	3.4%	26.3 %	26.3 %	—%	—%
Culinary	19.0 %	20.0 %	(1.0)%	(5.0)%	19.4 %	18.9 %	0.5%	2.6%
Spices	6.2 %	6.7 %	(0.5)%	(7.5)%	6.3 %	6.9 %	(0.6)%	(8.7)%
Delivery Surcharge	1.4 %	1.1 %	0.3%	NM	1.5 %	1.1 %	0.4%	NM
Net sales from continuing operations	100.0 %	100.0 %	— %	NM	100.0 %	100.0 %	—%	NM
Other data:								
Capital expenditures related to maintenance	$ 3,414	$ 3,394	$ (20)	(0.6)%	$ 10,267	$ 9,117	$ (1,150)	(12.6)%
Total capital expenditures	3,414	3,394	(20)	(0.6)%	10,267	9,326	(941)	(10.1)%
Depreciation and amortization expense	2,883	3,093	210	6.8 %	8,675	9,798	1,123	11.5%

NM - Not Meaningful

(1) EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. See “Non-GAAP Financial Measures” below for a reconciliation of these non-GAAP measures to their corresponding GAAP measures.

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

Results of Operations

The following table sets forth information regarding our consolidated results of continuing operations for the three and nine months ended March 31, 2024 and 2023 (in thousands, except percentages):

	Three Months Ended March 31,		Favorable (Unfavorable)		Nine Months Ended March 31,		Favorable (Unfavorable)	
	2024	2023	Change	% Change	2024	2023	Change	% Change
Net sales	$ 85,358	$ 85,723	$(365)	(0.4)%	$ 256,698	$ 254,468	$2,230	0.9%
Cost of goods sold	51,127	56,968	5,841	10.3%	155,571	167,671	12,100	7.2%
Gross profit	34,231	28,755	5,476	19.0%	101,127	86,797	14,330	16.5%
Selling expenses	28,001	26,693	(1,308)	(4.9)%	82,970	78,081	(4,889)	(6.3)%
General and administrative expenses	9,581	9,424	(157)	(1.7)%	32,066	27,239	(4,827)	(17.7)%
Net gains from sale of assets	(2,883)	(557)	2,326	NM	(15,806)	(7,685)	8,121	NM
Operating expenses	34,699	35,560	861	2.4%	99,230	97,635	(1,595)	(1.6)%
(Loss) income from operations	(468)	(6,805)	6,337	93.1%	1,897	(10,838)	12,735	NM
Other (expense) income:								
Interest expense	(1,849)	(2,227)	378	17.0%	(5,978)	(6,155)	177	2.9%
Other, net	1,635	2,135	(500)	NM	4,830	(82)	4,912	NM
Total other expense	(214)	(92)	(122)	NM	(1,148)	(6,237)	5,089	NM
(Loss) income from continuing operations before taxes	(682)	(6,897)	6,215	90.1%	749	(17,075)	17,824	104.4%
Income tax expense	—	30	(30)	NM	32	113	81	(71.7)%
(Loss) income from continuing operations	$ (682)	$ (6,927)	$6,245	90.2%	$ 717	$ (17,188)	$17,905	104.2%

NM - Not Meaningful

Three and Nine Months Ended March 31, 2024 Compared to Three and Nine Months Ended March 31, 2023

Net Sales

Net sales in the three months ended March 31, 2024 decreased $0.4 million, or 0.4%, to $85.4 million from $85.7 million in the three months ended March 31, 2023. The decrease in net sales for the three months ended March 31, 2024 was primarily due to a reduction in unit sales partially offset by higher pricing and product mix compared to the prior period.

Net sales in the nine months ended March 31, 2024 increased $2.2 million, or 0.9%, to $256.7 million from $254.5 million in the nine months ended March 31, 2023. The increase in net sales for the nine months ended March 31, 2024 was primarily due to higher pricing compared to the prior period.

The following table presents the effect of changes in unit sales, and unit pricing and product mix in the three and nine months ended March 31, 2024 compared to the same period in the prior fiscal year (in millions):

	Three Months Ended March 31, 2024 vs. 2023	Nine Months Ended March 31, 2024 vs. 2023
Effect of change in unit sales	$ (6.1)	$ (19.9)
Effect of pricing and product mix changes	5.7	22.1
Total (decrease) increase in net sales	$ (0.4)	$ 2.2

Unit sales decreased 6.8% and average unit price increased by 6.4% in the three months ended March 31, 2024 as compared to the same period in the prior fiscal year, resulting in an decrease in our net sales of 0.4%. Average unit price increased during the three months ended March 31, 2024 due to price increases.

