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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment 1)

(Mark One)

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

For the fiscal year ended June 30, 2009

OR

o **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: 0-1375

FARMER BROS. CO.

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1.00 par value	**NASDAQ**

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price at which the Farmer Bros. Co. common stock was sold on December 31, 2008 was approximately $167 million.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into Part III of this Form 10-K: certain portions of the definitive proxy statement for the fiscal year ended June 30, 2009 that is expected to be filed with the U.S. Securities and Exchange Commission on or before October 28, 2009.

On September 3, 2009 the registrant had 16,126,580 shares outstanding of its common stock, par value $1.00 per share, which is the registrant's only class of common stock.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this "Amendment") amends the original Annual Report on Form 10-K for the year ended June 30, 2009 of Farmer Bros. Co. (the "Company") that initially was filed with the Securities and Exchange Commission (the "SEC") on September 14, 2009 (the "Original 10-K"). This Amendment is being filed to amend Item 8 of Part II of the Original 10-K to revise **Note 1. Summary of Significant Accounting Policies** to include the effect of adopting SFAS No. 165 and to provide supplemental information on *Revenue Recognition*.

Additionally, pursuant to the rules of the SEC, Part IV of the Original 10-K has been amended to contain currently dated certifications of the Company's chief executive officer and chief financial officer. As required by Section 302 and 906 of the Sarbanes-Oxley Act of 2002, the certifications of our chief executive officer and chief financial officer are attached to this Amendment as Exhibits 31.1, 31.2, 32.1 and 32.2.

Except as described above, no other amendments have been made to the Original 10-K. All other Items of the Original 10-K are unaffected by this Amendment but have been included in this Amendment solely to provide investors with one complete amended filing. This Amendment does not reflect events occurring after September 14, 2009 or modify or update the disclosure contained in the Original 10-K in any way other than as required to reflect the revisions discussed above.

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PART I

Item 1. Business

Overview

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the "Company," "we," "our" or "Farmer Bros.") is a manufacturer, wholesaler and distributor of coffee and non-coffee ("allied") products to the institutional food service segment. We were incorporated in California in 1923, and reincorporated in Delaware in 2004. We operate in one business segment and are in the business of roasting, packaging, and distributing coffee and allied products through direct and brokered sales to our customers throughout the contiguous United States.

Business Strategy

On April 27, 2007, to enhance our product offerings to include specialty coffee products, we completed the acquisition of Coffee Bean Holding Co., Inc., a Delaware corporation ("CBH"), the parent company of Coffee Bean International, Inc., an Oregon corporation ("CBI"), a specialty coffee manufacturer and wholesaler headquartered in Portland, Oregon (the "CBI Acquisition"). To expand our national presence and improve our channel penetration, on February 28, 2009, we completed the acquisition from Sara Lee Corporation, a Maryland corporation ("Sara Lee"), and Saramar, L.L.C., a Delaware limited liability company ("Saramar" and collectively with Sara Lee, "Seller Parties") of certain assets used in connection with Seller Parties' direct store delivery coffee business in the United States (the "DSD Coffee Business"). The acquired business also includes the distribution, sale and service of brewed and liquid coffee equipment as well as the right to distribute sauces and dressings to customers of the DSD Coffee Business.

Our mission is to "sell great coffee and allied products and provide superior service one customer at a time." In fiscal 2009, the acquisition of the DSD Coffee Business furthered our efforts to achieve this mission. As a primary result of this acquisition, our sales grew to $341.7 million in fiscal 2009 from $266.5 million in fiscal 2008, and we acquired over 2,000 new SKU's and over 60 trademarks, tradenames and service marks including the major regional brands MCGARVEY®, CAIN'S®, IRELAND®, JUSTIN LLOYD®, METROPOLITAN®, PREBICA®, WECHSLER®, WORLD'S FINEST® and CAFÉ ROYAL®, and the national brand SUPERIOR®, broadened and diversified our customer base to include a major presence in the gaming industry as well as significant national chain accounts, and expanded geographically from our previous 28 state marketing area into all 48 contiguous states. During fiscal 2010 we plan to complete the post-acquisition integration of the DSD Coffee Business in an effort to realize the selling and operating efficiencies of the combined organization through consolidation of product offerings and SKU's, streamlining of routes and distribution logistics, and consolidation of warehouses and distribution centers, with an expanded, customer-focused organization enabled by enhanced information management tools and training.

Business Operations

Our product line is specifically focused on the needs of our market segment: institutional food service establishments including restaurants, hotels, casinos, hospitals and food service providers, as well as retailers such as convenience stores, coffee houses, general merchandisers, private-label retailers and grocery stores. Our product line includes roasted coffee, liquid coffee, coffee related products such as coffee filters, sugar and creamers, assorted teas, cappuccino, cocoa, spices, gelatins and puddings, soup, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves. Our product line presently includes over 400 items. For the past three fiscal years sales of roasted coffee products represented approximately 50% of our total sales and no single product other than roasted coffee accounted for more than 10% of our total sales. Coffee purchasing, roasting and packaging takes place at our

Torrance, Portland and Houston plants. Spice blending and packaging takes place at our Torrance, California and Oklahoma City, Oklahoma plants. Our distribution centers include our Torrance, Houston and Portland plants, as well as new distribution centers in Fridley, Minnesota, Bensenville, Illinois and Moonachie, New Jersey.

Raw Materials and Supplies

Our primary raw material is green coffee, an agricultural commodity. Green coffee is mainly grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived shortages, political unrest, labor actions, currency fluctuations, armed conflict in coffee producing nations, and government actions, including treaties and trade controls between the U.S. and coffee producing nations, can affect the price of green coffee. Green specialty coffees sell at a premium to other green coffees due to the inability of producers to increase supply in the short run to meet rising demand. As a result, the price spread between specialty coffee and non-specialty coffee is likely to widen as demand continues to increase.

Green coffee prices can also be affected by the actions of producer organizations. The most prominent of these are the Colombian Coffee Federation, Inc. (CCF) and the International Coffee Organization (ICO). These organizations seek to increase green coffee prices largely by attempting to restrict supplies, thereby limiting the availability of green coffee to coffee consuming nations.

Other raw materials used in the manufacture of our allied products include a wide variety of spices, such as pepper, chilies, oregano and thyme, as well as cocoa, dehydrated milk products, salt and sugar. These raw materials are agricultural products and can be subject to wide cost fluctuations. Such fluctuations, however, historically have not had a material effect on our operating results.

Trademarks and Licenses

We own 132 registered trademarks which are integral to customer identification of our products. It is not possible to assess the impact of the loss of such identification. The Company and Sara Lee have entered into certain operational agreements that include trademark and formula license agreements.

Seasonality

We experience some seasonal influences. The winter months are generally the best sales months. However, our product line and geographic diversity provide some sales stability during the warmer months when coffee consumption ordinarily decreases. Additionally, we usually experience an increase in sales during the summer months from seasonal businesses located in vacation areas.

Distribution

Most sales are made "off-truck" to our institutional food service customers at their places of business by our sales representatives who are responsible for soliciting, selling and collecting from and otherwise maintaining our customer accounts. We serve our customers from six distribution centers strategically located for national coverage. Our distribution trucks are replenished from 179 branch warehouses located throughout the contiguous United States. We operate our own trucking fleet to support our long-haul distribution requirements. A portion of our products are distributed by third parties or are direct shipped via common carrier. We maintain inventory levels at each branch warehouse to allow for minimal interruption in supply.

Customers

We serve a wide variety of customers, from small restaurants and donut shops to large institutional buyers like restaurant chains, hotels, casinos, hospitals, food service providers and convenience stores.

As a result of the CBI Acquisition we added additional customer categories including gourmet coffee houses, private-label retailers, national mass market merchandisers and other national accounts, and grocery stores. We believe customer contact, our distribution network and our service quality, are integral to our sales effort. No single customer represents a significant concentration of sales. As a result, the loss of one or more of our larger customer accounts is not likely to have a material adverse effect on our results of operations.

Competition

We face competition from many sources, including the institutional food service divisions of multi-national manufacturers of retail products such as The J.M. Smucker Company (Folgers Coffee), Kraft Foods Inc. (Maxwell House Coffee) and Sara Lee Corporation, wholesale grocery distributors such as Sysco Corporation and U.S. Food Service, regional institutional coffee roasters such as S & D Coffee, Inc. and Boyd Coffee Company, and specialty coffee suppliers such as Green Mountain Coffee Roasters, Inc. and Peet's Coffee & Tea, Inc. We believe our longevity, the quality of our products, our national distribution network and our superior customer service operations are the major factors that differentiate us from our competitors.

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

Working Capital

We finance our operations internally and through borrowings under our $50 million senior secured revolving credit facility with Wachovia Bank, National Association. We believe this credit facility, in addition to our other liquid assets, provides sufficient capital resources and flexibility for the next twelve months to allow us to make investments in the DSD Coffee Business, fund integration expenses, meet necessary working capital requirements and implement our business plan without relying solely on cash flow from operations.

Foreign Operations

We have no material revenues from foreign operations.

Other

On June 30, 2009 we employed 2,218 employees, 691 of whom are subject to collective bargaining agreements. Compliance with government regulations relating to the discharge of materials into the environment has not had a material effect on our financial condition or results of operations. The nature of our business does not provide for maintenance of or reliance upon a sales backlog. None of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the government.

Available Information

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

Item 1A. Risk Factors

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

You should consider each of the following factors as well as the other information in this annual report in evaluating our business and our prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also negatively affect our business operations. If any of the following risks actually occurs, our business and financial results could be harmed. In that case, the trading price of our common stock could decline. You should also refer to the other information set forth in this annual report on Form 10-K, including our financial statements and the related notes.

WE MAY NOT BE ABLE TO SUCCESSFULLY INTEGRATE THE DSD COFFEE BUSINESS INTO OUR EXISTING BUSINESS, WHICH MAY PREVENT US FROM REALIZING THE EXPECTED SYNERGIES AND OTHER BENEFITS OF THE ACQUISITION, WHICH COULD ADVERSELY AFFECT OUR FUTURE RESULTS.

The integration of the DSD Coffee Business into our business is a complex, costly and time-consuming process which presents significant challenges and risks to our business, including:

- distraction of management from ongoing business concerns;
- assimilation and retention of employees and customers of the DSD Coffee Business;
- differences in the culture of the DSD Coffee Business and the Company's culture;
- unforeseen difficulties in integrating the DSD Coffee Business, including information systems and accounting controls;
- failure of the DSD Coffee Business to continue to generate income at the levels upon which we based our acquisition decision;

- managing the DSD Coffee Business operations through offices in Downers Grove, Illinois, which is distant from the Company's headquarters in Torrance, California;
- expansion into new geographical markets in which we have limited or no experience;
- integration of technologies, services and products; and
- achievement of appropriate internal control over financial reporting.

We may fail to successfully complete the integration of the DSD Coffee Business into our business and, as a result, may fail to realize the operating efficiencies, synergies, economies of scale, cost savings and other benefits expected from the acquisition. We may fail to grow and build profits in the DSD Coffee Business or achieve sufficient cost savings through the integration of customers or administrative and other operational activities. Furthermore, we must achieve these objectives without adversely affecting our revenues. If we are not able to successfully achieve these objectives, the anticipated benefits of the acquisition may not be realized fully or at all, or it may take longer to realize them than expected, and our results of operations could be adversely affected.

WE ARE RELYING ON SARA LEE TO PROVIDE US WITH CERTAIN TRANSITION SERVICES THAT ARE CRITICAL TO THE ONGOING OPERATION OF THE DSD COFFEE BUSINESS.

We continue to rely on Sara Lee to provide us with certain services previously provided by Sara Lee to the DSD Coffee Business for a transition period of up to eighteen (18) months through August 2010 depending on the specific service. These services include maintaining the IT infrastructure and communications services, including network hosting, monitoring and reporting. Sara Lee provides the support for the software and processes that record and maintain sales transactions, create accounts receivable and bills customers, maintain accounts payable and pays vendors, provide inventory control and generally provide for most critical business accounting needs. These transition services are critical to the ongoing operation of the DSD Coffee Business during the transition period. If Sara Lee fails or is unable to continue to provide such services to us, we may be unable to service customers of the DSD Coffee Business which may harm our reputation and adversely affect the business, financial condition and results of operations of the DSD Coffee Business. Our dependency on Sara Lee for IT services during the transition period may increase the risk of material internal control deficiencies and the related probability of a restatement of our operating results as a result of untraced accounting errors within the Sara Lee maintained software and/or Sara Lee's inability to effectively maintain both internal control and data integrity.

UPON EXPIRATION OF THE TRANSITION PERIOD, WE MAY BE UNABLE TO PROVIDE THE TRANSITION SERVICES OURSELVES OR OBTAIN SUCH SERVICES FROM A THIRD-PARTY ON COMMERCIALLY REASONABLE TERMS.

After the dates on which Sara Lee is no longer required to provide transition services to us, we expect that such services will be provided by our internal operations and/or third-party service providers. These services include integrating the IT infrastructure of several hardware and software systems. A failure to identify all of the components of IT infrastructure and personnel necessary to transition successfully from Sara Lee may adversely impact our ability to operate the DSD Coffee Business following the transition period. There can be no assurance that we will be able to develop the ability to provide these services ourselves on a cost efficient basis or obtain such services from a third-party on commercially reasonable terms.

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

We rely on information technology systems across our operations, including management of our supply chain, point-of-sale processing, and various other processes and transactions. Our ability to effectively manage our business and coordinate the production, distribution and sale of our products depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, our inability to integrate the DSD Coffee Business systems with ours, or a breach in security of these systems could result in delays in processing replenishment orders from our branches, our inability to record product sales and reduced operational efficiency. Significant capital investments could be required to remediate any potential problems.

We rely on WTS, a company affiliated with Oracle, and its employees, in connection with the hosting of our integrated management information system. This system is essential to our operations and currently includes all accounting and production software applications. WTS also hosts our route sales application software. If WTS were to experience financial, operational or quality assurance difficulties, or if there were any other disruption in our relationship with WTS, we might be unable to produce financial statements, fill replenishment orders for our branch warehouses, issue payroll checks, process payments to our vendors or bill customers. Any of these items could have a material adverse effect on the Company.

IMPAIRMENT CHARGES RELATED TO OUR GOODWILL OR LONG-LIVED ASSETS COULD ADVERSELY AFFECT OUR FUTURE OPERATING RESULTS.

We perform an analysis on our goodwill balances to test for impairment on an annual basis or whenever events occur that may indicate impairment possibly exists. Goodwill is deemed to be impaired if the net book value of a reporting unit exceeds the estimated fair value. The impairment of a long-lived intangible asset other than goodwill is only deemed to have occurred if the sum of the forecasted undiscounted future cash flows related to the asset are less than the carrying value of the intangible asset we are testing for impairment. If the forecasted cash flows are less than the carrying value, then we must write down the carrying value to its estimated fair value.

For the purposes of this analysis, our estimates of fair value were based on a combination of the income approach, which estimates the fair value of our reporting units based on the future discounted cash flows, and the market approach, which estimates the fair value of our reporting units based on comparable market prices. Our estimates of future cash flows included estimated growth rates and assumptions about the extent and duration of the current economic downturn and operating results of our subsidiary, CBI.

As of June 30, 2009, we had a goodwill balance of $5,310,000. Goodwill impairment analysis and measurement is a process that requires significant judgment and the use of significant estimates related to valuation such as discount rates, long term growth rates and the level and timing of future cash flows. As a result, several factors could result in impairment of a material amount of our $5,310,000 goodwill balance in future periods, including, but not limited to:

- A decline in our stock price and resulting market capitalization, if we determine that the decline is sustained and is indicative of a reduction in the fair value of any of our reporting units below its carrying value.

- Further weakening of the economy or the failure of CBI to reach our internal forecasts could impact our ability to achieve our forecasted levels of cash flows and reduce the estimated discounted cash flow value of our reporting units.

It is not possible at this time to determine if any such future impairment charge would result from these factors, or, if it does, whether such charge would be material. We will continue to review our goodwill and other intangible assets for possible impairment. We cannot be certain that a future downturn in CBI's business, changes in market conditions or a longer-term decline in the quoted market price of our stock will not result in an impairment of goodwill and the recognition of resulting expenses in future periods, which could adversely affect our results of operations for those periods.

We also test our other long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amount may be impaired. Failure to achieve our forecasted operating results, due to further weakness in the economic environment or other factors, could result in impairment of a significant amount of our long-lived intangible or tangible assets. As of June 30, 2009, we had $35,921,000 of long-lived intangible assets.

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

Maintaining a steady supply of green coffee is essential to keep inventory levels low and secure sufficient stock to meet customer needs. To help ensure future supplies, we may purchase coffee on forward contracts for delivery as long as six months in the future. Non-performance by suppliers could expose us to credit and supply risk. Additionally, entering into such future commitments exposes us to purchase price risk. Because we are not always able to pass price changes through to our customers due to competitive pressures, unpredictable price changes can have an immediate effect on operating results that cannot be corrected in the short run. To reduce our potential price risk exposure we have, from time to time, entered into futures contracts to hedge coffee purchase commitments. Open contracts associated with these hedging activities are described in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk."

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

Our primary raw material is green coffee, an agricultural commodity. Green coffee is mainly grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived shortages, political unrest, labor actions, currency fluctuations, armed conflict in coffee producing nations, and government actions, including treaties and trade controls between the U.S. and coffee producing nations, can affect the price of green coffee. Green specialty coffees sell at a premium to other green coffees due to the inability of producers to increase supply in the short run to meet rising demand. As a result, the price spread between specialty coffee and non-specialty coffee is likely to widen as demand continues to increase.

Green coffee prices can also be affected by the actions of producer organizations. The most prominent of these are the Colombian Coffee Federation, Inc. (CCF) and the International Coffee Organization (ICO). These organizations seek to increase green coffee prices largely by attempting to restrict supplies, thereby limiting the availability of green coffee to coffee consuming nations. As a result these organizations or others may succeed in raising green coffee prices.

In the past, we generally have been able to pass on increases in green coffee costs to our customers. However, there can be no assurance that we will be successful in passing such fluctuations on to our customers without losses in sales volume or gross margin in the future. Similarly, rapid, sharp decreases in the cost of green coffee could also force us to lower sales prices before realizing cost reductions in our green coffee inventory.

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

We have a $50 million senior secured revolving credit facility. As of September 3, 2009, approximately $9 million was outstanding under this credit facility. Maintaining a large loan balance under our credit facility could adversely affect our business and limit our ability to plan for or respond to changes in our business. Additionally, our borrowings under the credit facility are at variable rates of interest, exposing us to the risk of interest rate volatility, which could lead to a decrease in our net income. Our debt obligations could also:

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

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

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

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

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

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

Our revenues and performance depend significantly on consumer confidence and spending, which have deteriorated due to current economic conditions. This economic downturn and decrease in consumer spending may continue to adversely impact our revenues, and may affect our ability to market our products or otherwise implement our business strategy. Additionally, many of the effects and consequences of the global financial crisis and a broader global economic downturn are currently unknown; any one or all of them could potentially have a material adverse effect on our liquidity and capital resources, including our ability to sell third-party securities in which we have invested some of our short-term assets or raise additional capital, if needed, or the ability of our lender to honor draws on our credit facility, or otherwise negatively impact our business and financial results.

VOLATILITY IN THE EQUITY MARKETS OR INTEREST RATE FLUCTUATIONS COULD SUBSTANTIALLY INCREASE OUR PENSION COSTS AND NEGATIVELY IMPACT OUR OPERATING RESULTS.

At the end of fiscal 2009, the projected benefit obligation of our defined benefit pension plans was $100.1 million and assets were $61.7 million. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit costs of our pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic pension costs, and increase our future funding requirements. We expect to make approximately $4.8 million in contributions to our pension plans in fiscal 2010 and record an accrued expense of approximately $7 million per year beginning in fiscal 2010. These payments are expected to continue at this level for several years, and the current economic environment increases the risk that we may be required to make even larger contributions in the future.

REDUCTIONS IN CONSUMER DISCRETIONARY SPENDING COULD ADVERSELY AFFECT OUR BUSINESS.

Our success depends to a significant extent on a number of factors that affect discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. In a slow economy, businesses and individuals scale back their discretionary spending on travel and entertainment, including "dining out" as well as the purchase of high-end consumables like specialty coffee. Economic conditions may also cause businesses to reduce travel and entertainment expenses, and may even cause office coffee benefits to be eliminated. These factors could reduce demand for our products or impose practical limits on pricing, either of which could adversely affect our business, financial condition, operating results and cash flows.

CHANGES IN CONSUMER PREFERENCES COULD ADVERSELY AFFECT OUR BUSINESS.

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

OUR INDUSTRY IS HIGHLY COMPETITIVE AND WE MAY NOT HAVE THE RESOURCES TO COMPETE EFFECTIVELY.

We primarily compete with other coffee companies, including multi-national firms with substantially greater financial, marketing and operating resources than the Company. We face competition from many sources including the food service divisions of multi-national manufacturers of retail products such as The J.M. Smucker Company (Folgers Coffee), Kraft Foods Inc. (Maxwell House Coffee) and Sara Lee Corporation, wholesale grocery distributors such as Sysco Corporation and U.S. Food Service, regional coffee roasters such as S & D Coffee, Inc. and Boyd Coffee Company and specialty coffee suppliers such as Green Mountain Coffee Roasters, Inc. and Peet's Coffee & Tea, Inc.

If we do not succeed in differentiating ourselves from our competitors or our competitors adopt our strategies, then our competitive position may be weakened.

OUR SALES AND DISTRIBUTION NETWORK IS COSTLY TO MAINTAIN.

Our sales and distribution network requires a large investment to maintain and operate. Costs include the fluctuating cost of gasoline, diesel and oil, costs associated with managing, purchasing, leasing, maintaining and insuring a fleet of delivery vehicles, the cost of maintaining distribution centers and branch warehouses throughout the country, and the cost of hiring, training and managing our route sales professionals. Many of these costs are beyond our control, and others are fixed rather than variable. Some competitors use alternate methods of distribution that eliminate many of the costs associated with our method of distribution.

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

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

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

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

OUR ROASTING AND BLENDING METHODS ARE NOT PROPRIETARY, SO COMPETITORS MAY BE ABLE TO DUPLICATE THEM, WHICH COULD HARM OUR COMPETITIVE POSITION.

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

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

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

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

Our operating results may fluctuate from period to period or within certain periods as a result of a number of factors, including fluctuations in the price and supply of green coffee, fluctuations in the selling prices of our products, the success of our hedging strategy, competition from existing or new competitors in our industry, changes in consumer preferences, and our ability to manage inventory and fulfillment operations and maintain gross margins. Fluctuations in our operating results as a result of these factors or for any other reason, could cause our stock price to decline. Accordingly, we believe that period-to-period comparisons of our operating results are not necessarily meaningful, and such comparisons should not be relied upon as indicators of future performance.

OPERATING LOSSES MAY CONTINUE AND, AS A RESULT, THE PRICE OF OUR STOCK MAY BE NEGATIVELY AFFECTED.

We have incurred operating losses for each of the prior three fiscal years and a net loss in two of the prior three fiscal years. If our current strategies are unsuccessful we may not achieve the levels of sales and earnings we expect. As a result, we could suffer additional losses in future years and our stock price could decline.

FUTURE FUNDING DEMANDS UNDER PENSION PLANS FOR CERTAIN UNION EMPLOYEES ARE UNKNOWN.

We participate in several multi-employer defined benefit plans for certain union employees. The management, funding status and future viability of these plans is not known at this time. The nature of the contract with these plans allows for future funding demands that are outside our control or ability to estimate.

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

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

WE ARE SUBJECT TO RE-FUNDING OBLIGATIONS AND MAY ACQUIRE ADDITIONAL SHARES UNDER THE ESOP.

The Farmer Bros. Co. Employee Stock Ownership Plan (the "ESOP") was designed to help us attract and retain employees and to better align the efforts of our employees with the interests of our stockholders. It is possible that additional shares could be acquired that might deplete our available cash or require us to borrow additional funds. We expect that the future re-funding liability of the existing shares in the ESOP will increase and require additional investment as the ESOP matures and individual holdings grow. When employees vested in the ESOP leave the Company, they have the right to "put" their shares to the Company for cash. Our re-funding liability for fiscal 2010 is estimated to be

$2.1 million. Major assumptions which lead to this result include a 5% appreciation rate in the price of our common stock, the current number of shares in the ESOP and participant demographics.

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

As of September 3, 2009, members of the Farmer family or entities controlled by the Farmer family (including trusts and a family partnership) as a group beneficially owned approximately 40% of our outstanding common stock. As a result, these stockholders, acting together, may be able to influence the outcome of stockholder votes, including votes concerning the election and removal of directors and approval of significant corporate transactions. This level of concentrated ownership may have the effect of delaying or preventing a change in the management or voting control of the Company. In addition, this significant concentration of share ownership may adversely affect the trading price of our common stock if investors perceive disadvantages in owning stock in a company with such concentrated ownership.

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

All of our outstanding shares are eligible for sale in the public market, subject in certain cases to limitations under Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"). Also, shares subject to outstanding options and restricted stock under the Farmer Bros. Co. 2007 Omnibus Plan are eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, our stock ownership guidelines, and Rule 144 under the Securities Act. If these shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our common stock could decline.

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

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

In addition, our Board of Directors has the authority to issue up to 500,000 shares of preferred stock (of which 200,000 shares have been designated as Series A Junior Participating Preferred Stock) and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by stockholders. The rights of the holders of our common stock may be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deterring or preventing a change of control of the Company without further action by stockholders and may adversely affect the voting and other rights of the holders of our common stock.

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

FAILURE TO MAINTAIN EFFECTIVE INTERNAL CONTROLS IN ACCORDANCE WITH SECTION 404 OF THE SARBANES-OXLEY ACT OF 2002 COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND STOCK PRICE.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX"), the SEC adopted rules requiring us, as a public company, to include a report of management on our internal controls over financial reporting in our annual report on Form 10-K and quarterly reports on Form 10-Q that contains an assessment by management of the effectiveness of our internal controls over financial reporting. In addition, our independent auditors must attest to and report on management's assessment of the effectiveness of our internal controls over financial reporting as of the end of the fiscal year. Compliance with SOX Section 404 has been a challenge for many companies. Our ability to continue to comply is uncertain as we expect that our internal controls will continue to evolve as our business activities change. If, during any year, our independent auditors are not satisfied with our internal controls over financial reporting or the level at which these controls are documented, designed, operated, tested or assessed, or if the independent auditors interpret the requirements, rules or regulations differently than we do, then they may decline to attest to management's assessment or may issue a report that is qualified. In addition, if we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with SOX Section 404. Failure to maintain an effective internal control environment could have a material adverse effect on our stock price. In addition, there can be no assurance that we will be able to remediate material weaknesses, if any, that may be identified in future periods.

Item 1.B. Unresolved Staff Comments

None.

Item 2. Properties

Our largest and most significant facility consists of our roasting plant, warehouses and administrative offices in Torrance, California. This facility is our primary manufacturing facility and the distribution hub for our long-haul trucking fleet. Coffee purchasing, roasting and packaging takes place at our Torrance, California, Portland, Oregon, and Houston, Texas plants. Spice blending and packaging takes place at our Torrance, California and Oklahoma City, Oklahoma plants. Our distribution centers include our Torrance, Portland and Houston plants as well as new distribution centers in Fridley, Minnesota, Bensenville, Illinois and Moonachie, New Jersey.

During fiscal 2008 we completed improvements to a new 125,000 square foot leased manufacturing facility in Portland, Oregon that serves as the manufacturing and distribution point for our specialty coffee customers. CBI relocated to this new facility in August 2008.

We stage our products in 179 branch warehouses throughout the contiguous United States. These warehouses, taken together, represent a vital part of our business, but no individual warehouse is material to the business as a whole. Our branch warehouses vary in size from approximately 2,500 to 50,000 square feet. Approximately 34% of our facilities are leased with a variety of expiration dates through 2014. The lease on the new CBI facility expires in 2018 and has a 10 year renewal option.

