

FARMER BROTHERS CO  
Form DEF 14A  
October 28, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. \_\_)**

Filed by the Registrant   
Check the appropriate box:

Filed by a Party other than the Registrant

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**FARMER BROS. CO.**

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(3) Filing Party:

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## **FARMER BROS. CO.**

**20333 South Normandie Avenue**

**Torrance, California 90502**

### **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON DECEMBER 9, 2010**

TO THE STOCKHOLDERS OF FARMER BROS. CO.:

NOTICE IS HEREBY GIVEN that the 2010 Annual Meeting of Stockholders (the *Annual Meeting*) of Farmer Bros. Co., a Delaware corporation (the *Company* or *Farmer Bros.*), will be held at the principal office of the Company located at 20333 South Normandie Avenue, Torrance, California 90502, on Thursday, December 9, 2010, at 10:00 a.m., Pacific Standard Time, for the following purposes:

1. To elect three Class I directors to the Board of Directors of the Company for a three-year term of office expiring at the 2013 Annual Meeting of Stockholders;
2. To ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2011; and
3. To transact such other business as may properly come before the Annual Meeting or any continuation, postponement or adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice of Annual Meeting of Stockholders.

The Board of Directors has fixed the close of business on October 15, 2010 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and at any continuation, postponement or adjournment thereof.

By Order of the Board of Directors

John M. Anglin

*Secretary*

Torrance, California

October 28, 2010

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS**

**FOR THE STOCKHOLDER MEETING TO BE HELD ON DECEMBER 9, 2010**

The accompanying Proxy Statement and the Company's 2010 Annual Report on

Form 10-K, as amended, are available at: <http://proxy.farmerbros.com>.

**PLEASE SUBMIT A PROXY AS SOON AS POSSIBLE SO THAT YOUR SHARES CAN BE VOTED AT THE ANNUAL MEETING IN ACCORDANCE WITH YOUR INSTRUCTIONS. FOR SPECIFIC INSTRUCTIONS ON VOTING, PLEASE REFER TO THE INSTRUCTIONS ON THE PROXY CARD OR THE INFORMATION FORWARDED BY YOUR BROKER, BANK OR OTHER NOMINEE. ESOP PARTICIPANTS SHOULD FOLLOW THE INSTRUCTIONS PROVIDED BY THE ESOP TRUSTEE, GREATBANC TRUST COMPANY. EVEN IF YOU HAVE VOTED YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE ANNUAL MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE IN PERSON AT THE ANNUAL MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM SUCH BROKER, BANK OR OTHER NOMINEE.**

**YOUR VOTE IS VERY IMPORTANT. PLEASE SUBMIT YOUR PROXY EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING.**

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## FARMER BROS. CO.

20333 South Normandie Avenue

Torrance, California 90502

### PROXY STATEMENT

#### INFORMATION CONCERNING VOTING AND SOLICITATION

##### General

The enclosed proxy is solicited on behalf of the Board of Directors (the Board of Directors or the Board) of Farmer Bros. Co., a Delaware corporation (the Company or Farmer Bros.), for use at the 2010 Annual Meeting of Stockholders (the Annual Meeting) to be held on Thursday, December 9, 2010, at 10:00 a.m., Pacific Standard Time, or at any continuation, postponement or adjournment thereof, for the purposes discussed in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders, and any business properly brought before the Annual Meeting. Proxies are solicited to give all stockholders of record an opportunity to vote on matters properly presented at the Annual Meeting. The approximate date on which this Proxy Statement, the accompanying proxy card and Annual Report to Stockholders (which is not part of the Company's soliciting materials) are being mailed to the Company's stockholders is November 1, 2010. The Annual Meeting will be held at the principal office of the Company located at 20333 South Normandie Avenue, Torrance, California 90502. If you plan to attend the Annual Meeting in person, you can obtain directions to the Company's principal office at <http://proxy.farmerbros.com>.

##### Solicitation of Proxies

The Company will bear the entire cost of solicitation of proxies, including preparation, assembly and mailing of this Proxy Statement, the proxy and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of Farmer Bros. common stock (Common Stock) in their names that are beneficially owned by others to forward to those beneficial owners. The Company may reimburse persons representing beneficial owners for their costs of forwarding the solicitation materials to the beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, facsimile, electronic mail or personal solicitation by directors, officers or employees of the Company. No additional compensation will be paid to directors, officers or employees for such services. A list of stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder for any purpose germane to the Annual Meeting during ordinary business hours at the offices of the Company located at 20333 South Normandie Avenue, Torrance, California 90502 for the ten days prior to the Annual Meeting and also at the Annual Meeting.

##### What Am I Voting On?

You will be entitled to vote on the following proposals at the Annual Meeting:

The election of three Class I directors to serve on our Board for a three-year term of office expiring at the 2013 Annual Meeting of Stockholders; and

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The ratification of the selection of Ernst & Young LLP ( EY ) as our independent registered public accounting firm for the fiscal year ending June 30, 2011.

### **Who Can Vote?**

You are entitled to vote if you are a stockholder of record of Common Stock as of the close of business on October 15, 2010. Your shares may be voted at the Annual Meeting only if you are present in person or represented by a valid proxy.



### **Shares Outstanding and Quorum**

At the close of business on October 15, 2010, 16,156,861 shares of Common Stock were outstanding and entitled to vote at the Annual Meeting. The Company has no other class of securities outstanding. A majority of the outstanding shares of Common Stock, present in person or represented by proxy, will constitute a quorum at the Annual Meeting, which is required in order to hold the Annual Meeting and conduct business. Your shares are counted as present at the Annual Meeting if you: (i) are present in person at the Annual Meeting; or (ii) have properly submitted a proxy card by mail. If you submit your proxy but abstain from voting on one or more matters, your shares will be counted as present at the Annual Meeting for the purpose of determining a quorum. Your shares also will be counted as present at the Annual Meeting for the purpose of calculating the vote on the particular matter with respect to which you abstained from voting. If your shares are held in street name, your shares are counted as present for purposes of determining a quorum if your broker, bank or other nominee submits a proxy covering your shares. Your broker, bank or other nominee is entitled to submit a proxy covering your shares as to certain routine matters, even if you have not instructed your broker, bank or other nominee on how to vote on such matters.

### **Voting of Shares**

Stockholders of record as of the close of business on October 15, 2010 are entitled to one vote for each share of Common Stock held on all matters to be voted upon at the Annual Meeting. There is no cumulative voting in the election of our directors. You may vote by attending the Annual Meeting and voting in person. You may also vote by completing and mailing the enclosed proxy card or the form forwarded by your bank, broker or other nominee. If your shares are held by a bank, broker or other nominee, please refer to the instructions they provide for voting your shares. Participants in the Farmer Bros. Co. Employee Stock Ownership Plan (the ESOP) should follow the instructions provided by the ESOP trustee, GreatBanc Trust Company. All shares entitled to vote and represented by properly executed proxies received before the polls are closed at the Annual Meeting, and not revoked or superseded, will be voted at the Annual Meeting in accordance with the instructions indicated on those proxies.

**YOUR VOTE IS VERY IMPORTANT. PLEASE SUBMIT YOUR PROXY EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING.**

### **Voting Instructions by ESOP Participants**

The ESOP owns approximately 17.5% of the outstanding Common Stock. Full time employees of Farmer Bros. and its subsidiaries participate in the ESOP. Each ESOP participant has the right to direct the ESOP trustee on how to vote the shares of Common Stock allocated to his or her account under the ESOP. Shares of Common Stock allocated to participant accounts for which properly executed voting instructions have been received by the ESOP trustee will be voted by the ESOP trustee in the manner directed or, in the absence of any direction, FOR each nominee named in Item 1 and FOR Item 2, and in accordance with the discretion of the ESOP trustee on such other matters as may properly come before the Annual Meeting, including any continuation, postponement or adjournment thereof, and any other matters incident to the conduct of the Annual Meeting. The ESOP trustee will vote all of the unallocated ESOP shares (i.e., shares of Common Stock held in the ESOP, but not allocated to any participant's account) and allocated shares for which no voting directions are timely received by the ESOP trustee in the same proportion as the voted allocated shares with respect to each item.

### **Counting of Votes**

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Shares held by persons attending the Annual Meeting but not voting, shares represented by proxies that reflect abstentions as to one or more proposals and broker non-votes will be counted as present for purposes of determining a quorum. A broker

non-vote occurs when a nominee holding shares for a beneficial owner has not received instructions from the beneficial owner and does not have discretionary authority to vote the shares. If you hold your shares in street name and do not provide voting instructions to your bank, broker or other nominee, your shares will be considered to be broker non-votes and will not be voted on any proposal on which your bank, broker or other nominee does not have discretionary authority to vote. Shares that constitute broker non-votes will be counted as present at the Annual Meeting for purposes of determining a quorum, but will not be considered entitled to vote on the proposal in question. Brokers generally have discretionary authority to vote on the ratification of the selection of EY as our independent registered public accounting firm.

Directors are elected by a plurality of the votes cast. This means that the three individuals nominated for election to the Board at the Annual Meeting who receive the largest number of properly cast FOR votes (among votes properly cast in person or by proxy) will be elected as directors. In director elections, stockholders may either vote FOR or withhold voting authority with respect to director nominees. Shares voting withhold are counted for purposes of determining a quorum. However, if you withhold authority to vote with respect to the election of some or all of the nominees, your shares will not be voted with respect to those nominees indicated. Therefore, withhold votes will not affect the outcome of the election of directors. Brokers do not have discretionary authority to vote on the election of directors. Broker non-votes and abstentions will have no effect on the election of directors.

The ratification of the selection of EY requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same effect as votes against the ratification. Because brokers have discretionary authority to vote on the ratification, we do not expect any broker non-votes in connection with the ratification.

#### **If You Receive More Than One Proxy Card**

If you receive more than one proxy card, it means you hold shares that are registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy card.

#### **Proxy Card and Revocation of Proxy**

You may vote by completing and mailing the enclosed proxy card. If you sign the proxy card but do not specify how you want your shares to be voted, your shares will be voted by the proxy holders named in the enclosed proxy: (i) in favor of the election of all of the director nominees; and (ii) in favor of ratification of the selection of EY as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2011. In their discretion, the proxy holders named in the enclosed proxy are authorized to vote on any other matters that may properly come before the Annual Meeting and at any continuation, postponement or adjournment thereof. The Board of Directors knows of no other items of business that will be presented for consideration at the Annual Meeting other than those described in this Proxy Statement. In addition, no stockholder proposal or nomination was received on a timely basis, so no such matters may be brought to a vote at the Annual Meeting.

If you vote by proxy, you may revoke that proxy at any time before it is voted at the Annual Meeting. Stockholders of record may revoke a proxy by sending to the Company's Secretary at the Company's principal office at 20333 South Normandie Avenue, Torrance, California 90502, a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting in person and voting in person. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

If your shares are held in the name of a bank, broker or other nominee, you may change your vote by submitting new voting instructions to your bank, broker or other nominee. Please note that if your shares are held of record by a bank, broker or other nominee, and you decide to attend and vote at the Annual Meeting, your vote in person at the Annual Meeting will not be effective unless you present a legal proxy, issued in your name from the record holder, your bank, broker or other nominee.

**Board Recommendations**

The Board recommends that you vote your shares as follows:

FOR the election of three Class I directors to serve on our Board for a three-year term of office expiring at the 2013 Annual Meeting of Stockholders; and

FOR the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2011.

**ITEM 1**

**ELECTION OF DIRECTORS**

**General**

Under the Company's Certificate of Incorporation and Amended and Restated Bylaws (the "Bylaws"), the Board of Directors is divided into three classes, each class consisting, as nearly as possible, of one-third of the total number of directors, with members of each class serving for a three-year term. Each year only one class of directors is subject to a stockholder vote. Class I presently consists of three directors whose term of office expires at the Annual Meeting and whose successors will be elected at the Annual Meeting to serve until the 2013 Annual Meeting of Stockholders. Class II consists of two directors, continuing in office until the 2011 Annual Meeting of Stockholders. Class III consists of two directors, continuing in office until the 2012 Annual Meeting of Stockholders.

The authorized number of directors is set forth in the Company's Certificate of Incorporation and shall consist of not less than five or more than seven members, the exact number of which shall be fixed from time to time by resolution of the Board. The authorized number of directors is currently seven. If the number of directors is changed, any increase or decrease will be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by the sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class will hold office for a term that will coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors will have the same remaining term as that of his or her predecessor.

Based on the recommendation of the Nominating Committee, the Board has nominated Roger M. Laverty III, Martin A. Lynch and James J. McGarry for re-election to the Board as Class I directors. If elected at the Annual Meeting, each would serve until the 2013 Annual Meeting of Stockholders and until his successor is elected and qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office. No nominations were made by stockholders.

All of the present directors were elected to their current terms by the stockholders. There are no family relationships among any current directors of the Company, or among any current directors and executive officers of the Company. Other than as disclosed in the tables below, none of the directors is a director of any other publicly-held company. None of our directors has been convicted in any criminal proceeding during the past ten years or is a party to any judicial or administrative proceeding during the past ten years that resulted in a judgment, decree or final order enjoining them from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws or commodities laws. Similarly, no bankruptcy petitions have been filed by or against any business or property of any of our directors or officers, nor has any bankruptcy petition been filed against a partnership or business association in which these persons were general partners, directors or executive officers.

**Vote Required**

Each share of Common Stock is entitled to one vote for each of the three director nominees and will be given the option of voting "FOR" or withholding authority to vote for each nominee. Cumulative voting is not permitted. It is the intention of the proxy holders named in the enclosed proxy to vote the proxies received by them for the election of the three nominees named below unless the proxies direct otherwise. If any nominee should become unavailable for election prior to the Annual Meeting, an event that currently is not anticipated by the Board, the proxies will be voted for the election of a substitute nominee or nominees proposed by the Board of Directors. Each nominee has agreed to serve if elected, and the Board of Directors has no reason to believe that any nominee will be unable to serve.

Directors are elected by a plurality of the votes cast. This means that the three individuals nominated for election to the Board at the Annual Meeting who receive the largest number of properly cast "FOR" votes (among votes properly cast in person or by proxy) will be elected as directors. In director elections, stockholders may either vote "FOR" or withhold voting authority with respect to director nominees. Shares voting "withhold" are counted for purposes of determining a quorum. However, if you withhold authority to vote with respect to the election of some or all of the nominees, your shares will not be voted with respect to those nominees indicated. Therefore, "withhold" votes will not affect the outcome of the election of directors. Brokers do not have discretionary authority to vote on the election of directors. Broker non-votes and abstentions will have no effect on the election of directors.

#### Nominees for Election as Directors

Set forth below is biographical information for each nominee for election as a Class I director at the Annual Meeting and a summary of the specific qualifications, attributes, skills and experiences which led our Board to conclude that the individual should be re-nominated to serve on the Board.

Name	Age	Director Since	Audit Committee	Compensation Committee	Nominating Committee
Roger M. Lavery III	63	2007			
Martin A. Lynch	73	2007	X		X
James J. McGarry	57	2007		X	X

**Roger M. Lavery III** joined Farmer Bros. in 2006, as the fifth chief executive to lead the Company since its founding in 1912. Under Mr. Lavery's leadership, the Company has positioned itself as one of the nation's largest direct-store delivery (DSD) businesses for coffee, tea and culinary products, including the acquisition of the DSD Coffee Business from Sara Lee in 2009, and the acquisition of Coffee Bean International, Inc. ("CBI"), one of the nation's leading roasters and wholesalers of specialty coffee, in 2007. Since joining Farmer Bros., Mr. Lavery has also focused on operational improvements through programs intended to enhance the efficiency and flexibility of the Company's manufacturing processes and supply chain, and initiatives intended to strengthen sales and branding. From 2003 to 2005, Mr. Lavery served as President and CEO of Diedrich Coffee, Inc., a diversified operator of coffee houses and franchises that was known for its expertise and traditions in specialty coffee. Earlier, Mr. Lavery served 20 years with retailer Smart & Final, Inc., an operator of non-membership grocery warehouse stores for food and foodservice supplies, playing key roles in the growth of its sales from \$200 million to more than \$1.4 billion. He served as President and CEO of Smart & Final from 1993 to 1998. Mr. Lavery received his undergraduate and law degrees from Stanford University. Mr. Lavery's knowledge regarding the Company's operations and the markets and industries in which we compete provides a critical link between management and the Board of Directors, enabling the Board to provide its oversight function with the benefit of management's perspective of the business.

**Martin A. Lynch** is currently the President of Claremorris Consulting, a privately-owned consulting company helping privately-held and publicly-held companies in the areas of strategic and financial projects, and has been serving in this capacity since 2002. From 2003 to 2005, Mr. Lynch served as the Executive Vice President and Chief Financial Officer of Diedrich Coffee, Inc. From 2001 to 2003, he served as a consultant to Smart & Final on strategic and financial projects. For twelve years, from 1989 to 2001, he served as Executive Vice President and Chief Financial Officer of Smart & Final. From 1984 to 1989, Mr. Lynch was Executive Vice President and Chief Financial Officer of San Francisco-based Duty Free Shoppers Group, Ltd. (retail). He served in a number of key positions with Los Angeles-based Tiger International (transportation and financial services) from 1970 to 1984 including the position of Senior Vice President, Chief Financial Officer from 1976 to 1984. Mr. Lynch's earlier experience includes merger and acquisition activities at Scot Lad Foods, Inc. (retail grocery) and service as audit manager for Price Waterhouse & Company (accounting) in Chicago. Mr. Lynch received his undergraduate degree from De Paul University and received his Certified Public Accountant designation in Illinois. Mr. Lynch's background and experience, particularly in the foodservice business, provide him with an understanding of our business, operations, financial results and prospects.

**James J. McGarry** has been a partner in the law firm of McGarry & Laufenberg, El Segundo, California, since 1995, and was a partner in other law firms bearing his name since 1984. A licensed attorney since 1980, his experience has been as a litigator and a mediator, specializing in business, tort and contract litigation. Mr. McGarry received his undergraduate degree from Loyola Marymount University and his law degree from Loyola Law School. Mr. McGarry's extensive legal and business experience provide him with an understanding of the Company's operations.

**THE BOARD RECOMMENDS A VOTE FOR EACH OF THE THREE NAMED NOMINEES.**

**Directors Continuing in Office**

Set forth below is biographical information for each director continuing in office and a summary of the specific qualifications, attributes, skills and experiences which led our Board to conclude that the individual should serve on the Board.

Name	Age	Director Since	Class	Term Expires	Audit Committee	Compensation Committee	Nominating Committee
Guenter W. Berger	73	1980	II	2011			
Jeanne Farmer Grossman	60	2009	III	2012		X	X
Thomas A. Maloof	58	2003	II	2011	X	Chair	X
John H. Merrell	66	2001	III	2012	Chair	X	X

**Guenter W. Berger** retired in December 2007 as Chief Executive Officer of Farmer Bros. after more than 47 years of service with the Company in various capacities. Mr. Berger served as Chief Executive Officer of the Company from 2005 to 2007, President from August 2005 through July 2006, and Interim President and Chief Executive Officer from January 2005 to August 2005. For more than 25 years, from 1980 to 2005, Mr. Berger served as Vice President of Torrance inventory, production, coffee roasting and distribution operations. Based on his longstanding tenure with the Company, Mr. Berger has a deep understanding of our operations and has acquired extensive knowledge of the foodservice industry and the production and distribution processes related to coffee, tea and culinary products.