Unit sales decreased 7.3% and average unit price increased by 8.4% in the nine months ended March 31, 2024 as compared to the same period in the prior fiscal year, resulting in an increase in our net sales of 0.9%. Average unit price increased during the nine months ended March 31, 2024 primarily due to price increases. There were no new product category introductions which had a material impact on our net sales in the nine months ended March 31, 2024 or 2023.

Gross Profit

Gross profit increased to $34.2 million for the three months ended March 31, 2024, compared to $28.8 million for the three months ended March 31, 2023. Gross margin increased to 40.1% for the three months ended March 31, 2024 from 33.5% for the three months ended March 31, 2023. The increase in gross profit was primarily due to improved pricing and a decrease in underlying commodities pricing compared to the same period in the prior fiscal year.

Gross profit increased to $101.1 million for the nine months ended March 31, 2024, compared to $86.8 million for the nine months ended March 31, 2023. Gross margin increased to 39.4% for the nine months ended March 31, 2024 from 34.1% for the nine months ended March 31, 2023. The increase in gross profit was primarily due to improved pricing and a decrease in underlying commodities pricing compared to the same period in the prior fiscal year.

Operating Expenses

In the three months ended March 31, 2024, operating expenses decreased $0.9 million to $34.7 million, or 40.7% of net sales, from $35.6 million, or 41.5% of net sales in the prior year period. This decrease was due to a a $2.3 million increase in net gains from the sale of branch properties and other assets offset by a $1.3 million increase in selling expenses and a $0.2 million increase in general and administrative expenses during the three months ended March 31, 2024. The increase in selling expenses during the three months ended March 31, 2024 was primarily due to increased spend related to vehicle rent expense, healthcare benefits and other benefit related expenses, partially offset by a decrease in advertising related expenses.

In the nine months ended March 31, 2024, operating expenses increased $1.6 million to $99.2 million, or 38.7% of net sales, from $97.6 million, or 38.4% of net sales in the prior year period. This increase was due to $4.8 million increase in general and administrative expenses and a $4.9 million increase in selling expenses, offset by a $8.1 million increase in net gains from the sale of branch properties and other assets during the nine months ended March 31, 2024. The increase in selling expenses during the nine months ended March 31, 2024 was primarily due to additional spend on facility and vehicle rent expense and healthcare benefits, partially offset by a decrease in advertising related expenses. The increase in general and administrative expenses during the nine months ended March 31, 2024 was primarily due to an increase in severance costs, other compensation related costs and rent. Further, the increase was impacted by the non-recurrence of a $1.9 million gain related to the settlement of the Boyd's acquisition and payroll tax refund in the nine months ended March 31, 2023.

Total Other Expense

Total other expense for the three months ended March 31, 2024 increased $0.1 million to expense of $0.2 million compared to $0.1 million of expense in the three months ended March 31, 2023. Total other expense for the nine months ended March 31, 2024 decreased $5.1 million to expense of $1.1 million compared to $6.2 million of expense in the nine months ended March 31, 2023.

Interest expense in the three months ended March 31, 2024 decreased $0.4 million to $1.8 million from $2.2 million in the prior year period. Interest expense in the nine months ended March 31, 2024 decreased $0.2 million to $6.0 million from $6.2 million in the prior year period. The decrease in both periods in primarily related to lower supplier interest expense.

Other, net in the three months ended March 31, 2024 decreased by $0.5 million to $1.6 million gain compared to $2.1 million gain in the prior year period. The change was primarily a result of lower mark-to-market net gains on coffee-related derivative instruments not designated as accounting hedges in the current period compared to the prior year period.

Other, net in the nine months ended March 31, 2024 increased by $4.9 million to $4.8 million gain compared to $0.1 million loss in the prior year period. The change was primarily a result of higher mark-to-market net gains on coffee-related derivative instruments not designated as accounting hedges in the current period compared to mark-to-market net losses in the prior year period.