We believe our plants, distribution centers and branch warehouses will continue to provide adequate capacity for the foreseeable future.

A complete list of properties and facilities operated by Farmer Bros. is attached hereto, and incorporated herein by reference, as Exhibit 99.1.

Item 3. Legal Proceedings

We are both defendant and plaintiff in various legal proceedings incidental to our business which are ordinary and routine. It is our opinion that the resolution of these lawsuits will not have a material impact on our financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

During the fourth quarter of fiscal 2009 no matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

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

Market Information

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

	Fiscal year ended June 30, 2009			Fiscal year ended June 30, 2008		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	$28.49	$20.21	$ 0.115	$25.33	$19.89	$ 0.115
2nd Quarter	$25.46	$17.00	$ 0.115	$27.25	$21.30	$ 0.115
3rd Quarter	$25.49	$14.26	$ 0.115	$24.50	$20.12	$ 0.115
4th Quarter	$25.49	$17.31	$ 0.115	$25.00	$21.15	$ 0.115

Holders

There were approximately 2,291 holders of record on September 3, 2009. Holders of record is based upon the number of record holders and individual participants in security position listings.

Dividends

Dividends have been or will be funded through cash flow from operations and available cash on hand. We, at the discretion of our Board of Directors and subject to applicable law, anticipate paying regular quarterly dividends on our common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors. For a description of the loan agreement restrictions on the payment of dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" included in Part II, Item 7 of this Form 10-K and Note 9 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

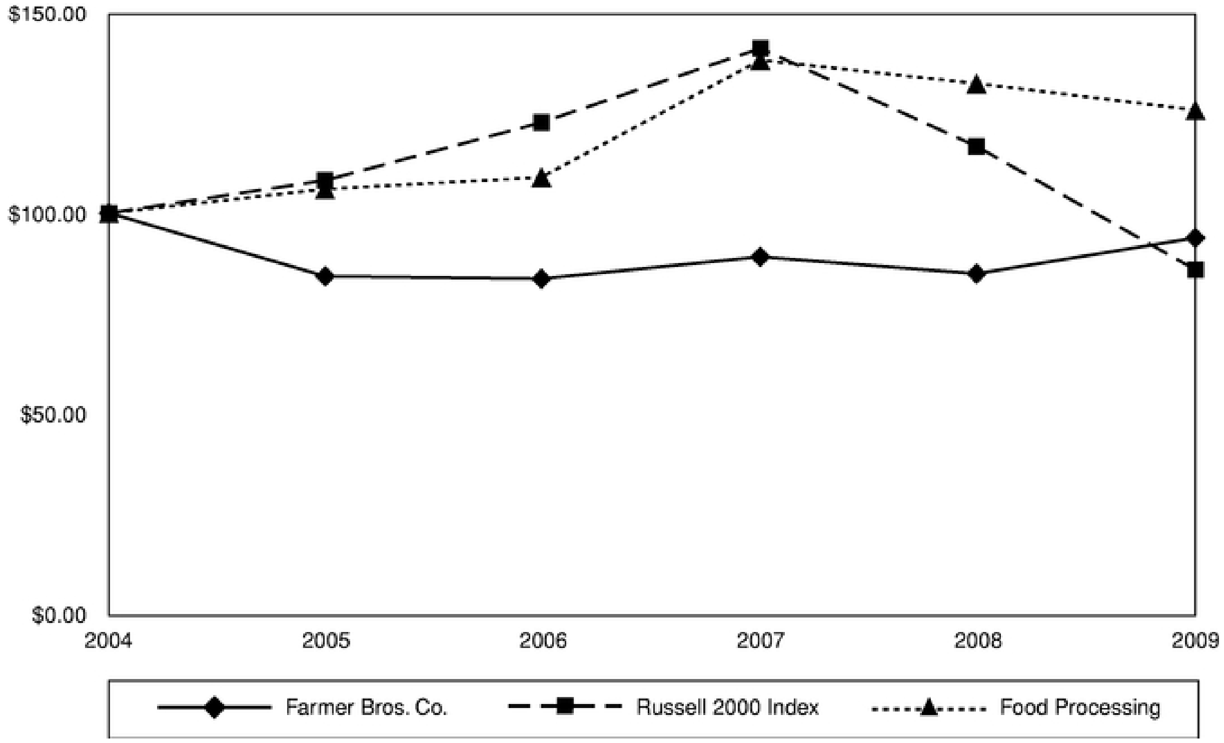
Equity Compensation Plan Information

This information appears in Part III, Item 12, hereof.

Performance Graph

The chart set forth below shows the value of an investment of $100 on June 30, 2004 in each of Farmer Bros. Co. common stock, the Russell 2000 Index and the Value Line Food Processing Index. All values assume reinvestment of the pre-tax value of dividends paid by companies included in these indices and are calculated as of June 30 of each year. The historical stock price performance of the Company's common stock shown in the performance graph below is not necessarily indicative of future stock price performance.

Comparison of Five-Year Cumulative Total Return*
Farmer Bros. Co., Russell 2000 Index And Value Line Food Processing Index
(Performance Results Through 6/30/09)



	2004	2005	2006	2007	2008	2009
Farmer Bros. Co.	$100.00	$ 84.31	$ 83.70	$ 89.13	$ 84.94	$ 93.84
Russell 2000 Index	$100.00	$108.14	$122.51	$140.94	$116.59	$ 85.93
Food Processing	$100.00	$105.97	$108.90	$138.02	$132.21	$125.63

Assumes $100 invested at the close of trading June 30, 2004 in Farmer Bros. Co. common stock, Russell 2000 Index, and Value Line Food Processing Index.

* Cumulative total return assumes reinvestment of dividends.

Source: Value Line, Inc.

Factual material is obtained from sources believed to be reliable, but the publisher is not responsible for any errors or omissions contained herein.

Item 6. Selected Financial Data

	For the fiscal years ended June 30,				
	2009(1)	2008(2)	2007	2006	2005
	(In thousands, except per share data)				
Net sales	$341,724	$266,485	$216,259	$207,453	$198,420
(Loss) income from operations	$ (15,203)	$ (10,644)	$ (4,076)	$ (2,965)	$ (6,583)
Net (loss) income (3)	$ (33,270)	$ (7,924)	$ 6,815	$ 4,756	$ (5,427)
Net (loss) income per common share	$ (2.29)	$ (0.55)	$ 0.48	$ 0.34	$ (0.40)
Total assets	$330,017	$312,984	$337,609	$317,237	$314,923
Capital lease obligations	$ 1,252	$ —	$ —	—	—
Cash dividends per common share	$ 0.46	$ 0.46	$ 0.44	$ 0.42	$ 0.40

(1) Includes the results of operations of the DSD Coffee Business since it was acquired by the Company on February 28, 2009.

(2) Includes the results of operations of CBH since it was acquired by the Company on April 27, 2007.

(3) Includes deferred tax asset valuation allowance in the amount of $19,663,000 recorded as a tax expense in fiscal 2009.

The Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this annual report should be read in conjunction with the selected financial data in order to understand factors such as business combinations and unusual items which may affect the comparability of the information shown above.

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

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. The results of operations for the fiscal years ended June 30, 2009, 2008, and 2007 are not necessarily indicative of the results that may be expected for any future period. The following discussion should be read in combination with the consolidated financial statements and the notes thereto included in Item 8 of this report and with the "Risk Factors" described in Item 1A of this report.

Overview

Farmer Bros. Co. is a manufacturer, wholesaler and distributor of coffee and allied products through direct and brokered sales to our customers throughout the contiguous United States. Our product line is specifically focused on the needs of our market segment: institutional food service establishments including restaurants, hotels, casinos, hospitals and food service providers, as well as retailers such as convenience stores, coffee houses, general merchandisers, private-label retailers and grocery stores. Our product line includes roasted coffee, liquid coffee, coffee related products such as coffee filters, sugar and creamers, assorted teas, cappuccino, cocoa, spices gelatins and puddings, soup, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves.

In April 2007, we acquired all of the outstanding shares of CBH for a purchase price of $23.6 million in cash, including transaction costs of approximately $1.4 million, net of the amount of all outstanding indebtedness of CBH and its subsidiaries. The results of operations of CBH have been included in our consolidated financial statements since April 27, 2007.

On February 28, 2009, we completed the acquisition of the DSD Coffee Business. Subject to certain post-closing adjustments relating to the amount of consumable inventory and prepaid expenses at closing, and after giving effect to certain reimbursement obligations of the parties relating to accounting costs, IT carve-out costs, and transfer taxes and fees, as well as real and personal property tax and utility prorations, the amount paid to Seller Parties at closing was approximately $45.6 million. The purchase price was paid with approximately $16.1 million of Company cash and $29.5 million of proceeds from a bank loan. In addition, we paid approximately $2.7 million of acquisition related expenses in cash. At closing, we assumed certain liabilities, including obligations under contracts, environmental liabilities with respect to the transferred facilities, pension liabilities, advertising and trade promotion accruals, and accrued vacation as of the closing for hired personnel. As of June 30, 2009, these liabilities are estimated to be a total of $2,026,000 consisting of $1,322,000 for costs related to exiting certain acquired operations, $609,000 for accrued vacation and $95,000 in other estimated liabilities. The results of operations of the DSD Coffee Business have been included in our consolidated financial statements since March 1, 2009. We re-financed and replaced certain existing truck leases relating to DSD Coffee Business vehicles during the fourth quarter of fiscal 2009 as described below under the heading "Contractual Obligations."

In connection with the closing, Seller Parties and the Company entered into certain operational agreements, including trademark and formula license agreements, co-pack agreements, a liquid coffee distribution agreement, a transition services agreement, and a green coffee and tea purchase agreement. One of the co-pack agreements provides that Sara Lee will manufacture branded products for us for a period of three years. Under this agreement we have agreed to purchase certain minimum product quantities from Sara Lee subject to certain permitted reductions. Under the other co-pack agreement, we have agreed to perform co-packing services for Sara Lee as Sara Lee's agent. As a result, we recognize revenue from this arrangement on a net basis, net of direct costs of revenue. The transition services agreement provides that Sara Lee will perform a number of services for us on an interim basis, including distribution and warehousing of finished goods for up to six months and hosting, maintaining and supporting IT infrastructure for up to eighteen months.

The accompanying unaudited consolidated financial statements do not include pro-forma historical information, as if the results of the DSD Coffee Business had been included from the beginning of the periods presented, since the use of forward-looking information would be necessary in order to meaningfully present the effects of the acquisition. Forward-looking information, rather than historical information, would be required since the DSD Coffee Business was operated as part of a larger business within Sara Lee and there will be a different operating cost structure and different operations support under the Company's ownership. Net revenue of the DSD Coffee Business for the eight months ended February 28, 2009 (the effective date of the acquisition) was approximately $134 million, and approximately $228 million for the fiscal year ended June 30, 2008. However the Company has not provided forward-looking information with respect to incremental costs and expenses to be incurred because such information is not determinable.

The acquisition has been accounted for as an asset purchase. The total purchase price has been allocated to tangible and intangible assets based on their estimated fair values as of February 28, 2009 as determined by management based upon a third-party valuation. The purchase price allocation has not been finalized, since it is possible that certain adjustments may be made if additional facts or circumstances become known that impact the estimates. Revisions to the allocation, which may be significant, will be reported as changes to various assets and liabilities. Certain costs related to the integration of the DSD Coffee Business with our existing business, including the costs of exiting certain acquired operations, have been capitalized as purchase-related costs and allocated to the acquired assets. The purchase price allocation is expected to be finalized during fiscal 2010.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition, based on the preliminary purchase price allocation (dollars in thousands):

Fair Value of Assets Acquired		Estimated Useful Life (years)
Inventory	$ 16,437	
Prepaid expense	1,138	
Current assets	17,575	
Vehicles	1,044	5
Machinery	10,954	3-5
Property, plant & equipment	5,577	30
Land	1,945	
Fixed assets	19,520	
Trademarks	2,115	indefinite
Customer relationships	7,855	8
Distribution agreement	2,493	10
Co-pack agreement	755	6
Intangible assets	13,218	
Total assets acquired	50,313	
Liabilities assumed	(2,026)	
Net assets acquired	$ 48,287	

Critical Accounting Policies and Estimates

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

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

We believe that the estimates, judgments and assumptions involved in the accounting policies described below require the most subjective judgment and have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Our senior management has reviewed the development and selection of these critical accounting policies and estimates, and their related disclosure in this report, with the Audit Committee of our Board of Directors.

Coffee Brewing Equipment and Service

Expenses related to coffee brewing equipment provided to customers include the cost of the equipment as well as the cost of servicing that equipment (including service employees' salaries, the cost of transportation and the cost of supplies and parts). Coffee brewing equipment is capitalized and depreciated over a three year period and the depreciation expense is reported in cost of sales. Since we believe the costs of servicing the equipment are better characterized as direct costs of generating revenues from our customers, we have reported such costs as cost of sales in the accompanying financial statements.

Investments

Our investments consist of money market instruments, marketable debt and equity securities and various derivative instruments, primarily exchange traded treasury futures and options, green coffee forward purchase contracts and commodity purchase agreements. All derivative instruments not designated as accounting hedges are marked to market and changes are recognized in current earnings. At June 30, 2009 and 2008 no derivative instruments were designated as accounting hedges. The fair value of derivative instruments is based upon broker quotes. The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Allowance for Doubtful Accounts

We maintain an allowance for estimated losses resulting from the inability of our customers to meet their obligations. Our ability to maintain a relatively small reserve is directly related to our ability to collect from our customers when our salespeople regularly interact with our customers in person. This method of operation has provided us with a historically low bad debt experience. There can be no assurance this will be the case in the future.

Inventories

Inventories are valued at the lower of cost or market. Costs of coffee and allied products are determined on the last in, first out (LIFO) basis. Costs of coffee brewing equipment manufactured are accounted for on the first in, first out (FIFO) basis. We regularly evaluate these inventories to determine whether market conditions are correctly reflected in the recorded carrying value.

Impairment of Goodwill and Intangible Assets

We perform our annual goodwill and indefinite-lived intangible assets impairment test as of March 31 of each fiscal year. Under SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually and on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired. Under SFAS 142, indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values. Testing for impairment of goodwill is a two-step process. The first step requires us to compare the fair value of its reporting units to the carrying value of the net assets of the respective reporting units, including goodwill. If the fair value of the reporting unit is less than the carrying value, goodwill of the reporting unit is potentially impaired and we then complete step two to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized equal to the difference.

In addition to an annual test, goodwill and indefinite-lived intangible assets must also be tested on an interim basis if events or circumstances indicate that the estimated fair value of such assets has decreased below their carrying value. There were no such events or circumstances during the fiscal years ended June 30, 2009 or 2008.

Self-Insurance

We are self-insured for California workers' compensation insurance subject to specific retention levels and use historical analysis to determine and record the estimates of expected future expenses resulting from workers' compensation claims. The estimated outstanding losses are the accrual cost of unpaid claims valued as of June 30, 2009. The estimated outstanding losses, including allocated loss adjustment expenses ("ALAE"), include case reserves, the development on known claims and incurred but not reported (IBNR) claims. ALAE are the direct expenses for settling specific claims. The amounts reflect the per occurrence and annual aggregate limits maintained by the Company. The analysis does not include estimating a provision for unallocated loss adjustment expenses.

Management believes that the amount accrued is adequate to cover all known claims at June 30, 2009. If the actual costs of such claims and related expenses exceed the amount estimated, additional reserves may be required which could have a material negative effect on operating results. If our estimate were off by as much as 15%, the reserve could be under or overstated by approximately $852,000 as of June 30, 2009.

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

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

Retirement Plans

We have two defined benefit plans that provide retirement benefits for the majority of our non-union employees. Our union employees are covered by multiemployer union defined benefit plans.

We obtain actuarial valuations for our plans and at present we discount the pension obligations using a 6.25% discount rate and we estimate an 8.25% return on plan assets. The performance of the stock market and other investments as well as the overall health of the economy can have a material effect on pension investment returns and these assumptions. A change in these assumptions could affect our operating results.

At the end of fiscal 2009, the projected benefit obligation of our defined benefit pension plans was $100.1 million and assets were $61.7 million. This decrease in asset values is recognized in a decrease in other comprehensive income ("OCI") and an increase in pension liability and deferred tax assets. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit costs of our pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic pension costs, and increase our future funding requirements. We expect to make approximately $4.8 million in contributions to our pension plans in fiscal 2010 and record an accrued expense of approximately $7 million per year beginning in 2010. These payments are expected to continue at this level for several years, and the current economic environment increases the risk that we may be required to make even larger contributions in the future.

The following chart quantifies the effect on the projected benefit obligation and the net periodic benefit cost of a change in the discount rate assumption and the impact on the net periodic benefit cost of a change in the assumed long term rate of return for fiscal 2010.

Farmer Bros. Plan (dollars in thousands) Discount Rate	**5.75%**	**Actual 6.25%**	**6.75%**
2010 net periodic benefit cost	$ 9,942	$ 9,034	$ 8,215
Projected benefit obligation	$ 103,198	$ 96,652	$ 90,747

Long Term Rate of Return	**7.75%**	**Actual 8.25%**	**8.75%**
2010 net periodic benefit cost	$ 9,321	$ 9,034	$ 8,747

Brewmatic Plan (in thousands) Discount Rate	**5.75%**	**Actual 6.25%**	**6.75%**
2010 net periodic benefit cost	$ 240	$ 232	$ 225
Projected benefit obligation	$ 3,637	$ 3,476	$ 3,329

Long Term Rate of Return	**7.75%**	**Actual 8.25%**	**8.75%**
2010 net periodic benefit cost	$ 243	$ 232	$ 220

Income Taxes

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

Deferred Tax Asset Valuation Allowance

The Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes" ("SFAS 109"), requires that companies assess whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets will or will not ultimately be realized in future periods. In making such assessment, significant weight is to be given to evidence that can be objectively verified such as recent operating results and less consideration is to be given to less objective indicators such as future earnings projections. The Company has evaluated its deferred tax assets in accordance with these requirements.

A significant negative factor was the Company's three-year historical cumulative loss as of the end of the fourth quarter of fiscal 2009, compared to the size of deferred tax assets. The deferred tax assets in fiscal 2009 increased to $41,387,000 as compared to $21,556,000 in fiscal 2008. This increase primarily resulted from decreased pension asset values which in turn created increased pension plan contribution obligations. These considerations outweighed our ability to rely on projections of future taxable income and future appreciation of pension assets, and as a result the Company has established a valuation allowance against the deferred tax assets in the amount of $33,278,000, of this amount $19,663,000 was recorded as a current year tax expense and $13,615,000 was recorded as a reduction in other comprehensive income.

Post-Retirement Benefits

We sponsor a defined benefit post-retirement medical and dental plan that covers non-union employees and retirees, and certain union locals. The plan is contributory and retiree contributions are fixed at a current level. Our retiree medical plan is not funded and its liability was calculated using an assumed discount rate of 6.61% at June 30, 2009. We project an initial medical trend rate of 8% ultimately reducing to 5.5% in 4 years.

Effective January 1, 2008 the Company adopted a new plan for retiree medical benefits. The new plan is a cost sharing approach between the Company and covered employees and dependents in which the Company subsidizes a larger proportion of covered expenses for retirees who were long-term employees, and provides less coverage for retirees who were short-term employees. Additionally, the plan establishes a maximum Company contribution.

The effect of adopting this new plan was recorded on the effective date of the plan, January 1, 2008, as an increase in Accumulated Other Comprehensive Income of $16,739,000 (net of related tax effects of $10,571,000), and a reduction to the retiree medical liability of $27,311,000. The Accumulated Other Comprehensive Income amount is expected to be amortized as a reduction in expense over a period of 7 to 12 years. Amortization in fiscal 2009 was $712,000.

Share-Based Compensation

We apply the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004),"Share-Based Payment" ("SFAS 123R") for our share-based compensation. Under SFAS 123R, all share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense in our consolidated statement of operations over the requisite service period. The process of estimating the fair value of share-based compensation awards and recognizing share-based compensation cost over the requisite service period involves significant assumptions and judgments. We estimate the fair value of stock option awards on the date of grant using the Black-Scholes option-valuation model which requires that we make certain assumptions regarding: (i) the expected volatility in the market price of our common stock, (ii) dividend yield, (iii) risk-free interest rates and (iv) the period of time employees are expected to hold the award prior to exercise (referred to as the expected holding period). In addition, SFAS 123R requires us to estimate the expected impact of forfeited awards and recognize share-based compensation cost only for those awards expected to vest. If actual forfeiture rates differ materially from our estimates, share-based compensation expense could differ significantly from the amounts we have recorded in the current period. We will periodically review actual forfeiture experience and revise our estimates, as necessary. We will recognize as compensation cost the cumulative effect of the change in estimated forfeiture rate on current and prior periods in earnings of the period of revision. As a result, if we revise our assumptions and estimates, our share-based compensation expense could change materially in the future.

Liquidity and Capital Resources

Credit Facility

On March 2, 2009 we entered into a Loan and Security Agreement (the "Loan Agreement"), with Wachovia Bank, National Association, as Lender, providing for a $50 million senior secured revolving credit facility expiring in February 2012 to help finance the DSD Coffee Business acquisition and for general corporate purposes. The Loan Agreement contains a variety of restrictive covenants customary in an asset-based lending facility, including a fixed charge coverage requirement, and it places limits on capital expenditures and dividends. The Loan Agreement allows the Company to pay dividends at the current rate, subject to certain cash flow and liquidity requirements.

All outstanding obligations under the Loan Agreement are collateralized by perfected security interests in our assets, excluding the preferred stock held in investment accounts. The revolving line provides for advances of 85% of eligible accounts receivable and 65% of eligible inventory, as defined. The Loan Agreement has an unused commitment fee of 0.375%. The interest rate varies based upon line usage, borrowing base availability and market conditions. The range is PRIME + 0.25% to PRIME + 0.75% or LIBOR + 2.25% to LIBOR + 2.75%, subject to a minimum for LIBOR based advances of 3.25%. The interest rate was 3.75% at June 30, 2009.

We are in compliance with all restrictive covenants and limitations as of June 30, 2009 and anticipate being in compliance with all restrictive covenants for the foreseeable future. On June 30, 2009 borrowings under the credit facility were $16.2 million and we had excess availability under the credit facility of $33.8 million. As of September 3, 2009, approximately $9 million was outstanding under this credit facility.

Liquidity

The continued weakness in the economy and the sustained decline in the housing market have kept pressure on the financial markets and reduced the value and liquidity of the preferred stock we hold. In order to have sufficient liquidity to complete the acquisition of the DSD Coffee Business without selling our preferred stock investments, we obtained a $50 million senior secured revolving line of credit with Wachovia Bank described above. Although we expect cost reductions and other positive synergies from integrating the DSD Coffee Business with our operations, the timing of these improvements is uncertain. We believe this credit facility, in addition to our other liquid assets, provides sufficient capital resources and flexibility for the next twelve months to allow us to make investments in the DSD Coffee Business, fund integration expenses, meet necessary working capital requirements and implement our business plan without relying solely on cash flow from operations. Future liquidity, both short and long term, can be negatively affected by then current economic conditions.

In addition to our acquisition of the DSD Coffee Business described above, during fiscal 2009 we continued to invest in our plants and expand our operations. These additional capital expenditures were approximately $38,901,000 and included the following:

In August 2008, we relocated CBI's operations to the new CBI headquarters and manufacturing plant in Portland, Oregon. This facility was built with funds derived from internal sources. The total capitalized cost of the new CBI plant and equipment was approximately $22,306,000, of which $11,243,000 was incurred in fiscal 2009.

We have invested a total of $2,910,000 for two new roasters and associated production and packaging equipment for our Torrance facility, of which $1,664,000 was incurred in in fiscal 2009. The roasters have arrived but installation has been delayed due to delays in the regulatory approval process. We expect to complete this project in fiscal 2010 at an additional cost of approximately $6,000,000.

We completed the implementation of our mobile sales software in fiscal 2009 at a total cost of approximately $3,084,000 of which $2,175,000 was incurred in fiscal 2009. We expect to implement the same software across the DSD Coffee Business sales network during fiscal 2010.

In addition to the above, on February 28, 2009, we acquired the DSD Coffee Business and paid approximately $48.3 million consisting of $16.1 million in cash, $29.5 million in borrowings from the revolving credit facility, and $2.7 million in acquisition-related costs.

Our expected capital expenditures for fiscal 2010 include completion of the installation of the two roasters and other production equipment at an approximate additional cost of $6,000,000, deployment of our mobile sales systems to the route operations of the DSD Coffee Business and expenditures to replace normal wear and tear of coffee brewing equipment, vehicles and machinery and equipment.

Our working capital is comprised of the following:

	June 30,		
	2009	2008	2007
		(In thousands)	
Current assets	$186,546	$217,750	$239,362
Current liabilities	76,457	28,909	27,096
Working capital	$110,088	$188,841	$212,266
Capital expenditures	$ 38,901	$ 24,293	$ 12,485
Purchase of business	$ 48,287	$ —	$ 23,167
Dividends paid	$ 6,631	$ 6,670	$ 6,142

At June 30, 2009, other than those described above, we had no major commitments for new capital expenditures.

Results of Operations

Fiscal Years Ended June 30, 2009 and 2008

Overview

Fiscal 2009 has been another year of acquisition for us as we acquired the DSD Coffee Business in February 2009, and a year in which we continued integrating CBI (acquired in April 2007) and made extensive plans for integrating the DSD Coffee Business into our operations. Our sales revenue grew to $341.7 million in fiscal 2009 from $266.5 million in fiscal 2008, we acquired over 2,000 new SKU's and over 60 trademarks, tradenames and service marks including the major regional brands MCGARVEY®, CAIN'S®, IRELAND®, JUSTIN LLOYD®, METROPOLITAN®, PREBICA®, WECHSLER®, WORLD'S FINEST® and CAFÉ ROYAL®, and the national brand SUPERIOR®, broadened and diversified our customer base to include a major presence in the gaming industry as well as significant national chain accounts, and expanded geographically from our old 28 state marketing area into all 48 contiguous states.

During fiscal 2010 we plan to complete the post-acquisition integration of the DSD Coffee Business in an effort to realize the selling and operating efficiencies of the combined organization through consolidation of product offerings and SKU's, streamlining of routes and distribution logistics, and consolidation of warehouses and distribution centers, with an expanded, customer-focused organization enabled by enhanced tools and training. We also intend to continue our integration efforts with respect to CBI, acquired in April 2007. These integration efforts include the creation of a new national sales organization, as well as a national coffee brewing equipment service organization to enable us to better serve the needs of our larger, geographically diverse customer base.

Operations

Net sales in fiscal 2009 increased $75,239,000 or 28% to $341,724,000 from $266,485,000 in fiscal 2008. Approximately 81% of this increase resulted from the addition of DSD Coffee Business net sales beginning on March 1, 2009. Non-DSD net sales increased $14,541,000 or 5% in fiscal 2009 as compared to fiscal 2008. Unit sales increased approximately 35% in fiscal 2009 as compared to fiscal 2008, and approximately 54% of this increase resulted from the addition of the DSD Coffee Business.

Cost of goods sold in fiscal 2009 increased $34,435,000, or 23%, to $181,508,000, or 53% of sales, from $147,073,000, or 55% of sales, in fiscal 2008. Approximately 87% of this increase resulted from the addition of the DSD Coffee Business. Our annual LIFO adjustment for inventory on hand at the end of fiscal 2009 increased cost of goods sold by $1,508,000 compared to $5,832,000 in fiscal 2008. In a rising market LIFO costs represent replacement costs of inventory, not actual cost, and in fiscal 2009 we added additional inventory with the purchase of the DSD Coffee Business. Cost of coffee brewing equipment included in cost of good sold for the fiscal year ended June 30, 2009 was $13,140,000 compared to $20,400,000 for the fiscal year ended June 30, 2008. In years prior to fiscal 2007, these costs were presented as selling expenses. This change reduces reported gross profit in the years presented by these amounts but has no impact on net income, total assets, or cash flows in any year.