**Jeanne Farmer Grossman** is a retired teacher and a homemaker. She is the sister of Carol Farmer Waite, a former director, and the late Roy E. Farmer, who served as Chairman of the Board from 2004 to 2005, Chief Executive Officer from 2003 to 2005, and President from 1993 to 2005, and the daughter of the late Roy F. Farmer, who served as Chairman of the Board from 1951 to 2004 and Chief Executive Officer from 1951 to 2003. Ms. Grossman received her undergraduate degree and teaching credentials from the University of California at Los Angeles.

**Thomas A. Maloof** served as Chief Financial Officer of Hospitality Marketing Concepts, LLC, Newport Beach, California, a provider of loyalty membership programs for the hospitality and leisure industries, from January 2001 to August 2005, and has been an independent consultant since 2005. Mr. Maloof served as President of Perinatal Practice Management, Inc., a national genetic testing provider, from 1998 to 2000. Mr. Maloof currently serves as a director for PC Mall, Inc. (Nasdaq: MALL), a direct marketing company, and The Ensign Group (Nasdaq: ENSG), an operator of skilled nursing facilities. Mr. Maloof's background and experience provide management, public company corporate governance and financial experience to the Board.

**John H. Merrell** is a retired partner of the regional accounting and consulting firm of Hutchinson and Bloodgood LLP, Glendale, California. He was an active Partner in the firm from 1978 to 2008. He served as Managing Partner of the firm from 1988 to 2002. Prior to 1978, Mr. Merrell spent six years with an international public accounting firm both in the audit and tax departments. Mr. Merrell has also served as the Corporate Controller and then Chief Financial Officer of a publicly-held company in the international insurance industry. Mr. Merrell received his undergraduate degree in Accounting from San Jose State University, and is a Certified Public Accountant. Mr. Merrell's background and experience provide valuable management and leadership skills, as well as an understanding of the operations and financial results and prospects of the Company. Based on his experience, the Board has determined that he is an Audit Committee financial expert.

**ITEM 2**

**RATIFICATION OF SELECTION**

**OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**General**

The Audit Committee of the Board of Directors has selected Ernst & Young LLP ( EY ) as the independent registered public accounting firm for the Company and its subsidiaries for the fiscal year ending June 30, 2011, and has further directed that management submit this selection for ratification by the stockholders at the Annual Meeting. EY served as the Company's independent registered public accounting firm in fiscal 2010. A representative of EY is expected to be present at the Annual Meeting and will have the opportunity to make a statement and respond to appropriate questions.

Stockholder ratification of the selection of EY as the Company's independent registered public accounting firm is not required by the Bylaws or otherwise. However, the Board is submitting the selection of EY to stockholders for ratification because the Company believes it is a matter of good corporate practice. If the Company's stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain EY but still may retain them. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in our best interests and that of our stockholders.

**Vote Required**

The affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote is required to ratify the selection of EY.

**THE BOARD RECOMMENDS A VOTE FOR RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

## SECURITY OWNERSHIP OF

## CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

## Security Ownership of Certain Beneficial Owners

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of October 15, 2010, by all persons (including any group as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) known by the Company to be the beneficial owner of more than five percent (5%) of the Common Stock as of such date, except as noted in the footnotes below:

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percent of Class(3)
Farmer Group	6,402,895 shares(4)	39.6%
Employee Stock Ownership Plan	2,834,060 shares(5)	17.5%
Franklin Mutual Advisers, LLC	2,040,293 shares(6)	12.6%

- (1) The address for Franklin Mutual Advisers, LLC ( Franklin ) is 101 John F. Kennedy Parkway, Short Hills, New Jersey 07078. The address for all other beneficial owners is c/o Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502.
- (2) For purposes of this table, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act. A person is deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Information in this table regarding beneficial owners of more than five percent (5%) of the Common Stock is based on information provided by them or obtained from filings under the Exchange Act. Unless otherwise indicated in the footnotes, each of the beneficial owners of more than five percent (5%) of the Common Stock has sole voting and/or investment power with respect to such shares.
- (3) The Percent of Class reported in this column has been calculated based upon the number of shares of Common Stock outstanding as of October 15, 2010 and may differ from the Percent of Class reported in statements of beneficial ownership filed with the Securities and Exchange Commission (the SEC).
- (4) For purposes of Section 13 of the Exchange Act, Carol Farmer Waite, Richard F. Farmer, Jeanne Farmer Grossman, Trust A created under the Roy E. Farmer Trust dated October 11, 1957 ( Trust A ) and Farmer Equities, LP, a California limited partnership ( Farmer Equities ), comprise a group (the Farmer Group). The Farmer Group is deemed to be the beneficial owner of all shares beneficially owned by its members with shared power to vote and dispose of such shares. Each member of the Farmer Group is the beneficial owner of the following shares (in accordance with the beneficial ownership regulations, in certain cases the same shares of Common Stock are shown as beneficially owned by more than one individual or entity):

Name of Beneficial Owner	Total Shares Beneficially Owned	Percent of Class	Shares Disclaimed	Sole Voting and Investment Power	Shared Voting and Investment Power
Carol Farmer Waite	6,320,938 shares	39.1%	14,474 shares	22,720 shares	6,312,692 shares
Richard F. Farmer	6,294,419 shares	39.0%	39,891 shares	21,820 shares	6,312,490 shares
Jeanne Farmer Grossman	4,133,125 shares	25.6%	6,030 shares	11,723 shares	4,127,432 shares
Trust A	1,463,640 shares	9.1%		1,463,640 shares	
Farmer Equities	2,617,530 shares	16.2%		2,617,530 shares	

- (5) Includes 1,550,341 allocated shares and 1,283,719 shares as yet unallocated to plan participants as of October 15, 2010. The ESOP trustee votes the shares held by the ESOP that are allocated to participant accounts as directed by the participants or beneficiaries of the ESOP.



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Under the terms of the ESOP, the ESOP trustee will vote all of the unallocated ESOP shares (i.e., shares of Common Stock held in the ESOP,

but not allocated to any participant's account) and allocated shares for which no voting directions are timely received by the ESOP trustee in the same proportion as the voted allocated shares with respect to each item. The present members of the ESOP Administrative Committee are Roger M. Lavery III, Martin A. Lynch and John H. Merrell. Each member of the ESOP Administrative Committee disclaims beneficial ownership of the securities held by the ESOP except for those, if any, that have been allocated to the member as a participant in the ESOP.

- (6) The amount shown was provided by Franklin pursuant to a Schedule 13F filed by Franklin Resources, Inc. with the SEC on August 10, 2010. Franklin is reported to have sole voting and investment power over 2,040,293 shares beneficially owned by one or more open-end investment companies or other managed accounts which, pursuant to investment management contracts, are managed by Franklin. Franklin reports that it has sole voting and dispositive power over all of these shares.

#### Security Ownership of Directors and Executive Officers

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of October 15, 2010, by: (i) each director and nominee; (ii) the Company's Chief Executive Officer, (iii) all individuals serving as the Company's Chief Financial Officer or acting in a similar capacity during fiscal 2010; (iv) the Company's most highly compensated executive officers (other than the Chief Executive Officer and Chief Financial Officer) who were serving as executive officers at the end of fiscal 2010; (v) one additional individual for whom disclosure would have been provided but for the fact that she was not serving as an executive officer of the Company at the end of fiscal 2010 (collectively, the "Named Executive Officers"); and (vi) all directors and executive officers of the Company as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)	Percent of Class
<b>Non-Employee Directors and Nominees</b>		
Guenter W. Berger	17,557(3)	*
Jeanne Farmer Grossman	4,133,125(4)	25.6%
Martin A. Lynch	4,873(5)	*
Thomas A. Maloof	7,873(6)	*
James J. McGarry	4,873(5)	*
John H. Merrell	6,373(7)	*
<b>Named Executive Officers</b>		
Roger M. Lavery III	105,540(8)	*
Jeffrey A. Wahba	3,000	*
Peter B. Knepper		
John E. Simmons	20,652(9)	*
Drew H. Webb	9,000(10)	*
Hortensia R. Gómez	9,041(11)	*
Heidi L. Modaro	(12)	
All directors and executive officers as a group (14 individuals)	4,326,780	26.8%

\* Less than 1%

- (1) For purposes of this table, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act. A person is deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Information in this table is based on the Company's records and information provided by directors, nominees, executive officers and in public filings. Unless otherwise indicated in the footnotes and subject to community property laws where applicable, each of the directors, nominees and executive officers has sole voting and/or investment power with respect to such shares, including shares held in trust.

- (2) Includes (i) shares of restricted stock which have not yet vested as of October 15, 2010, awarded under the Farmer Bros. Co. 2007 Omnibus Plan (the Omnibus Plan ) over which the individuals shown have voting power but no investment power, and (ii) shares which the individuals shown have the right to acquire upon the exercise of vested options as of October 15, 2010 or within 60 days thereafter as set forth in the table below. Such shares are deemed to be outstanding in calculating the percentage ownership of such individual (and the group), but are not deemed to be outstanding as to any other person.

Name	Vested Options (#)	Right to Acquire Under Vested Options Within 60 Days (#)	Restricted Stock (#)
<b>Non-Employee Directors and Nominees</b>			
Guenter W. Berger			3,542
Jeanne Farmer Grossman			2,173
Martin A. Lynch			3,542
Thomas A. Maloof			3,542
James J. McGarry			3,542
John H. Merrell			3,542
<b>Named Executive Officers</b>			
Roger M. Lavery III	40,001	37,609	24,372
Jeffrey A. Wahba			3,000
Peter B. Knepper			
John E. Simmons(a)	9,000		
Drew H. Webb(b)	9,000		
Hortensia R. Gómez	3,000	2,156	1,132
Heidi L. Modaro(c)			
<b>Other Executive Officers</b>			3,542

- (a) Excludes 3,000 shares of restricted stock and 9,000 shares subject to unvested stock options previously granted to Mr. Simmons which were forfeited upon Mr. Simmons' retirement from the Company on February 28, 2010.
- (b) Excludes 6,458 shares of restricted stock and 31,542 shares subject to unvested stock options previously granted to Mr. Webb which were forfeited upon Mr. Webb's separation from the Company on September 17, 2010.
- (c) Excludes 2,562 shares of restricted stock and 19,138 shares subject to unvested stock options previously granted to Ms. Modaro which were forfeited upon Ms. Modaro's separation from the Company on February 25, 2010.
- (3) Includes 1,331 shares owned outright, 6,060 shares held in trust with voting and investment power shared by Mr. Berger and his wife, and 6,624 shares previously allocated to Mr. Berger under the ESOP which have been distributed to Mr. Berger and are now owned outright.
- (4) Includes shares held in Farmer Equities and various family trusts of which Ms. Grossman (or a trust of which she is the sole trustee) is a general partner or the sole trustee, co-trustee, beneficiary and/or settlor. Ms. Grossman is the indirect beneficial owner of: (i) 9,550 shares of Common Stock as a successor trustee of a family trust for the benefit of her daughter over which she has sole voting and dispositive power; (ii) 2,617,530 shares of Common Stock as sole trustee of the Jeanne F. Grossman Trust, dated August 22, 1997, which is a general partner of Farmer Equities, and over which she has shared voting and dispositive power with trusts for the benefit of Carol Farmer Waite and Richard F. Farmer; and (iii) 1,509,902 shares of Common Stock as successor co-trustee of various family trusts, for the benefit of herself and family members, and over which she has shared voting and dispositive power with Carol Farmer Waite and/or Richard F. Farmer. Ms. Grossman disclaims beneficial ownership of 6,030 shares held in a trust for the

benefit of her nephew. Total beneficial ownership of the Farmer Group, which includes Ms. Grossman, is 6,402,895, as shown in the table above under the heading Security Ownership of Certain Beneficial Owners.

- (5) Includes 1,331 shares owned outright.
- (6) Includes 1,331 shares owned outright and 3,000 shares beneficially owned by Mr. Maloof through an IRA.
- (7) Includes 1,331 shares owned outright and 1,500 shares held in a revocable living trust with voting and investment power shared by Mr. Merrell and his wife.
- (8) Includes 1,000 shares held in a trust with voting and investment power shared by Mr. Lavery and his wife and 2,558 shares beneficially owned by Mr. Lavery through the ESOP, rounded to the nearest whole share.
- (9) Includes 3,720 shares owned outright and 7,932 shares beneficially owned by Mr. Simmons through the ESOP, rounded to the nearest whole share.
- (10) Excludes 1,471 shares allocated to Mr. Webb through the ESOP which were unvested and forfeited upon Mr. Webb's separation from the Company on September 17, 2010.
- (11) Includes 129 shares held in a trust over which Ms. Gómez has sole voting and investment power and 2,624 shares beneficially owned by Ms. Gómez through the ESOP, rounded to the nearest whole share.
- (12) Excludes 648 shares allocated to Ms. Modaro through the ESOP which were unvested and forfeited upon Ms. Modaro's separation from the Company on February 25, 2010.

## CORPORATE GOVERNANCE

### Board Independence

At least annually, the Board reviews the independence of each non-employee director and affirmatively determines whether each director qualifies as independent. The Board believes that stockholder interests are best served by having a number of objective, independent representatives on the Board. For this purpose, a director will be considered to be independent only if the Board affirmatively determines that the director has no relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In making its independence determinations, the Board reviewed transactions and relationships between each director and nominee, or any member of his or her immediate family, and us or our subsidiaries based on information provided by the director or nominee, our records and publicly available information. The Board made the following independence determinations (the relationships and transactions reviewed by the Board in making such determinations are set forth in the footnotes below):

Director	Status
Guenter W. Berger	Not independent(1)
Jeanne Farmer Grossman	Independent(2)
Roger M. Laverty III	Not independent(3)
Martin A. Lynch	Independent(4)
Thomas A. Maloof	Independent(5)
James J. McGarry	Independent(6)
John H. Merrell	Independent(4)

- (1) Mr. Berger is the Chairman and former Chief Executive Officer of the Company.
- (2) Ms. Grossman is the sister of Carol Farmer Waite, a former director, and the sister of the late Roy E. Farmer and daughter of the late Roy F. Farmer, both of whom were executive officers of the Company more than three years ago. The Board considered these relationships and determined that such relationships do not interfere with Ms. Grossman's exercise of independent judgment in carrying out her responsibilities as a director.
- (3) Mr. Laverty is the Company's President and Chief Executive Officer. Mr. Laverty's daughter is Producer Relationship Coordinator, a non-executive officer employee of CBI, a subsidiary of the Company. Her compensation is less than the threshold amount that would require disclosure as a related person transaction.
- (4) The Board considered the membership of Messrs. Lynch and Merrell on the Company's ESOP Administrative Committee, and determined that such relationship does not interfere with their exercise of independent judgment in carrying out their responsibilities as directors.
- (5) Mr. Maloof's son is a real estate salesperson employed by a real estate broker retained by the Company and may receive a commission in connection with the sale of real estate owned by the Company. Such commission, if any, is less than the threshold amount that would require disclosure as a related person transaction. The Board considered this relationship and transaction and determined that such relationship and transaction does not interfere with Mr. Maloof's exercise of independent judgment in carrying out his responsibilities as a director.
- (6) Mr. McGarry is a partner in the law firm of McGarry & Laufenberg. During the last three fiscal years, McGarry & Laufenberg billed legal fees and costs to the Company and/or Liberty Mutual Insurance Company, the Company's insurance carrier, in connection with various matters relating to the Company. The foregoing amounts did not exceed the greater of 5% of McGarry & Laufenberg's gross revenues or

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\$200,000 during the applicable fiscal year. The Board considered these relationships and transactions and determined that such relationships and transactions do not interfere with Mr. McGarry's exercise of independent judgment in carrying out his responsibilities as a director.

### **Board Meetings and Attendance**

The Board held five meetings during fiscal 2010, including four regularly scheduled and one special meeting. During fiscal 2010, each director attended at least 75% of the total number of meetings of the Board of Directors (held during the period for which he or she served as a director) and committees of the Board on which he or she served (during the periods that he or she served). Although it is customary for all Board members to attend, the Company has no formal policy in place with regard to Board members' attendance at the Company's annual meeting of stockholders. All directors who were then serving were present at the 2009 Annual Meeting of Stockholders held on December 10, 2009 (the 2009 Annual Meeting).

The independent members of the Board met in executive session without management three times in fiscal 2010. Each independent director attended at least 75% of the total number of executive sessions (held during the period for which he or she served as a director) during fiscal 2010.

### **Charters; Code of Conduct and Ethics**

The Board maintains charters for each of its standing committees, which include the Audit Committee, Compensation Committee and Nominating Committee. In addition, the Board has adopted a written Code of Conduct and Ethics for all employees, officers and directors. Current committee charters and the Code of Conduct and Ethics are available on the Company's website at [www.farmerbros.com](http://www.farmerbros.com).

### **Board Committees**

The Board maintains the following committees to assist it in discharging its oversight responsibilities:

#### *Audit Committee*

The Audit Committee is a standing committee of the Board established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee's principal purposes are to oversee the accounting and financial reporting processes of the Company and the audit of the Company's financial statements. The Committee's responsibilities include assisting the Board in overseeing: (i) the integrity of the Company's financial statements; (ii) the independent auditor's qualifications and independence; (iii) the performance of the Company's independent auditor; (iv) the Company's compliance with legal and regulatory requirements in connection with related person transactions; and (v) the Company's system of disclosure controls and system of internal financial, accounting and legal compliance controls. The Audit Committee is directly and solely responsible for the appointment, dismissal, compensation, retention and oversight of the work of any independent auditor engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor reports directly to the Audit Committee.

During fiscal 2010, the Audit Committee met seven times. John H. Merrell serves as Chairman, and Martin A. Lynch and Thomas A. Maloof currently serve as members of the Audit Committee. All members of the Audit Committee meet the Nasdaq composition requirements, including the requirements regarding financial literacy and financial sophistication, and the Board has determined that each member is independent under the Nasdaq listing standards and the rules of the SEC regarding audit committee membership. The Board has determined that at least one member of the Audit Committee is an audit committee financial expert as defined in Item 407(d) of Regulation S-K under the Exchange Act. That person is John H. Merrell, the Audit Committee Chairman.

## *Compensation Committee*

### *Overview*

The Compensation Committee is a standing committee of the Board. The Compensation Committee's principal purposes are to discharge the Board's responsibilities related to compensation of the Company's executive officers and administer the Company's incentive compensation plan for executive officers and the Company's equity compensation plan. The Compensation Committee also is responsible for evaluating and making recommendations to the Board regarding director compensation. In addition, the Compensation Committee is responsible for conducting an annual risk evaluation of the Company's compensation practices, policies and programs.

During fiscal 2010, the Compensation Committee met five times. Thomas A. Maloof serves as Chairman, and Jeanne Farmer Grossman, James J. McGarry and John H. Merrell currently serve as members of the Compensation Committee. The Board has determined that all Compensation Committee members are independent under the Nasdaq listing standards and the requirements of the SEC.