Income Taxes

In the three months ended March 31, 2024 and March 31, 2023, we recorded income tax expense of zero and $30 thousand, respectively. In the nine months ended March 31, 2024 and March 31, 2023, we recorded income tax expense of $32 thousand and $113 thousand, respectively. See Note 16, *Income Taxes*, of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Non-GAAP Financial Measures

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

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

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

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

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

- income tax expense;
- interest expense;
- depreciation and amortization expense;
- 401(k) stock match, ESOP and share-based compensation expense;
- gain on settlement with Boyd's sellers;
- net (gains) losses from sales of assets;
- loss related to sale of business; and
- severance costs.

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

For purposes of calculating EBITDA and EBITDA Margin and Adjusted EBITDA and Adjusted EBITDA Margin, we have not adjusted for the impact of interest expense on our pension and postretirement benefit plans.

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

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

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
(Loss) income from continuing operations, as reported	$ (682)	$ (6,927)	$ 717	$ (17,188)
Income tax expense	—	30	32	113
Interest expense (1)	635	1,061	2,334	2,659
Depreciation and amortization expense	2,883	3,093	8,675	9,798
EBITDA	$ 2,836	$ (2,743)	$ 11,758	$ (4,618)
EBITDA Margin	3.3 %	(3.2)%	4.6 %	(1.8)%

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

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

(In thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
(Loss) income from continuing operations, as reported	$ (682)	$ (6,927)	$ 717	$ (17,188)
Income tax expense	—	30	32	113
Interest expense (1)	635	1,061	2,334	2,659
Depreciation and amortization expense	2,883	3,093	8,675	9,798
401(k), ESOP and share-based compensation expense	422	1,572	3,324	6,071
Gain on settlement with Boyd's sellers (2)	—	—	—	(1,917)
Net gains from sale of assets	(2,883)	(557)	(17,020)	(7,685)
Loss related to sale of business (3)	—	—	1,214	—
Severance costs	(104)	1,149	2,856	1,441
Adjusted EBITDA	$ 271	$ (579)	$ 2,132	$ (6,708)
Adjusted EBITDA Margin	0.3 %	(0.7)%	0.8 %	(2.6)%

(1) Excludes interest expense related to pension plans and postretirement benefit plans.
(2) Result of the settlement related to the acquisition of Boyd Coffee Company which included the cancellation of shares of Series A Preferred Stock and settlement of liabilities.
(3) Result of the settlements related to the divestiture of Direct Ship business which included gains related to coffee hedges and settlement of liabilities.

Our Business

We are a leading coffee roaster, wholesaler, equipment servicer and distributor of coffee, tea and other allied products manufactured under our owned brands, as well as under private labels on behalf of certain customers. We were founded in 1912, incorporated in California in 1923, and reincorporated in Delaware in 2004. Our principal office is located in Northlake, Texas. We operate in one business segment.

We serve a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurants, department and convenience store retailers, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors. Through our sustainability, stewardship, environmental efforts, and leadership we are not only committed to serving the finest products available, considering the cost needs of the customer, but also focus on their sustainable cultivation, manufacture and distribution whenever possible.

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

We operate a production facility in Portland, Oregon. We distribute our products from our Portland, Oregon production facility, as well as separate distribution centers in Northlake, Texas; Portland, Oregon; Northlake, Illinois; Moonachie, New Jersey; and Rialto, California. Our products reach our customers primarily through our nationwide DSD network of 243 delivery routes and 105 branch warehouses as of March 31, 2024. DSD sales are primarily made "off-truck" to our customers at their places of business. We operate a large fleet of trucks and other vehicles to distribute and deliver our products through our DSD network, and we rely on 3PL service providers for our long-haul distribution.

Liquidity, Capital Resources and Financial Condition

The following table summarizes our debt obligations:

(In thousands)	Debt Origination Date	Maturity	Principal Borrowing Amount	March 31, 2024 Carrying Value	March 31, 2024 Weighted Average Interest Rate (1)	June 30, 2023 Carrying Value	June 30, 2023 Weighted Average Interest Rate (1)
Revolver	Various	4/26/2027	N/A	$ 23,300	7.07 %	$ 23,021	6.66 %

The revolver under the Credit Facility has a commitment of up to $75.0 million and a maturity date of April 26, 2027.