Gross profit in fiscal 2009 increased $40,804,000 or 34% to $160,217,000 from $119,412,000 in fiscal 2008. Approximately 76% of this change resulted from the addition of the DSD Coffee Business.

Operating expenses in fiscal 2009 increased $45,363,000, or 35%, to $175,419,000, or 51% of sales, from $130,056,000, or 49% of sales, in fiscal 2008. Approximately 54% of this increase reflects the addition of the DSD Coffee Business, and approximately 16% of this increase reflects expenses associated with the relocation of CBI's operations to the new manufacturing facility in Portland, Oregon, together with associated start-up costs and related depreciation and amortization from the plant investment. Additional increases in operating expenses in fiscal 2009 include approximately $2,000,000 of additional overhead associated with the operation of the DSD Coffee Business from March 1, 2009 through the end of fiscal 2009 and one-time costs of approximately $2,100,000 related to CBI's move and plant start-up.

For the reasons noted above, loss from operations in fiscal 2009 increased to ($15,203,000) from ($10,644,000) in fiscal 2008.

Total other (expense) income

Total other (expense) income, improved in fiscal 2009 to ($3,785,000) from ($4,679,000) in fiscal 2008. This is primarily the result of smaller realized and unrealized investment losses in fiscal 2009 compared to fiscal 2008, partially offset by lower dividend and interest income. Other, net (expense) income was ($8,248,000) in fiscal 2009 as compared to ($12,343,000) in fiscal 2008. Losses in other, net (expense) income incurred in fiscal 2009 are primarily the result of conditions in the U.S. financial markets which resulted in lower expense in fiscal 2009 compared to fiscal 2008.

Net Loss

As a result of the above operating factors, net loss increased to ($33,270,000) or ($2.29) per common share, including the reserve against deferred tax assets of ($19,660,000) or ($1.35) in fiscal 2009, from ($7,924,000) or ($0.55) per common share in fiscal 2008.

Fiscal Years Ended June 30, 2008 and 2007

Overview

Fiscal 2008 was a year in which we devoted substantial resources to the Company's future. These resources included investment in our plants and our national sales organization. During fiscal 2008 we invested approximately $11,063,000 in the new CBI plant and related equipment. We ordered two new roasters and associated production equipment for our Torrance facility and continued to implement our mobile sales software across our sales network.

Operations

Net sales in fiscal 2008 increased $50,226,000, or 23%, to $266,485,000 from $216,259,000 in fiscal 2007. Approximately 70% of this increase resulted from the addition of CBI in fiscal 2008. Non-CBI revenue increased $14,841,000, or 7%, in fiscal 2008 as compared to fiscal 2007. Non-CBI unit sales increased 5% in fiscal 2008 as compared to fiscal 2007.

Cost of goods sold in fiscal 2008 increased $38,902,000 or 36% to $147,073,000 from $108,171,000 in fiscal 2007. Approximately 58% of this increase resulted from the addition of CBI. Non-CBI cost of goods sold increased $16,297,000, or 16%, in fiscal 2008 as compared to fiscal 2007. This increase was primarily the result of higher green coffee costs and increased inventory levels. Our annual LIFO adjustment for inventory on hand at the end of fiscal 2008 added $5,832,000 to cost of goods sold. Additionally, during fiscal 2008 the cost of providing coffee brewing equipment and service to our customers increased $1,800,000, or 9%, as compared to fiscal 2007 costs. Gross profit in fiscal 2008 increased $11,324,000, or 10%, reflecting $12,780,000 gross profit added by CBI. In general, higher commodity prices and higher energy costs put pressure on our profit margins in fiscal 2008. There were many reasons for the higher costs, including higher demand for oil and a weak dollar.

Operating expenses in fiscal 2008 increased $17,892,000, or 16%, to $130,056,000 from $112,164,000 in fiscal 2007. This increase primarily reflected the addition of CBI in the amount of $16,900,000, including amortization of intangibles connected with the CBI Acquisition in the amount of $1,644,000. The non-CBI related increase in operating expenses in fiscal 2008 was approximately 1%.

For the reasons noted above, loss from operations in fiscal 2008 increased to ($10,644,000) from ($4,076,000) in fiscal 2007 primarily due to the significant increase in cost of goods sold and our inability to pass those increases on to our customers in the form of higher selling prices.

Total other (expense) income

Total other (expense) income decreased to an expense of ($4,679,000) in fiscal 2008 as compared to income of $10,024,000 in fiscal 2007. This was primarily the result of a loss in other, net (expense) income in fiscal 2008 of ($12,343,000) as compared to income of $1,233,000 in fiscal 2007. Net realized and unrealized losses from investments in fiscal 2008 were ($13,992,000) as compared to net realized and unrealized losses in fiscal 2007 of ($1,233,000).

The change in other, net (expense) income was primarily the result of conditions in the U.S. financial markets. During fiscal 2008 the weakness of the economy and the dramatic decline of the U.S. housing market put pressure on the valuations of the preferred stock we hold. Since approximately 85% of preferred stock issuers are financial institutions, the U.S. sub-prime mortgage crisis hurt the values of our preferred stock portfolio. Selling pressure from leveraged investors who needed liquidity and a new supply of preferred issues taking advantage of lower dividend rates resulted in a downward pressure on values. Even though only 34% of our portfolio was invested in financials, all preferred stocks were affected. Our holdings included such financial issuers as Merrill Lynch, Lehman Brothers and MetLife. The weakness in the financial markets was dramatic, and at June 30, 2008 we had unrealized losses in preferred stock of $9,472,000. Part of our preferred stock investment program included a hedge against the risk of rising long-term interest rates using purchased Treasury put options. This part of the program suffered during fiscal 2008 as the investor flight to quality distorted the historical relationship between Treasury instruments and preferred stock, leading to hedge losses not offset by portfolio gains. Hedge losses in fiscal 2008 were $3,555,000.

Net Loss

As a result of the above factors, net loss for fiscal 2008 was ($7,924,000) or ($0.55) per share, as compared to net income of $6,815,000 or $0.48 per share in fiscal 2007.

Contractual Obligations

With the acquisition of DSD Coffee Business, the Company assumed some of the operating lease obligations associated with the acquired vehicles. The Company also refinanced some of the existing leases and entered into new leases for certain vehicles. Pursuant to SFAS 13, "Accounting for Leases", the Company determined that the 98 new vehicle leases met the criteria for classification as capital leases. The following table contains supplemental information regarding total contractual obligations as of June 30, 2009, including capital leases (including imputed interest):

	Payment due by period (in thousands)				
	Total	Less Than One Year	1-3 Years	3-5 Years	More Than 5 Years
Operating lease obligations	$14,742	$ 5,878	$ 5,629	$ 2,926	$ 309
Capital lease obligations	1,309	958	351	—	—
Pension plan obligations	54,690	4,290	9,210	10,250	30,940
Revolving credit facility	16,182	16,182	—	—	—
	$86,923	$ 27,308	$15,190	$ 13,876	$31,439

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market value risk arising from changes in interest rates on our securities portfolio. Our portfolio of preferred securities has sometimes included investments in derivatives that provide a natural economic hedge of interest rate risk. We review the interest rate sensitivity of these securities and (a) may enter into "short positions" in futures contracts on U.S. Treasury securities or (b) may hold put options on such futures contracts in order to reduce the impact of certain interest rate changes on such preferred stocks. Specifically, we attempt to manage the risk arising from changes in the general level of interest rates. We do not transact in futures contracts or put options for speculative purposes.

The following table demonstrates the impact of varying interest rate changes based on the preferred stock holdings, futures and options positions, and market yield and price relationships at June 30, 2009. This table is predicated on an instantaneous change in the general level of interest rates and assumes predictable relationships between the prices of preferred securities holdings, the yields on U.S. Treasury securities and related futures and options.

The number and type of futures and options contracts entered into depends on, among other items, the specific maturity and issuer redemption provisions for each preferred stock held, the slope of the Treasury yield curve, the expected volatility of U.S. Treasury yields, and the costs of using futures and/or options. At June 30, 2009 we had no futures contracts or put options designated as interest rate risk hedges.

Interest Rate Changes	Market Value at June 30, 2009 Preferred Securities	Futures and Options	Total Portfolio	Changes in Market Value of Total Portfolio
	(In thousands)			
-150 basis points	$ 44,089	$ —	$ 44,089	$ 1,623
-100 basis points	$ 43,846	$ —	$ 43,846	$ 1,380
Unchanged	$ 42,466	$ —	$ 42,466	$ —
+100 basis points	$ 39,951	$ —	$ 39,951	$ (2,515)
+150 basis points	$ 38,560	$ —	$ 38,560	$ (3,906)

Our revolving line of credit with Wachovia Bank is at a variable rate. The interest rate varies based upon line usage, borrowing base availability and market conditions. The range is PRIME + 0.25% to PRIME + 0.75% or LIBOR + 2.25% to LIBOR + 2.75%, subject to a minimum for LIBOR based advances of 3.25%. The balance outstanding as of June 30, 2009 was $16,182,000 and the interest rate at June 30, 2009 was 3.75%.

The following table demonstrates the impact of interest rate changes on our interest expense on the revolving credit facility for a full year based on the outstanding balance and interest rate as of June 30, 2009:

Interest Rate Changes	Interest Rate	Annual Interest Expense
		(In thousands)
-150 basis points	2.25%	$ 364
-100 basis points	2.75%	$ 445
Unchanged	3.75%	$ 607
+100 basis points	4.75%	$ 768
+150 basis points	5.25%	$ 850

Commodity Price Risk

We are exposed to commodity price risk arising from changes in the market price of green coffee. We price green coffee inventory on the last-in, first-out (LIFO) basis. In the normal course of business we hold a large green coffee inventory and enter into forward commodity purchase agreements with suppliers. We are subject to price risk resulting from the volatility of green coffee prices. Due to competition and market conditions, volatile price increases cannot always be passed on to our customers. From time to time we may hold a mix of futures contracts and options to help hedge against volatile green coffee price decreases. Gains and losses on these derivative instruments are realized immediately in "Other, net (expense) income."

On June 30, 2009 we had no open hedge derivative contracts, and our entire exposure to commodity risk was in the potential change of our inventory value resulting from changes in the market price of green coffee. The following table demonstrates the impact of changes in market value of coffee cost on market value of coffee forward purchase contracts:

	Market Value (in thousands)			Change in Market Value	
Coffee Cost Change	Coffee Inventory	Futures & Options	Total	Derivatives	Inventory
-10%	$32,000	$ (101)	$31,899	$ (101)	$ (3,428)
unchanged	$35,428	$ 460	$35,888	$ —	$ —
10%	$39,000	$ 101	$39,101	$ 101	$ 3,572

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Farmer Bros. Co. and Subsidiaries as of June 30, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Farmer Bros. Co. and Subsidiaries at June 30, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Farmer Bros. Co. and Subsidiaries' internal control over financial reporting as of June 30, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 15, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
September 15, 2009

FARMER BROS. CO.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)

	June 30, 2009	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,038	$ 9,973
Short term investments	42,926	113,286
Accounts and notes receivable, net	45,744	19,856
Inventories	68,961	54,253
Income tax receivable	4,163	2,879
Deferred income taxes	1,089	7,485
Prepaid expenses	3,625	10,018
Total current assets	186,546	217,750
Property, plant and equipment, net	112,063	69,065
Goodwill and other intangible assets, net	28,758	17,568
Other assets	1,758	746
Deferred income taxes	892	7,855
Total assets	$330,017	$312,984
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 34,627	$ 12,169
Accrued payroll expenses	13,121	8,449
Short term borrowings under revolving credit facility	16,182	—
Short term obligations under capital leases	908	—
Deferred state taxes	2,198	—
Other liabilities	9,421	8,291
Total current liabilities	76,457	28,909
Accrued postretirement benefits	18,259	17,620
Other long term liabilities-capital leases	344	—
Accrued pension liabilities	38,468	—
Total liabilities	$133,528	$ 46,529
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, $1.00 par value, 500,000 shares authorized and none issued	$ —	$ —
Common stock, $1.00 par value, 25,000,000 shares authorized; 16,078,111 and 16,075,080 issued and outstanding in 2009 and 2008, respectively	16,078	16,075
Additional paid-in capital	31,135	30,612
Retained earnings	217,792	257,693
Unearned ESOP shares	(33,604)	(38,529)
Less accumulated comprehensive (loss) income	(34,912)	604
Total stockholders' equity	$196,489	$266,455
Total liabilities and stockholders' equity	$330,017	$312,984

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except share and per share data)

	Years ended June 30, 2009	2008	2007
Net sales	$ 341,724	$ 266,485	$ 216,259
Cost of goods sold	181,508	147,073	108,171
Gross profit	160,216	119,412	108,088
Selling expense	138,876	98,918	83,943
General and administrative expenses	36,543	31,138	28,221
Operating expenses	175,419	130,056	112,164
Loss from operations	(15,203)	(10,644)	(4,076)
Other (expense) income:			
Dividend income	3,563	4,056	3,923
Interest income	1,236	3,608	5,768
Interest expense	(335)	—	—
Other, net (expense) income	(8,248)	(12,343)	1,233
Total other (expense) income	(3,784)	(4,679)	10,924
(Loss) income before taxes	(18,987)	(15,323)	6,848
Income tax (benefit) expense	14,283	(7,399)	33
Net (loss) income	$ (33,270)	$ (7,924)	$ 6,815
Net (loss) income per common share	$ (2.29)	$ (0.55)	$ 0.48
Weighted average shares outstanding	14,508,320	14,284,324	14,106,011
Cash dividends declared per common share	$ 0.46	$ 0.46	$ 0.44

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Years ended June 30, 2009	2008	2007
Cash flows from operating activities:			
Net income (loss)	$ (33,270)	$ (7,924)	$ 6,815
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	18,292	9,757	9,324
Deferred income taxes	15,556	719	(8,141)
Gain on sales of assets	(46)	(1,325)	(244)
Share-based compensation expense	5,452	5,501	5,168
Net loss (gain) on investments	8,989	13,992	(819)
Change in operating assets and liabilities:			
Short term investments	61,371	30,772	19,104
Accounts and notes receivable	(25,888)	(2,205)	(675)
Inventories	1,730	(9,257)	4,200
Income tax receivable	(1,283)	(2,998)	—
Prepaid expenses and other assets	6,518	5,877	5,026
Accounts payable	22,457	3,466	(614)
Accrued payroll, expenses and other liabilities	3,776	(1,655)	5,634
Accrued postretirement benefits	638	(17,224)	4,013
Other long term liabilities	2,952	—	—
Net cash provided by operating activities	$ 87,244	$ 27,496	$ 48,791
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(48,287)	—	(23,167)
Purchases of property, plant and equipment	(38,901)	(24,852)	(12,485)
Proceeds from sales of property, plant and equipment	605	1,413	256
Net cash used in investing activities	$ (86,583)	$ (23,439)	$ (35,396)
Cash flows from financing activities:			
Proceeds from revolving line of credit	29,500	—	—
Repayments on revolving line of credit	(13,318)	—	—
Payments of capital lease obligations	(147)	—	—
Dividends paid	(6,631)	(6,670)	(6,142)
Net cash used in financing activities	$ 9,404	$ (6,670)	$ (6,142)
Net increase (decrease) in cash and cash equivalents	$ 10,065	$ (2,613)	$ 7,253
Cash and cash equivalents at beginning of year	9,973	12,586	5,333
Cash and cash equivalents at end of year	$ 20,038	$ 9,973	$ 12,586
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 812	$ —	$ —
Cash paid for income taxes	$ 136	$ 3,742	$ 116
Non-cash financing and investing activities:			
Equipment acquired under capital leases	$ 1,252	$ —	$ —
Dividends accrued, but not paid	$ 1,849	$ —	$ —

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except per share data)

	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2006	16,075,080	$ 16,075	$ 31,518	$ 271,733	$(50,103)	$ 0	$269,223
Comprehensive income							
Net income				6,815			6,815
Other comprehensive income							—
Total comprehensive loss							6,815
Dividends ($0.44 per share)				(6,142)			(6,142)
ESOP compensation expense			(695)		5,863		5,168
Adoption SFAS No. 158(a)						(8,848)	(8,848)
Balance at June 30, 2007	16,075,080	$ 16,075	$ 30,823	$ 272,406	$(44,240)	$ (8,848)	$266,216
Comprehensive income							
Net loss				(7,924)			(7,924)
Retiree benefits(c)						9,452	9,452
Other comprehensive income							—
Total comprehensive income							1,528
Dividends ($0.46 per share)				(6,670)			(6,670)
ESOP compensation expense			(364)		5,711		5,347
Share based compensation			153				153
Adoption FIN 48(b)				(119)			(119)
Balance at June 30, 2008	16,075,080	$ 16,075	$ 30,612	$ 257,693	$(38,529)	$ 604	$266,455
Comprehensive income							
Net loss				(33,270)			(33,270)
Retiree benefits(c)						(21,901)	
Valuation allowance(d)						(13,615)	
Other comprehensive income net of tax ($0.00)						(35,516)	(35,516)
Total comprehensive income							(68,786)
Dividends ($0.46 per share)				(6,631)			(6,631)
ESOP compensation expense			(151)		4,925		4,774
Share based compensation	3,031	3	674				678
Balance at June 30, 2009	16,078,111	$ 16,078	$ 31,135	$ 217,792	$(33,604)	$ (34,912)	$196,489

(a) During the fiscal year ended June 30, 2007, the Company adopted the recognition provisions of SFAS No. 158 and applied them to the funded status of its defined benefit plans resulting in a decrease in stockholders' equity of $8.8 million as of June 30, 2007. In the Company's consolidated statement of stockholders' equity contained in its Form 10-K for the fiscal year ended June 30, 2007, this decrease was presented as a decrease of $8.8 million to other comprehensive income. In accordance with SFAS No. 158, this adjustment should have been recorded against accumulated other comprehensive income ("AOCI"). As a result, the Company has adjusted the AOCI (Loss) and other comprehensive income balances presented in the consolidated statements of stockholders' equity for the fiscal year ended June 30, 2007 in accordance with SFAS No. 158. AOCI (Loss) adjustment at June 30, 2007 is in the amount of ($8,848,000), net of related tax effects of $5,888,000.

(b) Adoption FIN 48 accrual reflects the unrecognized tax benefit of $145,000, net of related tax effects of $26,000, resulting from adoption of FIN 48 on July 1, 2007.

(c) Retiree benefits (expense) are shown net of related tax effects of ($13,615,000) and $5,969,000 for fiscal 2009 and 2008, respectively.

(d) The Company has established a valuation allowance against deferred tax assets in the amount of $33,278,000, of this amount $19,663,000 was recorded as a current year tax expense and $13,615,000 was recorded as a reduction in other comprehensive income.

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

Farmer Bros. Co.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

The Company, which operates in one business segment, is a manufacturer, wholesaler and distributor of coffee and allied products through direct and brokered sales throughout the contiguous United States. The Company's customers include restaurants, hotels, casinos, hospitals and food service providers, as well as retailers such as convenience stores, coffee houses, general merchandisers, private-label retailers and grocery stores. The Company's product line includes roasted coffee, liquid coffee, coffee related products such as coffee filters, sugar and creamers, assorted teas, cappuccino, cocoa, spices gelatins and puddings, soup, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves. Most sales are made "off-truck" by the Company to its customers at their places of business. The Company serves its customers from six distribution centers. The Company's distribution trucks are replenished from 165 branch warehouses located throughout the contiguous United States. The Company operates its own trucking fleet to support its long-haul distribution requirements. A portion of the Company's products are distributed by third parties or are direct shipped via common carrier.

Principles of Consolidation

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

Financial Statement Preparation

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

Cash Equivalents

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

Investments

The Company's investments consist of marketable debt and equity securities, money market instruments and various derivative instruments, primarily exchange traded treasury futures and options, green coffee forward purchase contracts and commodity purchase agreements. All derivative instruments not designated as accounting hedges are marked to market and changes are recognized in current earnings. At June 30, 2009 and 2008 no derivative instruments were designated as accounting hedges. The fair value of derivative instruments is based upon broker quotes. The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Concentration of Credit Risk

At June 30, 2009, the financial instruments which potentially expose the Company to concentration of credit risk consist of cash in financial institutions (which exceeds federally insured limits), cash equivalents (principally commercial paper), short term investments, investments in the preferred stocks of other companies and trade receivables. Cash equivalents and short term investments are not concentrated by issuer, industry or geographic area. Maturities are generally shorter than 180 days. Other investments are in U.S. government securities. Investments in the preferred stocks of other companies are limited to high quality issuers and are not concentrated by geographic area or issuer. Concentration of credit risk with respect to trade receivables for the Company is limited due to the large number of customers comprising the Company's customer base and their dispersion across many different geographic areas. The trade receivables are generally short term, and all probable bad debt losses have been appropriately considered in establishing the allowance for doubtful accounts.

Inventories

Inventories are valued at the lower of cost or market. Costs of coffee and allied products for the Company are determined on the last in, first out (LIFO) basis. Costs of coffee brewing equipment manufactured are accounted for on the first in, first out (FIFO) basis. The Company regularly evaluates these inventories to determine whether market conditions are correctly reflected in the recorded carrying value.

Property, Plant and Equipment

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

Building and facilities	10 to 30 years
Machinery and equipment	3 to 5 years
Office furniture and equipment	5 years
Capitalized software	3 years

When assets are sold or retired the asset and related depreciation allowance are eliminated from the records and any gain or loss on disposal is included in operations. Maintenance and repairs are charged to expense, and betterments are capitalized.

Coffee Brewing Equipment and Service

The Company has reclassified its reporting of certain expenses related to coffee brewing equipment provided to customers. These costs include the cost of the equipment as well as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts) and are now considered directly attributable to the generation of revenues from its customers. Accordingly such costs that had been previously reported as selling expenses are now reported as cost of goods sold in the accompanying financial statements for the years ended June 30, 2009, 2008 and 2007 in the amounts of $13.1 million, $20.4 million and $18.6 million, respectively.

During the fourth quarter of fiscal 2008 the Company changed its convention for capitalizing coffee brewing equipment provided to customers and as a result has capitalized coffee brewing equipment in the amounts of $5.4 million and $1.2 million in fiscal 2009 and 2008, respectively. During fiscal 2009 and 2008 the Company had depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold in the amounts of $1.7 million and $72,000, respectively. Prior to the change in its convention for capitalization, the Company had immediately expensed all coffee brewing equipment provided to its customers. Prior to the change in its convention, the amount of coffee brewing equipment charged immediately to expense totaled $3.0 million and $7.3 million in fiscal years 2008 and 2007, respectively.

Income Taxes

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of SFAS 109, Accounting for Income Taxes ("FIN 48"), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 on July 1, 2007, as required. The cumulative effect of adopting FIN 48 was recorded on July 1, 2007 as a $119,000 reduction to beginning retained earnings.

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

Revenue Recognition

Most products are sold and delivered to the Company's customers at their places of business by the Company's route sales employees. Revenue is recognized at the time the Company's sales representatives physically deliver products to customers and title passes or when it is accepted by the customer when shipped by third party delivery.

In connection with the acquisition of the DSD Coffee Business described in Note 2, the Company entered into an agreement with Sara Lee pursuant to which the Company performs co-packing services for Sara Lee as Sara Lee's agent. The Company recognizes revenue from this arrangement on a net basis, net of direct costs of revenue. As of June 30, 2009, the Company had $8.1 million of other receivables from Sara Lee.

Net Income (Loss) Per Common Share

Net income (loss) per common share has been computed in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share." Basic earnings (loss) per share (EPS) is computed by dividing net income (loss) by the weighted average common shares outstanding, excluding unallocated shares held by the Company's Employee Stock Ownership Plan (see Note 10). Diluted EPS includes the effect of any potential shares outstanding, which for the Company consists of dilutive stock options. The dilutive effect of stock options is calculated using the treasury stock method with an offset from expected proceeds upon exercise of the stock options and unrecognized compensation expense. Diluted EPS for the year ended June 30, 2009 does not include the dilutive effect of 39,231 shares under stock options since their inclusion would be anti-dilutive. In years ended June 30, 2008 and 2007 the Company had no dilutive shares. Accordingly, the consolidated financial statements present only basic net income (loss) per common share.

Employee Stock Ownership Plan ("ESOP")

The ESOP is accounted for in accordance with AICPA Statement of Position ("SOP") 93-6. SOP 93-6 recognizes that the ESOP is a form of compensation. Compensation cost is based on the fair market value of shares released or deemed to be released for the period. Dividends on allocated shares retain the character of true dividends, but dividends on unallocated shares are considered compensation cost. As a leveraged ESOP with the Company as lender, a contra equity account is established to offset the Company's note receivable. The contra account will change as compensation is recognized. Repurchase liability is disclosed as the current value of allocated shares.

Impairment of Goodwill and Intangible Assets

The Company performs its annual goodwill and indefinite-lived intangible assets impairment test as of March 31 of each fiscal year. Under SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually and on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired. Under SFAS 142, indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values. Testing for impairment of goodwill is a two-step process. The first step requires the Company to compare the fair value of its reporting units to the carrying value of the net assets of the respective reporting units, including goodwill. If the fair value of the reporting unit is less than the carrying value, goodwill of the reporting unit is potentially impaired and the Company then completes step two to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized equal to the difference.

In addition to an annual test, goodwill and indefinite-lived intangible assets must also be tested on an interim basis if events or circumstances indicate that the estimated fair value of such assets has decreased below their carrying value. There were no such events or circumstances during the fiscal years ended June 30, 2009 or 2008.

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

When there are indicators of impairment, the Company reviews the recoverability of its long-lived assets as required by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. The Company has determined that no indicators of impairment of long-lived assets existed as of or during the fiscal year ended June 30, 2009.

Shipping and Handling Costs

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

Collective Bargaining Agreements

Certain Company employees are subject to collective bargaining agreements. The duration of these agreements extend from 2009 to 2013.

Subsequent Events

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS 165"), which provides guidance on the recognition and disclosure of events that occur after the balance sheet date but before financial statements are issued. This statement is effective for interim and annual periods ending after June 15, 2009. The Company adopted SFAS 165 as of June 30, 2009. The adoption of SFAS 165 did not have an impact on the Company's financial position, results of results of operation, or cash flows. The Company considered events through September 15, 2009, for purposes of determining whether any event warranted recognition or disclosure in its annual financial statements as of and for the three and twelve month periods ended June 30, 2009.

Reclassifications

Certain reclassifications have been made to prior year balances to conform to the current year presentation.

New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FSP SFAS 157-1 and FSP SFAS 157-2. FSP SFAS 157-1 amends SFAS 157 to exclude SFAS No. 13, "Accounting for Leases," and its related interpretive accounting pronouncements that address leasing transactions. FSP SFAS 157-2 will delay the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FSP SFAS 157-2 partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of FSP SFAS 157-2. The Company adopted SFAS 157 effective July 1, 2009 for all financial assets and liabilities as required. Refer to Note 3, Investments and Derivative Instruments for additional information. The adoption of SFAS 157 did not have a material impact on the Company's financial position or results of operations. The Company is currently evaluating the potential impact of the adoption of FSP SFAS 157-2 on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which permits entities to voluntarily choose to measure many financial instruments and certain other items at fair value. SFAS 159 provides entities an opportunity to mitigate volatility in reported earnings that is caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for fiscal years beginning after November 15, 2007 and was effective for the Company beginning on February 3, 2008. SFAS 159 allows the Company to elect the fair value option on an instrument by instrument basis. SFAS 159 did not have an impact on the Company's consolidated results of operations or financial condition as the Company did not elect to adopt the fair value option for any of its financial assets or liabilities.