### *Executive Compensation*

The processes and procedures of the Compensation Committee for considering and determining compensation for our executive officers are as follows:

Cash compensation for our executive officers is generally determined annually in the first quarter of the fiscal year, with any adjustments to base compensation retroactive to the beginning of the applicable fiscal year. Equity compensation is generally determined on the date of the regularly scheduled meeting of the Board of Directors in December of each year, with grants to executive officers hired or promoted since that grant date to receive an interim grant reviewed by the Board and approved by the Compensation Committee outside any blackout period under our insider trading policy.

In making determinations regarding executive officer compensation, the Compensation Committee considers competitive market data among several other factors such as Company performance, individual executive performance, tenure, the importance of the role at the Company and pay levels among the Company's executives, as well as input and recommendations of the Chief Executive Officer with respect to compensation for those executive officers reporting directly to him. The Compensation Committee has typically followed these recommendations. In the case of the Chief Executive Officer, the Compensation Committee may also solicit input from the other disinterested Board members.

In fiscal 2010, the Compensation Committee retained Mercer to update its study conducted in 2007 with respect to the Company's compensation levels and mix relative to market benchmarks. The updated study was based on a revised peer group and updated survey information reflecting the increase in size and scope of the Company's operations following the acquisition of the DSD coffee business from Sara Lee (the "DSD Acquisition"). Mercer reported directly to the Compensation Committee in connection with these services. Management interacted with the consultant to provide information or the perspective of management as requested by the consultant or Compensation Committee, and coordinated payment to the consultant out of the Board of Directors' budget. During fiscal 2010, Mercer attended four of the five Compensation Committee meetings.

With respect to incentive compensation for our executive officers under the Farmer Bros. Co. 2005 Incentive Compensation Plan (the "Incentive Plan"), generally during the first quarter of each fiscal year, the Compensation Committee evaluates the executive officer's performance in light of the goals and objectives established for the prior year and determines the level of incentive compensation to be awarded to each executive officer. As part of the evaluation process, the Compensation Committee solicits comments from the Chief Executive Officer with respect to achievement of individual goals by



those executive officers reporting to him. In the case of the Chief Executive Officer, the Compensation Committee may also solicit input from the other disinterested Board members. Additionally, the executive officers have an opportunity to provide input regarding their contributions to the Company's success and achievement of individual goals for the period being assessed. Incentive compensation for Named Executive Officers is approved by the Compensation Committee or, upon recommendation of the Compensation Committee, submitted to the disinterested members of the Board for approval. Following determination of incentive compensation awards for the prior fiscal year, the Compensation Committee establishes individual and corporate goals and objectives for each executive officer for the current fiscal year.

The Compensation Committee has the authority to make equity-based grants under the Omnibus Plan to eligible individuals for purposes of compensation, retention or promotion, and in connection with commencement of employment. Proposed equity awards to all executive officers are discussed and presented to the entire Board prior to award by the Compensation Committee.

The Compensation Committee has authority to delegate any of the functions described above to a subcommittee of its members. No delegation of this authority was made in fiscal 2010.

The Compensation Committee holds executive sessions (with no members of management present) at each of its regular meetings.

*Director Compensation*

In addition to considering and determining compensation for our executive officers, the Compensation Committee evaluates and makes recommendations to the Board regarding compensation for non-employee Board members. Any Board member who is also an employee of the Company does not receive separate compensation for service on the Board.

The processes and procedures of the Compensation Committee for considering and determining director compensation are as follows:

The Compensation Committee has authority to evaluate and make recommendations to the Board regarding director compensation. The Compensation Committee conducts this evaluation periodically by reviewing our director compensation practices against the practices of an appropriate peer group and market survey information. Based on this evaluation, the Compensation Committee may determine to make recommendations to the Board regarding possible changes. The Compensation Committee has the authority to delegate any of these functions to a subcommittee of its members. No delegation of this authority was made in fiscal 2010.

The Compensation Committee has the authority to retain consultants to advise on director compensation matters. In 2007, the Compensation Committee retained Mercer to evaluate the Company's director compensation levels relative to market benchmarks. No compensation consultants were engaged to provide advice regarding director compensation in 2008, 2009 or 2010. No executive officer has any role in determining or recommending the form or amount of director compensation.

The full Board serves as administrator under the Omnibus Plan with respect to equity awards made to non-employee directors.

*Compensation Committee Interlocks and Insider Participation*

During fiscal 2010, Thomas A. Maloof (Chair), Jeanne Farmer Grossman, James J. McGarry and John H. Merrell served as members of the Compensation Committee. No member of the Compensation Committee is an officer or former officer of the Company, was an employee of the Company during fiscal 2010, or has any relationship requiring disclosure by the Company as a related person transaction under SEC rules.

*Compensation Committee Report*

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on the review and discussions, recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended June 30, 2010.

**Compensation Committee**

**of the Board of Directors**

Thomas A. Maloof, Chairman

Jeanne Farmer Grossman

James J. McGarry

John H. Merrell

*Nominating Committee*

The Nominating Committee is a standing committee of the Board. The Nominating Committee's principal purposes are to identify persons qualified to become Board members and to recommend to the Board individuals to be selected as director nominees for the next annual meeting of stockholders or for appointment to vacancies on the Board.

During fiscal 2010, the Nominating Committee met once to nominate directors for election at the 2009 Annual Meeting. Jeanne Farmer Grossman, Martin A. Lynch, James J. McGarry, Thomas A. Maloof and John H. Merrell currently serve as members of the Nominating Committee. The Board has determined that all Nominating Committee members are independent under the Nasdaq listing standards.

**Director Qualifications and Board Diversity**

The Nominating Committee is responsible for determining Board of Director membership qualifications and selects, evaluates and recommends to the Board nominees to fill vacancies as they arise. The Nominating Committee maintains, with the approval of the Board, guidelines for selecting nominees to serve on the Board and considering stockholder recommendations for nominees. The Nominating Committee believes that its slate of nominees should include: the Chief Executive Officer of the Company; one or more nominees with upper management experience with the Company, in the coffee industry, in a complementary industry or who have desired professional expertise; three nominees who are independent and have the requisite accounting or financial qualifications to serve on the Audit Committee; and at least three nominees who are independent and have executive compensation experience to serve on the Compensation Committee. All nominees should contribute substantially to the Board's oversight responsibilities and reflect the needs of the Company's business. Additionally, the Nominating Committee believes that a member of the Farmer family, founding and substantial stockholders of the Company, or their representative should serve on the Board of Directors. The Nominating Committee believes that diversity has a place when choosing among candidates who otherwise meet the selection criteria, but the Company has not established a policy concerning diversity in Board composition. The Nominating Committee is responsible for evaluating and recommending to the Board the total size and composition of the Board. In connection with the annual nomination of directors, the Nominating Committee reviews with the Board the composition of the Board as a whole and recommends, if necessary, measures to be taken so that the Board reflects the appropriate balance of knowledge, experience, skills, background and diversity required for the Board as a whole. The background of each director and nominee is described above under Item 1 Election of Directors.

For purposes of identifying nominees for the Board of Directors, the Nominating Committee relies on professional and personal contacts of the Board and senior management. The Nominating Committee will consider recommendations for director nominees from Company stockholders. Biographical information and

contact information for proposed nominees should be sent to Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502, Attention: Secretary, subject to the notice provisions described below under the heading Other Matters Stockholder Proposals and Nominations. The Nominating Committee will evaluate candidates proposed by stockholders using the following criteria: Board needs (see discussion of slate of nominees above); relevant business experience; time availability; absence of conflicts of interest; and perceived ability to contribute to the Company's success.

### **Board Leadership Structure**

Under our Bylaws, the Board of Directors, in its discretion, may choose a Chairman of the Board of Directors. If there is a Chairman of the Board of Directors, such person may exercise such powers as provided in the Bylaws or assigned by the Board of Directors. Since 2007, Guenter W. Berger has served as Chairman of the Board of Directors. As described above under Item 1 Election of Directors, Mr. Berger has served on our Board of Directors since 1980. He retired in 2007 as Chief Executive Officer after more than 47 years of service with our company in various capacities.

Notwithstanding the current separation of Chairman of the Board and Chief Executive Officer, our Chief Executive Officer is generally responsible for setting agenda items with input from the Board, and leading discussions during Board meetings. This structure allows for effective and efficient Board meetings and information flow on important matters affecting the Company. Other than Messrs. Lavery and Berger, all members of the Board are independent and all Board committees are comprised solely of independent directors. Due principally to the limited size of the Board and the long tenure of its members, the Board has not formally designated a lead independent director and believes that as a result thereof, executive sessions of the Board, which are attended solely by independent directors, result in an open and free flow of discussion of any and all matters that any director may believe relevant to the Company and/or its management.

Although the roles of Chairman and Chief Executive Officer are currently filled by different individuals, no single leadership model is right for all companies at all times, and the Company has no bylaw or policy in place that mandates this leadership structure. Accordingly, the Board of Directors periodically evaluates its leadership structure to ensure that it remains the optimal structure for the Company and its stockholders.

### **Board's Role in Risk Oversight**

The Board of Directors recognizes that although risk management is primarily the responsibility of the Company's management team, the Board plays a critical role in the oversight of risk. The Board believes that an important part of its responsibilities is to assess the major risks which the Company faces and review the Company's options for monitoring and controlling these risks. The Board has delegated to the Audit Committee responsibility for oversight of risks associated with financial accounting and audits, internal control over financial reporting and the Company's major financial risk exposures, including risks relating to pension plan investments, commodity risk and hedging programs. The Compensation Committee oversees the risks relating to the Company's compensation policies and practices, as well as management development and leadership succession at the Company. At each regular meeting, or more frequently as needed, the Board of Directors considers reports from the Audit Committee and Compensation Committee which provide detail on risk management issues and management's response. The Board of Directors as a whole examines specific business risks in its periodic reviews of the individual business units and also on a company-wide basis as part of its regular reviews, including as part of the strategic planning process and annual budget review and approval. Outside of formal meetings, the Board and its committees have regular access to senior executives, including the Company's Chief Executive Officer and Chief Financial Officer. The Company believes that its leadership structure promotes effective Board oversight of risk management because the Board directly, and through its various committees, is regularly provided by management with the information necessary to appropriately monitor, evaluate and assess the Company's overall risk management, and all directors are actively involved in the risk oversight function.

### **Communication with the Board**

The Company's annual meeting of stockholders provides an opportunity each year for stockholders to ask questions of or otherwise communicate directly with members of the Board on appropriate matters. In addition, stockholders may communicate in writing with any particular director, any committee of the Board, or the directors as a group, by sending such written communication to the Secretary of the Company at the Company's principal office, 20333 South Normandie Avenue, Torrance, California 90502. Copies of written communications received at such address will be collected and organized by the Secretary and provided to the Board or the relevant director unless such communications are considered, in the reasonable judgment of the Secretary, to be inappropriate for submission to the intended recipient(s). Examples of stockholder communications that would be considered inappropriate for submission to the Board include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to the Company's business, or communications that relate to improper or irrelevant topics. The Secretary or his designee may analyze and prepare a response to the information contained in communications received and may deliver a copy of the communication to other Company employees or agents who are responsible for analyzing or responding to complaints or requests. Communications concerning possible director nominees submitted by any of our stockholders will be forwarded to the members of the Nominating Committee.

**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis describes our compensation philosophy, objectives and policies with respect to our Named Executive Officers which includes, for fiscal 2010, three current and four former executive officers as set forth in the table below:

<b>Current Executive Officers</b>	<b>Former Executive Officers</b>
<b>Included Among Fiscal 2010 Named Executive Officers</b>	<b>Included Among Fiscal 2010 Named Executive Officers</b>
Roger M. Laverty III	Peter B. Knepper(2)
President and Chief Executive Officer	Former Chief Financial Officer (Interim)
Jeffrey A. Wahba(1)	John E. Simmons(3)
Treasurer and Chief Financial Officer	Former Treasurer and Chief Financial Officer
Hortensia R. Gómez	Drew H. Webb(4)
Vice President and Controller	Former Executive Vice President of Sales and Marketing
	Heidi L. Modaro(5)
	Former Vice President Sales and Operations, Coffee & Tea

- (1) Mr. Wahba joined the Company as Treasurer and Chief Financial Officer on June 1, 2010.
- (2) Mr. Knepper is a member of Tatum, an executive services firm which provides full-time, part-time, and interim executives for organizations. Pursuant to an Interim Services Agreement between the Company and Tatum, Mr. Knepper served as a financial consultant to the Company from December 18, 2009 to February 8, 2010, at which time he was appointed Chief Financial Officer (Interim). Mr. Knepper served in this capacity through May 31, 2010, and thereafter provided consulting services to the Company through June 30, 2010. As a consultant, he did not participate in the Incentive Plan, Omnibus Plan or ESOP, or receive any other Company benefits.
- (3) Mr. Simmons resigned as Treasurer and Chief Financial Officer on December 14, 2009 and retired from the Company on February 28, 2010.
- (4) Mr. Webb separated from the Company on September 17, 2010.
- (5) Ms. Modaro separated from the Company on February 25, 2010.

**Primary Elements of Executive Compensation**

The primary elements of the Company's executive compensation program and the purpose of each element are as follows:

**Compensation**

<b>Element</b>	<b>Description</b>	<b>Purpose</b>
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Base Salary

Fixed pay element determined annually in the first quarter of the fiscal year, with any adjustments to base pay retroactive to the beginning of the applicable fiscal year. May be subject to adjustment in the event of a promotion or job change.

Attract and retain top talent and compensate for day-to-day job responsibilities performed at an acceptable level.

**Compensation**

<b>Element</b>	<b>Description</b>	<b>Purpose</b>
Incentive Cash Bonus	Variable cash compensation based on the achievement of Company and individual annual performance objectives. May be subject to adjustment in the event of a promotion or job change.	Reward achievement of annual financial objectives as well as near term strategic objectives that will lead to the future success of the Company's business.
Long-Term Incentives	Variable equity-based compensation, typically consisting of a combination of stock options and restricted stock, however other forms of equity awards may be granted. May be subject to adjustment in the event of a promotion or job change.	Create a direct alignment with stockholder objectives, provide a focus on long-term value creation and potentially multi-year financial objectives, retain critical talent over extended timeframes, and enable key employees to share in value creation.
ESOP Allocation	Annual variable allocation of stock based on hours of service to the Company, subject to vesting after five years of service to the Company.	Enhance ownership interest and alignment with stockholders.
Welfare Benefits	General welfare benefits including medical, dental, life, disability and accident insurance, 401(k) plan and pension plan, as well as customary vacation, leave of absence and other similar policies.	Provide competitive welfare benefits generally consistent with those provided to all employees.
Perquisites	Fixed benefits consistent with practices among companies in our industry consisting of executive life insurance, use of a Company-owned automobile or automobile allowance, relocation assistance, and other similar personal benefits. May be subject to adjustment in the event of a promotion or job change.	Provide limited perquisites to facilitate the operation of the Company's business and assist the Company in recruiting and retaining key executives.

**Executive Compensation Objectives**

Our executive compensation program is based upon achieving the following objectives:

Balancing compensation elements and levels that attract, motivate and retain talented executives with forms of compensation that are performance-based and/or aligned with stock performance and stockholder interests;

Setting target total direct compensation (base salary, annual incentives and long-term incentives) for executive officers by reference to median compensation levels for comparable market reference points; and

Appropriately adjusting total direct compensation to reflect the performance of the executive officer over time (as reflected in his or her goals under the Incentive Plan), as well as the Company's annual performance (as reflected in the financial performance goals established under the Incentive Plan), and the Company's long-term performance (as reflected by stock appreciation for equity-based awards granted under the Omnibus Plan).

Consistent with new SEC disclosure requirements, the Compensation Committee assessed the Company's compensation programs and concluded that the Company's compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. This risk assessment process included a review of program policies and practices, the balance of potential risk to potential reward, and the support of the programs and their risks to Company strategy. Although we reviewed all compensation programs, we focused on the programs with the ability of a participant to directly affect payout and the controls on participant action and payout. The Company generally uses a combination of base salary, performance-based compensation, and retirement plans throughout the Company. In most cases, the compensation policies and practices are centrally designed and administered, and are substantially identical at each business unit. Route sales personnel are paid primarily on a sales commission basis, but all of our executive officers are paid under the programs and plans for non-sales employees. Certain departments have different or supplemental compensation programs tailored to their specific operations and goals. Based on the foregoing, the Compensation Committee determined that the Company's compensation programs are designed to reward actions and outcomes that are consistent with sound operation of our Company and are aligned with the creation of long-term stockholder value. To further align the interests of our executive officers with our stockholders, we have in place a clawback policy that requires the Board to consider recapturing past bonuses and other incentive and equity compensation awarded to executive officers if it is subsequently determined that the amounts of such compensation were determined based on financial results that are later restated. We also maintain stock ownership guidelines which require our executive officers to own and hold certain minimum levels of our Common Stock.

### **Oversight of the Executive Compensation Program**

#### *Compensation Committee*

Under its charter, pursuant to the powers delegated by the Board, the Compensation Committee has the sole authority to determine and approve compensation for our Chief Executive Officer and each of our other executive officers, subject to Board review prior to approval in the case of equity compensation awards. In exercising this authority, the Compensation Committee evaluates the performance of the Chief Executive Officer within the context of the overall performance of the Company. The information considered includes a summary of the Company's performance compared to annual measures, a listing of accomplishments in addition to the areas covered by these measures, and a listing and analysis of challenges or issues encountered during the year. The Compensation Committee also reviews and discusses the Chief Executive Officer's assessment of the performance of our other executive officers. The Compensation Committee is comprised solely of independent directors and reports to the Board of Directors.

#### *Compensation Committee Consultants*

The Compensation Committee has the authority to retain the services of outside consultants to assist it in performing its responsibilities. During fiscal 2010, the Compensation Committee retained Mercer, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. ( MMC ), to assist the Compensation Committee with its responsibilities related to the Company's executive compensation programs. Mercer's fees for executive compensation consulting to the Compensation Committee in fiscal 2010 were \$94,000.

Executive compensation consulting services provided by Mercer to the Compensation Committee during fiscal 2010 included analysis and advice related to the following:

Executive compensation trends;

Peer companies for competitive pay comparisons;

Compensation levels and mix for the Company's executives;

Design of short- and long-term incentives; and

Incentive Plan financial goals.





During fiscal 2010, management retained Mercer and certain MMC affiliates to provide other services unrelated to executive compensation. The aggregate fees paid for these other services were \$809,220, which generally consisted of non-executive benchmarking and compensation analysis and advisory services for the Company and its subsidiary, CBI, implementation and monthly subscription fees for compensation management software, and fees paid by insurance carriers to Mercer Health and Benefits and Marsh Risk and Insurance Services. While neither the Compensation Committee nor the Board has historically approved such other services, because of the policies and procedures Mercer and the Compensation Committee have in place, the Compensation Committee believes that the advice it receives from the individual executive compensation consultant is objective and not influenced by Mercer's or its affiliates' relationships with the Company. These policies and procedures include:

The consultant receives no incentive or other compensation based on the fees charged to the Company for other services provided by Mercer or any of its affiliates;

The consultant is not responsible for selling other Mercer or affiliate services to the Company;

Mercer's professional standards prohibit the individual consultant from considering any other relationships Mercer or any of its affiliates may have with the Company in rendering his or her advice and recommendations;

The Compensation Committee has the sole authority to retain and terminate the executive compensation consultant;

The consultant has direct access to the Compensation Committee without management intervention;

The Compensation Committee evaluates the quality and objectivity of the services provided by the consultant each year and determines whether to continue to retain the consultant; and

The protocols for the engagement (described below) limit how the consultant may interact with management.

