

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

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

Date of Report (Date of earliest event reported): **December 5, 2013**

**Farmer Bros. Co.**

(Exact Name of Registrant as Specified in Charter)

**Delaware**

(State or Other Jurisdiction  
of Incorporation)

**001-34249**

(Commission File Number)

**95-0725980**

(I.R.S. Employer  
Identification No.)

**20333 South Normandie Avenue, Torrance, California**

(Address of Principal Executive Offices)

**90502**

(Zip Code)

**310-787-5200**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01. Entry into a Material Definitive Agreement.**

On December 5, 2013, the Board of Directors (the “Board”) of Farmer Bros. Co., a Delaware corporation (the “Company”), approved a new form of Indemnification Agreement (the “New Indemnification Agreement”) to be entered into between the Company and its directors and officers. Effective December 5, 2013, the Company entered into a New Indemnification Agreement with each current member of the Board, the Company’s current executive officers and certain other Company officers as approved by the Board. Each New Indemnification Agreement with a current director or officer replaces and supersedes the prior indemnification agreement between the Company and such director or officer, if such director or officer was a party to a prior indemnification agreement with the Company. The New Indemnification Agreement is intended for use by the Company for indemnification agreements entered into by the Company with directors and officers on or after December 5, 2013.

The New Indemnification Agreement provides, among other things, that the Company will, to the extent permitted by applicable law, indemnify and hold harmless the indemnitee if, by reason of his or her corporate 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 formal or informal, 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 New Indemnification Agreement provides for the payment, advancement or reimbursement of expenses incurred by the indemnitee in connection with any such proceeding to the fullest extent permitted by applicable law. The New Indemnification Agreement also provides that, in the event of a Potential Change in Control (as defined in the New Indemnification Agreement), 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 New Indemnification Agreement does 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 Amended and Restated Bylaws of the Company, or the Delaware General Corporation Law. The Company is also obligated to maintain directors’ and officers’ liability insurance coverage, including tail coverage under certain circumstances.

The foregoing summary of the New Indemnification Agreement does not purport to be complete and is qualified in its entirety by reference to the form of New Indemnification Agreement, which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference.

**Item 1.02 Termination of a Material Definitive Agreement.**

As described in Item 1.01 of this Current Report on Form 8-K, on December 5, 2013, the Company entered into a New Indemnification Agreement with each current member of the Board, the Company’s current executive officers and certain other Company officers as approved by the Board. Each such New Indemnification Agreement terminates and replaces and supersedes any prior indemnification agreement between the Company and any current member of the Board or current executive officer.

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

(e) As noted in Item 5.07 below, at the 2013 Annual Meeting of Stockholders of the Company, held on December 5, 2013 (the “Annual Meeting”), the Company’s stockholders approved the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (the “Amended Equity Plan”), which is an amendment and restatement of, and successor to, the Farmer Bros. Co. 2007 Omnibus Plan. The Amended Equity Plan, among other things, increases the number of shares of the Company’s Common Stock, par value \$1.00 per share (“Common Stock”), authorized for issuance under the plan by 250,000 shares, from 1,125,000 shares to 1,375,000 shares. In

addition, the Amended Equity Plan provides for the following material changes: limits the types of equity awards available to be granted under the Amended Equity Plan to performance-based options and restricted stock; limits participants in the Amended Equity Plan to directors, officers and other employees of the Company; limits the performance criteria that will be used to establish performance goals under the plan to (i) net sales or revenue; (ii) net income before tax and excluding gain or loss on sale of property, plant and equipment; and/or (iii) cash flow (including, but not limited to, operating cash flow and free cash flow); reduces the maximum number of shares of stock with respect to one or more awards that may be granted to any one participant during any calendar year from 250,000 to 75,000; requires that all options issued to employees include performance criteria or performance goals, unless issued in connection with the commencement of employment as an executive of the Company; provides for forfeiture of unvested awards upon termination of employment or termination of directorship, except as otherwise determined by the plan administrator; prohibits awards of restricted stock to employees except in connection with the commencement of employment as an executive of the Company; limits the value of restricted stock awards granted to any non-employee director to an amount not more than \$30,000 annually; and prohibits delegation of administration of the plan to another committee or subcommittee of the Board, or authority to grant or amend awards to participants to a committee of one or more members of the Board or one or more officers of the Company.

A brief description of the material terms of the Amended Equity Plan is set forth in the Company’s Definitive Proxy Statement on Schedule 14A for the Annual Meeting, which was filed with the Securities and Exchange Commission (“SEC”) on October 28, 2013 (the “Proxy Statement”), under the caption “Proposal No. 4 - Approval of the Proposed Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan,” and is incorporated herein by reference. That summary and the foregoing description of the Amended Equity Plan do not purport to be complete and are qualified in their entirety by reference to the Amended Equity Plan, which is filed as Exhibit 10.2 to this Current Report on Form 8-K and incorporated herein by reference.