In December 2007, the FASB issued SFAS No. 141 (Revised), "Business Combinations" ("SFAS 141(R)"), replacing SFAS No. 141, "Business Combinations" ("SFAS 141"), and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51" ("SFAS 160"). SFAS 141(R) retains the fundamental requirements of SFAS 141, broadens its scope by applying the acquisition method to all transactions and other events in which one entity obtains control over one or more other businesses, and requires, among other things, that assets acquired and liabilities assumed be measured at fair value as of the acquisition date, that liabilities related to contingent considerations be recognized at the acquisition date and re-measured at fair value in each subsequent reporting period, that acquisition-related costs be expensed as incurred, and that income be recognized if the fair value of the net assets acquired exceeds the fair value of the consideration transferred. SFAS 160 establishes accounting and reporting standards for noncontrolling interests (i.e., minority interests) in a subsidiary, including changes in a parent's ownership interest in a subsidiary and requires, among other things, that noncontrolling interests in subsidiaries be classified as a separate component of equity. Except for the presentation and disclosure requirements of SFAS 160, which are to be applied retrospectively for all periods presented, SFAS 141(R) and SFAS 160 are to be applied prospectively in financial statements issued for fiscal years beginning after December 15, 2008. SFAS 141(R) and SFAS 160 will be effective for the Company beginning July 1, 2009. Though the accounting on future transactions is expected to be impacted, the Company does not anticipate any material impact to its historical financial statements from the adoption of SFAS 141(R) and SFAS 160.

In April 2008, the FASB issued FSP SFAS No. 142-3,"Determination of the Useful Life of Intangible Assets" ("FSP SFAS 142-3"). FSP SFAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognizable intangible asset under SFAS 142. FSP SFAS 142-3 is intended to improve the consistency between the useful life of a recognizable intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 142. FSP SFAS 142-3 is effective for fiscal years beginning after December 15, 2008. The Company adopted FSP SFAS 142-3 effective July 1, 2009. FSP SFAS 142-3 will change the Company's determination of useful lives for intangible assets on a prospective basis.

In June 2008, the FASB released a proposed SFAS, "Disclosure of Certain Loss Contingencies, an amendment of FASB Statements No. 5 and 141)" (the "Proposed Statement"), for a comment period that ended during August 2008. The Proposed Statement would (a) expand the population of loss contingencies that are required to be disclosed, (b) require disclosure of specific quantitative and qualitative information about those loss contingencies, (c) require a tabular reconciliation of recognized loss contingencies and (d) provide an exemption from disclosing certain required information if disclosing that information would be prejudicial to an entity's position in a dispute. The Proposed Statement would be effective for financial statements issued for fiscal years ending after December 15, 2008, and for interim and annual periods in subsequent fiscal years. When and if the Proposed Statement is approved in final form by FASB, the Company will evaluate whether the adoption of the Proposed Statement will have any material impact on its financial position or results of operations.

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-6-1"), which requires unvested share-payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents to be included in the two-class method of computing earnings per share. FSP EITF 03-6-1 also requires retrospective application to all periods presented. FSP EITF 03-6-1 is effective as of the beginning of the Company's 2010 fiscal year. Prior periods will be restated to reflect this impact in future reporting periods. The Company is currently evaluating the potential impact of the adoption of FSP SFAS 03-6-1 on the Company's consolidated financial statements.

In December 2008, the FASB issued FSP SFAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP SFAS 132(R)-1"). FSP SFAS 132(R)-1 amends SFAS No. 132(R), "Employer's Disclosures about Pensions and Other Postretirement Benefits," to require additional disclosures about assets held in an employer's defined benefit pension or other postretirement plan. FSP SFAS 132(R)-1 is effective for fiscal years ending after December 15, 2009, with early adoption permitted. The Company will adopt the disclosure requirements of FSP SFAS 132(R)-1 beginning in the first quarter of fiscal 2011.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement

No. 162" ("SFAS 168"). The new statement modifies the U.S. generally accepted accounting principles ("GAAP") hierarchy created by SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" by establishing only two levels of GAAP: authoritative and nonauthoritative. This is accomplished by authorizing the FASB Accounting Standards Codification (the "Codification") to become the single source of authoritative U.S. accounting and reporting standards, except for rules and interpretive releases of the SEC under authority of the federal securities laws, which are sources of authoritative GAAP for SEC registrants. SFAS 168 is effective for financial statements for interim and annual periods ending after September 15, 2009. All existing accounting standard documents are superseded and all other accounting literature not included in the Codification is considered nonauthoritative. The Company does not anticipate the adoption of SFAS 168 will have a material effect on the Company's financial position, results of operation, or cash flows.

Note 2. Acquisitions

Acquisition of Coffee Bean International, Inc.

On April 27, 2007, the Company acquired 100% of the outstanding common shares of Coffee Bean Holding Co., Inc., a Delaware corporation ("CBH"), the parent company of Coffee Bean International, Inc., an Oregon corporation ("CBI"), a gourmet specialty coffee roaster and wholesaler headquartered in Portland, Oregon. The purchase price was $23.6 million in cash, including transaction costs of approximately $1.4 million, less the amount of all outstanding indebtedness of CBH and its subsidiaries. The results of operations of CBH have been included in the Company's consolidated financial statements since April 27, 2007.

The Company has obtained a third-party valuation of CBH's acquired net assets. The Company believes the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions. The purchase price allocation was finalized during the year ended June 30, 2008. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition, based on the final purchase price allocation (in millions):

Fair Value of Assets Acquired

Current assets, excluding inventories	$ 2,3
Inventory	4.2
Property, plant & equipment	3.1
Customer relationships	10.1
Tradenames	4.1
Goodwill	5.3
Total assets acquired	29.1
Liabilities assumed	(5.5)
Net assets acquired	$23.6

The customer relationships include both contractual and non-contractual relationships, and have estimated lives ranging from 3.5 to 8 years. Because these relationships have definite lives, the Company will amortize the assets over the estimated lives on a straight-line basis. The CBI tradenames have an indefinite life and thus are not subject to amortization.

Acquisition of DSD Coffee Business

Effective as of February 28, 2009, the Company completed the acquisition from Sara Lee Corporation, a Maryland corporation ("Seller"), and Saramar, L.L.C., a Delaware limited liability company ("Saramar" and collectively with Seller, "Seller Parties") of certain assets used in connection with Seller Parties' direct store delivery coffee business in the United States (the "DSD Coffee

Business"). The acquired business generally consists of manufacturing and selling coffee, tea and related products through a network of facilities and vehicles which was acquired to complement and expand the Company's previously existing operations. This business also includes the distribution, sale and service of brewed and liquid coffee equipment, as well as the right to distribute sauces and dressings to customers of the DSD Coffee Business. The results of operations of the DSD Coffee Business are included in the Company's consolidated financial statements beginning on March 1, 2009.

The assets purchased include, among other things, the following: (i) a manufacturing plant in Houston, Texas, a spice plant in Oklahoma City, Oklahoma, and a warehouse in Indianapolis, Indiana; (ii) 64 leased branch facilities in 31 states; (iii) a vehicle fleet consisting of 431 owned and leased vehicles; (iv) certain tangible personal property; (v) inventories of raw materials, work in process, finished goods and packaging; (vi) certain contracts, permits, books and records; (vii) prepaid expenses relating to the DSD Coffee Business; and (viii) all goodwill relating to the DSD Coffee Business. The Company also acquired Seller Parties' rights (including related goodwill) in the trademarks and trade names relating to the SUPERIOR®, MCGARVEY®, CAIN'S®, IRELAND®, JUSTIN LLOYD®, METROPOLITAN®, PREBICA®, WECHSLER®, WORLD'S FINEST® and CAFÉ ROYAL® brands.

Subject to certain post-closing adjustments relating to the amount of consumable inventory and prepaid expenses at closing, and after giving effect to certain reimbursement obligations of the parties relating to accounting costs, IT carve-out costs, and transfer taxes and fees, as well as real and personal property tax and utility prorations, the amount paid to Seller was $45.6 million, which consisted of $16.1 million of Company cash and proceeds of a bank loan of $29.5 million. The Company paid approximately $2.7 million of acquisition related expenses. At closing, the Company assumed certain liabilities, including obligations under contracts, environmental liabilities with respect to the transferred facilities, pension liabilities, advertising and trade promotion accruals, and accrued vacation as of the closing for hired personnel. As of June 30, 2009, these liabilities are estimated to be a total of $2,026,000 consisting of $1,322,000 for costs related to exiting certain acquired operations, $609,000 for accrued vacation and $95,000 in other estimated liabilities. Seller Parties retained all liabilities that were not specifically assumed by the Company. The Company re-financed and replaced certain leases relating to the DSD Coffee Business vehicles in the fourth quarter of fiscal 2009 as described in Note 14. Additionally, the Company assumed lease liabilities for sixty-four warehouse leases with lease terms that generally do not exceed three years. See Note 14, "Commitments and Contingencies."

In connection with the closing, Seller Parties and the Company entered into certain operational agreements, including trademark and formula license agreements, co-pack agreements, a liquid coffee distribution agreement, a transition services agreement, and a green coffee and tea purchase agreement. One of the co-pack agreements provides that Seller will manufacture branded products for the Company for a period of three years. Under this agreement the Company has agreed to purchase certain minimum product quantities from Seller subject to certain permitted reductions. The transition services agreement provides that Seller will perform a number of services for the Company on an interim basis, including distribution and warehousing of finished goods for up to six months and hosting, maintaining and supporting IT infrastructure and communications for up to eighteen months.

The accompanying consolidated financial statements do not include pro-forma historical information, as if the results of the DSD Coffee Business had been included from the beginning of the periods presented, since the use of forward-looking information would be necessary in order to meaningfully present the effects of the acquisition. Forward-looking information, rather than historical information, would be required since the DSD Coffee Business was operated as part of a larger business within Seller and there will be a different operating cost structure and different operations support under the Company's ownership. Net revenue of the DSD Coffee Business for the eight months ended February 28, 2009 (the effective date of the acquisition) was approximately $134 million, and approximately $228 million for the fiscal year ended June 30, 2008. However the Company has not provided forward-looking information with respect to incremental costs and expenses to be incurred because such information is not determinable.

The acquisition has been accounted for as an asset purchase. The total purchase price has been allocated to tangible and intangible assets based on their estimated fair values as of February 28, 2009 as determined by management based upon a third-party valuation. The purchase price allocation has not been finalized, since it is possible that certain adjustments may be made if additional facts or circumstances become known that impact the estimates. Revisions to the allocation, which may be significant, and relate primarily to exit activities, will be reported as changes to various assets and liabilities. The purchase price allocation is expected to be finalized during fiscal 2010. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition, based on the preliminary purchase price allocation (dollars in thousands):

Fair Value of Assets Acquired		Estimated Useful Life (years)
Inventory	$16,437	
Prepaid expense	1,138	
Current assets	17,575	
Vehicles	1,044	5
Machinery	10,954	3-5
Property, plant & equipment	5,577	30
Land	1,945	
Fixed assets	19,520	
Trademarks	2,115	indefinite
Customer relationships	7,855	8
Distribution agreement	2,493	10
Co-pack agreement	755	6
Intangible assets	13,218	
Total assets acquired	50,313	
Liabilities	(2,026)	
Net assets acquired	$48,287	

Intangible assets consist of trademarks, customer relationships, and service agreements with a gross carrying value and accumulated amortization as of June 30, 2009 of $13.2 million and $0.5 million, respectively. The accumulated amortization represents aggregate amortization for the four months ended June 30, 2009 from February 28, 2009, the date of acquisition. Estimated aggregate amortization of intangible assets for each of the following five years based on the estimated fair values of the intangible assets is expected to be approximately $1.4 million.

Note 3. Investments and Derivative Instruments

The Company purchases various derivative instruments as investments or to create economic hedges of its interest rate risk and commodity price risk. At June 30, 2009 and 2008, derivative instruments are not designated as accounting hedges as defined by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The fair value of derivative instruments is based upon broker quotes. The Company records unrealized gains and losses on trading securities and changes in the market value of certain coffee contracts meeting the definition of derivatives in Other, net (expense) income.

The Company adopted SFAS No. 157, "Fair Value Measurements" ("SFAS 157") on July 1, 2008. SFAS 157 defines fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Under SFAS 157, the Company groups its assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1—Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2—Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3—Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The Company's preferred stock investments have been grouped as follows at June 30, 2009 (in thousands):

	Total	Level 1	Level 2	Level 3
Preferred stock	$42,466	$11,759	$30,707	$ —

Investments, consisting of marketable debt and equity securities, money market instruments and various derivative instruments, are held for trading purposes and are stated at fair value.

Investments at June 30, are as follows:

	2009	2008
	(In thousands)	
Trading securities at fair value		
U.S. Treasury Obligations	$ —	$ 54,517
Preferred Stock	42,466	58,204
Futures, options and other derivatives	460	565
	$42,926	$113,286

Gains and losses, both realized and unrealized, are included in other, net (expense) income. Net realized and unrealized gains and losses at June 30, are as follows:

	2009	2008	2007
		(In thousands)	
Investments			
Unrealized gains	$ —	$ —	$ 1,922
Unrealized losses	(3,584)	(9,271)	(11)
Realized gains	238	372	(4,189)
Realized losses	(5,643)	(5,093)	3,123
Net realized and unrealized gains (losses)	(8,989)	(13,992)	845
Net gains from sales of assets	475	1,413	260
Other gains (losses), net	266	236	128
Other, net (expense) income	$(8,248)	$(12,343)	$ 1,233

Note 4. Accounts Receivable, net

	2009	2008
	(In thousands)	
Trade Receivables	$37,076	$19,591
Other receivables	9,841	759
Allowance for doubtful accounts	(1,173)	(494)
	$45,744	$19,856

Allowance for doubtful accounts (In thousands):

Balance at July 1, 2006	$ (265)
Additions from CBI acquisition	(186)
Balance at June 30, 2007	(451)
Additions	(311)
Write-offs	268
Balance at June 30, 2008	(494)
Additions	(810)
Write-offs	131
Balance at June 30, 2009	$(1,173)

Note 5. Inventories

June 30, 2009	Processed	Unprocessed	Total
		(In thousands)	
Coffee	$15,612	$ 19,816	$35,428
Allied products	20,760	4,686	25,446
Coffee brewing equipment	4,745	3,342	8,087
	$41,117	$ 27,844	$68,961

June 30, 2008	Processed	Unprocessed	Total
Coffee	$ 9,929	$ 16,933	$26,862
Allied products	14,440	4,601	19,041
Coffee brewing equipment	1,883	6,467	8,350
	$26,252	$ 28,001	$54,253

Current cost of coffee and allied products inventories exceeds the LIFO cost at June 30 by (In thousands):

	2009	2008	2007
Coffee	$22,094	$22,932	$15,564
Allied products	5,064	4,239	2,903
Total	$27,158	$27,171	$18,467

The change in the Company's green coffee and allied product inventories during fiscal 2009, 2008 and 2007 resulted in LIFO (increments) decrements which resulted in a net increase (decrease) in gross profit for those years by ($1,508,000), ($5,832,117) and $1,969,000, respectively.

Note 6. Property, Plant and Equipment

	2009	2008
	(In thousands)	
Buildings and facilities	$ 74,857	$ 62,149
Machinery and equipment	93,379	65,285
Equipment under capital leases	3,239	—
Capitalized software costs	15,464	15,182
Office furniture and equipment	13,328	9,168
	$200,267	$151,784
Accumulated depreciation	(98,184)	(90,754)
Land	9,980	8,035
Total property, plant and equipment	$112,063	$ 69,065

The Company has capitalized coffee brewing equipment in the amounts of $5,487,000, $1,234,000 and $0 in fiscal years 2009, 2008 and 2007, respectively. Depreciation expense related to capitalized coffee brewing equipment reported as cost of goods sold was $1,665,000, $72,000 and $0 in fiscal years 2009, 2008 and 2007, respectively.

Maintenance and repairs charged to expense for the years ended June 30, 2009, 2008 and 2007 were $15,177,000, $13,478,000, and $12,499,000 respectively.

Note 7. Goodwill and Intangible Assets

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

	2009		2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Amortized intangible assets:				
Customer relationships	$ 17,968	$ 4,491	$ 10,113	$ 2,664
Distribution agreement	2,493	83	—	—
Co-pack agreement	755	41	—	—
Other	2,139	1,487	2,071	1,342
Total intangible assets	$ 23,355	$ 6,102	$ 12,184	$ 4,006
Unamortized intangible assets				
Tradenames with indefinite lives	$ 4,080	$ —	$ 4,080	$ —
Trademarks with indefinite lives	2,115	—	—	—
Goodwill	5,310	—	5,310	—
Total unamortized intangible assets	$ 11,505	$ —	$ 9,390	$ —
Total intangible assets	$ 34,860	$ 6,102	$ 21,574	$ 4,006
Aggregate amortization expense for the past three fiscal years:				
For the year ended June 30, 2009	$ 3,263			
For the year ended June 30, 2008	$ 1,695			
For the year ended June 30, 2007	$ 558			
Estimated amortization expense for each of the next five fiscal years:				
For the year ended June 30, 2010	$ 3,622			
For the year ended June 30, 2011	$ 3,472			
For the year ended June 30, 2012	$ 3,103			
For the year ended June 30, 2013	$ 2,614			
For the year ended June 30, 2014	$ 2,225			
The remaining weighted average amortization periods for intangible assets with finite lives are as follows:				
Customer relationships	7 years			
The following is a summary of the changes in the carrying value of goodwill (in thousands):				
Balance at July 1, 2007	$ 3,300			
Acquisitions during year	—			
Purchase price adjustments	2,010			
Balance at June 30, 2008	$ 5,310			
Acquisitions during year	—			
Balance at June 30, 2009	$ 5,310			

During fiscal 2008 management finalized purchase price allocation of the CBI acquisition which resulted in an increase of approximately $2,010,000 in goodwill.

Note 8. Employee Benefit Plans

The Company provides pension plans for most full time employees. Generally the plans provide benefits based on years of service and/or a combination of years of service and earnings. Retirees are also eligible for medical and life insurance benefits.

In September 2006, the FASB issued SFAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158"). This standard requires recognition of the funded status of a benefit plan in the balance sheet. The standard also requires recognition in other comprehensive income of certain gains and losses that arise during the period but are deferred under pension accounting rules, as well as modifies the timing of reporting and adds certain disclosures. SFAS 158 provides recognition and disclosure elements to be effective as of the end of fiscal years ending after December 15, 2006 and measurement elements to be effective for fiscal years ending after December 15, 2008. The Company adopted the recognition provisions of SFAS 158 for fiscal 2008 and applied them to the funded status of its defined benefit and postretirement plans resulting in a decrease in stockholders' equity of $8.8 million.

Union Pension Plans

The Company contributes to several multi-employer defined benefit pension plans for certain union employees. The contributions to these multi-employer pension plans were approximately $2,823,000, $2,505,000 and $2,373,000 for the fiscal years ended June 30, 2009, 2008 and 2007, respectively.

Company Pension Plans

The Company has a defined benefit pension plan for the majority of its employees who are not covered under a collective bargaining agreement (Farmer Bros. Plan) and a defined benefit pension plan for certain hourly employees covered under a collective bargaining agreement (Brewmatic Plan). All assets and benefit obligations were determined using a measurement date of June 30.

Obligations and Funded Status

	Farmer Bros. Plan Years ended June 30, 2009	Farmer Bros. Plan Years ended June 30, 2008	Brewmatic Plan Years ended June 30, 2009	Brewmatic Plan Years ended June 30, 2008
	(In thousands)		(In thousands)	
Change in projected benefit obligation				
Benefit obligation at the beginning of the year	$ 85,681	$ 83,576	$ 3,352	$ 3,526
Service cost	2,757	2,317	47	39
Interest cost	5,689	4,907	219	203
Plan participant contributions	492	268	—	—
Actuarial (gain)/loss	6,156	(3,227)	122	(208)
Benefits paid	(4,123)	(3,986)	(264)	(229)
Other	—	1,826	—	21
Projected benefit obligation at the end of the year	$ 96,652	$ 85,681	$ 3,476	$ 3,352
Change in plan assets				
Fair value in plan assets at the beginning of the year	84,219	95,557	3,540	4,077
Actual return on plan assets	(21,322)	(7,619)	(910)	(334)
Employer contributions	—	—	28	26
Plan participant contributions	492	267	—	—
Benefits paid	(4,123)	(3,986)	(264)	(229)
Fair value in plan assets at the end of the year	$ 59,266	$ 84,219	$ 2,394	$ 3,540
Funded status at end of year (underfunded)/overfunded	$ (37,386)	$ (1,462)	$ (1,082)	$ 188
Amounts recognized in statement of financial position				
Noncurrent assets	$ —	$ —	$ —	$ 188
Current liabilities	—	—	—	—
Noncurrent liabilities	(37,386)	(1,462)	(1,082)	—
Total	$ (37,386)	$ (1,462)	$ (1,082)	$ 188
Amounts recognized in statement of financial position				
Total net (gain)/loss	$ 49,325	$ 15,588	$ 2,235	$ 965
Transition (asset)/obligation	—	—	—	—
Prior service cost/(credit)	1,724	1,870	102	157
Total accumulated OCI (not adjusted for applicable tax)	$ 51,049	$ 17,458	$ 2,337	$ 1,122
Weighted-average assumptions used to determine benefit obligations				
Discount rate	6.25%	6.80%	6.25%	6.80%
Rate of compensation increase	3.00%	3.00%	N/A	N/A

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

	Farmer Bros. Plan Years ended June 30,		Brewmatic Plan Years ended June 30,	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
Components of net periodic benefit cost				
Service cost	$ 2,757	$ 2,317	$ 47	$ 39
Interest cost	5,689	4,907	219	203
Expected return on plan assets	(6,793)	(7,743)	(282)	(326)
Amortization of net (gain)/loss	535	—	45	9
Amortization of prior service cost/(credit)	146	7	55	54
Net periodic benefit cost	$ 2,334	$ (512)	$ 84	$ (21)
Other Changes Recognized in OCI				
Net (gain)/loss	$34,271	$12,135	$1,314	$ 452
Prior service cost/(credit)	—	1,826	—	21
Amortization of net gain/(loss)	(535)	—	(45)	(9)
Amortization of transition asset/(obligation)	—	—	—	—
Amortization of prior service (cost)/credit	(146)	(7)	(55)	(54)
Total recognized in other comprehensive income	$33,590	$13,954	$1,214	$ 410
Total recognized in net periodic benefit cost and OCI	$35,924	$13,442	$1,298	$ 389
Weighted-average assumptions used to determine net periodic benefit cost				
Discount rate	6.80%	6.00%	6.80%	6.00%
Expected long-term return on plan assets	8.25%	8.25%	8.25%	8.25%
Rate of compensation increase	3.00%	3.00%	N/A	N/A

All qualifying employees of the DSD Coffee Business who accepted the Company's offer of employment were allowed to enroll in the Farmer Bros. Plan during March 2009. Those who enrolled in the Farmer Bros. Plan were granted full service credit for plan vesting and eligibility but not for purposes of benefit accruals. Additional cost in fiscal 2009 related to these employees was $345,000.

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

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

Description of Investment Policy

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

Additional Disclosures

	Farmer Bros. Plan Years ended June 30, 2008	Farmer Bros. Plan Years ended June 30, 2008	Brewmatic Plan Years ended June 30, 2008	Brewmatic Plan Years ended June 30, 2008
	(In thousands)		(In thousands)	
Comparison of obligations to plan assets				
Projected benefit obligation	$ 96,652	$ 85,681	$ 3,476	$ 3,352
Accumulated benefit obligation	$ 88,269	$ 78,112	$ 3,476	$ 3,352
Fair value of plan assets at measurement date	$ 59,266	$ 84,219	$ 2,395	$ 3,540
Plan assets by category				
Equity securities	71%	68%	72%	68%
Debt securities	21%	24%	19%	24%
Real Estate	8%	8%	9%	8%
Total	100%	100%	100%	100%

Target Plan Asset Allocation

	2009
Equity securities	70.70%
Debt securities	21.03%
Real estate	8.27%
Total	100.00%

Estimated Future Contributions and Refunds

The Company expects to make $4,800,000 in contributions to the Farmer Bros. Co. Plan in fiscal 2010, and expects to contribute approximately $28,000 to the Brewmatic Co. Plan in fiscal 2010. The Company is not aware of any refunds expected from postretirement plans.

Estimated Future Benefit Payments

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

Estimated future benefit payments
(In thousands)

Year ending	Farmer Bros. Plan	Brewmatic Plan
June 30, 2010	$ 4,520	$ 310
June 30, 2011	$ 4,770	$ 300
June 30, 2012	$ 5,090	$ 300
June 30, 2013	$ 5,560	$ 290
June 30, 2014	$ 5,970	$ 280
June 30, 2015 – June 30, 2019	$ 37,320	$ 1,400

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

Defined Contribution Plans

The Company also has defined contribution plans for all its eligible employees. No Company contributions have been made nor are any required to be made to these defined contribution plans during the years ended June 30, 2009, 2008 or 2007, except contributions in the amount of $4,000 to a CBI defined contribution plan during fiscal 2007. CBI's defined contribution plan was merged with the the Farmer Bros. Plan during fiscal 2008.

Post-Retirement Benefits

The Company sponsors defined benefit postretirement medical and dental plans that cover non-union employees and retirees, and certain union locals. The plan is contributory and retiree contributions are fixed at a current level. The plan is not funded. Effective January 1, 2008 the Company adopted a new plan for retiree medical benefits. The new plan is a cost sharing approach between the Company and covered employees and dependents in which the Company subsidizes a larger proportion of covered expenses for retirees who were long-term employees, and provides less coverage for retirees who were short-term employees. Additionally, the plan establishes a maximum Company contribution.

Change in Benefit Obligation	Fiscal 2009	Fiscal 2008
	(In thousands)	
Projected benefit obligation at beginning of year	$18,630	$ 45,855
Service cost	788	1,428
Interest cost	1,278	1,960
Plan change	—	(21,988)
Gains	(601)	(7,683)
Benefits paid	(874)	(942)
Projected benefit obligation at end of year	$19,221	$ 18,630

Change in Plan Assets	Fiscal 2009	Fiscal 2008
	(In thousands)	
Fair value of plan assets at beginning of year	$ —	$ —
Actual return on assets	—	—
Employer contributions	874	942
Participant contributions	—	—
Benefits paid	(874)	(942)
Fair value of plan assets at end of year	$ —	$ —
Funded Status of Plan	$(19,221)	$(18,630)

Amounts Recognized in the Statement of Financial Position Consist of:	Fiscal 2009	Fiscal 2008
	(In thousands)	
Noncurrent assets	$ —	$ —
Current liabilities	963	1,010
Noncurrent liabilities	18,258	17,620
Total	$19,221	$18,630

Amounts Recognized in Accumulated Other Comprehensive Income Consist of:	Fiscal 2009	Fiscal 2008
	(In thousands)	
Net gain	$(16,510)	$(16,991)
Transition obligation	—	—
Prior service credit	(2,344)	(2,575)
Total accumulated other comprehensive income	$(18,854)	$(19,566)

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income	Fiscal 2009	Fiscal 2008
	(In thousands)	
Unrecognized actuarial gain	$ (601)	$ (7,683)
Unrecognized transition (asset)/obligation	—	—
Unrecognized prior service cost	—	(21,987)
Amortization of net loss	1,082	858
Amortization of prior service cost	230	(973)
Total recognized in other comprehensive income	$ 711	$(29,785)

The estimated net gain and prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over fiscal 2009 is ($1,015,000) and ($230,000) respectively.

Estimated Future Benefit Payments (In thousands)	
Fiscal 2010	$ 963
Fiscal 2011	1,076
Fiscal 2012	1,146
Fiscal 2013	1,227
Fiscal 2014	1,330
Fiscal 2015-2019	9,109

Expected Contributions for the Year ending June 30, 2010 (In thousands)	
Fiscal 2010	$963

Components of Net Periodic Postretirement Benefit Cost	Fiscal 2009	Fiscal 2008
	(In thousands)	
Service cost	$ 788	$ 1,428
Interest cost	1,278	1,960
Expected return on assets	—	—
Amortization of unrecognized net gain	(1,082)	(858)
Amortization of unrecognized transition (asset)/obligation	—	—
Amortization of unrecognized prior service cost	(230)	973
Net periodic benefit cost	$ 754	$ 3,503
Total recognized in other comprehensive income	711	(29,786)
Total recognized in net periodic benefit cost and other comprehensive income	$ 1,465	$(26,283)

Sensitivity in Fiscal 2009 Results

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percentage point change in assumed health care cost trend rates would have the following effects in fiscal 2009 (in thousands):

	1-Percentage Point	
	Increase	Decrease
Effect on total of service and interest cost components	$ 327	$ (266)
Effect on accumulated postretirement benefit obligation	$2,532	$(2,089)

Note 9. Bank Loans

On March 2, 2009 the Company and its wholly owned subsidiary, CBI, as Borrowers, entered into a Loan and Security Agreement (the "Loan Agreement"), with Wachovia Bank, National Association, as Lender, providing for a $50 million senior secured revolving credit facility expiring in February 2012 to help finance the DSD Coffee Business acquisition and for general corporate purposes. The Loan Agreement contains a variety of restrictive covenants customary in an asset-based lending facility, including a fixed charge coverage requirement, and it places limits on capital expenditures and dividends. The Loan Agreement allows the Company to pay dividends at the current rate, subject to certain cash flow and liquidity requirements.