Availability under the revolver is calculated as the lesser of (a) $75.0 million or (b) the amount equal to the sum of (i) 85% of eligible accounts receivable (less a dilution reserve), plus (ii) the lesser of: (a) 80% of eligible raw material inventory, eligible in-transit inventory and eligible finished goods inventory (collectively, “Eligible Inventory”), and (b) 85% of the net orderly liquidation value of Eligible Inventory, minus (c) applicable reserve. The Term Loan under the Term Credit Facility was fully paid down on June 30, 2023.

The Credit Facility contains customary affirmative and negative covenants and restrictions typical for a financing of this type. Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the Credit Facility becoming immediately due and payable and termination of the commitments. As of and through March 31, 2024, we were in compliance with all of the covenants under the Credit Facility.

The Credit Facility provides us with increased flexibility to proactively manage our liquidity and working capital, while maintaining compliance with our debt financial covenants, and preserving financial liquidity to mitigate the impact of the uncertain business environment and continue to execute on key strategic initiatives.

At March 31, 2024, the Company had outstanding borrowings on the Revolver Credit Facility of $23.3 million and had utilized $4.6 million of the letters of credit sublimit.

Liquidity

We generally finance our operations through cash flows from operations and borrowings under our Credit Facility described above. In light of our financial position, operating performance and current economic conditions, including the state of the global capital markets, there can be no assurance as to whether or when we will be able to raise capital by issuing securities. We believe that the Credit Facility, to the extent available, in addition to our cash flows from operations, collectively, will be sufficient to fund our working capital and capital expenditure requirements for the next 12 months.

At March 31, 2024, we had $5.5 million of unrestricted cash and cash equivalents and $0.2 million in restricted cash. Further changes in commodity prices and the number of coffee-related derivative instruments held could have a significant impact on cash deposit requirements under our broker and counterparty agreements and may adversely affect our liquidity. At March 31, 2024, we had $30.5 million available on our Revolver Credit Facility.

Cash Flows

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

	Nine Months Ended March 31,	
	2024	**2023**
Consolidated Statements of cash flows data (in thousands)		
Net cash (used in) provided by operating activities	$ (13,152)	$ 14,056
Net cash provided by investing activities	13,366	2,181
Net cash provided by financing activities	66	3,326
Net increase in cash and cash equivalents and restricted cash	$ 280	$ 19,563

Operating Activities

Net cash used in operating activities during the nine months ended March 31, 2024 was $13.2 million as compared to net cash provided by operating activities of $14.1 million in the nine months ended March 31, 2023, an increase in cash used by operations of $27.2 million. The change was driven by a pay down of accounts payable, an increase in inventory and partially offset by a decrease in accounts receivables.

Investing Activities

Net cash provided by investing activities during the nine months ended March 31, 2024 was $13.4 million as compared to $2.2 million in the nine months ended March 31, 2023. The net change in investing activities was due to an increase of $13.3 million related to proceeds from the sale of property, plant and equipment during the nine months ended March 31, 2024.

Financing Activities

Net cash provided by financing activities during the nine months ended March 31, 2024 was $0.1 million as compared to $3.3 million in the nine months ended March 31, 2023. The decrease of $3.2 million was primarily due to net borrowing proceeds of $0.3 million under the Credit Facility this period compared to proceeds of $3.8 million in the prior year period.

Capital Expenditures

For the nine months ended March 31, 2024 and 2023, our capital expenditures paid were $10.3 million and $9.3 million, respectively. In fiscal 2024, we anticipate paying between $12.0 million to $15.0 million in capital expenditures. We expect to finance these expenditures through cash flows from operations and borrowings under our Credit Facility.

Depreciation and amortization expenses were $8.7 million and $9.8 million in the nine months ended March 31, 2024 and 2023, respectively.

Purchase Commitments

As of March 31, 2024, the Company had committed to purchase green coffee inventory totaling $29.3 million under fixed-price contracts, and $14.2 million in inventory and other purchases under non-cancelable purchase orders.

Contractual Obligations

As of March 31, 2024, the Company had operating and finance lease payment commitments totaling $31.8 million.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates or judgments, however, are both subjective and subject to change, and actual results may differ from our assumptions and estimates. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. For a summary of our significant accounting policies, see *Note 2, Summary of Significant Accounting Policies,* of the Notes to Consolidated Financial Statements included in Part I, Item 1 of our 2023 Form 10-K. For a summary of our critical accounting estimates, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" in our 2023 Form 10-K.