While it is necessary for the consultant to interact with management to gather information, the Compensation Committee has adopted protocols governing if and when the consultant's advice and recommendations can be shared with management. These protocols are included in the consultant's engagement letter. This approach protects the Compensation Committee's ability to receive objective advice from the consultant so that the Compensation Committee may make independent decisions about executive pay at the Company.

#### ***Management's Role in Establishing Compensation***

There are no material differences in how the compensation policies or decisions are determined with respect to the Named Executive Officers, except that the compensation of the Named Executive Officers other than the Chief Executive Officer is determined by the Compensation Committee taking into account the input and recommendations of the Chief Executive Officer with respect to compensation for those executive officers reporting to him. In the case of the Chief Executive Officer, the Compensation Committee may also solicit input from other disinterested Board members. No executive officer has any role in approving his or her own compensation, and the Chief Executive Officer is not present during the portion of the meeting at which the Compensation Committee considers his compensation. The Chief Executive Officer routinely attends the meetings of the Compensation Committee. Other members of the Company's management may attend Compensation Committee meetings for the purpose of making presentations at the invitation of the Compensation Committee.

### Peer Group Market Information

The Compensation Committee compares the pay levels and programs for the Company's executive officers to compensation information from a relevant peer group as well as information from published survey sources. The Compensation Committee uses this comparative data as a reference in its review and determination of executive compensation.

Compensation decisions for fiscal 2007 through fiscal 2009 were based in part on Mercer's study conducted in 2007. That study was based on published survey data for similarly sized companies as well as the following seventeen-company peer group, which was developed based on industry, annual revenue and business characteristics that were similar to those of the Company at the time of the study:

Bridgford Foods Corporation	Green Mountain Coffee, Inc.
Calavo Growers, Inc.	J & J Snack Foods Corp.
Cal-Maine Foods, Inc.	Monterey Gourmet Foods, Inc.
Caribou Coffee Company, Inc.	Overhill Farms, Inc.
Coffee Holding Co., Inc.	Peet's Coffee & Tea, Inc.
Cuisine Solutions, Inc.	Reddy Ice Holdings, Inc.
Diamond Foods, Inc.	John B. Sanfilippo & Son, Inc.
Diedrich Coffee, Inc.	Vita Food Products, Inc.
Golden Enterprises, Inc.	

In August 2009, the members of the peer group were adjusted in light of the Company's increased size and operations following the DSD Acquisition. Mercer selected the following fourteen-company peer group (the 2009 Peer Group) using a similar screening process to that used for the 2007 peer group, including the consideration of industry, annual revenue and business characteristics:

B&G Foods, Inc.	Imperial Sugar Company
Calavo Growers, Inc.	J & J Snack Foods Corp.
Cal-Maine Foods, Inc.	Lance, Inc.
Caribou Coffee Company, Inc.	Overhill Farms, Inc.
Diamond Foods, Inc.	Peet's Coffee & Tea, Inc.
Green Mountain Coffee Roasters, Inc.	Reddy Ice Holdings, Inc.
Hansen Natural Corporation	John B. Sanfilippo & Son, Inc.

The 2009 Peer Group is considered appropriate by the Compensation Committee because it represents a meaningful sample of comparable companies in terms of industry, annual revenue and business characteristics following the DSD Acquisition. Mercer combined data from the above peer companies with data from published survey sources to establish the market reference information. The survey data is derived from manufacturing companies with comparable revenue size.

The Compensation Committee used data based on the 2009 Peer Group and the published surveys as a reference point in evaluating fiscal 2010 executive officer compensation. The Compensation Committee's approach also considers competitive compensation practices and other relevant factors in setting pay rather than establishing compensation at very specific benchmark percentiles.

**Base Salary**

Consistent with the compensation philosophy and objectives described above, and based in part on the benchmarking comparisons provided by Mercer in their 2009 study, the Compensation Committee set fiscal 2010 base salaries for the Named Executive Officers as follows:

Name	Fiscal 2010 Annual Base Salary	Fiscal 2009 Annual Base Salary	Fiscal 2010 Annual Base Salary Percentage Change
Roger M. Lavery III	\$ 425,000	\$ 390,000	9%
Jeffrey A. Wahba	\$ 305,000		
Peter B. Knepper(1)			
John E. Simmons(2)	\$ 299,000	\$ 299,000	0%
Drew H. Webb	\$ 314,000	\$ 314,000	0%
Hortensia R. Gómez(3)	\$ 180,000	\$ 162,000	10%
Heidi L. Modaro(2)	\$ 250,000		

- (1) Mr. Knepper served as a financial consultant to the Company from December 18, 2009 to February 8, 2010, at which time he was appointed Chief Financial Officer (Interim). Mr. Knepper served in this capacity through May 31, 2010, and thereafter provided consulting services to the Company through June 30, 2010. The Company paid Tatum \$55,000 per month for services provided by Mr. Knepper, plus a 5% administrative fee. Total fees and expenses paid to Mr. Knepper and Tatum under this arrangement during fiscal 2010 were \$239,750 and \$135,625, respectively.
- (2) Actual base salaries for Mr. Simmons and Ms. Modaro were prorated through their respective separation dates.
- (3) Ms. Gómez's base salary increased effective March 17, 2009 in connection with her promotion to Vice President and Controller. The fiscal 2010 annual base salaries shown in the table above were at or below the median base salary of the 2009 Peer Group for comparable positions.

**Incentive Cash Bonus**

Under the Incentive Plan, at the beginning of each fiscal year, the Compensation Committee, as administrator, determines who will participate in the Incentive Plan, establishes a target bonus for each participant, and establishes both Company financial performance criteria and individual participant goals for the ensuing year. The Compensation Committee also determines the weighting to be assigned to the Company's financial performance criteria and the individual goals as a whole, which may differ among the executive officers. A threshold level for the Company's financial performance may also be established which, if not met, may preclude the award of bonuses.

After the end of the fiscal year and promptly upon availability of the Company's audited financial statements, the Compensation Committee will determine the Company's level of achievement of its financial performance criteria. At such time, the Compensation Committee will also determine for each executive officer the percentage of achievement of assigned individual goals. The level of achievement will be multiplied by the assigned weighting to determine the weighted achievement percentage for each of the executive officer's assigned individual goals. The weighted achievement percentages for the Company's financial performance criteria and each individual assigned goal will be added up, and multiplied by the executive officer's target bonus percentage. The resulting percentage will be multiplied by the executive officer's base salary. The result will be the amount of the executive officer's preliminary bonus award. The preliminary bonus award is subject to adjustment, upward or downward, by the Compensation Committee in its discretion. The Compensation

Committee also has the discretion to alter the financial performance criteria and individual goals during the year and to decline to award any bonus should the Compensation Committee determine such actions to be warranted by a change in circumstances. Accordingly, no bonus is earned unless and until an award is actually made by the Compensation Committee after year-end.

It is the Compensation Committee's intent to achieve median target cash compensation (comprised of base salary and target annual cash incentive award) positioning over time, however the Compensation Committee may take other factors into consideration in establishing pay levels, including the amount of the increase in target cash compensation over the prior year, the performance of the executive, the performance of the Company, and the pay levels among the senior executive team. The Compensation Committee believes that the target levels of corporate and individual performance in any given year should not be easily achievable, and typically would not be achieved all of the time.

In 2009, the Compensation Committee established fiscal 2010 target bonus amounts for our executive officers equal to a percentage of their annual base salary. Individual target amounts were determined by the Compensation Committee based on the 2009 Peer Group median for comparable positions, as well as expected total compensation, job responsibilities, expected job performance, and, in the case of certain executive officers, the terms of their employment agreements with the Company. When combined with fiscal 2010 base salaries, the target awards resulted in total cash compensation between the 25th percentile and median of the 2009 Peer Group for comparable positions, with the exception of Mr. Laverty, whose total cash compensation for fiscal 2010 remained below the 25th percentile of the 2009 Peer Group for his position. Each executive officer's target bonus was also weighted between corporate and individual performance as set forth in the table below. Fiscal 2010 bonus information for the Named Executive Officers is as follows:

Name	Fiscal 2010 Target Bonus	Fiscal 2010 Target Bonus as Percentage of		Corporate Performance Goals (Weight)	Individual Performance Goals (Weight)	Fiscal 2010 Actual Bonus Award
		Fiscal 2010 Base Salary				
Roger M. Laverty III	\$ 318,750	75%		70%	30%	\$ 0
Jeffrey A. Wahba(1)						
Peter B. Knepper (2)						
John E. Simmons(3)	\$ 164,450	55%				\$ 0
Drew H. Webb	\$ 172,700	55%		65%	35%	\$ 0
Hortensia R. Gómez	\$ 45,000	25%		40%	60%	\$ 0
Heidi L. Modaro(4)	\$ 112,500	45%		30%	70%	\$ 75,004

- (1) Mr. Wahba joined the Company in June 2010, and therefore did not participate in the Incentive Plan for fiscal 2010.
- (2) As a consultant, Mr. Knepper did not participate in the Incentive Plan.
- (3) Although the Compensation Committee initially assigned a target bonus to Mr. Simmons, the Compensation Committee did not assign Company and individual goals to Mr. Simmons and determined that he would not participate in the Incentive Plan for fiscal 2010 due to his resignation as Treasurer and Chief Financial Officer on December 14, 2009.
- (4) Pursuant to the terms of her Employment Agreement with the Company, Ms. Modaro was entitled to receive a bonus equal to her target award prorated through her effective separation date, February 25, 2010.

With the exception of Ms. Modaro, for fiscal 2010, actual bonus awards were based on the Company's financial performance and the level achievement of individual goals assigned by the Compensation Committee to each executive officer. The Company's financial performance was gauged by the level of operating cash flow (weighted at 70%) and net sales (weighted at 30%) as determined from the Company's audited financial

statements. For this purpose, operating cash flow is defined as income from operations, after bonus accruals and excluding non-recurring items such as income from the sale of capital assets, plus depreciation and ESOP compensation expense. Subject to the Compensation Committee's discretion under the Incentive Plan, threshold operating cash flow of \$22.35 million had to be achieved in fiscal 2010 to earn any bonus payout under the Incentive Plan. Assuming this threshold is achieved, a multiplier ranging from 0.0x to 1.5x would be assigned depending upon the level of achievement of operating cash flow and net sales, as follows:

Performance Measure	Weighting	Below Threshold (0.0x)	Threshold (0.5x)	Target (1.0x)	Maximum (1.5x)
Operating Cash Flow	70%	< \$22.35 million	\$22.35 million	\$29.80 million	\$37.25 million
Net Sales	30%	< \$463 million	\$463 million	\$502 million	\$515 million

The Compensation Committee also assigned individual weighted goals for fiscal 2010 to each of the executive officers, which are generally subjective and qualitative.

Because the Company did not achieve threshold operating cash flow of \$22.35 million, no bonuses were awarded to the Named Executive Officers in fiscal 2010, with the exception of Ms. Modaro who was entitled to receive a prorated bonus under the terms of her Employment Agreement with the Company as described above.

### Long-Term Incentives

At the 2007 Annual Meeting of Stockholders, the stockholders of the Company approved the Omnibus Plan. The Omnibus Plan provides for the grant or issuance of long-term incentive awards including 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 is set forth in a separate agreement with the person receiving the award and indicates the type, terms and conditions of the award. The total number of shares available for issuance under the Omnibus Plan is 1,000,000, and no individual may be granted awards representing more than 250,000 shares in any calendar year, in each case, subject to adjustment as provided in the Omnibus Plan.

The Omnibus Plan is administered by the Compensation Committee. Subject to the terms and conditions of the Omnibus Plan, the Compensation Committee has the authority to select the persons to whom awards are to be made, to determine the number of shares to be subject thereto and the terms and conditions thereof, and to make all other determinations and to take all other actions necessary or advisable for the administration of the Omnibus Plan. Grants to executive officers are subject to Board review prior to approval. The Compensation Committee is also authorized to adopt, establish or revise rules relating to administration of the Omnibus Plan. The full Board administers the Omnibus Plan with respect to awards to non-employee directors.

Awards under the Omnibus Plan may be granted to individuals who are then Company officers or employees or are officers or employees of any of the Company's subsidiaries. Such awards, other than performance-based awards, may also be granted to the Company's directors and consultants. Only employees may be granted incentive stock options.

Based on Mercer's recommendations, the Company generally expects to make annual long-term incentive awards under the Omnibus Plan to our executive officers. Since adoption of the Omnibus Plan, grants to executive officers have consisted of stock options and restricted stock, with the number of shares underlying the stock options and shares of restricted stock determined based on the closing price of the Common Stock on the date of grant. Stock options are rights to purchase Common Stock at a pre-determined price (the closing price of the Common Stock on the date of grant), after the stock options have vested. Stock options are designed to create incentives for executives by providing them with an opportunity to share, along with stockholders, in the long-term performance of the Common Stock. The stock options have a seven-year term and generally vest ratably over three to five years. The Compensation Committee believes a seven-year option term provides a reasonable time frame within which the executive's contributions to corporate performance can align with stock appreciation. In addition, as compared with a ten-year option term typical at other companies, a seven-year

option term allows the Company to more effectively manage the number of unexercised options that are outstanding. Restricted stock are shares that are subject to certain forfeiture restrictions. Restricted stock is designed as a retention device and to directly align the interests of the recipient and the Company's stockholders. The restricted stock is expected generally to vest at the end of three to five years.

In making long-term incentive awards, the general intent is to have a majority of the award be performance based and a minority of the award be retention based. In the case of awards made to our executive officers during fiscal 2010, generally two-thirds of the value of each award consisted of stock options and one-third of the value of each award consisted of restricted stock. The Compensation Committee considers options to be an appropriate performance based vehicle given that the stock options have no value unless the stock increases above the price on the date of grant.

In light of Mercer's conclusions in fiscal 2010 that long-term incentives for the Company's executive officers are significantly below the 25th percentile of the 2009 Peer Group for comparable positions, on December 10, 2009, the Compensation Committee made the following grants of non-qualified stock options and restricted stock under the Omnibus Plan:

Name	Fiscal 2010 Stock Option Grant (# of Shares of Common Stock Issuable Upon Exercise)	Fiscal 2010 Restricted Stock Grant (# of Shares)
Roger M. Lavery III	72,828	11,172
Drew H. Webb(1)	22,542	3,458
Hortensia R. Gómez	3,468	532
Heidi L. Modaro(2)	12,138	1,862

(1) Unvested and forfeited upon Mr. Webb's separation from the Company on September 17, 2010.

(2) Unvested and forfeited upon Ms. Modaro's separation from the Company on February 25, 2010.

The stock options shown above have an exercise price per share of \$18.41, which was the closing price of the Common Stock as reported on Nasdaq on the date of grant. The stock options have a seven-year term expiring on December 10, 2016 and vest in one-third increments on each anniversary of the date of grant. The shares of restricted stock vest on December 10, 2012. The Compensation Committee did not grant any equity to Mr. Simmons in fiscal 2010 due to his resignation as an executive officer of the Company in December 2009. As a consultant, Mr. Knepper did not participate in the Omnibus Plan.

On June 1, 2010, the Compensation Committee granted stock options exercisable for 22,000 shares of Common Stock and 3,000 shares of restricted stock to Mr. Wahba in connection with his initial hire. The stock options have an exercise price equal to \$16.78 per share, which was the closing price of the Common Stock as reported on Nasdaq on the date of grant. The stock options have a seven-year term expiring on June 1, 2017 and vest in one-third increments on each anniversary of the date of grant. The shares of restricted stock vest on June 1, 2013.

#### ESOP Allocation

In 2000, the Company adopted the ESOP. ESOP assets are allocated in accordance with a formula based on participant compensation. In order to participate in the ESOP, a participant must complete at least one thousand hours of service to the Company within twelve consecutive months. A participant's interest in the ESOP becomes one hundred percent vested after five years of service to the Company. Benefits are distributed from the ESOP at such time as a participant retires, dies or terminates service with the Company in accordance with the terms and conditions of the ESOP. Benefits may be distributed in cash or in shares of Common Stock. No participant contributions are allowed to be made to the ESOP.

Company contributions to the ESOP may be in the form of Common Stock or cash. Alternatively, the ESOP can borrow money from the Company or an outside lender and use the proceeds to purchase Common Stock. Shares acquired with loan proceeds are held in a suspense account and are released from the suspense account as the loan is repaid. The loan is repaid from the Company's annual contribution to the ESOP. The shares of Common Stock that are released are then allocated to participants' accounts in the same manner as if they had been contributed to the ESOP by the Company. The allocation of ESOP assets is determined by a formula based on participant compensation during the calendar year. The ESOP is intended to satisfy applicable requirements of the Internal Revenue Code of 1986, as amended (the Code), and the Employee Retirement and Income Security Act of 1974. As of October 15, 2010, the ESOP owned of record 2,834,060 shares of Common Stock, including 1,550,341 allocated shares and 1,283,719 shares as yet unallocated to plan participants. An unaffiliated bank is trustee of the ESOP. The present members of the ESOP Administrative Committee are Roger M. Laverty III, Martin A. Lynch and John H. Merrell.

Our executive officers participate in the ESOP in the same manner as all other participants. In calendar 2010, the Company's Named Executive Officers received the following ESOP allocations based on compensation earned during calendar 2009:

Name	2010 ESOP Allocation (# of Shares)
Roger M. Laverty III	684
Jeffrey A. Wahba	(1)
Peter B. Knepper	(2)
John E. Simmons	785
Drew H. Webb	664(3)
Hortensia R. Gómez	610
Heidi L. Modaro	648(4)

(1) Mr. Wahba joined the Company in June 2010, and therefore did not receive an ESOP allocation.

(2) As a consultant, Mr. Knepper did not participate in the ESOP.

(3) Unvested and forfeited upon Mr. Webb's separation from the Company on September 17, 2010.

(4) Unvested and forfeited upon Ms. Modaro's separation from the Company on February 25, 2010.

#### **Welfare Benefits**

The welfare benefits received by employee executive officers are the same as received by other employees, including medical, dental, life, disability and accident insurance. The Company also offers a supplemental disability plan to higher income staff members, including our executive officers, which allows them to buy an additional amount of disability coverage at their own expense. Employee executive officers are eligible on the same basis as other employees for participation in a pension plan, a 401(k) plan and the ESOP. The Company does not contribute or match any participant contributions under the 401(k) plan. The value of the employee executive officer's 401(k) plan balances depends solely on the performance of investment alternatives selected by the employee executive officer from among the alternatives offered to all participants. All investment options in the 401(k) plan are market-based, meaning there are no above-market or guaranteed rates of return. Upon retirement, employee executive officers receive benefits, such as a pension and retiree life and medical insurance benefits, under the same terms as other retirees.