All outstanding obligations under the Loan Agreement are collateralized by perfected security interests in the assets of the Borrowers, excluding the preferred stock held in investment accounts. The revolving line provides for advances of 85% of eligible accounts receivable and 65% of eligible inventory, as defined. The Loan Agreement has an unused commitment fee of 0.375%. The interest rate varies based upon line usage, borrowing base availability and market conditions. The range is PRIME + 0.25% to PRIME + 0.75% or LIBOR + 2.25% to LIBOR + 2.75%, subject to a minimum for LIBOR based advances of 3.25%. The interest rate was 3.75% at June 30, 2009.

The Company is in compliance with all restrictive covenants and limitations as of June 30, 2009, and anticipates being in compliance with all restrictive covenants for the foreseeable future. On June 30, 2009 borrowings under the credit facility were $16.2 million and the Company had excess availability under the credit facility of $33.8 million.

Note 10. Employee Stock Ownership Plan

The Company's ESOP was established in 2000 to provide benefits to all employees. The plan is a leveraged ESOP in which Company is the lender. The loans will be repaid from the Company's discretionary plan contributions over the original fifteen year terms with a variable rate of interest. The interest rate was 1.85% at June 30, 2009.

	As of and for the years ended June 30,		
	2009	2008	2007
Loan amount (in thousands)	$40,039	$44,840	$49,640
Shares purchased	—	—	—

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

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

During the fiscal years ended June 30, 2009, 2008 and 2007 the Company charged $4,925,000, $5,711,000 and $5,863,000 to compensation expense related to the ESOP. The difference between cost and fair market value of committed to be released shares, which was ($151,000), ($364,000) and ($695,000) for the years ended June 30, 2009, 2008 and 2007, respectively, is recorded as additional paid-in capital.

	June 30,	
	2009	2008
Allocated shares	1,497,454	840,984
Committed to be released shares	202,897	115,800
Unallocated shares	1,475,787	2,023,481
Total ESOP shares	3,176,138	2,980,265
	(In thousands)	
Fair value of ESOP shares	$ 70,307	$ 63,033

Note 11. Share-Based Compensation

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

The Company accounts for share-based compensation in accordance with SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), and related SEC rules included in Staff Accounting Bulletin No. 107 , which require the measurement and recognition of compensation expense for all share-based payment awards made under the Plan based on estimated fair values.

Stock Options

SFAS 123R requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period in the Company's consolidated statement of operations. Prior to fiscal 2008 the Company did not have share-based compensation.

Share-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Compensation expense recognized for all stock option awards granted is recognized using the straight-line method over the vesting period of three years. The share-based compensation expense recognized in the Company's consolidated statement of operations for the fiscal years ended June 30, 2009 and 2008 is based on awards ultimately expected to vest. Currently, management estimates that there will be no forfeitures based on the Company's historical turnover. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company uses the Black-Scholes option valuation model, which requires management to make certain assumptions for estimating the fair value of stock options at the date of the grant. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion the existing models may not necessarily provide a reliable single measure of the fair value of the Company's stock options. Although the fair value of stock options is determined in accordance with SFAS 123R using an option valuation model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

The following are the weighted average assumptions used in the Black-Scholes valuation model for the fiscal years ended June 30, 2009 and 2008:

	FY 2009	FY 2008
Average fair value of options	$ 6.68	$ 6.12
Risk-free interest rate	5.45%	2.95%
Dividend yield	2.20%	2.03%
Average expected life	5 years	5 years
Expected stock price volatility	32.38%	32.38%

The Company's assumption regarding expected stock price volatility is based on the historical volatility of the Company's stock price. The risk-free interest rate is based on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the expected life of the stock options.

The following table summarizes stock option activity from adoption of the Plan through June 30, 2009:

Outstanding Awards

	Number of Stock options	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (In thousands)
Balance January 1, 2008	0				
Granted	117,500	$ 22.62	$ 6.16	6.6	$ —
Balance July 1, 2008	117,500	$ 22.62	$ 6.16	6.6	$ —
Granted	121,500	$ 21.76	$ 6.68	—	$ 2
Balance June 30, 2009	239,000	$ 22.22	$ 6.41	6.1	$ 60
Vested and exercisable, June 30, 2009	40,490	$ 22.66	$ 6.16	5.7	$ 9
Vested and expected to vest, June 30, 2009	232,000	$ 22.23	$ 6.41	6.0	$ 52

Unvested Awards

	Number of Awards	Weighted Average Exercise price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Amortization Period (Years)
Outstanding at January 1, 2008	0			
Granted	117,500	$ 22.62	$ 6.16	—
Vested	0	—	—	—
Outstanding at July 1, 2008	117,500	$ 22.62	$ 6.16	—
Granted	121,500	$ 21.76	$ 6.68	—
Vested	(40,490)	$ 22.66	$ 6.16	—
Outstanding at June 30, 2009	198,510	$ 22.13	$ 6.46	2.12

The aggregate intrinsic values in the table above represent the total pretax intrinsic value, based on the Company's closing stock price of $22.88 at June 30, 2009 and $21.15 at June 30, 2008, representing the last trading day of the respective years, which would have been received by award holders had all award holders exercised their awards that were in-the-money as of those dates. As of June 30, 2009 and 2008, respectively, there was approximately $1,014,000 and $489,000 of unrecognized compensation cost related to stock options. Compensation expense recognized in general and administrative expense was $385,000 and $66,000 for fiscal 2009 and 2008, respectively.

Restricted Stock

During fiscal 2009 and 2008 the Company granted a total of 26,100 and 25,600 shares of restricted stock, respectively, with a weighted average grant date fair value of $21.76 and $22.66 per share, respectively, to eligible employees, officers and directors under the Plan. Shares of restricted stock vest at the end of three years for eligible employees and officers who are employees. Shares of restricted stock vest ratably over a period of three years for directors and officers who are not employees. Compensation expense is recognized on a straight-line basis over the service period based on the estimated fair value of the restricted stock. Compensation expense recognized in general and administrative expense was $293,000 and $68,000, respectively, for the fiscal years ended June 30, 2009 and 2008. As of June 30, 2009 and 2008, there was approximately $760,000 and $503,000, respectively, of unrecognized compensation cost related to restricted stock.

The following table summarizes the status of the Company's restricted stock as of June 30, 2009 and June 30, 2008:

Outstanding Awards

	Shares Awarded	Weighted Average Fair Value	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (In thousands)
Balance January 1, 2008	0			
Granted	25,600	$ 22.67		$ 545.3
Exercised/Released	0			
Cancelled/Forfeited	0			
Balance July 1, 2008	25,600	$ 22.67		$ 545.3
Granted	26,100	$ 21.76		$ 568.2
Exercised/Released	(3,031)	$ 22.70		$ 57.5
Cancelled/Forfeited	(500)	$ 21.76		$ 11.4
Balance June 30, 2009	48,169	$ 22.19	2.107	$ 1,072.2
Vested and execisable, June 30, 2009	0			
Vested and expected to vest, June 30, 2009	47,469	$ 22.19	2.095	$ 1,056.7

Unvested Awards

	Shares Awarded	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2008	0	
Granted	25,600	$ 22.67
Vested	0	
Cancelled/Forfeited	0	
Outstanding at July 1, 2008	25,600	$ 22.67
Granted	26,100	$ 21.76
Vested	(3,031)	$ 22.70
Cancelled/Forfeited	(500)	$ 21.76
Outstanding at June 30, 2009	48,169	$ 22.19

Note 12. Other Current Liabilities

Other current liabilities consist of the following:

	June 30,	
	2009	2008
	(In thousands)	
Accrued workers' compensation liabilities	$5,681	$4,908
Dividends payable	1,849	1,849
Postretirement medical liability	963	1,010
Other (including net taxes payable)	928	524
	$9,421	$8,291

Note 13. Income Taxes

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

	June 30, 2009	June 30, 2008	June 30, 2007
		(In thousands)	
Current:			
Federal	$ (1,433)	$(1,431)	$ 2,511
State	(5)	(596)	74
Total current (benefit) expense	(1,439)	(2,027)	2,585
Deferred:			
Federal	11,916	(3,924)	(1,864)
State	3,805	(1,449)	(689)
Total deferred expense (benefit)	15,721	(5,373)	(2,553)
Total tax expense (benefit)	$14,283	$(7,399)	$ 33

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

	June 30, 2009	June 30, 2008	June 30, 2007
Statutory tax rate	34%	34%	34%
		(In thousands)	
Income tax expense at statutory rate	$ (6,456)	$(5,210)	$2,328
State income tax (net of federal tax benefit)	(985)	(779)	55
Dividend income exclusion	(840)	(974)	(918)
Valuation Allowance	19,663	—	—
Change in Contingency Reserve (net)	3,578	(427)	358
Research Tax Credit (net)	(97)	(91)	(945)
Other (net)	(580)	81	(846)
	$14,283	$(7,399)	$ 33

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

	June 30, 2009	June 30, 2008	June 30, 2007
		(In thousands)	
Deferred tax assets:			
Postretirement benefits	$ 22,110	$ 7,701	$17,749
Accrued liabilities	4,594	3,947	3,643
Capital loss carryover	2,757	4,668	3,270
Net operating loss carryover	5,564	0	
Other	6,362	5,240	1,186
	41,387	21,556	25,848
Deferred tax liabilities:			
Pension assets	—	—	(4,851)
Unrealized gain on investments	—	—	(448)
Fixed assets	(5,056)	—	
Other	(3,270)	(6,217)	(2,490)
	(8,326)	(6,217)	(7,789)
Valuation allowance	(33,278)	—	—
Net deferred tax (liability) asset	$ (217)	$15,339	$18,059

The Company has approximately $14,600,000 and $13,500,000 of federal and state net operating loss carryforwards that will begin to expire in the years ended June 30, 2025 and June 30, 2020 respectively. The Company also has approximately $6,000,000 and $19,300,000 of federal and state capital loss carryforwards, respectively, that may only be used to offset capital gains and they expire beginning in June 30, 2013. Consideration of whether a valuation allowance should be recorded against deferred tax assets is based on the likelihood that the benefits of the deferred tax assets will or will not ultimately be realized in future periods. In making such assessment, significant weight is to be given to evidence that can be objectively verified such as recent operating results and less consideration is to be given to less objective indicators such as future earnings projections. The Company has evaluated its deferred tax assets in accordance with these requirements.

A significant negative factor was the Company's three-year historical cumulative loss as of the end of the fourth quarter of fiscal 2009, compared to the size of deferred tax assets. The deferred tax assets in fiscal 2009 increased to $41,387,000 as compared to $21,556,000 in fiscal 2008. This increase primarily resulted from decreased pension asset values which in turn created increased pension plan contribution obligations. These considerations outweighed our ability to rely on projections of future taxable income and future appreciation of pension assets as of June 30, 2009.

Accordingly, a valuation allowance of approximately $33,278,000 has been recorded to offset this deferred tax asset. Of this amount $19,663,000 was recorded as current year tax expense and $13,615,000 was recorded as a reduction in other comprehensive income.

On July 1, 2007, the Company adopted the provisions of FIN 48. The Company recorded a cumulative change of $119,000 as a decrease to retained earnings and increase to long term liabilities for uncertain tax positions and related interest and penalties.

A tabular reconciliation of the total amounts (in absolute values) of unrecognized tax benefits at the beginning and end of fiscal 2009 and fiscal 2008 are as follows (in thousands):

	June 30, 2009	June 30, 2008
Unrecognized tax benefits at beginning of year	$ 807	$1,455
Increases in tax positions for prior years	4,005	158
Increases in tax positions for current years	—	31
Settlements	(430)	(836)
Lapse in statute of limitations	—	—
Unrecognized tax benefits at end of year	$4,382	$ 807

At June 30, 2009, the Company has approximately $4,117,000 of unrecognized tax liabilities that, if recognized, would affect the effective tax rate.

In September 2008, the Internal Revenue Service ("IRS") completed an examination of the Company's U.S. income tax returns for the fiscal years ended June 30, 2004, 2005 and 2006. The Company and the IRS reached a settlement on certain issues which resulted in a decrease to the Company's total unrecognized tax benefits of $421,000 (excluding interest and penalties). Of this amount, $266,000 was realized as income in fiscal 2009.

California is currently conducting a state examination of the Company's open tax years. The Company believes it is reasonably possible that a portion of its total unrecognized tax benefits will decrease in the next 12 months upon the conclusion of this and other exams. However, it is premature to assess the range or the nature of the reasonably possible changes to the Company's unrecognized tax benefits.

The Company files income tax returns in the U.S. and in various state jurisdictions with varying statutes of limitations. The Company is no longer subject to U.S. income tax examinations for the fiscal years prior to June 30, 2006 and is no longer subject to state income tax examinations for fiscal years prior to June 30, 2005. The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. The Company has recorded $25,000 of accrued interest and penalties associated with uncertain tax positions as of June 30, 2009.

Note 14. Commitments and Contingencies

With the acquisition of DSD Coffee Business, the Company assumed some of the operating lease obligations associated with the acquired vehicles. The Company also refinanced some of the existing leases and entered into new leases for certain vehicles. Pursuant to SFAS 13, "Accounting for Leases." The terms of the capital leases vary from 42 months to 72 months, expiring through 2015. The Company is obligated under operating leases for branch warehouses. Some operating leases have renewal options that allow the Company, as lessee, to extend the leases. The Company has one operating lease with a term greater than five years, that expires in 2019 and has a 10 year renewal option, and operating leases for computer hardware with terms that do not exceed four years. Rent expense for the fiscal years ended June 30, 2009, 2008 and 2007 was $3,211,000, $1,513,000 and $914,000, respectively. Amortization of assets recorded under capital leases is included with depreciation expense.

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

	Contractual Obligations		
Years Ended June 30,	Capital Lease Obligations	Operating Lease Obligations	Pension Plan Obligations
2010	$ 958	$ 5,878	$ 4,290
2011	351	3,180	4,480
2012	—	2,449	4,730
2013	—	1,888	4,970
2014	—	1,038	5,280
Thereafter	—	309	30,940
		$ 14,742	$ 54,690
Total minimum lease payments	$ 1,309		
Less: imputed interest (1.77% - 19.42%)	(57)		
Present value of future minimum lease payments	$ 1,252		
Less: current portion	(908)		
Long-term capital lease obligation	$ 344		

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 15. Quarterly Financial Data (Unaudited)

	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009
	(In thousands except share data)			
Net sales	$ 66,524	$ 76,530	$85,604	$113,066
Gross profit	$ 30,951	$ 37,318	$42,658	$ 49,289
(Loss) income from operations	$ (4,255)	$ 213	$ (1,606)	$ (9,555)
Net loss	$ (6,085)	$ (106)	$ (1,437)	$ (25,642)
Net loss per common share	$ (0.42)	$ (0.01)	$ (0.10)	$ (1.76)

	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008
	(In thousands except share data)			
Net sales	$ 60,943	$ 71,359	$67,276	$66,907
Gross profit	$ 28,727	$ 34,177	$30,657	$25,851
(Loss) income from operations	$ (2,528)	$ 789	$ (1,004)	$ (7,901)
Net loss	$ (953)	$ (227)	$ (2,710)	$ (4,034)
Net loss per common share	$ (0.07)	$ (0.02)	$ (0.19)	$ (0.28)

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

As of June 30, 2009 our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) promulgated under the Exchange Act. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of June 30, 2009, our disclosure controls and procedures were effective.

Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). With the participation of the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of June 30, 2009.

On February 28, 2009, the Company completed the DSD Acquisition. Due to the timing of the acquisition, processes including the information system related to the DSD Coffee Business were not included in management's assessment and report on internal control over financial reporting as of June 30, 2009, the year the acquisition closed. The DSD Coffee Business' operations since the acquisition are included in our 2009 consolidated financial statements of Farmer Bros. Co. and its subsidiaries and constitute 7% of total assets (consisting primarily of accounts receivable, inventory, and certain equipment) and 17% of net assets (consisting primarily of accounts receivable, inventory, certain equipment, and related accounts payable), respectively, as of June 30, 2009, and 18% of total sales and 18% of cost of goods sold for the year then ended.

Ernst & Young LLP, an independent registered public accounting firm, issued an attestation report on the Company's internal control over financial reporting as of June 30, 2009, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended June 30, 2009, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

During the fiscal quarter ended March 31, 2009 the Company entered into a transition services agreement with Sara Lee to host, maintain and support the IT infrastructure of the DSD Coffee Business for up to eighteen months. This change in our internal operations is reasonably likely to affect our internal controls. IT support is critical to the ongoing operation of the DSD Coffee Business during the transition period. Management's ability to maintain our internal control over financial reporting depends significantly on the reliability of these systems for which we will rely on Sara Lee for up to eighteen months under the transition services agreement.

Report of Independent Registered Public Accounting Firm

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

We have audited Farmer Bros. Co. and Subsidiaries' internal control over financial reporting as of June 30, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Farmer Bros. Co. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Sara Lee's Direct Store Delivery Coffee Business (DSD), which is included in the 2009 consolidated financial statements of Farmer Bros. Co. and Subsidiaries and constitute 7% of total assets (consisting primarily of accounts receivable, inventory and certain equipment) and 17% of net assets (consisting primarily of accounts receivable, inventory, certain equipment, and related accounts payable), respectively, as of June 30, 2009, and 18% of total sales and 18% of cost of goods sold for the year then ended. Our audit of internal control over financial reporting of Farmer Bros. Co. and Subsidiaries also did not include an evaluation of the internal control over financial reporting of DSD.

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

In our opinion, Farmer Bros. Co. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Farmer Bros. Co. and Subsidiaries as of June 30, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2009 of Farmer Bros. Co. and Subsidiaries and our report dated September 15, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
September 15, 2009

Item 9A(T). Controls and Procedures

Not applicable.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be subsequently incorporated herein by reference to our Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2009.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended June 30, 2009, its officers, directors and ten percent shareholders complied with all applicable Section 16(a) filing requirements, with the exception of those filings listed in the Registrant's Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2009.

Item 11. Executive Compensation

The information required by this item will be subsequently incorporated herein by reference to our Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2009.

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

The information required by this item will be subsequently incorporated herein by reference to our Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2009.

Equity Compensation Plan Information

Information about our equity compensation plans at June 30, 2009 that were either approved or not approved by our stockholders was as follows:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance(b)
Equity compensation plans approved by stockholders(a)	239,000	$ 22.22	717,500
Equity compensation plans not approved by stockholders	—	—	—
Total	239,000	$ 22.22	717,500

(a) Includes the Farmer Bros. Co. 2007 Omnibus Plan (the "Omnibus Plan").

(b) Shares available for future issuance under the Omnibus Plan may be awarded in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance-based awards, stock payments, or other incentives payable in shares of stock, or any combination thereof.

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

The information required by this item will be subsequently incorporated herein by reference to our Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2009.

Item 14. Principal Accountant Fees and Services

The information required by this item will be subsequently incorporated herein by reference to our Proxy Statement expected to be dated and filed with the SEC on or before October 28, 2009.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Financial Statements included in Item 8:

Consolidated Balance Sheets as of June 30, 2009 and 2008.

Consolidated Statements of Operations for the Years Ended June 30, 2009, 2008, and 2007.

Consolidated Statements of Cash Flows for the Years Ended June 30, 2009, 2008, and 2007.

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2009, 2008, and 2007.

Notes to Consolidated Financial Statements.

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

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

(b) Exhibits: See Exhibit Index.

SIGNATURES

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

FARMER BROS. CO.

By: /s/ ROGER M. LAVERTY III

Roger M. Laverty III
President and Chief Executive Officer
(principal executive officer)
Date: September 14, 2009

By: /s/ JOHN E. SIMMONS

John E. Simmons
Treasurer and Chief Financial Officer
(principal financial and accounting officer)
Date: September 14, 2009

By: /s/ HORTENSIA GOMEZ

Hortensia Gomez
Vice President and Controller
(controller)
Date: September 14, 2009

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

/s/ ROGER M. LAVERTY III Roger M. Laverty III	President, Chief Executive Officer and Director	September 14, 2009
 Guenter W. Berger	Chairman of the Board and Director	September 14, 2009
/s/ MARTIN A. LYNCH Martin A. Lynch	Director	September 14, 2009
/s/ THOMAS A. MALOOF Thomas A. Maloof	Director	September 14, 2009
 James J. McGarry	Director	September 14, 2009
/s/ JOHN H. MERRELL John H. Merrell	Director	September 14, 2009
 Carol Farmer Waite	Director	September 14, 2009

EXHIBIT INDEX

3.1	Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 filed with the SEC on May 11, 2009 and incorporated herein by reference).
3.2	Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on June 8, 2006 and incorporated herein by reference).
4.1	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 17, 2005 and incorporated herein by reference).
4.2	Rights Agreement, dated March 17, 2005, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A., as Rights Agent (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on March 18, 2005 and incorporated herein by reference).
4.3	Specimen Stock Certificate (filed as Exhibit 4.1 to the Company's Form 8-A/A filed with the SEC on February 6, 2009 and incorporated herein by reference).
10.1	Asset Purchase Agreement, dated as of December 2, 2008, by and among Sara Lee Corporation, Saramar, LLC and Farmer Bros. Co. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).
10.2	Amendment No. 1 to Asset Purchase Agreement, dated February 27, 2009, by and among Sara Lee Corporation, Saramar, LLC and Farmer Bros. Co. (filed herewith).
10.3	Stock Purchase Agreement, dated April 27, 2007, by and among Farmer Bros. Co., Coffee Bean Holding Co., Inc., and the Stockholders of Coffee Bean Holding Co., Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2007 and incorporated herein by reference).
10.4	Loan and Security Agreement, dated March 2, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc., FBC Finance Company and SL Realty, LLC, as Guarantors, and Wachovia Bank, National Association, as Lender (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).
10.5	Amendment No. 1 to Loan and Security Agreement and Consent, dated March 2, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wachovia Bank, National Association, as Lender (filed herewith).
10.6	Farmer Bros. Co. Pension Plan for Salaried Employees (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007 filed with the SEC on September 13, 2007 and incorporated herein by reference).*
10.7	Farmer Bros. Co. 2005 Incentive Compensation Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).*
10.8	Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan (filed as exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007 filed with the SEC on September 13, 2007 and incorporated herein by reference).*

10.9 ESOP Loan Agreement No. 2, dated July 21, 2003 between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).

10.10 Employment Agreement, dated as of June 2, 2006, by and between Farmer Bros. Co. and Roger M. Laverty III (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 8, 2006 and incorporated herein by reference).*

10.11 Amendment No. 1 to Employment Agreement, dated as of December 5, 2007, by and between Farmer Bros. Co. and Roger M. Laverty III (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on December 11, 2007 and incorporated herein by reference).*

10.12 Amendment No. 2 to Employment Agreement, dated as of December 31, 2008, by and between Farmer Bros. Co. and Roger M. Laverty III (filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).*

10.13 Employment Agreement, dated as of March 3, 2008, by and between Farmer Bros. Co. and Drew H. Webb (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 7, 2008 and incorporated herein by reference).*

10.14 Amendment No. 1 to Employment Agreement, dated as of December 31, 2008, by and between Farmer Bros. Co. and Drew H. Webb (filed as Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).*

10.15 Employment Agreement, dated as of March 14, 2009, by and between Farmer Bros. Co. and Heidi L. Modaro (filed herewith).*

10.16 Consulting Agreement, dated as of March 2, 2009, by and between Farmer Bros. Co. and Michael J. King (filed herewith).*

10.17 2007 Omnibus Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 29, 2007 and incorporated herein by reference) *

10.18 Form of 2007 Omnibus Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2008 and incorporated herein by reference).*

10.19 Form of 2007 Omnibus Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2008 and incorporated herein by reference).*

10.20 Stock Ownership Guidelines for Directors and Executive Officers (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2008 and incorporated herein by reference).*

10.21 Form of 2007 Target Award Notification Letter under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on December 22, 2006 and incorporated herein by reference).*

10.22 Form of Award Letter (Fiscal 2007) under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on August 29, 2007 and incorporated herein by reference)*

10.23 Form of 2008 Target Award Notification Letter under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 11, 2007 and incorporated herein by reference) *

10.24 Form of Fiscal 2008 Award Letter under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 3, 2008 and incorporated herein by reference).*

10.25 Amendment 2008-1 to the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan (filed as Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).*

10.26 Good Faith Amendment to comply with Code Section 401(a)(31)(B) as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) for the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan (filed as Exhibit 10.31 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).

10.27 Form of Change in Control Severance Agreement for Executive Officers of the Company (with schedule of executive officers attached) (filed herewith).*

10.28 Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on May 18, 2006 and as amended on December 31, 2008 (with updated schedule of indemnitees attached) (filed herewith).*

14.1 Farmer Bros. Co. Code of Conduct and Ethics adopted on August 26, 2009 (filed as Exhibit 14.1 to the Company's Current Report on Form 8-K filed with the SEC on August 31, 2009).

21.1 List of all Subsidiaries of Farmer Bros. Co. (filed herewith).

23.1 Consent of Independent Registered Accounting Firm (filed herewith).

31.1 Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

31.2 Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

32.1 Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

32.2 Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

99.1 Properties List (filed herewith).

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* Management contract or compensatory plan or arrangement.

Exhibit 10.2

EXECUTION VERSION

AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT

This Amendment No. 1 to Asset Purchase Agreement (this *"Amendment"*), dated February 27, 2009, is made by and among Sara Lee Corporation, a Maryland corporation (*"Seller"*), Saramar, LLC, a Delaware limited liability company (*"Saramar"*), and Farmer Bros. Co., a Delaware corporation (*"Buyer"*).

RECITALS

A. The parties hereto are parties to that certain Asset Purchase Agreement dated December 2, 2008 (the *"Asset Purchase Agreement"*) pursuant to which Buyer has agreed to purchase from Seller and Saramar all of the assets of the DSD Business (as defined in the Asset Purchase Agreement).

B. The parties wish to amend the Asset Purchase Agreement as provided below.

Accordingly, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. All capitalized terms used and not defined in this Amendment shall have the meanings ascribed to them in the Asset Purchase Agreement.