#### **Item 5.07. Submission of Matters to a Vote of Security Holders.**

At the Annual Meeting on December 5, 2013, the stockholders of the Company: (i) elected Michael H. Keown, Charles F. Marcy, and Christopher P. Mottern to serve as Class I directors of the Company for a three-year term of office expiring at the 2016 Annual Meeting of Stockholders; (ii) ratified Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending June 30, 2014; (iii) approved, on an advisory basis, the Company’s executive compensation; and (iv) approved the Amended Equity Plan. There were 16,454,024 shares of Common Stock entitled to vote at the Annual Meeting and a total of 12,486,027 shares of Common Stock (75%) represented at the Annual Meeting.

Set forth below, with respect to each such matter, are the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes.

##### **1. Election of Directors:**

<b>Director Nominee</b>	<b>For</b>	<b>Withhold</b>	<b>Broker Non-Votes</b>
Michael H. Keown	8,744,331	2,218,419	1,523,277
Charles F. Marcy	10,630,108	332,642	1,523,277
Christopher P. Mottern	10,589,721	373,029	1,523,277

##### **2. Ratification of Independent Registered Public Accounting Firm:**

<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>Broker Non-Votes</b>
8,586,864	2,459,601	1,439,562	0

3. Advisory Vote on Executive Compensation:

For	Against	Abstain	Broker Non-Votes
7,363,679	2,541,814	1,057,257	1,523,277

4. Approval of Proposed Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan:

For	Against	Abstain	Broker Non-Votes
8,500,965	2,352,465	109,320	1,523,277

**Item 7.01 Regulation FD Disclosure.**

At the Annual Meeting, Michael H. Keown, President and Chief Executive Officer, Mark J. Nelson, Treasurer and Chief Financial Officer, Jonathan Waite, Vice President of Coffee, and Sarah Beaubien, Director of Corporate Sustainability, addressed the attendees. An edited transcript of their remarks is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

The transcript attached hereto as Exhibit 99.1 is being furnished pursuant to this Item 7.01 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and it shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or under the Exchange Act, whether made before or after the date hereof, except as expressly set forth by specific reference in such filing to this Current Report on Form 8-K. The furnishing of the transcript is not intended to constitute a representation that such furnishing is required by Regulation FD or that the transcript includes material investor information that is not otherwise publicly available.

The Company cautions you that certain statements contained in the transcript attached hereto as Exhibit 99.1, including, but not limited to, statements regarding the development and growth of our business, our intent, belief or current expectations, primarily with respect to future operating performance and the products and services the Company expects to offer and other statements contained therein regarding matters that are not historical facts are “forward-looking statements” within the meaning of federal securities laws and regulations. These statements are based on management’s current expectations, assumptions, estimates and observations of future events and include any statements that do not directly relate to any historical or current fact. These forward-looking statements can be identified by the use of words like “anticipates,” “feels,” “estimates,” “projects,” “expects,” “plans,” “believes,” “intends,” “will,” “assumes” and other words of similar meaning. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. Users should not place undue reliance on the forward-looking statements, which speak only as of the date of the presentation. The Company undertakes no obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, fluctuations in availability and cost of green coffee, competition, organizational changes, the impact of a weaker economy, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, and changes in the quality or dividend stream of third parties’ securities and other investment vehicles in which we have invested our assets, as well as other risks described from time to time in our filings with the SEC.

**Item 8.01 Other Events.*****Executive Officers***

On December 5, 2013, the Board appointed Guenter W. Berger as Chairman of the Board and appointed the following executive officers:

<b>Name</b>	<b>Title</b>
Michael H. Keown	President and Chief Executive Officer
Mark J. Nelson	Treasurer and Chief Financial Officer
Mark A. Harding	Senior Vice President of Operations
Thomas W. Mortensen	Senior Vice President of Route Sales
Teri L. Witteman	Secretary

***Committee Appointments***

On December 5, 2013, the Board appointed the following directors to its standing committees:

<b>Committee</b>	<b>Members</b>
Audit Committee	Hamideh Assadi, Randy E. Clark and Christopher P. Mottern (Chair)
Compensation Committee	Hamideh Assadi, Randy E. Clark and Jeanne Farmer Grossman (Chair)
Nominating Committee	Hamideh Assadi, Guenter W. Berger, Randy E. Clark, Jeanne Farmer Grossman, Charles F. Marcy (Chair) and Christopher P. Mottern

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 Christopher P. Mottern, the Audit Committee Chairman.