#### **Perquisites**

Perquisites are limited at the Company; however we believe that offering our executive officers certain perquisites facilitates the operation of our business, allows our executive officers to better focus their time,





attention and capabilities on our business, and assists the Company in recruiting and retaining key executives. We also believe that the perquisites offered to our executive officers are generally consistent with practices among companies in our relevant industry.

The perquisites available only to employee executive officers are: (i) in the case of certain employee executive officers, benefits under an executive life insurance plan; (ii) in the case of certain employee executive officers, use of a Company-owned automobile; and (iii) in the case of one former employee executive officer, tuition reimbursement benefits, coaching and payment of disability premiums. Term life insurance premiums paid by the Company under the Company's executive life insurance plan are shown in the Summary Compensation Table below under the heading All Other Compensation. During fiscal 2010, we provided Messrs. Lavery and Webb and Ms. Modaro with automobiles owned by the Company and paid the associated maintenance and operating costs. The aggregate incremental cost associated with personal use of these automobiles is shown in the Summary Compensation Table below under the heading All Other Compensation. In fiscal 2010, the Company gave Ms. Modaro the Company-owned automobile that she was using valued at \$11,600. This amount is also shown in the Summary Compensation Table below under the heading All Other Compensation. Additionally, during fiscal 2010, the Audit Committee approved a relocation payment to Mr. Webb of \$250,000, less \$32,500 in rent and travel expenses previously paid by the Company during fiscal 2010, and a temporary housing allowance of \$3,500 per month (\$42,000 total), as shown in the Summary Compensation Table below under the heading All Other Compensation.

It is the Company's intention to continually assess business needs and evolving practices to ensure that perquisite offerings are competitive and reasonable.

### **Change in Control and Termination Arrangements**

#### *Change in Control Severance Agreements; Employment Agreements*

The Company has entered into agreements with each of its current Named Executive Officers (other than Ms. Gómez who elected not to enter into such agreement) pursuant to which they will be entitled to receive severance benefits upon the occurrence of certain enumerated events in connection with a change in control or threatened change in control. The events that trigger payment are generally those related to (i) termination of employment other than for cause, disability or death, or (ii) resignation for good reason. The payments and benefit levels under these agreements do not influence and were not influenced by other elements of compensation. These agreements were adopted, and are continued, to help: (i) assure the executives' full attention and dedication to the Company, free from distractions caused by personal uncertainties and risks related to a pending or threatened change in control; (ii) assure the executives' objectivity for stockholders' interests; (iii) assure the executives of fair treatment in case of involuntary termination following a change in control or in connection with a threatened change in control; and (iv) attract and retain key talent during uncertain times. The agreements are structured so that payments and benefits are provided only if there is both a change in control or threatened change in control and a termination of employment, either by us (other than for Cause, Disability or death), or by the participant for Good Reason (as each is defined in the agreement). This is sometimes referred to as a double-trigger because the intent of the agreement is to provide appropriate severance benefits in the event of a termination following a change in control, rather than to provide a change in control bonus. A more detailed description of the severance benefits to which our current Named Executive Officers are entitled in connection with a change in control or threatened change in control is set forth below under the heading Executive Compensation Change in Control and Termination Arrangements.

The change in control agreements with Mr. Simmons, Ms. Modaro and Mr. Webb automatically expired in connection with their retirement or separation, as applicable, from the Company. The Company did not enter into a change in control agreement with Mr. Knepper since he was a consultant. In connection with his employment by the Company, the Company and Mr. Wahba entered into a change in control agreement effective February 25, 2010.

Pursuant to the terms of their Employment Agreements, Mr. Lavery, Mr. Wahba, Mr. Webb and Ms. Modaro are entitled to receive certain benefits upon their termination without cause or resignation with good reason. The Company believes such benefits were necessary to attract and retain these executive officers with demonstrated leadership abilities and to secure the services of these executive officers at agreed upon terms. A more detailed description of the benefits to which these officers are entitled in connection with their termination, including the benefits paid to Ms. Modaro and Mr. Webb in connection with their separation from the Company, is set forth below under the heading Executive Compensation Change in Control and Termination Arrangements.

**Equity Awards**

Under the terms of the stock option and restricted stock awards, in the event of death or disability a prorata portion (determined based on the actual number of service days during the vesting period divided by the total number of days during the vesting period) of any unvested stock options and restricted stock will be deemed to have vested immediately prior to the date of death or disability and, in the case of the restricted stock, will no longer be subject to forfeiture. Additionally, under the Omnibus Plan, the plan administrator has discretionary authority regarding accelerated vesting upon termination other than by reason of death or disability, or in connection with a change in control.

**Compensation Policies and Practices**

**Stock Ownership Guidelines**

The Board has adopted Stock Ownership Guidelines to further align the interests of the Company’s executive officers and non-employee directors with the interests of the Company’s stockholders. Under these guidelines, executive officers are expected to own and hold a number of shares of Common Stock based on the following guidelines:

<b>Officer</b>	<b>Value of Shares Owned</b>
Chief Executive Officer	\$450,000
Other Executive Officers	\$100,000 - \$250,000, as determined by the Board in its discretion

Non-employee directors are expected to own and hold during their service as a Board member a number of shares of Common Stock with a value equal to at least three (3) times the amount of the non-employee director annual stock-based award, as the same may be adjusted from time to time, under the Omnibus Plan.

Stock that counts toward satisfaction of these guidelines includes: (i) shares of Common Stock owned outright by the officer or non-employee director and his or her immediate family members who share the same household, whether held individually or jointly; (ii) restricted stock or restricted stock units (whether or not the restrictions have lapsed); (iii) ESOP shares; and (iv) shares of Common Stock held in trust for the benefit of the officer or non-employee director or his or her family.

Until the applicable guideline is achieved, each officer and non-employee director is required to retain all profit shares, which are those shares remaining after payment of taxes on earned equity awards under the Omnibus Plan, such as shares granted pursuant to the exercise of vested options and restricted stock that has vested. Officers and non-employee directors are expected to continuously own sufficient shares to meet these guidelines once attained.

The guidelines may be waived at the discretion of the Board if compliance would create severe hardship or prevent an officer or non-employee director from complying with a court order. It is expected that these instances will be rare.

### ***Insider Trading Policy***

Our insider trading policy prohibits all employees, officers, directors, consultants and other associates of the Company and certain of their family members from, among other things, purchasing or selling any type of security, whether the issuer of that security is the Company or any other company, while aware of material, non-public information relating to the issuer of the security or from providing such material, non-public information to any person who may trade while aware of such information. The insider trading policy also prohibits employees from engaging in short sales with respect to our securities, purchasing or pledging Company stock on margin and entering into derivative or similar transactions (i.e., puts, calls, options, forward contracts, collars, swaps or exchange agreements) with respect to our securities. We also have procedures that require trades by certain insiders, including our directors and executive officers, to be pre-cleared by appropriate Company personnel. Additionally, such insiders are prohibited from conducting transactions involving the purchase or sale of the Company's securities from 12:01 a.m. New York City time on the 15th calendar day before the end of each of the Company's four fiscal quarters (including fiscal year end) through 11:59 p.m. New York City time on the second business day following the date of the public release containing the Company's quarterly (including annual) results of operations.

### ***Policy on Executive Compensation in Restatement Situations***

In the event of a material restatement of the financial results of the Company, the Board of Directors, or the appropriate committee thereof, will review all bonuses and other incentive and equity compensation awarded to the Company's executive officers on the basis of having met or exceeded performance targets for performance periods that occurred during the restatement period. If such bonuses and other incentive and equity compensation would have been lower had they been calculated based on such restated results, the Board of Directors, or the appropriate committee thereof, will, to the extent permitted by governing law and as appropriate under the circumstances, seek to recover for the benefit of the Company all or a portion of such bonuses and incentive and equity compensation awarded to executive officers whose fraud or misconduct caused or partially caused such restatement, as determined by the Board of Directors, or the appropriate committee thereof.

### ***Equity Award Grants***

Our current and historical practice is to grant long-term incentive awards to our executive officers on the date of the regularly scheduled meeting of the Board of Directors in December of each year, with grants to executive officers hired or promoted since that grant date to receive an interim grant reviewed by the Board and approved by the Compensation Committee outside any blackout period under our insider trading policy described above.

### ***Taxes and Accounting Standards***

#### ***Tax Deductibility Under Section 162(m) of the Internal Revenue Code***

Section 162(m) of the Code places a \$1 million limit on the amount of compensation the Company may deduct for tax purposes in any year with respect to each of the Named Executive Officers, except that performance-based compensation that meets applicable requirements is excluded from the \$1 million limit. The Company's executive compensation program is designed to maximize the deductibility of compensation. However, when warranted due to competitive or other factors, the Compensation Committee may decide in certain circumstances to exceed the deductibility limit under Section 162(m) or to otherwise pay non-deductible compensation. There were no such circumstances in fiscal 2010.

#### ***Section 409A of the Internal Revenue Code***

Section 409A of the Code requires programs that allow executives to defer a portion of their current income to meet certain requirements regarding risk of forfeiture and election and distribution timing (among other considerations). With respect to our compensation and benefit plans that are subject to Section 409A of the Code,

in accordance with Section 409A of the Code and regulatory guidance issued by the Internal Revenue Service, we are currently operating such plans in compliance with Section 409A of the Code based upon our good faith, reasonable interpretation of the statute and the Internal Revenue Service's regulatory guidance.

*Accounting Standards*

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of stock options and restricted stock, under our Omnibus Plan are accounted for under FASB ASC Topic 718. The Compensation Committee considers the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity award program. As accounting standards change, the Company may revise certain programs to appropriately align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives.

## EXECUTIVE OFFICERS

The following table sets forth the executive officers of the Company as of the date hereof. All executive officers are elected annually by the Board of Directors and serve at the pleasure of the Board. No executive officer has any family relationship with any director or any other executive officer.

Name	Age	Title	Executive Officer Since
Roger M. Laverty III	63	President and Chief Executive Officer	2006
Jeffrey A. Wahba	54	Treasurer and Chief Financial Officer	2010
Mark A. Harding	50	Senior Vice President of Operations	2010
Hortensia R. Gómez	53	Vice President and Controller	2009
John M. Anglin	63	Secretary	2003

**Roger M. Laverty III** joined Farmer Bros. in 2006, as the fifth chief executive to lead the Company since its founding in 1912. Under Mr. Laverty's leadership, the Company has positioned itself as one of the nation's largest direct-store delivery (DSD) businesses for coffee, tea and culinary products, including the acquisition of the DSD Coffee Business from Sara Lee in 2009, and the acquisition of CBI, one of the nation's leading roasters and wholesalers of specialty coffee, in 2007. Since joining Farmer Bros., Mr. Laverty has also focused on operational improvements through programs intended to enhance the efficiency and flexibility of the Company's manufacturing processes and supply chain, and initiatives intended to strengthen sales and branding. From 2003 to 2005, Mr. Laverty served as President and CEO of Diedrich Coffee, Inc., a diversified operator of coffee houses and franchises that was known for its expertise and traditions in specialty coffee. Earlier, Mr. Laverty served 20 years with retailer Smart & Final, Inc., an operator of non-membership grocery warehouse stores for food and foodservice supplies, playing key roles in the growth of its sales from \$200 million to more than \$1.4 billion. He served as President and CEO of Smart & Final from 1993 to 1998. Mr. Laverty received his undergraduate and law degrees from Stanford University.

**Jeffrey A. Wahba** was appointed to the position of Treasurer and Chief Financial Officer in June 2010. Prior to joining Farmer Bros., Mr. Wahba served as Chief Financial Officer of Nero AG, a digital-media software provider based in Glendale, California and Karlsbad, Germany. Earlier, Mr. Wahba served as Chief Financial Officer of HireRight, Inc., a global leader in employment background screening solutions, based in Irvine, California, which he helped lead through its initial public offering in 2007. From 1986 to 2006, he served as Chief Financial Officer of the Henry Group of Companies, an international manufacturer of building products and a distributor of premium wines. He also served as Chief Financial Officer of Vault Corp., a software security firm, and as international controller of Max Factor and Co., a cosmetics manufacturer. Mr. Wahba graduated from Stanford University with a B.S. and M.S. in Industrial Engineering and Engineering Management and earned an M.B.A. degree from the University of Southern California.

**Mark A. Harding** joined the Company in March 2008 as Vice President of Operations, responsible for warehousing, transportation, manufacturing, fleet operations, purchasing and Brewmatic manufacturing. He was promoted to Senior Vice President of Operations in March 2010, responsible for route sales, branch operations, warehousing, transportation, manufacturing, fleet operations, purchasing, the National Equipment Service Organization, and Brewmatic refurbishment centers. Prior to joining the Company, Mr. Harding was Vice President of Operations of Intercontinental Art, Inc., a producer and importer of home decor, from March 2002 to March 2008, where his responsibilities included warehousing, transportation, quality control, domestic manufacturing and China manufacturing. Mr. Harding attended the University of Phoenix, where he received a B.A. in Business Administration.

**Hortensia R. Gómez** joined the Company in 2005 as Controller after serving as Chief Financial Officer at Barco Uniforms Inc., a professional apparel company, from 1992 to 2005. Ms. Gómez has more than 28 years of experience in management, accounting and finance positions. Ms. Gómez graduated from the University of California at Los Angeles.

**John M. Anglin** has served as Secretary of Farmer Bros. since 2003. He served as a member of the Company's Board of Directors from 1985 until 2003. In addition to his role at Farmer Bros., Mr. Anglin is a partner in the Pasadena-based law firm of Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP ( AFRCT ), where his practice is concentrated in the corporate and real estate areas. Prior to this, Mr. Anglin was a partner of Walker Wright Tyler & Ward, LLP, Los Angeles, California from 1978 to 2002 (managing partner from 1994 to 2000). Mr. Anglin received his undergraduate and law degrees from the University of Southern California. AFRCT provided legal services to the Company in fiscal 2010 as discussed below under the heading Certain Relationships and Related Person Transactions. We expect to continue to engage AFRCT to perform legal services in fiscal 2011.

## EXECUTIVE COMPENSATION

## Summary Compensation Table

The following table sets forth summary information concerning compensation awarded to, earned by, or paid to each of our Named Executive Officers for all services rendered in all capacities to the Company and its subsidiaries in the last three fiscal years. For a complete understanding of the table, please read the footnotes and narrative disclosures that follow the table.

## SUMMARY COMPENSATION TABLE

A	B	C	D	E	F	G	H	I	J
Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Roger M. Laverty III(1) President and CEO	2010	424,077		205,677	447,164	0	37,445	27,675	1,142,038
	2009	389,654	234,000	143,616	267,200		27,445	32,969	1,094,884
	2008	350,038		149,820	244,800	175,000	22,229	33,419	975,306
Jeffrey A. Wahba(2) Treasurer and CFO	2010	47,939		50,340	124,080				222,359
Peter B. Knepper(3) Former CFO (Interim)	2010	239,750							239,750
John E. Simmons(4) Former Treasurer and CFO	2010	207,618					109,027	124,821	441,466
	2009	298,103	135,000	32,640	60,120		163,796	44,712	734,371
	2008	287,375		34,050	55,080	100,000	31,983	41,390	549,878
Drew H. Webb(5) Former Executive VP Sales and Marketing	2010	314,001		63,662	138,408			305,720	821,791
	2009	313,909	140,000	32,640	60,120		7,582	67,792	622,043
	2008	143,613	58,000	33,165	55,080			23,703	313,561
Hortensia R. Gómez(6) Vice President and Controller	2010	180,073		9,794	21,294		29,263	11,269	251,693
	2009	166,465	40,000	6,528	20,040		17,045	16,265	266,343
Heidi L. Modaro(7) Former Vice President Sales and Operations, Coffee & Tea	2010	173,076		34,279	74,527	75,004	14,740	536,128	907,754
	2009	76,923	30,000	15,449	46,760		3,991	51,300	224,423

- (1) Mr. Laverty was promoted to Chief Executive Officer on December 6, 2007. The amounts shown in the table for fiscal 2008 reflect Mr. Laverty's compensation in all capacities for the full fiscal year. The amount reported in column I for fiscal 2010 includes life insurance premiums, dividends paid on restricted stock awards and an ESOP allocation (\$10,324). The total value of all perquisites and other personal benefits did not exceed \$10,000 in fiscal 2010 and has been excluded from the table.
- (2) Mr. Wahba joined the Company as Treasurer and Chief Financial Officer on June 1, 2010. Mr. Wahba received no perquisites or other personal benefits in fiscal 2010.
- (3) Mr. Knepper is a member of Tatum. Pursuant to an Interim Services Agreement between the Company and Tatum, Mr. Knepper served as a financial consultant to the Company from December 18, 2009 to February 8, 2010, at which time he was appointed Chief Financial Officer (Interim). Mr. Knepper served in this capacity through May 31, 2010, and thereafter provided consulting services to the Company through June 30, 2010. As a consultant, he did not participate in the Incentive Plan, Omnibus Plan or ESOP, or receive any other Company benefits. In addition to Mr. Knepper's compensation shown in the table above, Tatum received \$135,625 associated with Mr. Knepper's services to the Company.



- (4) Mr. Simmons resigned as Treasurer and Chief Financial Officer on December 14, 2009 and retired from the Company on February 28, 2010. The amount reported in column C for fiscal 2010 reflects Mr. Simmons' prorated annual base salary through his retirement date. The amount reported in column I for fiscal 2010

includes life insurance premiums, dividends paid on restricted stock awards, an ESOP allocation (\$11,841), and sick days paid over the maximum accumulation amount and accrued vacation (\$106,234). The total value of all perquisites and other personal benefits did not exceed \$10,000 in fiscal 2010 and has been excluded from the table.