2. The Asset Purchase Agreement is hereby amended as follows:

a. Exhibit A. Exhibit A of the Asset Purchase Agreement is hereby deleted and a new Exhibit A, appended hereto as Attachment A, is hereby substituted in its place.

b. Section 1.1(c). Section 1.1(c) of the Asset Purchase Agreement is hereby amended by adding the following new sentence at the end of Section 1.1(c):

"In addition, Seller makes no representation or warranty regarding the accuracy of any other list (whether written, electronic or in any other form) of the Brew Equipment Inventory, whether dated prior to, on or after the date hereof."

c. Section 3.1. Section 3.1 of the Asset Purchase Agreement is hereby deleted and the following is hereby substituted in its place:

"The Closing. Subject to Article VII, the exchange of documents required to consummate the transactions contemplated by this Agreement shall take place at 5:00 p.m., central standard time, on Friday, February 27, 2009, at the offices of Sonnenschein Nath & Rosenthal LLP, located in Chicago, but consummation of the transaction (the *"Closing"*) shall be effective as of 11:59 p.m., eastern standard time, on Saturday, February 28, 2009 (the *"Closing Date"*); provided, however, that the cash portion of the Closing Payment (determined pursuant to Section 2.1) shall be tendered by Buyer to Seller by wire transfer of

same day funds at such time as federally insured financial institutions open for business on Monday, March 2, 2009, in New York, New York, and the Note, if applicable, shall be physically tendered to Seller or its representatives by 9:00 a.m., central standard time, on Monday, March 2, 2009, at the offices of Sonnenschein Nath & Rosenthal LLP, located in Chicago; provided further, however, that such transactions may occur on such other dates, times or places as agreed to in writing by Buyer and Seller."

d. Section 3.2(d)(v). Section 3.2(d)(v) of the Asset Purchase Agreement is hereby deleted and the following is hereby substituted in its place:

"A Cappuccino and Cocoa Transition Agreement with Seller's manufacturer pursuant to which Seller's designee may supply to Buyer certain cappuccino and cocoa products on the terms set forth therein (the *"Cappuccino and Cocoa Transition Agreement"*), substantially in the form attached hereto as Exhibit H (and subject to any reasonable modifications required by said manufacturer);"

e. Exhibit O. Exhibit O of the Asset Purchase Agreement is hereby deleted and a new Exhibit O, appended hereto as Attachment B, is hereby substituted in its place.

f. Schedules. Schedules 1.1(a)-1 (Certain DSD Business Marks), 1.1(a)-2 (Certain DSD Business Marks), 1.1(f) (Personal Property Leases), 4.9 (Payment of Taxes), 4.11 (Leased Real Property), 4.13-2 (Owned Vehicles), 4.15 (Intellectual Property), 4.16-1 (Permits), 4.16-2 (Compliance with Permits), 4.17(a) (Material Contracts), 4.20(b) (Information about Hired Personnel), and 4.21 (Hazardous Substances) to the Asset Purchase Agreement are hereby amended and restated in their entirety. New Schedules 1.1(a)-1 (Certain DSD Business Marks), 1.1(a)-2 (Certain DSD Business Marks), 1.1(f) (Personal Property Leases), 4.9 (Payment of Taxes), 4.11 (Leased Real Property), 4.13-2 (Owned Vehicles), 4.15 (Intellectual Property), 4.16-1 (Permits), 4.16-2 (Compliance with Permits), 4.17(a) (Material Contracts), 4.20(b) (Information about Hired Personnel), and 4.21 (Hazardous Substances) are hereby substituted in their place, and are, along with the rest of the Schedules which have not been amended and restated, appended hereto as Attachment C.

g. Section 7.1(f). Section 7.1(f) of the Asset Purchase Agreement is hereby deleted and the following is hereby substituted in its place:

"The parties shall have entered into each of the Operational Agreements and the Option Agreement, and the manufacturer shall have duly executed and delivered the Cappuccino and Cocoa Transition Agreement."

3. Except as modified by the above, the Asset Purchase Agreement is hereby restated and confirmed in all respects and is binding upon the parties hereto. This Amendment

may be executed in any number of counterparts with the same effect as if all parties hereto had signed the same document.

[***Signature Page Follows***]

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first above written.

SARA LEE CORPORATION

By:	/s/ Mark S. Silver
Name:	Mark S. Silver
Title:	Assistant Secretary

SARAMAR, L.L.C.

By:	/s/ Mark S. Silver
Name:	Mark S. Silver
Title:	Vice President and Assistant Secretary

FARMER BROS. CO.

By:	/s/ Roger M. Laverty III
Name:	Roger M. Laverty III
Title:	President and Chief Executive Officer

Signature Page – Amendment No. 1 to Asset Purchase Agreement.

Exhibit 10.5

[EXECUTION]

AMENDMENT NO. 1
TO
LOAN AND SECURITY AGREEMENT AND CONSENT

THIS AMENDMENT NO. 1 TO LOAN AND SECURITY AGREEMENT AND CONSENT (this "Amendment No. 1"), dated as of March 2, 2009, is by and among Wachovia Bank, National Association, a national banking association ("Lender"), Farmer Bros. Co., a Delaware corporation (as surviving corporation of the merger with FBC Realty, LLC formerly known as SL Realty, LLC, a Delaware limited liability company, "Farmer") and Coffee Bean International, Inc., an Oregon corporation ("CBI" and together with Farmer, each individually a "Borrower" and collectively, "Borrowers"), Coffee Bean Holding Co., Inc., a Delaware corporation ("Coffee Holding"), FBC Finance Company, a California corporation ("Finance" and together with Coffee Holding, each individually a "Guarantor" and collectively, "Guarantors").

W I T N E S S E T H :

WHEREAS, Lender, Borrowers and Guarantors have entered into financing arrangements pursuant to which Lender has made, and may make, loans and advances and provide other financial accommodations to Borrowers as set forth in the Loan and Security Agreement, dated as of March 2, 2009, by and among Lender, Borrowers and Guarantors, the "Loan Agreement", and together with all agreements, documents and instruments at any time executed or delivered in connection therewith or related thereto, as from time to time amended and supplemented, collectively, the "Financing Agreements");

WHEREAS, Borrowers and Guarantors have requested that Lender agree to make certain amendments to the Loan Agreement and agree to certain consents under the Loan Agreement, and Lender is willing to agree, subject to the terms and conditions set forth herein, to make such amendments and agree to such consents, as more specifically set forth herein; and

WHEREAS, by this Amendment No. 1, Lender, Borrowers and Guarantors desire and intend to evidence such amendments and consents.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements and covenants contained herein, the parties hereto agree as follows:

1. Definitions.

1.1 Additional Definition. As used herein, the term "Amendment No. 1" shall mean Amendment No. 1 to Loan and Security Agreement and Consent, by and between Lender and Borrower, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, and the Loan Agreement and the other Financing Agreements shall be deemed and are hereby amended to include, in addition and not in limitation, such definition.

1.2 Amendment to Definitions.

(a) The definition of "Preferred Stock Portfolio" in Section 1.104 of the Loan Agreement is hereby amended by deleting the reference to "Finance" and replacing it with "Parent".

(b) The definition of "Security Provisions" in Section 1.120 of the Loan Agreement is hereby amended by deleting such definition in its entirety and replacing it with the following:

"1.120 'Security Provisions' shall mean the following provisions of the Financing Agreements (as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced): (a) Section 1(a) of the Guarantee, dated even date herewith, by Guarantors in favor of Lender; (b) Section 2 of each Pledge and Security Agreement, dated even date herewith, by Farmer in favor of Lender; (c) Section 2 of the Pledge and Security Agreement, dated even date herewith, by Coffee Holding in favor of Lender; (d) Section 2 of the Collateral Assignment of Acquisition Agreements, dated of even date herewith, by Farmer in favor of Lender; (e) Section 2 of the Copyright Collateral Assignment and Security Agreement, dated even date herewith, by Farmer in favor of Lender; (f) Section 2 of the Trademark Collateral Assignment and Security Agreement, dated even date herewith, by Farmer in favor of Lender; (g) Section 2 of the Trademark Collateral Assignment and Security Agreement, dated even date herewith, by CBI in favor of Lender; (h) Section 2 of the Trademark Collateral Assignment and Security Agreement, dated even date herewith, by Finance in favor of Lender; (i) Section 2 of the Investment Property Pledge and Security Agreement, dated March 6, 2009 by Finance in favor of Lender; and (j) such other sections of such other Financing Agreements as Lender may from time to time designate as a Security Provision in a writing delivered by Lender to Administrative Borrower."

(c) The definition of "Specified Investment Account" in Section 1.123 of the Loan Agreement is hereby amended by deleting the reference to "Finance" and replacing it with "Parent".

1.3 Interpretation. All capitalized terms used herein shall have the meanings assigned thereto in the other Financing Agreements, unless otherwise defined herein. All references to the plural herein shall also mean the singular and all references to the singular herein shall also mean the plural, in each case unless otherwise required by the context of the use thereof.

2. Consent. Subject to the terms and conditions hereof and notwithstanding anything to the contrary contained in Section 9.7(b) or Section 9.22 of the Loan Agreement, Lender hereby consents to the transfer of the Specified Investment Account from Finance to Parent; provided, that, within thirty (30) days after the effective date of this Amendment No. 1, Parent shall deliver to Lender a statement received by Parent setting forth the balance of the Specified Investment

Account and naming Parent as the account party with respect to the Specified Investment Account.

3. Additional Representations, Warranties and Covenants. Borrowers and Guarantors represent, warrant and covenant with and to Lender as follows, which representations, warranties and covenants, together with the representations, warranties and covenants in the other Financing Agreements, are continuing and shall survive the execution and delivery hereof, and the truth and accuracy of, or compliance with each, being a continuing condition of the making of Loans by Lender to Borrowers:

3.1 No action of, or filing with, or consent of any Governmental Authority, and no approval or consent of any other Person, is or will be required to authorize, or is or will be otherwise required in connection with, the execution, delivery and performance by Borrowers and Guarantors of this Amendment No. 1.

3.2 This Amendment No. 1 and each other agreement, document or instrument to be executed and delivered by any Borrower or Guarantor in connection therewith or herewith has been duly authorized, executed and delivered by all necessary action on the part of such Borrower or Guarantor, and Amendment No. 1 and each other agreement, document or instrument to be executed and delivered by Borrowers and Guarantors in connection therewith or herewith is in full force and effect as of the date of Amendment No. 1 and the agreements and obligations of Borrowers and Guarantors contained herein and therein constitute legal, valid and binding obligations of Borrowers and Guarantors enforceable against Borrowers and Guarantors in accordance with their respective terms.

3.3 Neither the execution and delivery of this Amendment No. 1 or the documents, agreements or instruments executed or delivered in connection therewith or related thereto, nor the consummation of the transactions herein or therein contemplated, nor compliance with the provisions hereof or thereof is in contravention of any law or regulation or any order or decree of any court or Governmental Authority applicable to Borrowers and Guarantors in any respect, or conflicts with or result in the breach of, or constitutes a default in any respect under any mortgage, deed of trust, security agreement, agreement or instrument to which any Borrower or Guarantor is a party or may be bound, or violates any provision of the formation or other organizational documents of any Borrower or Guarantor.

3.4 After giving effect to this Amendment No. 1, no Event of Default or act, condition or event which with notice or passage of time or both would constitute an Event of Default exists or has occurred and is continuing on the date of Amendment No. 1.

4. Conditions Precedent. The effectiveness of the amendments and consents contained herein shall be subject to the receipt by Lender of each of the following, in form and substance satisfactory to Lender:

4.1 an original of this Amendment No. 1, duly authorized, executed and delivered by the parties hereto;

4.2 a true and correct copy of any consent, waiver or approval to or of this Amendment No. 1, which any Borrower or Guarantor is required to obtain from any other Person; and

4.3 after giving effect to this Amendment No. 1, no Event of Default or act, condition or event which with notice or passage of time or both would constitute an Event of Default exists or has occurred and is continuing on the date of this Amendment No. 1.

5. Effect of this Amendment. Except as expressly set forth herein, no other amendments, consents, changes or modifications to the Financing Agreements are intended or implied, and in all other respects the Financing Agreements are hereby specifically ratified, restated and confirmed by all parties hereto as of the effective date hereof and Borrowers and Guarantors shall not be entitled to any other or further amendment or consent by virtue of the provisions of this Amendment No. 1 or with respect to the subject matter of this Amendment No. 1. To the extent of conflict between the terms of this Amendment No. 1 and the other Financing Agreements, the terms of this Amendment No. 1 shall control. The Loan Agreement and this Amendment No. 1 shall be read and construed as one agreement.

6. Further Assurances. The parties hereto shall execute and deliver such additional documents and take such additional action as may be necessary or desirable to effectuate the provisions and purposes of this Amendment No. 1.

7. Governing Law. The validity, interpretation and enforcement of this Amendment No. 1 and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of California but excluding any principles of conflict of laws or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of California.

8. Waiver, Modification, Etc. No provision or term hereof may be modified, altered, waived, discharged or terminated orally, but only by an instrument in writing executed by the party against whom such modification, alteration, waiver, discharge or termination is sought to be enforced.

9. Entire Agreement. This Amendment No. 1 represents the entire agreement and understanding concerning the subject matter hereof among the parties hereto, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

10. Binding Effect. This Amendment No. 1 shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

11. Severability. Any provision of this Agreement held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Agreement and the effect thereof shall be confirmed to the provision so held to be invalid or unenforceable.

12. Headings. The headings listed herein are for convenience only and do not constitute matters to be construed in interpreting this Amendment No. 1.

13. Counterparts. This Amendment No. 1 may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and-the same agreement. Delivery of an executed counterpart of this Amendment No. 1 by telefacsimile or other electronic method of transmission shall have the same force and effect as the delivery of an original executed counterpart of this Amendment No. 1. Any party delivering an executed counterpart of this Amendment No. 1 by telefacsimile or other electronic method of transmission shall also deliver an original executed counterpart of this Amendment No. 1, but the failure to do so shall not affect the validity, enforceability or binding effect of such agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered by their authorized officers as of the day and year first above written.

LENDER

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Gary Whitaker
Name: Gary Whitaker
Title: Director

BORROWERS

FARMER BROS. CO.

By: /s/ John E. Simmons
Name: John E. Simmons
Title: Treasurer and CFO

COFFEE BEAN INTERNATIONAL, INC.

By: /s/ John E. Simmons
Name: John E. Simmons
Title: Director

GUARANTORS

COFFEE BEAN HOLDING CO., INC.

By: /s/ John E. Simmons
Name: John E. Simmons
Title: Treasurer and CFO

FBC FINANCE COMPANY

By: /s/ John E. Simmons
Name: John E. Simmons
Title: Director

Exhibit 10.15

EXECUTION VERSION

EMPLOYMENT AGREEMENT
(Farmer Bros. Co. / Modaro)

This Employment Agreement ("Agreement") is dated March 19, 2009 (the "Signing Date"), and made effective as of March 1, 2009 (the "Commencement Date"), between FARMER BROS. CO., a Delaware corporation (the "Company"), and HEIDI MODARO ("Modaro") who agree as follows:

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

2. **Term of Employment:** The term of Modaro's employment under this Agreement commenced on the Commencement Date and shall end when terminated under Section 7 below.

3. **Duties**: Modaro shall serve as *Vice President Sales and Operations, Coffee & Tea* of the Company, reporting to the Chief Operating Officer ("COO"). Her general responsibilities shall include oversight responsibility for the Company's direct store delivery sales and operations. In addition to her general responsibilities, Modaro shall also perform such other duties as are consistent with her position and as are directed by the Company's COO, Chief Executive Officer ("CEO") or Board of Directors ("Board"). Modaro shall devote to the Company's business substantially all of her working time. Service as a director or equivalent of other for-profit organizations shall require approval of the Board.

4. **Base Salary:** Modaro shall receive an annual base salary of $250,000 payable in accordance with the Company's normal payroll practice. The annual base salary amount shall be reviewed annually by the Company and can be adjusted upward or downward by the Company from time to time but shall not be reduced below $250,000 per annum.

5. **Bonuses**:

A. On the next regular payday after the Signing Date, the Company shall pay Modaro a signing bonus of Fifty Thousand Dollars ($50,000).

B. Modaro shall be entitled to participate in the Company's 2005 Incentive Compensation Plan or any successor plan ("Plan") each year commencing with fiscal 2009 so long as the Plan remains in effect and one or more of the Company's other executive officers who are full-time Company employees ("Senior Executives") also participate. Under the terms of the Plan, the Compensation Committee will, in its discretion, and after consultation with Modaro, determine the Performance Criteria and all other variables by which Modaro's bonus for such year will be measured. The Target Award, as defined in the Plan, for fiscal 2009 and subsequent years shall be an amount equal to forty percent (40%) of Modaro's base annual salary and such bonus as may be earned by Modaro for fiscal 2009 shall be a full year's bonus (i.e., not pro-rated). Except as provided in the preceding sentence, Modaro's participation in the Plan is subject to all Plan terms and conditions. Under the terms of the Plan, no bonus is earned until awarded by the Compensation Committee after completion of the fiscal year, and the Compensation Committee may, in its discretion, reduce, entirely eliminate or increase the bonus indicated by the Performance Criteria and other Plan factors. Modaro acknowledges receipt of a copy of the Plan.

C. If Modaro is employed by the Company on the second anniversary of the Commencement Date (the "Vesting Date"), the Company shall pay Modaro on the next regular Company payday the sum of Two Hundred Thousand Dollars ($200,000). If Modaro's employment is terminated before the Vesting Date (i) by reason of Modaro's death or Permanent Incapacity, (ii) by the Company

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without Cause, or by Modaro for Good Reason, the Company shall pay to Modaro the sum of Two Hundred Thousand Dollars ($200,000) upon termination and within ten (10) days after the release required under Section 8C below has been received by the Company and has become effective.

D. For the avoidance of doubt, if Modaro's employment is terminated before the Vesting Date by the Company for Cause or by Modaro without Good Reason, no retention bonus is payable under Section 5C above.

6. **Benefits**: The Company will provide to Modaro (i) all benefits and perquisites provided by the Company from time to time to all Senior Executives, subject to the eligibility requirements and the terms and conditions of the benefit plans and perquisite policies (collectively "Executive Benefits") and (ii) an educational benefit described below ("Educational Benefit"). For the avoidance of doubt, the Executive Benefits include use of a Company car in accordance with the Company's policy on Company cars, will receive four (4) weeks of vacation per year in accordance with the terms of the Company's policy, group health insurance (PPO or HMO), life insurance, business travel insurance, qualified retirement plan, 401(k) plan, employee stock ownership plan, cell phone, company credit card, expense reimbursement and coaching. Not all of the foregoing Executive Benefits are 100% Company paid. The Company reserves the right to alter or discontinue any or all such Executive Benefits, provided they are so altered or discontinued as to all Senior Executives.

The Company will also provide to Modaro tuition benefits equivalent to those provided by Sara Lee Corporation under its Executive MBA Program Policy — USA, as last updated as of November 8, 2005 (the "Policy") which is incorporated herein by this reference, which benefits the Company will provide on the terms and subject to the conditions contained in such Policy, other than the "Scope" provision.

Modaro shall be entitled to participate in the Company's 2007 Omnibus Plan as administered by the Company's Compensation Committee. On the first business day following the end of the blackout period which covers the Signing Date, Modaro will be granted 7,000 stock options and 700 shares of restricted stock. The strike price of the options will be the closing price of the Company's stock on such date. The terms and conditions of the options and restricted stock shall be the same as those applicable to the grants made to the Company's Senior Executives in 2008. Modaro will be entitled to such future grants under the 2007 Omnibus Plan as are awarded to her by the Compensation Committee from time to time in its discretion.

7. **Termination:**

A. Modaro's employment is terminable by the Company for Cause which shall consist only of (i) a repeated refusal to follow reasonable directions from the COO or CEO or Board after a warning; (ii) a material breach of any of Modaro's fiduciary duties to the Company (a breach involving dishonesty or personal gain shall be deemed material regardless of the amount involved); (iii) conviction of a felony; (iv) commission of a willful violation of any law, rule or regulation involving moral turpitude; (v) commission of a willful or grossly negligent act or omission which has a material adverse effect on the Company; or (vi) commission of a material breach by Modaro of this Agreement which breach, if curable, is not cured within a reasonable time after written notice from the COO or CEO describing the nature of the breach in reasonable detail.

B. Modaro's employment shall terminate upon Modaro's resignation, with or without Good Reason, death or "Permanent Incapacity," as defined below. "Permanent Incapacity" shall be deemed to have occurred if Modaro has been unable to perform substantially all of her employment duties under Section 3 on a substantially full time basis by reason of a mental or physical condition for a

period of ninety (90) consecutive days or for more than one hundred eighty days (180) in any period of three hundred sixty-five (365) consecutive days.

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

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

8. **Payments upon Termination:** In addition to any payment required by Section 5C above, the following amounts are payable upon termination of Modaro's employment, as applicable:

A. In the event of a termination for any reason, base salary at the then existing rate, shall be prorated and paid through the effective termination date, along with accrued and untaken vacation (subject to the Company's vacation policy). If termination is due to Modaro's death or Permanent Incapacity, the Company shall also pay to Modaro upon termination an additional lump sum severance amount equal to the Target Award under the Company's 2005 Incentive Compensation Plan which is applicable to Modaro for the fiscal year in which termination is effective or, if termination takes place before a Target Award for the then current fiscal year has been assigned to Modaro, forty percent (40%) of Modaro's then annual base salary, in either case prorated for the partial fiscal year ending on the effective termination date.

B. If termination occurs at the election of the Company without Cause or by Modaro's resignation with Good Reason: Modaro will receive as severance (i) an amount equal to her base salary at the rate in effect on the date of termination for a period of one (1) year, (ii) partially Company-paid COBRA coverage under the Company's health care plan for herself and her spouse for one (1) year after the effective termination date (the Company will pay the same percentage of the coverage cost that it would have paid had Modaro's employment not terminated) and (iii) an amount equal to Modaro's bonus Target Award for the fiscal year in which the date of termination occurs (or, if no Target Award has been assigned to Modaro as of the date of termination, the average bonus paid by the Company to Modaro for the last three (3) completed fiscal years or for the number of completed fiscal years that Modaro has been in the employ of the Company if fewer than three, prior to the termination date), such amount to be prorated for the partial fiscal year in which the termination occurs. Modaro is not obligated to seek other employment as a condition to receipt of the payments called for by this Section 8B, and Modaro's earnings, income or profits from other employment or business activities after termination of her employment shall not reduce the Company's payment obligations under this Section 8B. Subject to Section 8C and Section 12J(ii), the amount referred to in clause (i) above shall be paid in installments in accordance with the Company's standard payroll practices commencing in the month following the month in which Modaro's Separation from Service occurs, and the amount referred to in clause (iii) above shall be paid in a lump sum within thirty (30) days after the end of the Company's fiscal year in which Modaro's Separation from Service occurs. As used herein, a "Separation from Service" occurs when Modaro dies, retires, or otherwise has a termination of employment with the

Company that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

C. As a condition to receiving the payment called for by Section 5C and the severance payments under Section 8B above, Modaro must execute and deliver to the Company within twenty-one (21) days following the termination of her employment (or such longer period as may be required under applicable law) a general release of claims against the Company other than claims to the payments called for by this Agreement, such release to be in form and content substantially as attached hereto as Exhibit A, and said release shall have become effective under applicable laws, including the Age Discrimination in Employment Act of 1967, as amended.

D. All benefits other than payments and benefits payable under Sections 5B, 8A and 8B shall terminate automatically upon termination of Modaro's employment except to the extent otherwise provided in the Company benefit plans or by law.

E. Except as provided in Section 5C and this Section 8 or by applicable Company benefit plans or laws, Modaro shall not be entitled to any payments of any kind in connection with the termination of her employment by the Company.

9. **Employee Handbook and Company Policies**: So long as she is employed by the Company, Modaro shall comply with, and shall be entitled to rights as set forth in the Company's Employee Handbook which may be revised from time to time and other Company policies as in effect and

communicated to Modaro from time to time. In the event that there is a conflict or contradiction between the contents of the Employee Handbook or other such Company policies and the provisions of this Agreement, then the provisions of this Agreement will prevail.

10. **Confidential Information, Intellectual Property:**

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

B. Modaro further covenants that for a period of one (1) year after her employment by the Company terminates, she will not, directly or indirectly, overtly or tacitly, induce, attempt to induce, solicit or encourage, or assist anyone in soliciting or encouraging (i) any customer of the Company to cease doing business with, or not to do business with, the Company or (ii) any employee of the Company to leave the Company.

C. The Company and Modaro agree that the covenants set forth in this Section 10 are reasonably necessary for the protection of the Company's Confidential Information and that a breach of the foregoing covenants will cause the Company irreparable damage not compensable by monetary damages, and that in the event of such breach or threatened breach, at the Company's election, an action may be brought in a court of competent jurisdiction seeking a temporary restraining order and a

preliminary injunction against such breach or threatened breach notwithstanding the arbitration provision of Section 12F below. Upon the court's decision on the application for a preliminary injunction, the court action shall be stayed and the remainder of the dispute submitted to arbitration under Section 12F. The prevailing party in such legal action shall be entitled to recover its costs of suit including reasonable attorneys' fees.

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

11. **Integration with Change in Control Severance Agreement**: If Modaro becomes eligible for benefits under Section 3 of the Change in Control Severance Agreement executed concurrently herewith, the benefits provided by Section 4 of that Agreement shall be in lieu of, and not in addition to, the benefits provided by Section 8B of this Agreement, but the payment called for by Section 5C above shall not be affected.

12. **Miscellaneous:**

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

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

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

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

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

F. (i) All disputes arising under or in connection with this Agreement, shall be submitted to a mutually agreeable arbitrator, or if the parties are unable to agree on an arbitrator within fifteen (15) days after a written demand for arbitration is made by either party, to JAMS/Endispute ("JAMS") or successor organization, for binding arbitration in Los Angeles County by a single arbitrator who shall be a former California Superior Court judge. Except as may be otherwise provided herein, the arbitration shall be conducted under the California Arbitration Act, Code of Civil Procedure 1280 et seq. The parties shall have the discovery rights provided in Code of Civil Procedure 1283.05 and 1283.1. The arbitration hearing shall be commenced within ninety (90) days after the selection of an arbitrator by mutual agreement or, absent such mutual agreement, the filing of the application with JAMS by either

party hereto, and a decision shall be rendered by the arbitrator within thirty (30) days after the conclusion of the hearing. The arbitrator shall have complete authority to render any and all relief, legal and equitable, appropriate under California law, including the award of punitive damages where legally available and warranted. The arbitrator shall award costs of the proceeding, including reasonable attorneys' fees and the arbitrator's fee and costs, to the party determined to have substantially prevailed. Judgment on the award can be entered in a court of competent jurisdiction.

(ii) The foregoing notwithstanding, if the amount in controversy exceeds $200,000, exclusive of attorneys' fees and costs, the matter shall be litigated in the Los Angeles County Superior Court as a regular non-jury civil action except that a former California Superior Court Judge selected by the parties or by JAMS, as hereinabove provided, shall be appointed as referee to try all issues of fact and law, without a jury, pursuant to

California Code of Civil Procedure §638 et seq. The parties hereto expressly waive a trial by jury. Judgment entered on the decision of the referee shall be appealable as a judgment of the Superior Court. The prevailing party shall be entitled to receive its reasonable attorneys' fees and costs from the other party.

G. Payments to Modaro are subject to payroll deductions and withholdings if and to the extent required by law. Salary payments will be reduced on a dollar-for-dollar basis by payments received by Modaro for disability under governmental or Company-paid disability insurance programs.

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

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

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

(ii) Notwithstanding any provision of this Agreement to the contrary, if Modaro is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of Modaro's Separation from Service, Modaro shall not be entitled to any payment or benefit pursuant to Section 8B until the earlier of (i) the date which is six (6) months after Modaro's Separation from Service for any reason other than death, or (ii) the date of Modaro's death. Any amounts otherwise payable to Modaro upon or in the six (6) month period following Modaro's Separation from Service that are not so paid by reason of this Section 12K(ii) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after Modaro's Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of Modaro's death). The provisions of this Section 12J(ii) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A.

(iii) To the extent that any benefits pursuant to Section 8B(ii) or reimbursements pursuant to Section 6 are taxable to Modaro, any reimbursement payment due to Modaro

pursuant to such provision shall be paid to Modaro on or before the last day of Modaro's taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to such provisions are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that Modaro receives in one taxable year shall not affect the amount of such benefits or reimbursements that Modaro receives in any other taxable year.

[SIGNATURE PAGE FOLLOWS]

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

COMPANY:

FARMER BROS. CO.,
a Delaware corporation

By: /s/ Roger M. Laverty III
Roger M. Laverty III,
President and Chief Executive Officer

MODARO:

/s/ Heidi Modaro
Heidi Modaro

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

EXHIBIT A
RELEASE AGREEMENT

I understand that my position with Farmer Bros. Co. (the "Company") terminated effective , 20 (the "Separation Date"). The Company has agreed that if I choose to sign this Agreement, the Company will pay me severance benefits (minus the standard withholdings and deductions) pursuant to the terms of the Employment Agreement entered into as of , 2009 between myself and the Company. I understand that I am not entitled to this severance payment unless I sign this Agreement. I understand that in addition to this severance, the Company will pay me all of my accrued salary and vacation, to which I am entitled by law regardless of whether I sign this release.