***Equity Awards to Non-Employee Directors***

On December 5, 2013, the Board, in accordance with the Company’s standard non-employee director compensation program as described in the Proxy Statement under the caption “Director Compensation,” granted to each of the Company’s non-employee directors, 1,459 shares of restricted stock based on the closing price of the Company’s common stock as reported on the NASDAQ Global Market on December 5, 2013, the date of grant, under the Amended Equity Plan. The shares will vest ratably over three years, subject to the non-employee director’s continued service to the Company. The Board members who received this award were: Hamideh Assadi, Guenter W. Berger, Randy E. Clark, Jeanne Farmer Grossman, Charles F. Marcy and Christopher P. Mottern.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

Exhibit No.	Description
10.1	Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on December 5, 2013 (with schedule of indemnitees attached)
10.2	Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan
99.1	Transcript of Remarks by Michael H. Keown, President and Chief Executive Officer, Mark J. Nelson, Treasurer and Chief Financial Officer, Jonathan Waite, Vice President of Coffee, and Sarah Beaubien, Director of Corporate Sustainability, at the 2013 Annual Meeting of Stockholders on December 5, 2013

**SIGNATURE**

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

Dated: December 11, 2013

FARMER BROS. CO.

By: /s/ Mark J. Nelson

Name: Mark J. Nelson

Title: Treasurer and Chief Financial Officer

## EXHIBIT INDEX

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**[FORM OF]  
INDEMNIFICATION AGREEMENT  
(as adopted on December 5, 2013)**

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

**RECITALS**

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

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

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

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

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

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

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

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

1. Definitions. As used in this Agreement:

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

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

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

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

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

(iii) Corporate Transactions. The effective date of a reorganization, merger or consolidation of the Company (a “Business Combination”), in each case, unless, following such Business Combination: (1) all or substantially all of the individuals and entities who were the Beneficial Owners of securities entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more than 51% of the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the securities entitled to vote generally in the election of directors; (2) no Person (excluding any corporation resulting from such Business Combination) is the Beneficial Owner, directly or indirectly, of 15% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of such corporation except to the extent that such ownership existed prior to the Business Combination; and (3) at least a majority of the Board of Directors of the corporation resulting from such Business Combination were Continuing Directors at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination;

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

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

(d) “Corporate Status” describes the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise which such person is or was serving at the request of the Company. References to “serving at the request of the Company” shall include, without limitation, any service as a director, officer, employee or agent of the Company or any other Enterprise that imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries, including as a deemed fiduciary thereto.

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

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

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

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

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

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

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

(l) The term “Person” shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act as in effect on the date hereof; provided, however, that “Person” shall exclude: (i) the Company; (ii) any Subsidiary of the Company; (iii) any employee benefit plan of the Company including, without limitation, the Company’s Employee Stock Ownership Plan, or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan; (iv) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company; and (v) Roy F. Farmer and Emily Farmer (both deceased) and their descendants (collectively, “Farmer Family Members”), the estates of Farmer Family Members and the personal representatives thereof, and trusts, partnerships and other entities created by or for the benefit of Farmer Family Members and the trustees, partners and members thereof.

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

(n) The term “Proceeding” shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, in each case whether formal or informal, whether brought in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise (including, without limitation, as a witness, even if neither Indemnitee nor the Company is named as a party to such Proceeding) by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action (or failure to act) taken by him or of any action (or failure to act) on his part while acting as a director or officer of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

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

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

3. Indemnification in Third-Party Proceedings. The Company shall indemnify and hold harmless Indemnitee in accordance with the provisions of this Section 3 if, by reason of his Corporate Status, Indemnitee was, is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, judgments, penalties, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner

he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding, had no reasonable cause to believe that his conduct was unlawful.

4. Indemnification in Proceedings by or in the Right of the Company. The Company shall indemnify and hold harmless Indemnitee in accordance with the provisions of this Section 4 if, by reason of his Corporate Status, Indemnitee was, is, or is threatened to be made, a party to or a participant (as a witness or otherwise) in any Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Notwithstanding the foregoing, no indemnification shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such Expenses as the court shall deem proper.