- (5) Mr. Webb became Executive Vice President of Sales and Marketing on February 25, 2010, prior to which time he served as Executive Vice President and Chief Operating Officer. Mr. Webb separated from the Company on September 17, 2010. The amounts shown in the table for fiscal 2010 reflect Mr. Webb's compensation in all capacities for the full fiscal year. The amount reported in column C for fiscal 2008 includes \$48,229 in consulting fees and expenses paid to Mr. Webb from January 3, 2008 to March 3, 2008, when he was hired as Executive Vice President and Chief Operating Officer of the Company. The amount reported in column I for fiscal 2010 includes dividends paid on restricted stock awards, an ESOP allocation (\$10,022), and perquisites and other personal benefits in the amount of \$295,698, consisting of personal use of a Company-owned automobile calculated based on the aggregate incremental cost to the Company and relocation assistance (\$292,000). The cost for personal use of a Company-owned automobile is calculated by allocating the costs of operating the car between personal and business use. The cost of operating the car is allocated to personal use on the basis of miles driven for personal use to total miles driven. Mr. Webb's accumulated ESOP allocation was unvested and forfeited upon Mr. Webb's separation from the Company.
- (6) Ms. Gómez was promoted to Vice President and Controller on March 17, 2009. Prior to her promotion, Ms. Gómez was Controller of the Company. The amounts shown in the table for fiscal 2009 reflect Ms. Gómez's compensation in all capacities for the full fiscal year. The amount reported in column I for fiscal 2010 includes life insurance premiums, dividends paid on restricted stock awards and an ESOP allocation. The total value of all perquisites and other personal benefits did not exceed \$10,000 in fiscal 2010 and has been excluded from the table.
- (7) Ms. Modaro separated from the Company on February 25, 2010. The amount reported in column C for fiscal 2010 reflects Ms. Modaro's prorated annual base salary through her separation date. The amount reported in column C for fiscal 2009 represents Ms. Modaro's prorated annual base salary from March 1, 2009 through June 30, 2009. The amount reported in column G for fiscal 2010 reflects a prorated bonus paid to Ms. Modaro based on her target award for fiscal 2010 pursuant to the terms of her Employment Agreement. The amount reported in column I for fiscal 2010 includes (a) amounts paid in connection with Ms. Modaro's separation pursuant to the terms of her Employment Agreement, consisting of outplacement services (\$10,000), severance payments made in fiscal 2010 (\$76,923), severance payments to be made in fiscal 2011 (\$174,037), and other amounts relating to her separation (\$235,000); (b) accrued vacation (\$14,718); (c) an ESOP allocation; (d) dividends paid on restricted stock awards; (e) short- and long-term disability premiums in lieu of healthcare benefits; and (f) perquisites and other personal benefits in the amount of \$12,876, consisting of personal use of a Company-owned automobile calculated based on the aggregate incremental cost to the Company and transfer of title to such automobile to Ms. Modaro. The cost for personal use of a Company-owned automobile is calculated by allocating the costs of operating the car between personal and business use. The cost of operating the car is allocated to personal use on the basis of miles driven for personal use to total miles driven. Ms. Modaro's ESOP allocation was unvested and forfeited upon Ms. Modaro's separation from the Company.

***Salary (Column C)***

The amounts reported in column C represent base salaries earned by each of the Named Executive Officers for the fiscal year indicated.

***Bonus (Column D)***

The amounts reported in column D for fiscal 2009 reflect non-recurring bonuses paid to the Company's executive officers. In light of the then pending DSD Acquisition, the Compensation Committee determined not to

establish bonus targets under the Incentive Plan for fiscal 2009 during the first quarter of fiscal 2009. Instead, upon completion of the DSD Acquisition, the Compensation Committee determined that it was advisable to award discretionary bonuses to the Company's executive officers outside the Incentive Plan for fiscal 2009 in recognition of their efforts in the successful consummation of the DSD Acquisition and related integration efforts, and their respective contributions to the Company's fiscal 2009 organic growth after taking into account certain non-recurring expenses associated with the DSD Acquisition and the relocation of the Company's specialty coffee operations to a new facility in Portland, Oregon. In addition to the foregoing executive officer bonuses, Ms. Modaro also received a discretionary bonus of \$30,000 for fiscal 2009 in lieu of any bonus under the Incentive Plan.

Ms. Gómez was not a participant in the Incentive Plan for fiscal 2009. In light of her promotion and contributions to the success of the Company during fiscal 2009, the Compensation Committee awarded her a discretionary bonus for fiscal 2009 of \$40,000.

The amount reported in column D for fiscal 2008 for Mr. Webb represents a non-recurring bonus paid to Mr. Webb reflecting his contribution to the Company from March 3, 2008, the date he joined the Company, through the end of fiscal 2008. Mr. Webb did not participate in the Incentive Plan in fiscal 2008.

All non-equity incentive plan compensation paid to the Named Executive Officers under the Incentive Plan is shown in column G.

***Stock Awards (Column E)***

The amounts reported in column E represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The amounts previously reported have been restated in accordance with new SEC rules relating to executive compensation. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 11 to our audited consolidated financial statements for the fiscal year ended June 30, 2010 included in our Annual Report on Form 10-K, as amended, filed with the SEC on September 14, 2010, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any forfeitures relating to service-based (time-based) vesting conditions.

***Option Awards (Column F)***

The amounts reported in column F represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The amounts previously reported have been restated in accordance with new SEC rules relating to executive compensation. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 11 to our audited consolidated financial statements for the fiscal year ended June 30, 2010 included in our Annual Report on Form 10-K, as amended, filed with the SEC on September 14, 2010, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any forfeitures relating to service-based (time-based) vesting conditions.

***Non-Equity Incentive Plan Compensation (Column G)***

The amounts reported in column G represent the aggregate dollar value for each of the Named Executive Officers of the annual performance bonus under the Incentive Plan for the fiscal years indicated. Annual bonuses under the Incentive Plan were approved by the Compensation Committee and paid to the Named Executive Officers in the first quarter of the subsequent fiscal year consistent with past practice.

As described above under Compensation Discussion and Analysis, because the Company did not achieve threshold operating cash flow of \$22.35 million for fiscal 2010, no bonuses were awarded to the Company's current Named Executive Officers in fiscal 2010, with the exception of Ms. Modaro who received a prorated bonus based on her target award under the terms of her Employment Agreement with the Company. Mr. Wahba

joined the Company in June 2010, and therefore did not participate in the Incentive Plan for fiscal 2010. As a consultant, Mr. Knepper did not participate in the Incentive Plan.

***Change in Pension Value (Column H)***

The amounts representing the change in pension value reported in column H were generated by the combination of increases in the accrued pension benefit and change in conversion of that benefit to a present value. Accrued pension benefits for each of the Named Executive Officers were calculated based on the final average pay times years of service as of the end of the fiscal year. Except in the case of Mr. Simmons who began receiving benefits upon his retirement in fiscal 2010, accrued benefits as of the end of each fiscal year increased over accrued benefits as of the end of the prior fiscal year because an additional year of service was included and because the averages of the most recent five years of pay were greater than the averages as of one year earlier. The conversion to a present value produced a further increase because normal retirement age, the assumed commencement of benefits, was one year closer. The present value conversion can also cause an increase or decrease in value due to changes in actuarial assumptions. The discount rate used to calculate present values decreased from 6.25% as of the end of fiscal 2009 to 5.60% as of the end of fiscal 2010, producing an increase in the present value. The discount rate used to calculate present values decreased from 6.80% as of the end of fiscal 2008 to 6.25% as of the end of fiscal 2009, producing an increase in the present value. The discount rate used to calculate present values increased from 6.00% as of the end of fiscal 2007 to 6.80% as of the end of fiscal 2008, producing a decrease in the present value. No other actuarial assumptions changed between the end of fiscal 2007 and the end of fiscal 2010.

***All Other Compensation (Column I)***

The amounts reported in column I represent the aggregate dollar amount for each Named Executive Officer for perquisites and other personal benefits; term life insurance premiums paid by the Company under the Company's executive life insurance plan; allocations under the ESOP; payment for sick time accrued above the maximum accumulation amount and accrued vacation; and certain other compensation described in the footnotes to the Summary Compensation Table above.

***Total Compensation (Column J)***

The amounts reported in column J are the sum of columns C through I for each of the Named Executive Officers. All compensation amounts reported in column J include amounts paid and amounts deferred.

**Grants of Plan-Based Awards**

The following table sets forth summary information regarding all grants of plan-based awards made to our Named Executive Officers for fiscal 2010.

**GRANTS OF PLAN-BASED AWARDS**

Name	Grant Date	Approval Date(1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of	All Other Option Awards: Number of Securities Underlying	Exercise Price of Awards (\$/Sh)(5)	Grant Date Fair Value of Stock and Option Awards (\$)(6)
			Threshold (\$)	Target (\$)	Maximum (\$)	Units (#)(3)	Options (#)(4)		
Roger M. Lavery III Annual Cash Incentive Bonus Time Based	12/10/09	12/10/09		318,750		11,172	72,828	18.41	652,840
Jeffrey A. Wahba Annual Cash Incentive Bonus Time Based	6/1/10	5/27/10				3,000	22,000	16.78	174,420
Peter B. Knepper Annual Cash Incentive Bonus Time Based									
John E. Simmons(7) Annual Cash Incentive Bonus Time Based				164,450					
Drew H. Webb Annual Cash Incentive Bonus Time Based	12/10/09	12/10/09		172,700		3,458	22,542	18.41	202,070
Hortensia R. Gómez Annual Cash Incentive Bonus Time Based	12/10/09	12/10/09		40,000		532	3,468	18.41	31,088
Heidi L. Modaro Annual Cash Incentive Bonus Time Based	12/10/09	12/10/09		112,500		1,862	12,138	18.41	108,807

(1) Reflects the date on which the grants were approved by the Compensation Committee.

(2) Represents annual cash incentive opportunities based on fiscal 2010 performance under the Incentive Plan. There are no thresholds or maximums under the Incentive Plan. The targets are set each fiscal year by the Compensation Committee. The bonus amounts are based on the Company's financial performance and satisfaction of individual participant goals. The Compensation Committee has discretion to increase, decrease or entirely eliminate the bonus amount derived from the Incentive Plan's formula. The maximum amount that can be awarded under the Incentive Plan is within the discretion of the Compensation Committee.

(3)

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Restricted stock for the Named Executive Officers cliff vests on the third anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan. The restricted stock shown in the table granted to Ms. Modaro and Mr. Webb was unvested and forfeited upon their respective separation from the Company. The Compensation Committee did not grant any equity to Mr. Simmons in fiscal 2010 due to his resignation as an executive officer of the Company in December 2009. As a consultant, Mr. Knepper did not participate in the Omnibus Plan.

- (4) Stock options vest in one-third (1/3) increments on each anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan. The stock options shown in the table granted to Ms. Modaro and Mr. Webb were unvested and forfeited upon their respective separation from the Company. The Compensation Committee did not grant any equity to Mr. Simmons in fiscal 2010 due to his resignation as an executive officer of the Company in December 2009. As a consultant, Mr. Knepper did not participate in the Omnibus Plan.

- (5) Exercise price of stock option awards is equal to the closing market price on the date of grant.
- (6) Reflects the grant date fair value of restricted stock and stock option awards computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 11 to our audited consolidated financial statements for the fiscal year ended June 30, 2010 included in our Annual Report on Form 10-K, as amended, filed with the SEC on September 14, 2010, except that, as required by applicable SEC rules, we did not reduce the amounts in these columns for any forfeitures relating to service-based (time-based) vesting conditions.
- (7) Although the Compensation Committee initially assigned a target bonus to Mr. Simmons, the Compensation Committee did not assign Company and individual goals to Mr. Simmons and determined that he would not participate in the Incentive Plan for fiscal 2010 due to his resignation as Treasurer and Chief Financial Officer on December 14, 2009.

**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth summary information regarding the outstanding equity awards at June 30, 2010 granted to each of our Named Executive Officers.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name	Option Awards					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	
Roger M. Lavery III		72,828		18.41	12/10/16	11,172	168,585		
	13,333	26,667		21.76	12/11/15	6,600	99,594		
	26,667	13,333		22.70	2/20/15	6,600	99,594		
Jeffrey A. Wahba		22,000		16.78	6/1/17	3,000	45,270		
Peter B. Knepper									
John E. Simmons(4)	3,000			21.76	12/11/15				
	6,000			22.70	2/20/15				
Drew H. Webb(5)		22,542		18.41	12/10/16	3,458	52,181		
	3,000	6,000		21.76	12/11/15	1,500	22,635		
	6,000	3,000		22.11	3/3/15	1,500	22,635		
Hortensia R. Gómez		3,468		18.41	12/10/16	532	8,028		
	1,000	2,000		21.76	12/11/15	300	4,527		
	2,000	1,000		22.70	2/20/15	300	4,527		
Heidi L. Modaro(6)									

- (1) Stock options vest in one-third (1/3) increments on each anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan.
- (2) Restricted stock for the Named Executive Officers cliff vests on the third anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan.
- (3) The market value was calculated by multiplying the closing price of our Common Stock on June 30, 2010 (\$15.09) by the number of shares of unvested restricted stock.



- (4) Excludes 3,000 shares of restricted stock and 9,000 shares subject to unvested stock options previously granted to Mr. Simmons which were forfeited upon Mr. Simmons' retirement from the Company on February 28, 2010.
- (5) Includes 6,458 shares of restricted stock and 31,542 shares subject to unvested stock options which were forfeited upon Mr. Webb's separation from the Company on September 17, 2010.
- (6) Excludes 2,562 shares of restricted stock and 19,138 shares subject to unvested stock options previously granted to Ms. Modaro which were forfeited upon Ms. Modaro's separation from the Company on February 25, 2010.

**Option Exercises and Stock Vested**

No stock options were exercised by our Named Executive Officers and no shares of restricted stock held by our Named Executive Officers vested in fiscal 2010.

**Employment Agreements and Arrangements**

*Lavery Employment Agreement*

The Company has entered into an Employment Agreement, as amended, with Roger M. Lavery III (the "Lavery Employment Agreement"). The Lavery Employment Agreement provides that Mr. Lavery will serve as Chief Executive Officer and President of the Company, with the powers, general duties and responsibilities typically vested in a chief executive officer. Mr. Lavery's annual base salary is subject to annual review and may be adjusted upward or downward by the Company from time to time but may not be reduced below \$320,000 per annum. Mr. Lavery is entitled to participate in the Incentive Plan (or any successor plan), with the amount of any target award thereunder to be set by the Compensation Committee. Mr. Lavery is entitled to use of a Company car or an equivalent car allowance, paid vacation of twenty-five (25) days per year, group health insurance, life insurance, business travel insurance, qualified retirement plan, 401(k) plan, employee stock ownership plan, cell phone, Company credit card, and business expense reimbursement. Mr. Lavery is entitled to participate in the Omnibus Plan in accordance with the provisions thereof. Mr. Lavery's employment may be terminated by the Company at any time with or without Cause (as defined in the Lavery Employment Agreement). Mr. Lavery's employment also will terminate upon his resignation, with or without Good Reason (as defined in the Lavery Employment Agreement), death or permanent incapacity. Upon certain events of termination, Mr. Lavery is entitled to the benefits described below under the heading "Change in Control and Termination Arrangements."

*Wahba Employment Agreement*

On February 25, 2010, the Company entered into an Employment Agreement with Jeffrey A. Wahba (the "Wahba Employment Agreement"). The Wahba Employment Agreement provides that Mr. Wahba will serve as Treasurer and Chief Financial Officer of the Company, with oversight responsibility for all financial (including treasury functions), accounting and compliance functions of the Company. Mr. Wahba's initial annual base salary is \$305,000. Mr. Wahba is entitled to participate in the Incentive Plan (or any successor plan), with the amount of any target award thereunder to be equal to 55% of his base salary. Mr. Wahba is entitled to all benefits and perquisites provided by the Company to its senior executives, including paid vacation, group health insurance, business travel insurance, retirement plan, 401(k) plan, employee stock ownership plan, cell phone, Company credit card, and business expense reimbursement. An automobile benefit may also be provided. Mr. Wahba is entitled to participate in the Omnibus Plan in accordance with the provisions thereof. Mr. Wahba's employment may be terminated by the Company at any time with or without Cause (as defined in the Wahba Employment Agreement). Mr. Wahba's employment also will terminate upon his resignation, with or without Good Reason (as defined in the Wahba Employment Agreement), death or permanent incapacity. Upon certain events of termination, Mr. Wahba is entitled to the benefits described below under the heading "Change in Control and Termination Arrangements."

**Webb Employment Agreement**

The Company entered into an Employment Agreement, as amended, with Drew H. Webb (the Webb Employment Agreement). The Webb Employment Agreement provided that Mr. Webb would serve as Executive Vice President of Sales and Marketing of the Company, with oversight responsibility for the Company's sales, marketing, strategic planning and corporate development. On September 17, 2010, Mr. Webb separated from the Company. As a result, Mr. Webb may be entitled to certain severance payments and benefits described below under the heading Change in Control and Termination Arrangements.

**Modaro Employment Agreement**

The Company entered into an Employment Agreement with Heidi L. Modaro (the Modaro Employment Agreement). The Modaro Employment Agreement provided that Ms. Modaro would serve as Vice President Sales and Operations, Coffee & Tea of the Company, with oversight responsibility for the Company's direct store delivery sales and operations. On February 25, 2010, Ms. Modaro separated from the Company. As a result, Ms. Modaro has received and will continue to receive certain severance payments and benefits described below under the heading Change in Control and Termination Arrangements.

**Pension Benefits**

The following table provides information as of the end of fiscal 2010 with respect to the Farmer Bros. Plan, a defined benefit plan for the majority of the Company's employees who are not covered under a collective bargaining agreement, for each of the Named Executive Officers. For a complete understanding of the table, please read the narrative disclosures that follow the table.

**PENSION BENEFITS**

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Roger M. Lavery III	Farmer Bros. Plan	2.92	87,119	
Jeffrey A. Wahba	Farmer Bros. Plan			
Peter B. Knepper	Farmer Bros. Plan			
John E. Simmons	Farmer Bros. Plan	27.92	995,713	22,518
Drew H. Webb	Farmer Bros. Plan			
Hortensia R. Gómez	Farmer Bros. Plan	3.42	55,791	
Heidi L. Modaro	Farmer Bros. Plan			

Annuity benefits payable monthly under the Farmer Bros. Plan are calculated as 1.50% of average compensation multiplied by the number of years of credited service, but not less than \$60 per month for the first 20 years of credited service plus \$80 per month for each year of credited service in excess of 20 years. For this formula, average compensation is defined as the monthly average of total pay received for the 60 consecutive months out of the 120 latest months before the retirement date which gives the highest average. The formula above produces the amount payable as a monthly annuity for the life of the Named Executive Officer beginning as early as age 62. Benefits can begin as early as age 55 upon retirement, but are subject to a 4% per year reduction for the number of years before age 62 when benefits began. Benefits under a predecessor plan are included in the figures shown in the table above for Mr. Simmons. Maximum annual combined benefits under both plans generally cannot exceed the lesser of \$195,000 or the average of the employee's highest three years of compensation.

While a present value is shown in the table, benefits are not available as a lump sum and must be taken in the form of an annuity. Present values were calculated using the same actuarial assumptions applied in the

calculation of pension liabilities reported in Note 8 to our audited consolidated financial statements for the fiscal year ended June 30, 2010 included in our Annual Report on Form 10-K, as amended, filed with the SEC on September 14, 2010.

Mr. Webb opted not to participate in the Farmer Bros. Plan. Ms. Modaro did not complete the required five years of service prior to separation from the Company on February 25, 2010 and, therefore, forfeited the unvested present value of her accumulated pension benefit in the amount of \$18,731.

## **Change in Control and Termination Arrangements**

### ***Change in Control Agreements***

The Company has entered into a Change in Control Severance Agreement ( *Severance Agreement* ) with each of its current Named Executive Officers (other than Ms. Gómez who elected not to enter into such agreement) which provides certain severance benefits to such persons in the event of a Change in Control (as generally defined below). Each Severance Agreement expires at the close of business on December 31, 2010, subject to automatic one year extensions unless the Company or such executive officer notified the other no later than September 30, 2010 that the term would not be extended. Neither the Company nor any executive officer notified the other that the term would not be extended, so the term of each Severance Agreement has been extended to December 31, 2011, subject to possible further extensions. Notwithstanding the foregoing, if prior to a Change in Control, an executive officer ceases to be an employee of the Company, his or her Severance Agreement will be deemed to have expired. The Severance Agreements with Mr. Simmons, Ms. Modaro and Mr. Webb automatically expired in connection with their retirement or separation, as applicable, from the Company. The Company did not enter into a Severance Agreement with Mr. Knepper since he was a consultant.