In consideration for the severance payment I am receiving under this Agreement, I acknowledge and agree that I am bound by the provisions of Sections 10A and 10B of my Employment Agreement and hereby release the Company and its current and former officers, directors, agents, attorneys, employees, shareholders, and affiliates from any and all claims, liabilities, demands, causes of action, attorneys' fees, damages, or obligations of every kind and nature, whether they are known or unknown, arising at any time prior to the date I sign this Agreement. This general release includes, but is not limited to: all federal and state statutory and common law claims, claims related to my employment or the termination of my employment or related to breach of contract, tort, wrongful termination, discrimination, wages or benefits, or claims for any form of compensation. This release is not intended to release any claims I have or may have against any of the released parties for (a) indemnification as a director, officer, agent or employee under applicable law, charter document or agreement, (b) severance and other termination benefits specifically provided for in my Employment Agreement which constitutes a part of the consideration for this release, (c) health or other insurance benefits based on claims already submitted or which are covered claims properly submitted in the future, (d) vested rights under pension, retirement or other benefit plans, or (e) in respect of events, acts or omissions occurring after the date of this Release Agreement. In releasing claims unknown to me at present, I am waiving all rights and benefits under Section 1542 of the California Civil Code, and any law or legal principle of similar effect in any jurisdiction: "A general release does not extend to claims which the creditor does not know or suspect to exist in her favor at the time of executing the release, which if known by him must have materially affected her settlement with the debtor."

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

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

/s/ Heidi Modaro

Heidi Modaro

Exhibit 10.16

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is made by and between FARMER BROS. CO., a Delaware corporation (the "Company"), and MICHAEL J. KING, an individual ("Consultant"), with reference to the following facts:

RECITALS

A. Consultant will resign his employment with the Company effective March , 2009 ("Effective Date").

B. The Company desires to hire Consultant to consult with it on matters within Consultant's expertise, strictly on an independent contractor basis.

C. The Company and Consultant desire to memorialize the terms of their relationship in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, the parties hereby agree as follows:

1. **Retention**. The Company hereby agrees to retain Consultant, and Consultant agrees to perform services for the Company, on the terms and conditions set forth herein.

2. **Term of Agreement.** The term of this Agreement shall commence on the Effective Date and shall continue for a term of three (3) years unless terminated earlier under Section 6.

3. **Duties.**

(a) Consultant shall consult with the Company concerning its sales, marketing and product development activities at the request of the Company from time to time and shall perform such incidental tasks relating to such consultation services as the Company may reasonably request, it being understood that Consultant shall be called upon only occasionally and, without Consultant's consent, shall not be required to perform the services on the Company's premises or at any other designated location.

(b) It is expressly agreed that Consultant shall be and is an independent Consultant in performing his duties under this Agreement and shall not be considered or deemed an agent, partner or joint venturer of the Company nor shall Consultant be considered or deemed to be an employee of the Company for any purpose, including without limitation, for purposes of any pension, bonus, equity participation or other benefit plan which the Company makes available to its employees; provided that nothing herein shall affect Consultant's rights with respect to pension and other benefits made available to Company retirees. The compensation paid hereunder shall be gross compensation. Consultant assumes full responsibility and liability to the taxing bodies of the federal and state governments for paying all income, self-employment and other taxes due with respect to the Company's payments for Consultant's services under this Agreement.

(c) Consultant acknowledges that no equipment or materials are provided by Company. If, with Consultant's consent, Consultant performs services on Company premises,

Company will provide use of such on-site facilities, equipment and clerical services as the Company determines are reasonably necessary for the performance of Consultant's services. No reimbursements will be made by Company for any expenses Consultant incurs unless approved in advance by the Company. No specific hours are required so long as Consultant's services under this agreement are properly performed. Consultant remains free to provide services to others so long as Consultant's services under this Agreement are properly performed, subject to Section 5.

4. **Fee.** Consultant shall receive, as compensation for his services under this Agreement, an annual fee payable quarterly in arrears, prorated for any partial quarter in which this Agreement terminates, as follows:

First year	$	120,000
Second year	$	75,000
Third year	$	75,000

Payments are due whether or not Company calls upon Consultant to perform consulting services.

5. **Confidential Information; Non-competition; Intellectual Property.** In providing his services hereunder, Consultant will have access to "Confidential Information," as defined below. Consultant agrees that during the term of this Agreement and thereafter, he shall keep the Confidential Information in the strictest of confidence and shall not use or disclose the same in any manner or for any purpose except as required for his performance under this Agreement or except to the extent that disclosure is required by law. Before making any disclosure required bylaw, Consultant shall give the Company reasonable prior notice of the pending disclosure. The term "Confidential Information" is to be broadly defined. Confidential Information includes all information that has or could have commercial value or other utility in the business in which Company is engaged or in which it contemplates engaging. Confidential Information also includes all information the unauthorized disclosure of which could be detrimental to the interests of Company, whether or not such information is identified as Confidential Information by Company. For example and without limitation, Confidential Information includes any and all information concerning Company, or its subsidiaries' techniques, processes, formulas, trade secrets, inventions, discoveries, improvements, research or development and test results, specifications, data, know-how, marketing plans, business plans, strategies, forecasts, unpublished financial information, budgets, projections, and customer and supplier identities, characteristics, and agreements. Upon termination or expiration hereof, Consultant shall forthwith return or provide to Company satisfactory evidence of the destruction of all written, printed and electronic records containing Confidential Information. To help protect the confidentiality of the Confidential Information, Consultant agrees that during the term of this Agreement and for a period of two (2) years thereafter, he will not, directly or indirectly, (i) solicit, induce or encourage any customer of the Company to discontinue or reduce its trade with Company or (ii) solicit, induce, or encourage any employee of Company to terminate employment by the Company. During the term of this Agreement, Consultant agrees not to provide services to any person or entity whose business is, in the reasonable judgment of Company, competitive with the business of the Company or any of its subsidiaries. Consultant agrees that Company shall be entitled to an injunction to prevent any threatened or continuing breach of this Section 5. All discoveries, developments, designs, ideas, improvements, inventions, formulas, processes, techniques, know-how, and data (whether or not patentable or registerable under copyright or similar statutes) made, conceived, reduced to practice or learned by Consultant, whether alone or in conjunction with others (i) which are related to the business of Company or its subsidiaries or to Company or subsidiary research and development or (ii) which result from tasks assigned to Consultant or from the use of

Company facilities, equipment or Confidential Information are the property of Company, constitute a work made for hire to the extent legally possible and are hereby assigned to Company by Consultant.

6. **<u>Termination of Agreement</u>.** This Agreement can be terminated upon written notice if a party hereto is in breach of this Agreement and such breach, if curable, remains uncured for a period of ten (10) days after written notice describing the breach has been given by the non-breaching party. In the event that during the term of this Agreement Consultant dies or is rendered unable to perform the services required by this Agreement by reason of a physical or mental disability, the Company shall continue to make the payments required by this Agreement to Consultant if living and not judicially declared to be incompetent, otherwise to his spouse, if any, and otherwise to such person as is legally entitled thereto upon receipt of proof satisfactory to the Company of such entitlement.

No termination shall relieve a party of any obligation or liability accrued at, or in connection with, the termination. Section 5 shall survive termination of this Agreement as shall any other provision for which survival is necessary to give it its intended effect.

Consultant’s fee shall be prorated and paid to the termination date, and no other compensation or payment of any kind shall be due Consultant under this Agreement.

7. **<u>General Provisions</u>.**

(a) *Notices.* All notices under this Agreement shall be in writing and deemed given as of the date personally delivered (including delivery by a commercial delivery service) or placed and postmarked in the United States mail, first class, postage prepaid, and addressed if to Company at Company’s principal offices and if to Consultant at Consultant’s last residence address appearing in the records of Company. Notices delivered personally or by delivery service shall be deemed received as of the date of actual receipt. Mailed notices shall be deemed received five (5) days after deposit in the United States mail.

(b) *Arbitration.* Except for actions for injunctive relief under Section 5, any dispute concerning this Agreement or the performance of the parties hereunder shall be submitted to binding arbitration in Torrance, California before the American Arbitration Association under its Commercial Rules. Judgment on the award can be entered in a court of competent jurisdiction.

(c) *Attorneys’ Fees.* Should any legal action be taken to enforce the terms of this Agreement or an arbitration commenced under subparagraph (b), the prevailing party shall be entitled to receive its costs and expenses, including attorney’s fees incurred in that regard.

(d) *No Assignment or Transfer.* The rights and obligations under this Agreement may not be assigned or delegated by Consultant. The Company, however, is free to assign its interest under this Agreement to any successor to all or substantially all of the Company’s business by asset sale, stock sale, merger or other method.

(e) *Successors and Assigns.* Subject to the provisions of this Agreement, the provisions of this Agreement shall be binding upon and inure to the parties their successors, heirs, assigns, and permitted transferees.

(f) *Governing Law.* The provisions of this Agreement shall be governed by and construed in accordance with the laws of the State of California.

(g) *Integration.* This Agreement contains the entire agreement of the parties on the subject of Consultant’s services to the Company as such and supersedes all prior agreements, written or oral, between the parties with reference to the subject matter of this Agreement. No other agreements, oral or written, prior or contemporaneous, exist between the parties as to such subject matter.

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

COMPANY:

FARMER BROS. CO.

By: /s/ Roger M. Laverty III

Name: Roger M. Laverty III

Title: President

CONSULTANT:

/s/ Michael J. King

MICHAEL J. KING

Exhibit 10.27

[FORM OF EXECUTIVE OFFICER]
CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (this "Agreement"), effective as of , (the "Effective Date"), is made by and between FARMER BROS. CO., a Delaware corporation (the "Company"), and (the "Executive").

WHEREAS, the Company considers it essential to foster the continued employment of well qualified, senior executive management personnel; and

WHEREAS, the Company has determined that appropriate steps should be taken to foster such continued employment by setting forth the benefits and compensation to be awarded to such personnel in the event of a voluntary or involuntary termination within the meaning of this Agreement; and

WHEREAS, the Company further recognizes that the possibility of a Change in Control of the Company exists and that such possibility, and the uncertainty and questions that it may raise among executive management, may result in the departure or distraction of executive personnel to the detriment of the Company; and

WHEREAS, the Company has further determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's executive management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Term of Agreement. The term of this Agreement shall commence as of the date hereof and expire on the close of business on , 20 ; provided, however, that (i) commencing on January 1, and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company (provided no Change in Control has occurred and no Threatened Change in Control is pending) or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended; (ii) if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect.

2. Definitions

(a) "Base Salary" shall mean the Executive's salary, which excludes Bonuses, at the rate in effect when an event triggering benefits under Section 3 of this Agreement occurs.

(b) "Beneficial Owner" or "Beneficial Ownership" shall have the meaning ascribed to such term in Rule 13d-3 of the Exchange Act.

(c) "Board" or "Board of Directors" shall mean the Board of Directors of Farmer Bros. Co., or its successor.

(d) "Bonus(es)" shall mean current cash compensation over and above Base Salary whether awarded under the Company's Incentive Compensation Plan or otherwise awarded.

(e) "Cause" shall mean:

(i) the Executive's material fraud, malfeasance, or gross negligence, willful and material neglect of Executive's employment duties or Executive's willful and material misconduct with respect to business affairs of the Company or any subsidiary of the Company or

(ii) Executive's conviction of or failure to contest prosecution for a felony or a crime involving moral turpitude.

A termination of Executive for "Cause" based on clause (i) of the preceding sentence can be made only by delivery to Executive of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting "Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or [his/her] beneficiaries to contest the validity or propriety of any such determination. A termination for Cause based on clause (ii) above shall take effect immediately upon giving of the termination notice. No act or omission shall be deemed "willful" if it was due primarily to an error in judgment or ordinary negligence.

(f) "Change in Control" shall mean:

(i) An acquisition by any Person (as such term is defined in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof) of Beneficial Ownership of the Shares then outstanding (the "Company Shares Outstanding") or the voting securities of the Company then outstanding entitled to vote generally in the election of directors (the "Company Voting Securities Outstanding"), if such acquisition of Beneficial Ownership results in the Person beneficially owning (within the meaning of Rule 13d-3 promulgated under the Exchange Act) fifty percent (50%) or more of the Company Shares Outstanding or fifty percent (50%) or more of the combined voting power of the Company Voting Securities Outstanding; excluding, however, any such acquisition by a trustee or other fiduciary holding such Shares under one or more employee benefit plans maintained by the Company or any of its subsidiaries; or

(ii) The approval of the stockholders of the Company of a reorganization, merger, consolidation, complete liquidation, or dissolution of the Company, the sale or disposition of all or substantially all of the assets of the Company or any similar corporate transaction (in each case referred to in this Section 2(f) as a "Corporate Transaction"), other than a Corporate Transaction that would result in the outstanding common stock of the Company immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into common stock of the surviving entity or a parent or affiliate thereof) at least fifty percent (50%) of the outstanding common stock of the Company or such surviving entity or parent or affiliate thereof immediately after such Corporate Transaction; provided, however, if the consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the Change in Control shall not occur until the obtaining of such consent (either explicitly or implicitly); or

(iii) A change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 2(f) that any individual who becomes a member of the Board

subsequent to the Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

(g) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(h) "Disability" shall mean the Executive's inability as a result of physical or mental incapacity to substantially perform [his/her] duties for the Company on a full-time basis for a period of six (6) months.

(i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

(j) "Involuntary Termination" shall mean a termination of the Executive's employment by the Company that occurs for reasons other than for Cause, Disability or death.

(k) "Threatened Change in Control" shall mean any bona fide pending tender offer for any class of the Company's outstanding Shares, or any pending bona fide offer to acquire the Company by merger or consolidation, or any other pending action or plan to effect, or which would lead to, a Change in Control of the Company as determined by the Incumbent Board. A Threatened Change in Control Period shall commence on the first day the actions described in the preceding sentence become manifest and shall end when such actions are abandoned or the Change in Control occurs.

(l) "Shares" shall mean the shares of common stock of the Company.

(m) "Resignation for Good Reason" shall mean a termination of the Executive's employment by the Executive due to:

(i) a significant reduction of the Executive's responsibilities, duties or authority;

(ii) a material reduction in the Executive's Base Salary; or

(iii) a Company-required material relocation of the Executive's principal place of employment;

provided, however, that any such condition shall not constitute "Good Reason" unless both (x) the Executive provides written notice to the Company describing the condition claimed to constitute Good Reason in reasonable detail within ninety (90) days of the initial existence of such condition, and (y) the Company fails to remedy such condition within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Executive's employment with the Company shall not be treated as a termination for "Good Reason" unless such termination occurs not more than one (1) year following the initial existence of the condition claimed to constitute "Good Reason.

3. Events That Trigger Benefits Under This Agreement. The Executive shall be eligible for the compensation and benefits described in Section 4 of this Agreement as follows:

(a) A Change in Control occurs and Executive's employment is Involuntarily Terminated or terminated by Resignation for Good Reason within twenty-four (24) months following the occurrence of the Change in Control; or

(b) A Threatened Change in Control occurs and the Executive's employment is Involuntarily Terminated or terminated by Resignation for Good Reason during the Threatened Change in Control Period.

4. Benefits Upon Termination. If the Executive becomes eligible for benefits under Section 3 above, the Company shall pay or provide to the Executive the following compensation and benefits:

(a) Salary. The Executive will receive as severance an amount equal to [his/her] Base Salary at the rate in effect on the date of termination for a period of twenty-four (24) months, such payment to be made in installments in accordance with the Company's standard payroll practices, such installments to commence, subject to Section 9(j)(ii), in the month following the month in which the Executive's Separation from Service occurs. The Executive shall also receive a payment equal to one hundred percent (100%) of the Executive's target Bonus for the fiscal year in which the date of termination occurs (or, if no target Bonus has been assigned to the Executive as of the date of termination, the average Bonus paid by the Company to the Executive for the last three (3) completed fiscal years or for the number of completed fiscal years that Executive has been in the employ of the Company if fewer than three, prior to the termination date), such payment to be made, subject to Section 9(j)(ii), in a lump sum within thirty (30) days after the end of the

Company’s fiscal year in which the Executive’s date of termination occurs. As used herein, a “Separation from Service” occurs when the Executive dies, retires, or otherwise has a termination of employment with the Company that constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

(b) Qualified and Non-Qualified Plan Coverage. Subject to the eligibility provisions of the plans, the Executive shall continue to participate in the tax-qualified and non-qualified retirement, savings and employee stock ownership plans of the Company during the twenty four (24) month period following the Executive’s date of termination unless the Executive commences Employment prior to the end of the twenty four (24) month period, in which case, such participation shall end on the date of [his/her] new employment. The Executive shall inform the Company promptly upon commencing new employment.

(c) Health, Dental, and Life Insurance Coverage. The health, dental, and life insurance benefits coverage provided to the Executive at [his/her] date of termination shall be continued by the Company during the twenty-four (24) month period following the Executive’s date of termination unless the Executive commences employment prior to the end of the twenty four (24) month period and qualifies for substantially equivalent insurance benefits with the Executive’s new employer , in which case, such insurance coverages shall end on the date of qualification. The Executive shall inform the Company promptly of [his/her] qualification for any of such insurance coverages. . The Company shall provide for such insurance coverages at its expense at the same level and in the same manner as if the Executive’s employment had not terminated (subject to the customary changes in such coverages if the Executive retires under a Company retirement plan, reaches age 65, or similar events and subject to Executive’s right to make any changes in such coverages that an active employee is permitted to make).

Any additional coverages the Executive had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any costs the Executive was paying for such coverages at the time of termination shall be paid by the Executive by separate check payable to the Company each month in advance. If the terms of any benefit plan referred to in this Section do not permit continued participation by the Executive, the Company will arrange for other coverage at its expense providing substantially similar benefits. If the Executive is covered by a split-dollar or similar life insurance program at the date of termination, [he/she] shall have the option in [his/her] sole discretion to have such policy transferred to him upon termination, provided that the Company is paid for its interest m the policy upon such transfer.

(d) Outplacement Services. The Company shall provide the Executive with outplacement services by a firm selected by the Executive, at the expense of the Company, in an amount up to $25,000.

(e) No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following termination of Executive’s employment by the Company and that the non-solicitation covenant contained in Section 6 may further limit the employment opportunities for the Executive. Accordingly, the payment of the compensation and benefits by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the first sentence of Section 4(c).

5. Parachute Payments. Notwithstanding anything contained in this Agreement to the contrary, in the event that the compensation and benefits provided for in this Agreement to Executive together with all other payments and the value of any benefit received or to be received by Executive:

(a) constitute “parachute payments” within the meaning of Section 280G of the Code, and

(b) but for this Section, would be subject to the excise tax imposed by Section 4999 of the Code, the Executive’s compensation and benefits pursuant to the terms of this Agreement shall be payable either:

(i) in full, or

(ii) in such lesser amount which would result in no portion of such compensation and benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest amount of compensation and benefits under this Agreement, notwithstanding that all or some portion of such compensation and benefits may be subject to the excise tax imposed under Section 4999 of the Code. Unless the Company and Executive otherwise agree in writing, any determination required under this Section 5 shall be made in writing by the Company’s independent public accountants serving immediately before the Change in Control (the “Accountants”), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable good faith interpretations concerning the applications of Section 280G and 4999 of the Code. The Company shall cause the Accountants to

provide detailed supporting calculations of its determination to Executive and the Company. Executive and the Company shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 5.

6. Obligation Not to Solicit

(a) Executive hereby agrees that while Executive is receiving compensation and benefits under this Agreement, Executive shall not in any manner attempt to induce or assist others to attempt to induce any officer, employee, customer or client of the Company to terminate its association with the Company, nor do anything directly or indirectly to interfere with the relationship between the Company and any such persons or concerns.

(b) In the event that the Executive engages in any activity in violation of Section 6(a), all compensation and benefits described in Section 4 shall immediately cease.

7. Confidentiality. The terms of this Agreement are to be of the highest confidentiality. In order to insure and maintain such confidentiality, it is agreed that neither party, including all persons and entities under a party's control, shall, directly or indirectly, publicize or disclose to third persons the terms of this Agreement or the substance of negotiations with respect to it; provided, however, that nothing herein shall be construed to prevent disclosures which are reasonably necessary to enforce the terms of this Agreement or which are otherwise required by law to be made to governmental agencies or others; moreover, nothing herein shall be construed to prevent the parties hereto, or their attorneys, from making such disclosures for legitimate business purposes to their respective insurers, financial institutions, accountants and attorneys or, in the case of a corporation, limited liability company or partnership, to its respective officers, directors, employees, managers, members and agents or any of its respective subsidiaries, group or divisions, provided that each such recipient of such disclosures agrees to be bound by the requirements concerning disclosure of confidential information as set forth in this Paragraph 7.

8. Settlement of Disputes; Arbitration

(a) All disputes arising under or in connection with this Agreement, shall be submitted to binding arbitration in Los Angeles County before an arbitrator selected by mutual agreement of the parties. If the parties are unable to agree mutually on an arbitrator within thirty (30) days after a written demand for arbitration is made, the matter shall be submitted to JAMS/ENDISPUTE ("JAMS") or successor organization for binding arbitration in Los Angeles County by a single arbitrator who shall be a former California Superior Court judge. The arbitrator shall be selected by JAMS in an impartial manner determined by it. Except as may be otherwise provided herein, the arbitration shall be conducted under the California Arbitration Act, Code of Civil Procedure §1280 et seq. The parties shall have the discovery rights provided in Code of Civil Procedure §§1283.05 and 1283.1. The arbitration hearing shall be commenced within ninety (90) days of the appointment of the arbitrator, and a decision shall be rendered by the arbitrator within thirty (30) days of the conclusion of the hearing. The arbitrator shall have complete authority to render any and all relief, legal and equitable, appropriate under California law, including the award of punitive damages where legally available and warranted. The arbitrator shall award costs of the proceeding, including reasonable attorneys' fees, to the party or parties determined to have substantially prevailed, but such award for attorneys' fees shall not exceed One Hundred Thousand Dollars ($100,000). Judgment on the award can be entered in a court of competent jurisdiction.

(b) The foregoing notwithstanding, if the amount in controversy exceeds $200,000, exclusive of attorneys' fees and costs, the matter shall be litigated in the Los Angeles County Superior

Court as a regular civil action except that a former California Superior Court Judge selected by JAMS in an impartial manner shall be appointed as referee to determine, sitting without a jury (a jury being waived by all parties hereto), all issues pursuant to California Code of Civil Procedure §638(1). Judgment entered on the decision of the referee shall be appealable as a judgment of the Superior Court. The prevailing party shall be entitled to receive its reasonable attorneys' fees and costs from the other party, but such award for attorneys' fees shall not exceed One Hundred Thousand Dollars ($100,000).

9. Miscellaneous

(a) Notices. Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and shall be deemed to have been duly given when delivered personally or seven days after mailing if mailed first class by registered or certified mail, postage prepaid, addressed as follows:

If to the Company:	Farmer Bros. Co 20333 South Normandie Avenue Torrance, CA 90502 Attn: Chief Executive Officer
with a copy to:	John M. Anglin, Esq. Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP 199 South Los Robles Avenue, Suite 600 Pasadena, CA 91101-2459
If to the Executive:	____________________ ____________________ ____________________

or to such other address as any party may designate by notice to the others.

(b) Assignment. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective executors, administrators, heirs, personal representatives, and successors, but, except as hereinafter provided, neither this Agreement nor any right hereunder may be assigned or transferred by either party thereto, or by any beneficiary or any other person, nor be subject to alienation, anticipation, sale, pledge, encumbrance, execution, levy, or other legal process of any kind against the Executive, [his/her] beneficiary or any other person. Notwithstanding the foregoing, any person or business entity succeeding to substantially all of the business of the Company by purchase, merger, consolidation, sale of assets, or otherwise, shall be bound by and shall adopt and assume this Agreement and the Company shall cause the assumption of this Agreement by such successor. If Executive shall die while any amount would still be payable to Executive hereunder (other than amounts that, by their terms, terminate upon the death of Executive) if Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of Executive's estate.

(c) No Obligation to Fund. The agreement of the Company (or its successor) to make payments to the Executive hereunder shall represent solely the unsecured obligation of the Company (and its successor), except to the extent the Company (or its successors) in its sole discretion elects in whole or in part to fund its obligations under this Agreement pursuant to a trust arrangement or otherwise.

(d) Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to conflict of law principles.

(e) Amendment. This Agreement may only be amended by a written instrument signed by the parties hereto, which makes specific reference to this Agreement.

(f) Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

(g) Withholding. The Company shall have the right to withhold any and all local, state and federal taxes which may be withheld in accordance with applicable law.

(h) Other Benefits. Nothing in this Agreement shall limit or replace the compensation or benefits payable to Executive, or otherwise adversely affect Executive's rights, under any other benefit plan, program, or agreement to which Executive is a party.

(i) Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control. The Company and Executive are parties to an Employment Agreement executed concurrently herewith. Except as provided in [Section 11] of the Employment Agreement, the provisions of the Employment Agreement and this Agreement are cumulative.

(j) Section 409A

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

(ii) Notwithstanding any provision of this Agreement to the contrary, if the Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Executive's Separation from Service, the Executive shall not be entitled to any payment or benefit pursuant to Section 4 until the earlier of (i) the date which is six (6) months after the Executive's Separation from Service for any reason other than death, or (ii) the date of the Executive's death. Any amounts otherwise payable to the Executive upon or in the six (6) month period following the Executive's Separation from Service that are not so paid by reason of this Section 9(j)(ii) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Executive's Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Executive's death). The provisions of this Section 9(j)(ii) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A.

(iii) To the extent that any benefits or reimbursements pursuant to Section 4(c) or Section 4(d) are taxable to the Executive, any reimbursement payment due to the Executive pursuant to any such provision shall be paid to the Executive on or before the last day of the Executive's

taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to such provisions are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that the Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that the Executive receives in any other taxable year.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officers and the Executive has hereunder set [his/her] hand, as of the date first above written.

Company:

FARMER BROS. CO.,
a Delaware corporation

By: ____________________
Name: ____________________
Title: ____________________

Executive:

____
[Name of Executive]

SCHEDULE OF EXECUTIVE OFFICERS

Roger M. Laverty III
Drew H. Webb
John E. Simmons
Heidi L. Modaro
Hortensia R. Gomez

Exhibit 10.28

[FORM OF]
INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into as of , by and between Farmer Bros. Co., a Delaware corporation (the "Company"), and ("Indemnitee").

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly-held corporations as directors, officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Certificate of Incorporation (the "Charter") and the Bylaws of the Company require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to applicable provisions of the Delaware General Corporation Law (the "DGCL"). The Charter, the Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company's stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Charter, the Bylaws of the Company and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee does not regard the protection available under the Company's Charter, Bylaws and insurance as adequate in the present circumstances, and may not be willing to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he or she be so indemnified;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein and Indemnitee's agreement to serve as a director or officer after the date hereof, the Company and Indemnitee do hereby covenant and agree as follows:

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1. Definitions. As used in this Agreement:

(a) References to "agent" shall mean any person who is or was a director, officer, or employee of the Company or a Subsidiary of the Company or other person authorized by the Company to act for the Company, to include such person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of, or to represent the interests of the Company or a Subsidiary of the Company.

(b) The terms "Beneficial Owner" and "Beneficial Ownership" shall have the meanings set forth in Rule 13d-3 promulgated under the Exchange Act as in effect on the date hereof.