Recent Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in Part I, Item 1 of our 2023 Form 10-K.

Off-Balance Sheet Arrangements

As of March 31, 2024, the Company did not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

At March 31, 2024, we had outstanding borrowings on our Revolver Credit Facility of $23.3 million and had utilized $4.6 million of the letters of credit sublimit. The weighted average interest rate on our Revolver Credit Facility was 7.07%.

The following table demonstrates the impact of interest rate changes on our annual interest expense on outstanding borrowings subject to interest rate variability under these Credit Facility based on the weighted average interest rate on the outstanding borrowings as of March 31, 2024:

(In thousands)	Principal	Interest Rate	Annual Interest Expense
–150 basis points	$23,300	5.57%	$1,298
–100 basis points	$23,300	6.07%	$1,414
Unchanged	$23,300	7.07%	$1,647
+100 basis points	$23,300	8.07%	$1,880
+150 basis points	$23,300	8.57%	$1,997

Commodity Price Risk

We are exposed to commodity price risk arising from changes in the market price of green coffee. We value green coffee inventory on the FIFO basis. In the normal course of business we hold a large green coffee inventory and enter into forward commodity purchase agreements with suppliers. We are subject to price risk resulting from the volatility of green coffee prices. Due to competition and market conditions, volatile price increases cannot always be passed on to our customers. See Note 5, Derivative Instruments, of the Notes to the Unaudited Consolidated Financial Statements for further discussions of our derivative instruments.

The following table summarizes the potential impact as of March 31, 2024 to net gain (loss) and AOCI from a hypothetical 10% change in coffee commodity prices. The information provided below relates only to the coffee-related derivative instruments and does not include, when applicable, the corresponding changes in the underlying hedged items:

	Increase (Decrease) to Net Gain(Loss)		Increase (Decrease) to AOCI	
(In thousands)	10% Increase in Underlying Rate	10% Decrease in Underlying Rate	10% Increase in Underlying Rate	10% Decrease in Underlying Rate
Coffee-related derivative instruments (1)	$ 4	$ (4)	$ —	$ —

(1) The Company’s purchase contracts that qualify as normal purchases include green coffee purchase commitments for which the price has been locked in as of March 31, 2024. These contracts are not included in the sensitivity analysis above as the underlying price has been fixed.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Our management, with the participation of our Chief Executive Officer (principal executive officer) and Interim Chief Financial Officer (principal financial officer), carried out an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2024 pursuant to Rule 13a-15(e) promulgated under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

Management has determined that there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth in Note 20, *Commitments and Contingencies*, of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

For a discussion of our other potential risks and uncertainties, see the information under "Item 1A. Risk Factors" in our 2023 Form 10-K. During the nine months ended March 31, 2024, there have been no material changes to the risk factors disclosed in our 2023 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

During the fiscal quarter ended March 31, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as those terms are defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of Farmer Bros. Co. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 12, 2023 and incorporated herein by reference).
3.2	Amended and Restated Bylaws (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 2, 2023 and incorporated herein by reference).
10.1	Letter Agreement, dated November 7, 2023, by and among the Company, JCP Investment Partnership, LP, JCP Investment Partners, LP, JCP Investment Holdings, LLC, JCP Investment Management, LLC, James C. Pappas, 22NW, LP, 22NW Fund, LP, 22NW Fund GP, LLC, 22NW GP, Inc., Aron R. English and Bryson O. Hirai-Hadley (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 9, 2023 and incorporated herein by reference).
10.2	Amendment, dated March 6, 2024, to Letter Agreement, dated November 7, 2023, by and among the Company, JCP Investment Partnership, LP, JCP Investment Partners, LP, JCP Investment Holdings, LLC, JCP Investment Management, LLC, James C. Pappas, 22NW, LP, 22NW Fund, LP, 22NW Fund GP, LLC, 22NW GP, Inc., Aron R. English and Bryson O. Hirai-Hadley (filed herewith).
10.3	Form of Farmer Bros. Co. 2017 Long-Term Incentive Plan Restricted Stock Unit Award Agreement (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 9, 2023 and incorporated herein by reference).
10.4	Form of Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan Restricted Stock Unit Award Agreement (filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K filed with the SEC on September 12, 2023 and incorporated herein by reference).
10.5	Form of Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan Cash-Based Restricted Stock Unit Award Agreement (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 9, 2023 and incorporated herein by reference).
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.
31.2*	Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.
32.2**	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (included in Exhibit 101).