Under each of the Severance Agreements, a Change in Control generally will be deemed to have occurred at any of the following times: (i) upon the acquisition by any person, entity or group of beneficial ownership of 50% or more of either the then outstanding Common Stock or the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; (ii) at the time individuals making up the Incumbent Board (as defined in the Severance Agreements) cease for any reason to constitute at least a majority of the Board; or (iii) 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 (other than any transaction with respect to which persons who were the stockholders of the Company immediately prior to such transaction continue to represent at least 50% of the outstanding Common Stock of the Company or such surviving entity or parent or affiliate thereof immediately after such transaction). In the event of certain termination events in connection with a Change in Control or Threatened Change in Control (as defined in the Severance Agreements), the current Named Executive Officers will be entitled to certain payments and benefits shown in the tables below.

Each Severance Agreement provides that while such executive officer is receiving compensation and benefits thereunder, such executive officer will 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. In the event such executive officer breaches this provision, all compensation and benefits under the Severance Agreement will immediately cease.

### ***Employment Agreements***

Under the Employment Agreements with Mr. Laverty and Mr. Wahba, upon termination for any reason, the Company will pay such officer his accrued base salary and accrued but unused vacation. In addition, if such termination occurs at the election of the Company without Cause (as defined in the Employment Agreements) or by such officer's resignation with Good Reason (as defined in the Employment Agreements), such officer will be

entitled to certain payments and benefits shown in the tables below. Receipt of any severance amounts under any Employment Agreement is conditioned upon execution of a general release of claims against the Company. Notwithstanding the foregoing, if the officer becomes eligible for severance benefits under the Severance Agreement described above, the benefits provided under that agreement will be in lieu of, and not in addition to, the severance benefits under his Employment Agreement.

***Equity Awards***

Under the terms of the stock option and restricted stock awards, in the event of death or disability a prorata portion (determined based on the actual number of service days during the vesting period divided by the total number of days during the vesting period) of any unvested stock options and restricted stock will be deemed to have vested immediately prior to the date of death or disability and, in the case of the restricted stock, will no longer be subject to forfeiture. Additionally, under the Omnibus Plan, the plan administrator has discretionary authority regarding accelerated vesting upon termination other than by reason of death or disability, or in connection with a change in control.

***Potential Payments Upon Termination or Change in Control***

The following tables describe potential payments and benefits upon termination, including resignation, severance, retirement or a constructive termination, or a change in control, including under the agreements described above, to which our current Named Executive Officers would be entitled. The estimated amount of compensation payable to each such Named Executive Officer in each situation is listed in the tables below assuming that the termination and/or change in control of the Company occurred at June 30, 2010. The actual amount of payments and benefits can only be determined at the time of such a termination or change in control and therefore the actual amounts will vary from the estimated amounts in the tables below. Descriptions of how such payments and benefits are determined under the circumstances, material conditions and obligations applicable to the receipt of payments or benefits and other material factors regarding such agreements, as well as other material assumptions that we have made in calculating the estimated compensation, follow these tables.

The tables and discussion below do not reflect (i) payments that would be provided to each Named Executive Officer under the Farmer Bros. Plan following termination of employment on the last business day of the fiscal year end; and (ii) the value of retiree medical and life insurance benefits, if any, that would be provided to each Named Executive Officer following such termination of employment, because, in each case, these benefits are generally available to all regular Company employees similarly situated in age, years of service and date of hire and do not discriminate in favor of executive officers.

The tables exclude Mr. Simmons who retired from the Company on February 28, 2010, Mr. Webb who separated from the Company on September 17, 2010, and Ms. Modaro who separated from the Company on February 25, 2010. Pursuant to the terms of the Modaro Employment Agreement, Ms. Modaro will continue to receive her base salary for a period of one (1) year from the effective termination date, such payment to be made in installments in accordance with the Company's standard payroll practices. In addition, Ms. Modaro received \$75,004 representing the prorated amount of her target award under the Incentive Plan for fiscal 2010. As further required under the Modaro Employment Agreement, the Company paid Ms. Modaro a \$200,000 retention bonus and \$35,000 representing a prorated bonus payment for fiscal 2009, and paid a third party \$10,000 for executive outplacement services. In exchange for the foregoing payments, Ms. Modaro provided the Company a general release of claims as required under the Modaro Employment Agreement. Under certain circumstances, Mr. Webb may be entitled to salary and benefit continuation and certain other severance payments and benefits as provided in the Webb Employment Agreement.

	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
<b>ROGER M. LAVERTY III</b>						
Base Salary Continuation	\$	\$	\$	\$ 850,000	\$ 850,000	\$ 425,000
Bonus Payments	\$ 318,750	\$ 318,750	\$	\$ 318,750	\$ 318,750	\$ 318,750
Value of Accelerated Stock Options	\$	\$	\$	\$	\$	\$
Value of Accelerated Restricted Stock	\$ 130,724	\$ 130,724	\$	\$	\$	\$
Qualified and Non-Qualified Plans	\$	\$	\$	\$ 162,100	\$ 162,100	\$
ESOP	\$ 38,600	\$ 38,600	\$	\$ 61,312	\$ 61,312	\$
Health and Dental Insurance	\$	\$ 18,401	\$	\$ 36,802	\$ 36,802	\$ 18,401
Outplacement Services	\$	\$	\$	\$ 25,000	\$ 25,000	\$
Life Insurance Proceeds	\$ 725,000	\$	\$	\$	\$	\$
Total Pre-Tax Benefit	\$ 1,213,074	\$ 506,475	\$	\$ 1,453,964	\$ 1,453,964	\$ 762,151

	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
<b>JEFFREY A. WAHBA</b>						
Base Salary Continuation	\$	\$	\$	\$ 610,000	\$ 610,000	\$ 305,000
Bonus Payments	\$ 167,750	\$ 167,750	\$	\$ 167,750	\$ 167,750	\$ 167,750
Value of Accelerated Stock Options	\$	\$	\$	\$	\$	\$
Value of Accelerated Restricted Stock	\$ 1,199	\$ 1,199	\$	\$	\$	\$
Qualified and Non-Qualified Plans	\$	\$	\$	\$	\$	\$
ESOP	\$	\$	\$	\$	\$	\$
Health and Dental Insurance	\$	\$ 1,533	\$	\$ 36,802	\$ 36,802	\$ 18,401
Outplacement Services	\$	\$	\$	\$ 25,000	\$ 25,000	\$
Life Insurance Proceeds	\$	\$	\$	\$	\$	\$
Total Pre-Tax Benefit	\$ 168,949	\$ 170,482	\$	\$ 839,552	\$ 839,552	\$ 491,151



				Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
<b>HORTENSIA R. GÓMEZ</b>	<b>Death</b>	<b>Disability</b>	<b>Retirement</b>			
Base Salary Continuation	\$	\$	\$	\$	\$	\$
Bonus Payments	\$	\$	\$	\$	\$	\$
Value of Accelerated Stock Options	\$	\$	\$	\$	\$	\$
Value of Accelerated Restricted Stock	\$ 6,009	\$ 6,009	\$	\$	\$	\$
Qualified and Non-Qualified Plans	\$	\$	\$	\$	\$	\$
ESOP	\$ 39,596	\$ 39,596	\$	\$	\$	\$
Health and Dental Insurance	\$	\$ 7,274	\$	\$	\$	\$
Outplacement Services	\$	\$	\$	\$	\$	\$
Life Insurance Proceeds	\$ 280,000	\$	\$	\$	\$	\$
Total Pre-Tax Benefit	\$ 325,605	\$ 52,879	\$	\$	\$	\$

**Base Salary Continuation***Severance Agreements*

Under each Severance Agreement, if (i) a Change in Control occurs and the executive officer's employment is terminated within the two years following the occurrence of the Change in Control by the Company other than for Cause, Disability (each as defined in the Severance Agreements) or death, or by Resignation for Good Reason (as defined in the Severance Agreements), or (ii) a Threatened Change in Control (as defined in the Severance Agreements) occurs and the executive officer's employment is terminated during the Threatened Change in Control Period (as defined in the Severance Agreements) by the Company other than for Cause, Disability or death, or there is a Resignation for Good Reason by the executive officer (a Change in Control Event), such executive officer will be entitled to receive his or her base salary, excluding bonuses, 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, commencing in the month following the month in which the executive officer's Separation from Service (as defined in the Severance Agreements) occurs, subject to the payment limitations with respect to specified employees under Section 409A of the Code.

*Employment Agreements*

Under the Employment Agreements, if Mr. Laverty's or Mr. Wahba's termination occurs at the election of the Company without Cause (as defined in the Employment Agreements) or by Mr. Laverty's or Mr. Wahba's resignation with Good Reason (as defined in the Employment Agreements), Mr. Laverty or Mr. Wahba, as the case may be, will continue to receive his base salary for a period of one (1) year from the effective termination date, such payment to be made in installments in accordance with the Company's standard payroll practices, commencing in the month following the month in which the executive officer's Separation from Service (as defined in the Employment Agreements) occurs, subject to the payment limitations with respect to specified employees under Section 409A of the Code.

**Bonus Payments***Severance Agreements*

Under each Severance Agreement, if a Change in Control Event occurs, the Named Executive Officer will receive a payment equal to one hundred percent (100%) of the Named Executive Officer's target bonus for the fiscal year in which the date of termination occurs (or, if no target bonus has been assigned as of the date of





termination, the average bonus paid to such Named Executive Officer for the last three (3) completed fiscal years or for the number of completed fiscal years such person has been in the employ of the Company if fewer than three (3)), such payment to be made in a lump sum, subject to the payment limitations with respect to specified employees under Section 409A of the Code. Because Mr. Wahba joined the Company in June 2010 and no target award has been assigned and no bonus has been paid, the amount shown in the table above is based on Mr. Wahba's fiscal 2011 target bonus of \$167,750.

#### *Employment Agreements*

Under the Employment Agreements, if Mr. Laverty's or Mr. Wahba's termination occurs at the election of the Company without Cause (as defined in the Employment Agreements) or by Mr. Laverty's or Mr. Wahba's resignation with Good Reason (as defined in the Employment Agreements), Mr. Laverty or Mr. Wahba, as the case may be, will continue to receive an amount equal to his target award under the Incentive Plan for the fiscal year in which such termination is effective (or, if no target bonus has been assigned as of the date of termination, the average bonus paid by the Company to the executive officer for the last three (3) completed fiscal years or for the number of completed fiscal years such person has been in the employ of the Company if fewer than three (3)), prorated through the effective termination date. Payment of such amount will be made in a lump sum within thirty (30) days after the end of the Company's fiscal year in which the executive officer's Separation from Service (as defined in the Employment Agreements) occurs, subject to the payment limitations with respect to specified employees under Section 409A of the Code. The Company will also pay a prorated portion of the target award under the Incentive Plan in the event of Mr. Laverty's or Mr. Wahba's death or disability.

#### *Value of Accelerated Stock Options and Restricted Stock*

Under the terms of the stock option and restricted stock awards, in the event of death or disability a prorata portion (determined based on the actual number of service days during the vesting period divided by the total number of days during the vesting period) of any unvested stock options and restricted stock will be deemed to have vested immediately prior to the date of death or disability and, in the case of the restricted stock, will no longer be subject to forfeiture. The value of accelerated equity awards shown in the tables above was calculated using the closing price of our Common Stock on June 30, 2010 (\$15.09). The value of options is the aggregate spread between \$15.09 and the exercise price of the accelerated options, if less than \$15.09, while \$15.09 is the intrinsic value of the restricted stock grants.

Under the Omnibus Plan, the plan administrator has discretionary authority regarding accelerated vesting upon termination other than by reason of death or disability, or in connection with a change in control. The numbers in the tables above assume such discretionary authority was not exercised.

#### *Qualified and Non-Qualified Plans; ESOP*

Under each Severance Agreement, if a Change in Control Event occurs, subject to eligibility provisions of the plans, the Named Executive Officer will 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 Named Executive Officer's date of termination unless he or she commences other employment prior to the end of the twenty-four (24) month period, in which case, such participation will end on the date of his or her new employment. In addition, upon termination of employment for any reason, including death, disability, retirement or other termination, the Named Executive Officer will be entitled to his or her vested benefits under the Farmer Bros. Plan and the ESOP. Estimated qualified and non-qualified plan benefits shown in the tables above reflect the present value of the vested accumulated benefits under the Farmer Bros. Plan plus, in the case of a Change in Control Event, the annual change in pension value (estimated to be \$37,445 per year in the case of Mr. Laverty). Amounts shown in the tables above exclude vested employee contributions under the Farmer Bros. Plan. Mr. Wahba is not eligible to participate in the Farmer Bros. Plan until June 2011. Estimated ESOP benefits shown in the tables above reflect the value of vested allocated shares in the ESOP plus, in the case of a Change in Control Event, an annual allocation of ESOP shares to qualified employees (estimated

to be \$11,356 for Mr. Lavery). The estimated value of the ESOP shares is based on the closing price of our Common Stock on June 30, 2010 (\$15.09). Participants become 100% vested under the ESOP upon death, disability and, subject to certain eligibility requirements, retirement.

### ***Health, Dental and Life Insurance***

#### *Severance Agreements*

Under each Severance Agreement, if a Change in Control Event occurs, the health, dental and life insurance benefits coverage provided to the Named Executive Officer at his date of termination will be continued by the Company during the twenty-four (24) month period following the Named Executive Officer's date of termination unless he commences employment prior to the end of the twenty-four (24) month period and qualifies for substantially equivalent insurance benefits with his new employer, in which case such insurance coverages will end on the date of qualification. The Company will provide for such insurance coverages at its expense at the same level and in the same manner as if the Named Executive Officer's employment had not terminated (subject to the customary changes in such coverages if the Named Executive Officer retires under a Company retirement plan, reaches age 65, or similar events and subject to the Named Executive Officer's right to make any changes in such coverages that an active employee is permitted to make). Any additional coverages the Named Executive Officer 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 Named Executive Officer was paying for such coverages at the time of termination will be paid by the Named Executive Officer. If the terms of any benefit plan do not permit continued participation, the Company will arrange for other coverage at its expense providing substantially similar benefits. Estimated payments shown in the tables above represent the current net annual cost to the Company of the employee's participation in the Company's medical insurance program offered to all non-union employees. In the event of death, the insurance may be continued for the surviving spouse.

#### *Employment Agreements*

Under the Employment Agreements, if Mr. Lavery's or Mr. Wahba's termination occurs at the election of the Company without Cause (as defined in the Employment Agreements) or by Mr. Lavery's or Mr. Wahba's resignation with Good Reason (as defined in the Employment Agreements), Mr. Lavery or Mr. Wahba, as the case may be, will continue to receive partially Company-paid COBRA coverage under the Company's health care plan for a period of one (1) year after the effective termination date.

#### *Company Benefit Plans*

Under the Company's group health plan, an employee who becomes totally disabled and his or her covered dependents will be eligible for coverage one year from the date disability began or a period equal to the time the employee was enrolled under the plan, whichever is less.

### ***Outplacement Services***

Under each Severance Agreement, if a Change in Control Event occurs, the Company will provide the Named Executive Officer with outplacement services at the expense of the Company, in an amount up to \$25,000.

### **Indemnification**

The Company has entered into the same form of Indemnification Agreement with each Named Executive Officer as is described below under the heading "Director Compensation - Director Indemnification." The Indemnification Agreements do not exclude any other rights to indemnification or advancement of expenses to which the indemnitee may be entitled, including any rights arising under the Certificate of Incorporation or Bylaws of the Company, or the Delaware General Corporation Law.

## DIRECTOR COMPENSATION

The compensation program for our non-employee directors is intended to fairly compensate them for the time and effort required of a director given the size and complexity of the Company's operations. Portions of the compensation program utilize our stock in order to further align the interests of the directors with all other stockholders of the Company and to motivate the directors to focus on the long-term financial interest of the Company.

Non-employee members of the Board receive a combination of cash and stock-based incentive compensation. Directors who are Company employees are not paid any fees for serving on the Board or for attending Board meetings.

### Cash Compensation

Each non-employee director receives an annual retainer of \$30,000, payable quarterly in advance, and meeting fees of \$1,500 for each Board meeting, \$2,500 for each Compensation Committee or Audit Committee meeting, and \$1,500 for each Nominating Committee meeting attended; provided if more than one meeting (Board or committee) is held and attended on the same date, maximum meeting fees are \$4,000. In addition, the following committee chairs receive additional annual retainers, as follows: (i) Audit Committee, \$15,000; and (ii) Compensation Committee, \$7,500. Board members are also entitled to reimbursement of reasonable travel expenses from outside the greater Los Angeles area, in accordance with Company policy, incurred in connection with attendance at Board and committee meetings.

### Equity Compensation

Each non-employee director receives an annual grant of restricted stock under the Omnibus Plan having a value equal to \$40,000, each such grant to vest over three years in equal annual installments, subject to the non-employee director's continued service to the Company through each vesting date. The annual grant of restricted stock is made on the date on which the Company holds its annual meeting of stockholders or such other date as the Board may determine. The number of shares of Common Stock to be received in the grant of restricted stock is based on the closing price per share of our Common Stock on the date such grant is made.

### Stock Ownership Guidelines

Under the Stock Ownership Guidelines adopted by the Board, non-employee directors are expected to own and hold during their service as a Board member a number of shares of Common Stock with a value equal to at least three (3) times the amount of the non-employee director annual stock-based award, as the same may be adjusted from time to time, under the Omnibus Plan. Stock that counts toward satisfaction of these guidelines includes: (i) shares of Common Stock owned outright by the non-employee director and his or her immediate family members who share the same household, whether held individually or jointly; (ii) restricted stock or restricted stock units (whether or not the restrictions have lapsed); (iii) ESOP shares; and (iv) shares of Common Stock held in trust for the benefit of the non-employee director or his or her family.

Until the applicable guideline is achieved, each non-employee director is required to retain all profit shares, which are those shares remaining after payment of taxes on earned equity awards under the Omnibus Plan, such as shares granted pursuant to the exercise of vested options and restricted stock that has vested. Non-employee directors are expected to continuously own sufficient shares to meet these guidelines once attained. The guidelines may be waived at the discretion of the Board if compliance would create severe hardship or prevent a non-employee director from complying with a court order. It is expected that these instances will be rare.