(c) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors, unless (1) the change in the relative Beneficial Ownership of the Company's securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors, or (2) such acquisition was approved in advance by the Continuing Directors and such acquisition would not constitute a Change in Control under part (iii) of this definition;

(ii) Change in Board of Directors. Individuals who, as of the date hereof, constitute the Board, and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two thirds of the directors then still in office who were directors on the date hereof or whose election for nomination for election was previously so approved (collectively, the "Continuing Directors"), cease for any reason to constitute at least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a reorganization, merger or consolidation of the Company (a "Business Combination"), in each case, unless, following such Business Combination: (1) all or substantially all of the individuals and entities who were the Beneficial

Owners of securities entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more than 51% of the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the securities entitled to vote generally in the election of directors; (2) no Person (excluding any corporation resulting from such Business Combination) is the Beneficial Owner, directly or indirectly, of 15% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of such corporation except to the extent that such ownership existed prior to the Business Combination; and (3) at least a majority of the Board of Directors of the corporation resulting from such Business Combination were Continuing Directors at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination;

(iv) Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets (or, if such approval is not required, the decision by the Board to proceed with such a liquidation, sale, or disposition in one transaction or a series of related transactions); or

(v) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement.

(d) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise which such person is or was serving at the request of the Company.

(e) "Delaware Court" shall mean the Court of Chancery of the State of Delaware.

(f) "Disinterested Director" shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(g) "Enterprise" shall mean the Company and any other corporation, constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger to which the Company (or any of its wholly owned subsidiaries) is a party, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent.

(h) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(i) "Expenses" shall include all direct and indirect costs, fees and expenses of any type or nature whatsoever, including, without limitation, attorneys' fees and costs, retainers, court costs, transcript costs, fees and disbursements of experts, witness fees, fees and disbursements of private investigators and professional advisors, travel expenses, duplicating costs, printing and binding costs, telephone and fax transmission charges, postage, delivery service fees, secretarial services, reasonable compensation for time spent by Indemnitee for which he is not otherwise compensated for by the Company or any third party, and all other disbursements or expenses in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding or enforcing a right to indemnification under this Agreement. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(j) "Independent Counsel" shall mean a law firm or a member of a law firm that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements); or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(k) References to "fines" shall include any excise tax assessed on Indemnitee with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(l) The term "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act as in effect on the date hereof; provided, however, that "Person" shall exclude: (i) the Company; (ii) any Subsidiary of the Company; (iii) any employee benefit plan of the Company including, without limitation, the Company's Employee Stock Ownership Plan, or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan; (iv) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their

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ownership of stock of the Company; and (v) Roy F. Farmer, deceased, his widow Emily Farmer and their descendants (collectively, "Farmer Family Members"), the estates of Farmer Family Members and the personal representatives thereof, and trusts, partnerships and other entities created by or for the benefit of Farmer Family Members and the trustees, partners and members thereof.

(m) A "Potential Change in Control" shall be deemed to have occurred if: (i) the Company enters into an agreement or arrangement, the consummation of which would result in the occurrence of a Change in Control; (ii) any Person or the Company publicly announces an intention to take or consider taking actions which if consummated would constitute a Change in Control; (iii) any Person who becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 5% or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors increases its Beneficial Ownership of such securities by 5% or more over the percentage so owned by such Person on the date hereof; or (iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(n) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action (or failure to act) taken by him or of any action (or failure to act) on his part while acting as a director or officer of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(o) The term "Subsidiary," with respect to any Person, shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by that Person.

2. Agreement To Serve. Indemnitee agrees to serve and/or continue to serve as an agent of the Company, at its will (or under separate agreement, if such agreement exists), in the capacity Indemnitee currently serves as an agent of the Company; provided, however, that nothing contained in this Agreement is intended to or shall (i) restrict the ability of Indemnitee to resign at any time and for any reason from any current or future position or positions, (ii) create any right to continued employment of Indemnitee in any current or future position or positions, or (iii) restrict the ability of the Company to terminate the employment or agency of Indemnitee at any time and for any reason (subject to compliance with the terms of any employment or other applicable agreement to which the Company (or any of its Subsidiaries) and Indemnitee are parties).

3. Indemnification in Third-Party Proceedings. The Company shall indemnify and hold harmless Indemnitee in accordance with the provisions of this Section 3 if, by reason of his Corporate Status, Indemnitee was, is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, judgments, penalties, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding, had no reasonable cause to believe that his conduct was unlawful.

4. Indemnification in Proceedings by or in the Right of the Company. The Company shall indemnify and hold harmless Indemnitee in accordance with the provisions of this Section 4 if, by reason of his Corporate Status, Indemnitee was, is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on his

behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Notwithstanding the foregoing, no indemnification shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such Expenses as the court shall deem proper.

5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify and hold harmless Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify and hold harmless Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. If Indemnitee is not wholly successful in such Proceeding, the Company also shall indemnify and hold harmless Indemnitee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue or matter on which Indemnitee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, he shall be indemnified and held harmless against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

7. Additional Indemnification

(a) Notwithstanding any limitation in Sections 3, 4 or 5, the Company shall indemnify and hold harmless Indemnitee if, by reason of his Corporate Status, Indemnitee is a party to or threatened to be made a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding. No indemnity shall be made under this Section 7(a) on account of Indemnitee's conduct which constitutes a breach of Indemnitee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) Notwithstanding any limitation in Sections 3, 4, 5 or 7(a), the Company shall indemnify and hold harmless Indemnitee if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

8. Contribution

(a) Whether or not the indemnification provided in Sections 3, 4, 5 and 7 hereof is available, in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which the Law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

9. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy, contract, agreement, other indemnity provision or otherwise;

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law;

(c) except as otherwise provided in Sections 14(e) and (f) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law;

(d) for any Expenses, judgments, liabilities, fines, penalties and amounts paid in settlement resulting from Indemnitee’s conduct which is finally adjudged to have been willful misconduct, knowingly fraudulent or deliberately dishonest; or

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(e) if a court of competent jurisdiction shall finally determine that any indemnification hereunder is unlawful.

10. Advances of Expenses; Defense of Claim

(a) Notwithstanding any provision of this Agreement to the contrary, and to the fullest extent permitted by applicable law, the Company shall advance all Expenses incurred by or on behalf of Indemnitee (or reasonably expected by Indemnitee to be incurred by Indemnitee within three months) in connection with any Proceeding by reason of Indemnitee’s Corporate Status within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee’s ability to repay the Expenses and without regard to Indemnitee’s ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable Expenses incurred pursuing a Proceeding to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. Indemnitee shall qualify for advances, to the fullest extent permitted by applicable law, solely upon the execution and delivery to the Company of an undertaking providing that Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company under the provisions of this Agreement, the Charter, the Bylaws of the Company, applicable law or otherwise. This Section 10(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 9.

(b) The Company shall be entitled to participate in any Proceeding at its own expense.

(c) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any Expense, judgment, fine, penalty or limitation on Indemnitee without Indemnitee's prior written consent.

11. Procedure for Notification and Application for Indemnification

(a) Indemnitee agrees to notify promptly the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement, or otherwise.

(b) Indemnitee may deliver to the Company a written application to indemnify and hold harmless Indemnitee in accordance with this Agreement. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his sole discretion. Following such a written application for indemnification by Indemnitee, Indemnitee's entitlement to indemnification shall be determined according to Section 12(a) of this Agreement.

12. Procedure Upon Application for Indemnification

(a) A determination, if required by applicable law, with respect to Indemnitee's entitlement to indemnification shall be made in the specific case by one of the following methods, which shall be at the election of the Board: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board or (ii) by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. The Company promptly shall advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by

Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) hereof, the Independent Counsel shall be selected as provided in this Section 12(b). The Independent Counsel shall be selected by the Board of Directors, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected and certifying that the Independent Counsel so selected meets the requirements of "Independent Counsel" as defined in Section 1 of this Agreement. Indemnitee may, within ten (10) days after such written notice of selection shall have been received, deliver to the Company a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 1 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within twenty (20) days after submission by Indemnitee of a written request for indemnification pursuant to Section 11(b) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court for resolution of any objection which shall have been made by Indemnitee to the Company's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Delaware Court, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 12(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing). The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 12(a) hereof, regardless of the manner in which such Independent Counsel was selected or appointed.

13. Presumptions and Effect of Certain Proceedings

(a) In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 11(b) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 12 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within thirty (30) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a final judicial determination that any or all such indemnification is expressly prohibited under applicable law; provided, however, that such 30-day period may be extended for a reasonable time, not to exceed an additional fifteen (15) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Enterprise. The provisions of this Section 13(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) The knowledge and/or actions, or failure to act, of any other director, officer, trustee, partner, managing member, fiduciary, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

14. Remedies of Indemnitee

(a) In the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses, to the fullest extent permitted by applicable law, is not timely made pursuant to Section 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) of this Agreement within thirty (30) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, or the last sentence of Section 12(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) a contribution payment is not made in a timely manner pursuant to Section 8 of this Agreement, or (vi) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by the Delaware Court to such indemnification, contribution or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Except as set forth herein, the provisions of Delaware law (without regard to its conflict of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14, Indemnitee shall be presumed to be entitled to indemnification under this Agreement and the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 12(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 14, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 10 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(e) The Company shall indemnify and hold harmless Indemnitee to the fullest extent permitted by law against all Expenses and, if requested by Indemnitee, shall (within ten (10) days after the Company's receipt of such written request) advance to Indemnitee, to the fullest extent permitted by applicable law, such Expenses which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee (i) to enforce his rights under, or to recover damages for breach of, this Agreement or any other indemnification, advancement or contribution agreement or provision of the Charter, or the Company's Bylaws now or hereafter in effect; or (ii) for recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance, contribution or insurance recovery, as the case may be.

(f) Interest shall be paid by the Company to Indemnitee at the legal rate under Delaware law for amounts which the Company indemnifies or is obliged to indemnify for the period commencing with the date on which Indemnitee requests indemnification, contribution, reimbursement or advancement of any Expenses and ending with the date on which such payment is made to Indemnitee by the Company.

15. Establishment of Trust. In the event of a Potential Change in Control, the Company shall, upon written request by Indemnitee, create a "Trust" for the benefit of Indemnitee and from time to time upon written request of Indemnitee shall fund such Trust in an amount sufficient to satisfy any and all Expenses reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for, participating in or defending any Proceedings, and any and all judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges

paid or payable in connection with or in respect of such judgments, fines penalties and amounts paid in settlement) in connection with any and all Proceedings from time to time actually paid or claimed, reasonably anticipated or proposed to be paid. The trustee of the Trust (the "Trustee") shall be a bank or trust company or other individual or entity chosen by Indemnitee and reasonably acceptable to the Company. Nothing in this Section 15 shall relieve the Company of any of its obligations under this Agreement. The amount or amounts to be deposited in the Trust pursuant to the foregoing funding obligation shall be determined by mutual agreement of Indemnitee and the Company or, if the Company and Indemnitee are unable to reach such an agreement, by Independent Counsel selected in accordance with Section 12(b) of this Agreement. The terms of the Trust shall provide that, except upon the consent of both Indemnitee and the Company, upon a Change in Control: (a) the Trust shall not be revoked or the principal thereof invaded, without the written consent of Indemnitee; (b) the Trustee shall advance, to the fullest extent permitted by applicable law, within two (2) business days of a request by Indemnitee and upon the execution and delivery to the Company of an undertaking providing that Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company, any and all Expenses to Indemnitee; (c) the Trust shall continue to be funded by the Company in accordance with the funding obligations set forth above; (d) the Trustee shall promptly pay to Indemnitee all amounts for which Indemnitee shall be entitled to indemnification pursuant to this Agreement or otherwise; and (e) all unexpended funds in such Trust shall revert to the Company upon mutual agreement by Indemnitee and the Company or, if Indemnitee and the Company are unable to reach such an agreement, by Independent Counsel selected in accordance with Section 12(b) of this Agreement, that Indemnitee has been fully indemnified under the terms of this Agreement. The Trust shall be governed by Delaware law (without regard to its conflicts of laws rules) and the Trustee shall consent to the exclusive jurisdiction of the Delaware Court in accordance with Section 23 of this Agreement.

16. Security. Notwithstanding anything herein to the contrary, to the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of Indemnitee.

17. Non-Exclusivity; Survival of Rights; Insurance; Subrogation

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Charter, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in applicable law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Charter, the Company's Bylaws or this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) The DGCL, the Charter and the Company's Bylaws permit the Company to purchase and maintain insurance or furnish similar protection or make other arrangements including, but not limited to, providing a trust fund, letter of credit, or surety bond ("Indemnification Arrangements") on behalf of Indemnitee against any liability asserted against him or incurred by or on behalf of him or in such capacity as a director, officer, employee or agent of the Company, or arising out of his status as such, whether or not the Company would have the power to indemnify him against such liability under the provisions of this Agreement or under the DGCL, as it may then be in effect. The purchase, establishment, and maintenance of any such Indemnification Arrangement shall not in any way limit or affect the rights and obligations of the Company or of Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and Indemnitee shall not in any way limit or affect the rights and obligations of the Company or the other party or parties thereto under any such Indemnification Arrangement.

(c) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, trustee, partner, managing member, fiduciary, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(d) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(e) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

18. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee serves as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other Enterprise which Indemnitee serves at the request of the Company and shall continue thereafter so long as Indemnitee shall be subject to any possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 14 of this Agreement) by reason of his

Corporate Status, whether or not he is acting in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement.

19. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

20. Enforcement and Binding Effect

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) Without limiting any of the rights of Indemnitee under the Charter or Bylaws of the Company as they may be amended from time to time, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof. If the DGCL or any other applicable law is amended after the date hereof to permit the Company to indemnify Indemnitee for Expenses or liabilities, or to indemnify Indemnitee with respect to any action or Proceeding, not contemplated by this Agreement, then this Agreement (without any further action by either party hereto) shall automatically be deemed to be amended to require that the Company indemnify Indemnitee to the fullest extent permitted by the DGCL.

(c) The indemnification and advancement of expenses provided by or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise at the Company's request, and shall inure to the benefit of Indemnitee and his spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(d) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(e) The Company and Indemnitee agree herein that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which he may be entitled. The Company and Indemnitee further agree that Indemnitee shall be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertaking in connection therewith. The Company acknowledges that in the absence of a waiver, a bond or undertaking may be required of Indemnitee by the court, and the Company hereby waives any such requirement of such a bond or undertaking.

21. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

22. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (i) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third (3rd) business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Company.

(b) If to the Company, to:

Farmer Bros. Co.
20333 South Normandie Avenue
Torrance, CA 90502
Attention: Corporate Secretary

or to any other address as may have been furnished to Indemnitee in writing by the Company.

23. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally: (a) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Delaware Court and not in any other state or federal court in the United States of America or any court in any other country; (b) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement; (c) appoint irrevocably, to the extent such party is not a resident of the State of Delaware, RL&F Service Corp., One Rodney Square, 10th Floor, 10th and King Streets, P.O. Box 551, Wilmington, Delaware 19899 as its agent in the

State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware; (d) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court; and (e) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum, or is subject (in whole or in part) to a jury trial.

24. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

25. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

FARMER BROS. CO.

By: ______________________________
Name:
Title:

INDEMNITEE

____
Name:

Address: ______________________________
____
____

SCHEDULE OF INDEMNITEES

John M. Anglin
Guenter W. Berger
Kenneth R. Carson
Lewis A. Coffman
Hortensia R. Gomez
Michael J. King
Roger M. Laverty III
Martin A. Lynch
Thomas A. Maloof
James J. McGarry
John H. Merrell
Heidi L. Modaro
John Samore, Jr.
John E. Simmons
Carol Farmer Waite

Exhibit 21.1

SUBSIDIARIES OF FARMER BROS. CO.

Farmer Bros. Co., a Delaware corporation
FBC Finance Co., a California corporation
Coffee Bean Holding Co., Inc., a Delaware corporation
Sierra Herb (inactive), a California corporation

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-157169) pertaining to the Farmer Bros. Co. 2007 Omnibus Plan of our reports dated September 15, 2009, with respect to the consolidated financial statements of Farmer Bros. Co. and the effectiveness of internal control over financial reporting of Farmer Bros. Co., included in its Annual Report (Form 10-K) for the year ended June 30, 2009 filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

Los Angeles, California
September 15, 2009

Exhibit 31.1

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

I, Roger M. Laverty III, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: September 15, 2009

/s/ ROGER M. LAVERTY III

Roger M. Laverty III
President and Chief Executive Officer
(Principal Executive Officer)

QuickLinks

Exhibit 31.1

Exhibit 31.2

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

I, John E. Simmons certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: September 15, 2009

/s/ JOHN E. SIMMONS

John E. Simmons
Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

QuickLinks

Exhibit 31.2

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 32.1

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

In connection with the Annual Report of Farmer Bros. Co. (the "Company") on Form 10-K for the fiscal year ended June 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roger M. Laverty III, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: September 15, 2009

/s/ ROGER M. LAVERTY III

Roger M. Laverty III
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.

QuickLinks

Exhibit 32.1

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 32.2

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

In connection with the Annual Report of Farmer Bros. Co. (the "Company") on Form 10-K for the fiscal year ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John E. Simmons, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: September 15, 2009

/s/ JOHN E. SIMMONS

John E. Simmons
Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

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

QuickLinks

Exhibit 32.2

Exhibit 99.1

Farmer Bros Co.

Offices Warehouses and Plants:

Farmer Bros. Co. is headquartered in Torrance, California. It roasts and packages coffee, processes spices and other restaurant supplies at that location, and manufactures a complete line of coffee-brewing equipment at its Brewmatic Division plant in Los Angeles. The Corporation's primary business is conducted through its internal divisions: Restaurant and Institutional Sales Division, Brewmatic Division, Spice Products Division and Custom Coffee Plan Division; and two subsidiaries, Coffee Bean International, Inc. a specialty coffee roaster and wholesaler located in Portland, Oregon and FBC Finance Company, a personal property broker licensed by the state of California.

Executive Offices:

Farmer Bros. Co.
20333 South Normandie Avenue, Torrance, California*
Restaurant and Institutional Sales Division
20401 South Normandie Avenue, Torrance, California*
1901 Butterfield Road, Suite 810, Downers Grove, Illinois
Brewmatic Company Division
20333 South Normandie Avenue, Torrance, California
Coffee Bean International, Inc.
9120 N.E. Alderwood Rd., Portland, Oregon
Spice Products Company Division
20333 South Normandie Avenue, Torrance, California
Custom Coffee Plan Division
20333 South Normandie Avenue, Torrance, California
FBC Finance Co.
20333 South Normandie Avenue, Torrance, California

Restaurant and Institutional Sales Branch Warehouses

Arizona

FLAGSTAFF*
2385 N. Walgreen Street

HAVASU CITY*
1105 Aviation Drive

PHOENIX*
1060 W. Alameda Dr.
Tempe

TUCSON*
3818 South Evans Blvd.

YUMA
3320 E. Gila Ridge Rd.

Arkansas

FAYETTEVILLE
3901-D Kelly
Springdale

LITTLE ROCK
7630 Hardin Drive
North Little Rock

LITTLE ROCK
1801 East 23rd St.

California

BAKERSFIELD*
8802 Swigert Ct.

BISHOP*
324 E. Clarke Street

CASTROVILLE*
11460 Commercial Parkway

CHICO*
480 Ryan Ave., Ste 100

CORONA*
521 Priceland Court

EUREKA
1825 3rd Street

EUREKA
412 W. Wabash Ave.

FRESNO*
4576 N. Bendel

FRESNO
1918 E. Home Ave.

INDUSTRY
15241 Don Julian Rd.

LANCASTER*
42138 7th Street West

LOS ANGELES DOWNTOWN*
3828 S Main St.

LOS ANGELES SF VALLEY*
9373 Remick Ave.

OAKLAND*
9845 Kitty Lane

MURRIETA
25695 Jefferson Ave. Ste 8

PALM SPRINGS*
72205 Corporate Way
Thousand Palms

PASO ROBLES
1509 No. River Road

POWAY
12255 Kirkham Rd.

RIALTO*
2751 S. Lilac Ave.

ROHNERT PARK
75 Executive Avenue

SACRAMENTO*
2450 Boatman Ave.

SACRAMENTO
4216 Roseville Rd.
North Highlands

SAN BERNARDINO*
2751 S. Lilac Ave.
Rialto

SAN DIEGO*
7855 Ostrow St., B

SAN GABRIEL*
859 Meridian St.
Duarte

SAN JOSE*
1462 Seareel Pl.

SAN LUIS OBISPO*
3415 Miguelito Ct.

SAND CITY
648 Redwood Av.

SANTA ANA*
3921 W. Segerstrom Ave.

SANTA FE SPRINGS
9901 Bell Ranch Road

SANTA ROSA*
470 E. Todd Rd.

STOCKTON*
4243 Arch Road

TORRANCE*
20401 S. Normandie Ave.

VENTURA*
1350 Stellar Dr.
Oxnard

VICTORVILLE*
17190 Yuma St.

Colorado

COLORADO SPRINGS*
337 Manitou Ave.
Manitou Springs

DENVER*
5595 Joliet Street

FORT COLLINS*
4500 Innovation Drive

GRAND JUNCTION*
2848 Chipeta Ave., #B

Connecticut

WATERBURY
61 Mattatuck Heights Rd.

Florida

MEDLEY
9314 NW 102 St.

ORLANDO
7101 TPC Blvd.

TAMPA
4717 Oak Fair Bl.

Georgia

ATLANTA
5192 Southridge Parkway

Idaho

BOISE
1625 South Curtis

IDAHO FALLS*
805 S. Saturn Ave.

TWIN FALLS
258 6th Ave. W

Illinois

CHICAGO
31W280 Diehl Rd., Unit 103
Naperville

MOLINE
2950 38th Avenue

NORTHLAKE
100 Whitehall Av.

OGLESBY
201 S. Columbia Av. #87

SPRINGFIELD
3430 Constitution Dr. #122

Indiana

EVANSVILLE
1905 N. Kentucky Ave.

INDIANAPOLIS
1123 Country Club Rd.

INDIANAPOLIS*
1417 Southeastern Ave.

MERRILLVILLE
1500 E. 89th Ave.

Iowa

DES MOINES
1662 N.E. 55th Ave.

DES MOINES
5514 NE 17th St.

OMAHA*
3217 Nebraska Ave.
Council Bluffs

Kansas

WICHITA
2355 S. Edwards Suite B

WICHITA
427 S. Washington

Kentucky

LOUISVILLE
4432 Klin Court, Bld. 8

Louisana

SHREVEPORT
4113 Metro Dr

SHREVEPORT
2391 Levy Street

Maryland

JESSUP
8268 Preston Ct.

Massachusetts

NORTH BILLERICA
18 Esquire Rd.

Michigan

PLYMOUTH
9260 General Dr.

SAGINAW
3691 Fashion Square Bl.

WYOMING
3413 Roger B. Chaffee Memorial Dr. Suite F

Minnesota

BRAINERD
416 S. Seventh St.

DULUTH
4314 Enterprise Cr.

FRIDLEY
350 73rd Av. N

MINNEAPOLIS*
3074 84th Lane N E
Blaine

ROCHESTER
2520 Schuster Lane NW

Missouri

COLUMBIA
4881 B I-70 Drive SW

EARTH CITY
4333 Green Ash Dr.

KANSAS CITY*
9 N.E. Skyline Dr.
Lee's Summit

RIVERSIDE
208 NW Business Park

SPRINGFIELD
450 M S. Union

SPRINGFIELD
540 A N. Cedarbrook

ST. LOUIS*
12832 Pennridge Dr.

Montana

BILLINGS*
2625 Enterprise Ave.

GREAT FALLS*
2600 16th St. N.E.
Black Eagle

MISSOULA
2751 Charlo St.

Nebraska

NORTH PLATTE
601 Sioux Meadow

OMAHA
2613 S. 156th Circle

Nevada

ELKO*
460 S. A Street

LAS VEGAS*
4612 Industry Center Dr.

LAS VEGAS
6435 S. Valley View Ste. B

CARSON CITY*
3880 Technology Way

RENO
320 S. Rock Blvd.

New Jersey

HAMMONTON
590 Egg Harbor Dr.

MOONACHIE
75 State St.

New Mexico

ALBUQUERQUE*
5911 Office Blvd.

ALBUQUERQUE
5600 Second St. NW

FARMINGTON
1414 Schofield Lane

ROSWELL
710 East College

New York

EAST SYRACUSE
6838 Ellicott Dr.

North Carolina

CHARLOTTE
1859 Lindbergh St. Unit 500

North Dakota

BISMARCK
3800 Commerce Drive, Suite C

BISMARCK
1605 Park Av.

FARGO
710 38th St. N.W.- Unit C

FARGO
3130 Fiechtner Dr. Unit A

GRAND FORKS
2402 N. 43rd St.

Ohio

CINCINNATI
2138A Schappelle Lane

CINCINNATI
10608 Millington Ct.

COLUMBUS
2543 Westbelt Dr.

LIMA
1658 W. Breese Rd.

VALLEY VIEW
9090 Bank St.

Oklahoma

MIDWEST CITY
1301 N. Air Depot Blvd.

OKLAHOMA CITY*
4611 S.W. 20th St.

TULSA
160 S. 123 E. Pl.

TULSA*
804 S. 8th St.
Broken Arrow

Oregon

EUGENE*
2495 Unit C Prairie Rd.

MEDFORD
777 East Vilas Rd.
Central Point

PORTLAND*
7515 N.E. 33rd Dr.

Pennsylvania

CRANBERRY TOWNSHIP
215-220 Commerce Park Dr.

STROUDSBERG
201 First St.

South Dakota

RAPID CITY*
2030 Creek Dr.

RAPID CITY
2261 South Plaza Dr.

SIOUX FALLS
2405 W. 5th St.

SIOUX FALLS
6204 W. 12th St.

Tennessee

MEMPHIS
5753 E. Shelby Dr., Ste 1

NASHVILLE
304 'A' Hill Ave.

Texas

ABELENE
1101 Tracy Lynn Dr.

AMARILLO
1415 S. Johnson St.

AMARILLO
620 N. Fairfield

AUSTIN
13802 Dragline Dr.

AUSTIN*
2004 Lamar Dr.
Round Rock

CORPUS CHRISTI
3909 Wow Road

CORPUS CHRISTI
4855 Baldwin Bl.

DALLAS/FT. WORTH*
744 Avenue H East
Arlington

EL PASO*
1325 Don Haskins Dr.

GRAND PRAIRIE
941 Avenue N. Ste.

HOUSTON*
6638 Rupley Circle

HOUSTON
922 W. 34th St.

HOUSTON*
202 N. Northwood

LUBBOCK
1608 D No. University

McALLEN*
1312 E. Laurel

ODESSA
2017 W. 7th

SAN ANTONIO
4930 Center Park

SCHERTZ
6389 FM 3009

WEBSTER
1730 FM 528

WESLACO
320 S. Utah Av. Ste. A

WICHITA FALLS
1404 Beverly Drive

Utah

SALT LAKE CITY*
2230 So. 2000 West

ST. GEORGE
988 W. Sunset Blvd. #4

Washington

SEATTLE*
8660 Willows Rd.
Redmond

SPOKANE*
E. 10915 Montgomery Dr.

TACOMA
9412 Front Street
Lakewood

Washington Continued

YAKIMA*
2301 S. 18th Street
Union Gap

Wisconsin

GREEN BAY
1227 S. Maple Ave.

LA CROSSE
1232 Clinton St.

LITTLE CHUTE
700 Moasis Dr.

MADISON
1017 Jonathan Dr.

MADISON
1412 Parkside Dr., Ste. 102

MILWAUKEE
W. 182 S8335-A Racine Ave.
Muskego

PEWAUKEE
W 232 N 2960 Roundy Circle W Ste 100

ROTHSCHILD
10701 Teach Ln.

SCHOFIELD
3716 Schofield Av. Unit 1

SUPERIOR
1705 Tower Ave.

Wyoming

CASPER*
2170 N. Old Salt Creek Hwy.

JACKSON
Unit 30 South Park Rd.

Coffee Bean International, Inc.

Oregon

PORTLAND
9120 N.E. Alderwood Rd

Custom Coffee Plan Branch Warehouses

California

NORTH HOLLYWOOD*
7419 Bellaire Ave.

SAN DIEGO*
7855-A Ostrow St.

OAKLAND*
9844 Kitty Lane

TORRANCE*
20333 S. Normandie Ave.

Colorado

DENVER*
5595 Joliet Street, #B

Texas

DALLAS*
722 Avenue H East
Arlington

HOUSTON*
11519 South Petropark Drive

* owned