* Filed herewith

** Furnished, not filed, herewith

SIGNATURES

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

FARMER BROS. CO.

By: /s/ John Moore

John Moore
President and Chief Executive Officer
(principal executive officer)
May 9, 2024

By: /s/ Brad Bollner

Brad Bollner
Interim Chief Financial Officer
(principal financial officer)
May 9, 2024

March 6, 2024

JCP Investment Partnership, LP
1177 West Loop South, Suite 1320
Houston, TX 77027
Attn: James C. Pappas
Email: jcp@jcpinv.com

22NW, LP
590 1st Ave. S, Unit C1
Seattle, WA 98104
Attn: Aron R. English
Email: english@englishcap.com

Olshan Frome Wolosky LLP
1325 Avenue of the Americas
New York, NY 10019
Attn: Ryan Nebel
Rebecca Van Derlaske
Email: rnebel@olshanlaw.com
rvanderlaske@olshanlaw.com

Re: Amendment to Letter Agreement

Dear Messrs. Pappas and English:

Reference is hereby made to the letter agreement (the “letter agreement”), dated November 7, 2023, by and among Farmer Bros. Co. (the “Company”), JCP Investment Partnership, LP (collectively with JCP Investment Partners, LP, JCP Investment Holdings, LLC, JCP Investment Management, LLC and James C. Pappas, “JCP”), 22NW, LP (collectively with 22NW Fund, LP, 22NW Fund GP, LLC, 22NW GP, Inc., Aron R. English, "22NW") and Bryson O. Hirai-Hadley. In accordance with Section 9 of the letter agreement, the parties to the letter agreement hereby modify the letter agreement by deleting Section 2(ii) thereof in its entirety. Other than as modified hereby, the letter agreement will continue in effect and terminate in accordance with its terms.

[Remainder of page intentionally left blank; signature pages follow.]

IN WITNESS WHEREOF, the undersigned has duly executed this amendment to the letter of the agreement as of the date first written above.

COMPANY:

FARMER BROS. CO.

By:

Name: John E. Moore, III

Title: Chief Executive Officer

Address for Notices to the Company:

Farmer Bros. Co.
1912 Farmer Brothers Drive
Northlake, TX 76262
Attn: General Counsel
Email: LegalDepartment@farmerbros.com

IN WITNESS WHEREOF, the undersigned has duly executed this amendment to the letter of the agreement as of the date first written above.

JCP:

By:

James C. Pappas, individually and on behalf of JCP Investment Partnership, LP, JCP Investment Partners, LP, JCP Investment Holdings, LLC and JCP Investment Management, LLC, in his appropriate capacity for each entity

Address for Notices to JCP:

1177 West Loop South, Suite 1320
Houston, TX 77027
Attn: James C. Pappas
Email: jcp@jcpinv.com

IN WITNESS WHEREOF, the undersigned has duly executed this amendment to the letter of the agreement as of the date first written above.

22NW:

By:

Aron R. English, individually and on behalf of 22NW, LP, 22NW Fund, LP, 22NW Fund GP, LLC and 22NW GP, Inc., in his appropriate capacity for each entity

Address for Notices to 22NW:

590 1st Ave. S, Unit C1
Seattle, WA 98104
Attn: Aron R. English
Email: english@englishcap.com

EXHIBIT 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John Moore certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Farmer Bros. Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/S/ JOHN MOORE

John Moore
President and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brad Bollner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Farmer Bros. Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/S/ BRAD BOLLNER

Brad Bollner
Interim Chief Financial Officer
(principal financial officer)

EXHIBIT 32.1

Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Farmer Bros. Co. (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Moore, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2024

/s/ JOHN MOORE

John Moore
President and Chief Executive Officer
(principal executive officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification of Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Farmer Bros. Co. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad Bollner, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2024

/s/ BRAD BOLLNER

Brad Bollner
Interim Chief Financial Officer
(principal financial officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.