**Director Compensation Table**

The following table shows fiscal 2010 non-employee director compensation:

<b>Director(1)</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards \$(2)</b>	<b>All Other Compensation \$(3)</b>	<b>Total (\$)</b>
Guenter W. Berger(4)	37,500	7,380	17,845	62,725
Jeanne Farmer Grossman(5)(6)	27,000	7,380	500	34,880
Martin A. Lynch(6)(7)	56,500	7,380	1,742	65,622
Thomas A. Maloof(5)(6)(7)(8)	75,500	7,380	1,742	84,622
James J. McGarry(5)(6)	51,500	7,380	1,742	60,622
John H. Merrell(5)(6)(7)(9)	83,000	7,380	1,742	92,122
Carol Farmer Waite(6)	12,000		621	12,621

- (1) Mr. Lavery, the Company's Chief Executive Officer and President, is not included in this table as he is an employee of the Company and thus receives no compensation for his service as a director.
- (2) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. Each non-employee director received a grant on December 10, 2009 of 2,173 shares of restricted stock, which generally vest over three years in equal annual installments, with a grant date fair value under FASB ASC Topic 718 of \$18.41 per share, based on the closing price of our Common Stock on that date of \$18.41. The aggregate number of restricted stock awards outstanding at June 30, 2010 for each non-employee director is 3,542, with the exception of Ms. Grossman who was elected to the Board at the 2009 Annual Meeting and has an aggregate of 2,173 shares of restricted stock. Ms. Waite forfeited 1,800 shares of restricted stock previously granted to her as director compensation upon her discontinuing to serve as a director beyond the 2009 Annual Meeting.
- (3) Includes cash dividends on restricted stock (\$1,742) for all directors other than Ms. Grossman (\$500) and Ms. Waite (\$621).
- (4) All Other Compensation for Mr. Berger includes life insurance premiums (\$16,103).
- (5) Member, Compensation Committee. Ms. Grossman was appointed to the Compensation Committee upon her election as a director at the 2009 Annual Meeting.
- (6) Member, Nominating Committee. Ms. Waite served as a member of the Nominating Committee through the 2009 Annual Meeting, at which time Ms. Grossman was elected as a director and appointed to the Nominating Committee.
- (7) Member, Audit Committee.
- (8) Compensation Committee Chairman.
- (9) Audit Committee Chairman.

**Director Indemnification**

## Edgar Filing: FARMER BROTHERS CO - Form DEF 14A

Under Farmer Bros. Certificate of Incorporation and Bylaws, the directors are entitled to indemnification from Farmer Bros. to the fullest extent permitted by Delaware corporate law. Following approval by the Compensation Committee and review by independent counsel on behalf of the Compensation Committee, the Board of Directors has approved a form of Indemnification Agreement ( Indemnification Agreement ) to be entered into between the Company and its directors and officers. The Company s Board of Directors may from time to time authorize the Company to enter into additional indemnification agreements with future directors and officers of the Company.

The Indemnification Agreements provide, among other things, that the Company will, to the extent permitted by applicable law, indemnify and hold harmless each indemnitee if, by reason of his or her status as 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, such indemnitee was, is or is threatened to be made, a party to or a participant (as a witness or otherwise) in any threatened, pending or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, against all expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him or her or on his or her behalf in connection with such proceeding. In addition, the Indemnification Agreements provide for the advancement of expenses incurred by the indemnitee in connection with any such proceeding to the fullest extent permitted by applicable law. The Indemnification Agreements also provide that, in the event of a Potential Change in Control (as defined in the Indemnification Agreements), the Company will, upon request by the indemnitee, create a trust for the benefit of the indemnitee and fund such trust in an amount sufficient to satisfy expenses reasonably anticipated to be incurred in connection with investigating, preparing for, participating in or defending any proceedings, and any judgments, fines, penalties and amounts paid in settlement in connection with any proceedings. The Indemnification Agreements do not exclude any other rights to indemnification or advancement of expenses to which the indemnitee may be entitled, including any rights arising under the Certificate of Incorporation or Bylaws of the Company, or the Delaware General Corporation Law.

## CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

### Review and Approval of Related Person Transactions

Under the Company's written Policies and Procedures for the Review, Approval or Ratification of Related Person Transactions, a related person transaction may be consummated or may continue only if the Audit Committee approves or ratifies the transaction in accordance with the guidelines set forth in the policy. The policy applies to: (i) any person who is, or at any time since the beginning of the Company's last fiscal year was, a director, nominee for director or executive officer of the Company; (ii) any person who is known to be the beneficial owner of more than five percent (5%) of any class of the Company's voting securities; and (iii) any immediate family member, as defined in the policy, of, or sharing a household with, any of the foregoing persons. For purposes of the policy, a related person transaction includes, but is not limited to, any financial transaction, arrangement or relationship or any series of similar transactions, arrangements or relationships, specifically including indebtedness and guarantees of indebtedness, between the Company and any of the foregoing persons since the beginning of the Company's last fiscal year, or any currently proposed transaction in which the Company was or is to be a participant or a party, in which the amount involved exceeds \$120,000, and in which any of the foregoing persons had or will have a direct or indirect material interest.

Under the policy, upon referral by the Chief Financial Officer or Secretary of the Company, any proposed related person transaction will be reviewed by the Audit Committee for approval or disapproval based on the following:

The materiality of the related person's interest, including the relationship of the related person to the Company, the importance of the interest to the related person and the amount involved in the transaction;

Whether the terms of the transaction, in the aggregate, are comparable to those that would have been reached by unrelated parties in an arm's length transaction;

The availability of alternative transactions, including whether there is another person or entity that could accomplish the same purposes as the transaction and, if alternative transactions are available, there must be a clear and articulable reason for the transaction with the related person;

Whether the transaction is proposed to be undertaken in the ordinary course of the Company's business, on the same terms that the Company offers generally in transactions with persons who are not related persons; and

Such additional factors as the Audit Committee determines relevant.

The Audit Committee will direct the Company's executive officers to disclose all related person transactions approved by the Audit Committee to the extent required under applicable accounting rules, Federal securities laws, SEC rules and regulations, and Nasdaq rules.

### Related Person Transactions

Since the beginning of fiscal 2010, related person transactions reviewed and approved by the Audit Committee include the following:

John M. Anglin, the Company's Secretary, is a Partner in the law firm of AFRCT, which provides legal services to the Company. During fiscal 2010, we paid AFRCT \$447,188 for such services. We expect to continue to engage AFRCT to perform legal services in fiscal 2011.

The son of Carol Farmer Waite, the beneficial owner of more than five percent (5%) of the Company's voting securities, is a non-executive employee of the Company acting as Vice President of Green Coffee. Mr. Waite's fiscal 2010 compensation (including salary, bonus, stock based compensation, dividends payable on restricted stock and ESOP allocation) was \$154,072. Additionally, Mr. Waite's fiscal 2011 compensation is expected to exceed \$120,000.

In August 2010, the Audit Committee approved a relocation payment to Drew H. Webb, our former Executive Vice President of Sales and Marketing, in the amount of \$250,000, less \$32,500 in rent and travel expenses previously paid by the Company during fiscal 2010.

Pursuant to an Interim Services Agreement between the Company and Tatum, Peter B. Knepper served as a financial consultant to the Company from December 18, 2009 to February 8, 2010, at which time he was appointed Chief Financial Officer (Interim). Mr. Knepper served in this capacity through May 31, 2010, and thereafter provided consulting services to the Company through June 30, 2010. The Company paid Tatum \$55,000 per month for services provided by Mr. Knepper, plus a 5% administrative fee. Total fees and expenses paid to Mr. Knepper and Tatum under this arrangement during fiscal 2010 were \$239,750 and \$135,625, respectively.



## AUDIT MATTERS

### Audit Committee Report

The Audit Committee has reviewed and discussed with management the Company's audited consolidated financial statements as of and for the fiscal year ended June 30, 2010.

The Audit Committee has also discussed with EY the matters required to be discussed by the Statement on Auditing Standards No. 61, *Communications with Audit Committees* (SAS 61), as amended and as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from EY required by applicable requirements of the Public Company Accounting Oversight Board regarding EY's communications with the Audit Committee concerning independence, and has discussed with EY that firm's independence.

Based on the reviews and discussions referred to above, the Audit Committee has recommended to the Board that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended June 30, 2010 filed with the SEC.

### Audit Committee of the Board of Directors

John H. Merrell, Chairman

Martin A. Lynch

Thomas A. Maloof

### Independent Registered Public Accounting Firm

From and after the effective date of the SEC rule requiring Audit Committee pre-approval of all audit and permissible non-audit services provided by independent registered public accounting firms, the Audit Committee has pre-approved all audit and permissible non-audit services provided by EY in accordance with the pre-approval policies and procedures described below.

The following table sets forth the aggregate fees billed by EY for fiscal 2010 and fiscal 2009 for audit and non-audit services (as well as all out-of-pocket costs incurred in connection with these services) and are categorized as Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees. The nature of the services provided in each such category is described following the table.

Type of Fees	2010	2009
Audit Fees	\$ 540,000	\$ 730,000
Audit-Related Fees		11,500
Tax Fees	160,560	68,600
All Other Fees		586,400
<b>Total Fees</b>	<b>\$ 700,560</b>	<b>\$ 1,396,500</b>

### Audit Fees

In the above table, in accordance with the SEC's definitions and rules, "Audit Fees" are fees that the Company paid to EY for the audit of the Company's annual consolidated financial statements included in the Form 10-K and review of financial statements included in the Form 10-Qs; for the audit of the Company's internal control over financial reporting; and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements.



***Audit-Related Fees***

Audit-Related Fees are fees for assurance and related services and various filings that are reasonably related to the performance of the audit or review of the Company's financial statements and internal control over financial reporting, including services in connection with assisting the Company in its compliance under Section 303 of the Sarbanes-Oxley Act of 2002 and related regulations.

***Tax Fees***

Tax Fees are fees for tax compliance, tax advice and tax planning, including state tax representation and miscellaneous consulting on federal and state taxation matters. All Tax Fees in the last two fiscal years were related to tax compliance (review and preparation of corporate tax returns, assistance with tax audits and review of the tax treatment for certain expenses) and tax advice (tax expense deductions).

***All Other Fees***

All Other Fees are fees for any services not included in the first three categories. There were no such fees in fiscal 2010. For fiscal 2009, All Other Fees included fees for strategic projects, including acquisition integration planning.

**Pre-Approval of Audit and Non-Audit Services**

Under the Farmer Bros. Co. Audit and Non-Audit Services Pre-Approval Policy, the Audit Committee must pre-approve all audit and non-audit services provided by the independent auditor. The policy, as described below, sets forth the procedures and conditions for such pre-approval of services to be performed by the independent auditor. The policy utilizes both a framework of general pre-approval for certain specified services and specific pre-approval for all other services. Unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the independent auditor. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

In the first quarter of each year, the Audit Committee is asked to pre-approve the engagement of the independent auditor and the projected fees for audit services for the current fiscal year. The Audit Committee is also asked to provide general pre-approval for certain audit-related services (assurance and related services that are reasonably related to the performance of the auditor's review of the financial statements or that are traditionally performed by the independent auditor) and tax services (such as tax compliance, tax planning and tax advice) for the current fiscal year consistent with the SEC's rules on auditor independence. If the Company wishes to engage the independent auditor for additional services that have not been generally pre-approved as described above, then such engagement will be presented to the Audit Committee for pre-approval at its next regularly scheduled meeting. Pre-approval of any engagement by the Audit Committee is required before the independent auditor may commence any engagement.

In fiscal 2010, there were no fees paid to EY under a de minimis exception to the rules that waive pre-approval for certain non-audit services.

## OTHER MATTERS

### **Annual Report and Form 10-K**

The 2010 Annual Report to Stockholders (which includes the Company's Annual Report on Form 10-K, as amended, as filed with the SEC for the fiscal year ended June 30, 2010) accompanies this Proxy Statement. The 2010 Annual Report is neither incorporated by reference in this Proxy Statement nor part of the proxy soliciting material. **Stockholders may obtain, without charge, a copy of the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended June 30, 2010, filed with the SEC, including the financial statements and financial statement schedules thereto, without the accompanying exhibits, by writing to: Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502, Attention: Chief Financial Officer. The Company's Form 10-K, as amended, is also available online at the Company's website, [www.farmerbros.com](http://www.farmerbros.com). A list of exhibits is included in the Form 10-K, as amended, and exhibits are available from the Company upon the payment of the Company's reasonable expenses in furnishing them.**

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities (collectively, Reporting Persons), to file reports of ownership and changes in ownership with the SEC. Reporting Persons are required by SEC regulations to furnish the Company with copies of all forms they file pursuant to Section 16(a). As a practical matter, the Company assists its directors and executive officers by monitoring transactions and completing and filing Section 16 reports on their behalf. Based solely on the Company's review of the reports filed by Reporting Persons, and written representations from certain Reporting Persons that no other reports were required for those persons, the Company believes that, during the fiscal year ended June 30, 2010, the Reporting Persons met all applicable Section 16(a) filing requirements.

### **Stockholder Proposals and Nominations**

#### ***Proposals Pursuant to Rule 14a-8***

Pursuant to Rule 14a-8 under the Exchange Act, stockholders may present proper proposals for inclusion in the Company's proxy statement and form of proxy for consideration at the Company's next annual meeting of stockholders. To be eligible for inclusion in the Company's 2011 proxy statement, stockholder proposals must be received by the Company no later than June 30, 2011, and must otherwise comply with Rule 14a-8. While the Board will consider stockholder proposals, the Company reserves the right to omit from the Company's proxy statement stockholder proposals that it is not required to include under the Exchange Act, including Rule 14a-8.

#### ***Proposals and Nominations Pursuant to the Company's Bylaws***

The Company's Bylaws contain an advance notice provision with respect to matters to be brought at an annual meeting of stockholders, including nominations, and not included in the Company's proxy statement. A stockholder who desires to nominate a director or bring any other business before the stockholders at the 2011 Annual Meeting must notify the Company in writing, must cause such notice to be delivered to or received by the Secretary of the Company no earlier than August 12, 2011, and no later than September 11, 2011, and must comply with the other Bylaw provisions summarized below; provided, however, that in the event that the 2011 Annual Meeting is called for a date that is not within thirty (30) days before or after December 9, 2011, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10<sup>th</sup>) day following the day on which such notice of the date of the 2011 Annual Meeting was mailed or such public disclosure of the date of the 2011 Annual Meeting was made, whichever first occurs.

The Bylaws provide that nominations may be made by the Board, by a committee appointed by the Board or any stockholder entitled to vote in the election of directors generally. Stockholders must provide actual written notice of their intent to make nomination(s) to the Secretary of the Company within the timeframes described above. Each such notice must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person, and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act; and (b) as to the stockholder giving notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice, and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

The notice given by a stockholder regarding other business to be brought before an annual meeting of stockholders must be provided within the timeframes described above and set forth (a) a brief description of the business desired to be brought before the annual meeting and the reason for conducting such business at the annual meeting, (b) the name and record address of such stockholder, (c) the class and number of shares of stock of the Company which are owned beneficially or of record by such stockholder, (d) a description of all arrangements or understandings between such stockholder and any other persons (including their names) in connection with the proposal and any material interest of such stockholder in such business, and (e) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

You may write to the Secretary of the Company at the Company's principal office, 20333 South Normandie Avenue, Torrance, California 90502, to deliver the notices discussed above and for a copy of the relevant Bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

#### **Householding of Proxy Materials**

The SEC has adopted rules that permit companies and intermediaries (such as banks and brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of banks and brokers with account holders who are Company stockholders will be householding the Company's proxy materials and annual report. A single proxy statement and annual report will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your bank or broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, please notify your bank or broker, or direct your written request to Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502, Attention: Chief Financial Officer, or contact the Company's Chief Financial Officer by telephone at (310) 787-5200, and the Company will deliver a separate copy of the annual report or proxy statement upon request. Stockholders who currently receive multiple copies of the proxy statement and annual report at their address and would like to request householding of their communications should contact their bank or broker.

By Order of the Board of Directors

October 28, 2010

John M. Anglin

*Secretary*

**FARMER BROS. CO.**

**ANNUAL MEETING OF STOCKHOLDERS**

**Thursday, December 9, 2010**

**10:00 a.m.**

**FARMER BROS. CO.**

**CORPORATE OFFICE**

**20333 South Normandie Avenue**

**Torrance, CA 90502**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS**

**FOR THE STOCKHOLDER MEETING TO BE HELD ON DECEMBER 9, 2010**

The Company's Proxy Statement and 2010 Annual Report on Form 10-K, as amended, are available at:

<http://proxy.farmerbros.com>.

**Farmer Bros. Co.  
20333 South Normandie Avenue  
Torrance, CA 90502**

**Proxy**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS FOR USE AT THE ANNUAL MEETING ON DECEMBER 9, 2010.**

The undersigned stockholder of Farmer Bros. Co., a Delaware corporation (the "Company"), acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, dated October 28, 2010, and hereby constitutes and appoints Roger M. Lavery III and Jeffrey A. Wahba or either of them acting singly in the absence of the other, with a power of substitution in either of them, the proxies of the undersigned to vote with the same force and effect as the undersigned all shares of Common Stock of the Company held by the undersigned at the Annual Meeting of Stockholders to be held at the principal office of the Company located at 20333 South Normandie Avenue, Torrance, California 90502, at 10:00 a.m., Pacific Standard Time and at any continuation, postponement or adjournment thereof, hereby revoking any proxy or proxies heretofore given and ratifying and confirming all that said proxies may do or cause to be done by virtue thereof with respect to the following matters:

*See reverse for voting instructions.*

Shareowner Services<sup>SM</sup>  
P.O. Box 64945  
St. Paul, MN 55164-0945

Address Change? Mark Box to the right and Indicate changes below: "

**TO VOTE BY MAIL AS THE BOARD OF DIRECTORS RECOMMENDS ON ALL ITEMS BELOW, SIMPLY SIGN, DATE, AND RETURN THIS PROXY CARD.**

**The Board of Directors recommends a vote FOR the director nominees listed below.**

- |  |                         |                    |                   |
|--|-------------------------|--------------------|-------------------|
| 1. To elect three Class I directors for a three-year term expiring at the 2013 Annual Meeting of Stockholders: | 01 Roger M. Laverty III | Vote FOR           | Vote WITHHELD     |
|  | 02 Martin A. Lynch      | all nominees       | from all nominees |
|  | 03 James J. McGarry     | (except as marked) |                   |

**(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)**

Ò Please fold here Do not separateÒ

**The Board of Directors recommends a vote FOR Item Two.**

2. To ratify the selection of Ernst & Young LLP as the independent registered public

accounting firm of the Company for the fiscal year ending June 30, 2011.

" For " Against " Abstain

3. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Annual Meeting or any continuation, postponement or adjournment thereof.

**The shares represented by this proxy will be voted in the manner directed. In the absence of any direction, the shares will be voted FOR each nominee named in Item 1 and FOR Item 2, and in accordance with the discretion of the persons appointed as proxies on such other matters as may properly come before the Annual Meeting, including any continuation, postponement or adjournment thereof, and any other matters incident to the conduct of the Annual Meeting.** The Board of Directors knows of no other items of business that will be presented for consideration at the Annual Meeting other than those described in the accompanying Proxy Statement. In addition, no stockholder proposal was received on a timely basis, so no such matters may be brought to a vote at the Annual Meeting. If any nominee should become unavailable for election prior to the Annual Meeting, an event that currently is not anticipated by the Board of Directors, the proxies will be voted for the election of a substitute nominee or nominees proposed by the Board of Directors.

If you plan to attend the Annual Meeting in person, you can obtain directions to the Company s principal office at <http://proxy.farmerbros.com>.

Date \_\_\_\_\_

Signature(s) in Box

Please sign exactly as your name(s) appears on the proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy.