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

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

7. Additional Indemnification

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

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

## 8. Contribution

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

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

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

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

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

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

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

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

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

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

10. Advances of Expenses; Defense of Claim; Information Sharing

(a) Notwithstanding any provision of this Agreement to the contrary, and to the fullest extent permitted by applicable law, the Company shall advance all Expenses incurred by or on behalf of Indemnitee (or reasonably expected by Indemnitee to be incurred by Indemnitee within three months) in connection with any Proceeding by reason of Indemnitee's Corporate Status within ten (10) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding; provided, however, that Indemnitee shall not be required to include in any such statement any information that would cause Indemnitee to waive any privilege provided by applicable law. Without limiting the generality or effect of the foregoing, within thirty (30) days after any request for Advances by Indemnitee, the Company shall, in accordance with such request (but without duplication), (i) pay such Expenses on behalf of Indemnitee, (b) advance to Indemnitee funds in an amount sufficient for Indemnitee to pay such Expenses, and/or (iii) to the extent that Indemnitee has already paid for Expenses, reimburse Indemnitee for such Expenses. Indemnitee's right to advances shall include all Expenses incurred through and including the final disposition of such Proceeding, including any appeal thereof. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable Expenses incurred pursuing a Proceeding to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. Indemnitee shall qualify for advances, to the fullest extent permitted by applicable law, solely upon the execution and delivery to the Company of an undertaking providing that Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company under the provisions of this Agreement, the Charter, the Bylaws of the Company, applicable law or otherwise. This Section 10(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 9.

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

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

(d) If Indemnitee is the subject of or is implicated in any way during an investigation, whether formal or informal, the Company shall share with Indemnitee any information it has turned over to any third parties concerning the investigation ("Shared Information"). By executing this Agreement, Indemnitee agrees that such Shared Information is material non-public information that Indemnitee is obligated to hold in confidence and may not disclose publicly; provided, however, that Indemnitee shall be permitted to use the Shared Information and to disclose Shared Information to Indemnitee's legal counsel solely in connection with defending Indemnitee from legal liability.

11. Procedure for Notification and Application for Indemnification

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

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

12. Procedure Upon Application for Indemnification

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

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

Independent Counsel in connection with acting pursuant to Section 12(a) hereof, regardless of the manner in which such Independent Counsel was selected or appointed.

**13. Presumptions and Effect of Certain Proceedings**

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

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

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

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

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

**14. Remedies of Indemnitee**

(a) In the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses, to the fullest extent permitted by applicable law, is not timely made pursuant to Section 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) of this Agreement within thirty (30) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6, or the last sentence of Section 12(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) a contribution payment is not made in a timely manner pursuant to Section 8 of this Agreement, or (vi) payment of indemnification pursuant to Section 3 or 4 of this Agreement is not

made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by the Delaware Court to such indemnification, contribution or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Except as set forth herein, the provisions of Delaware law (without regard to its conflict of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

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

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

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

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

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

15. Establishment of Trust. In the event of a Potential Change in Control, the Company shall, upon written request by Indemnitee, create a "Trust" for the benefit of Indemnitee and from time to time upon written request of Indemnitee shall fund such Trust in an amount sufficient to satisfy any and all Expenses reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for, participating in or defending any Proceedings, and any and all judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such judgments, fines penalties and amounts paid in settlement) in connection with any and all Proceedings from time to time actually paid or claimed, reasonably anticipated or proposed to be paid. The trustee of the Trust (the "Trustee") shall be a bank or trust company or other individual or entity chosen by Indemnitee and reasonably acceptable to the Company. Nothing in this Section 15

shall relieve the Company of any of its obligations under this Agreement. The amount or amounts to be deposited in the Trust pursuant to the foregoing funding obligation shall be determined by mutual agreement of Indemnitee and the Company or, if the Company and Indemnitee are unable to reach such an agreement, by Independent Counsel selected in accordance with Section 12(b) of this Agreement. The terms of the Trust shall provide that, except upon the consent of both Indemnitee and the Company, upon a Change in Control: (a) the Trust shall not be revoked or the principal thereof invaded, without the written consent of Indemnitee; (b) the Trustee shall advance, to the fullest extent permitted by applicable law, within two (2) business days of a request by Indemnitee and upon the execution and delivery to the Company of an undertaking providing that Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company, any and all Expenses to Indemnitee; (c) the Trust shall continue to be funded by the Company in accordance with the funding obligations set forth above; (d) the Trustee shall promptly pay to Indemnitee all amounts for which Indemnitee shall be entitled to indemnification pursuant to this Agreement or otherwise; and (e) all unexpended funds in such Trust shall revert to the Company upon mutual agreement by Indemnitee and the Company or, if Indemnitee and the Company are unable to reach such an agreement, by Independent Counsel selected in accordance with Section 12(b) of this Agreement, that Indemnitee has been fully indemnified under the terms of this Agreement. The Trust shall be governed by Delaware law (without regard to its conflicts of laws rules) and the Trustee shall consent to the exclusive jurisdiction of the Delaware Court in accordance with Section 23 of this Agreement.

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

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

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

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

(c) For the duration of Indemnitee's service at the request of the Company and thereafter for so long as Indemnitee shall be subject to being made a party to or participant in any Proceeding by reason of Indemnitee's current or former Corporate Status, the Company shall use commercially reasonable efforts (taking into account the

scope and amount of coverage available relative to the cost thereof) to cause to be maintained in effect policies of directors' and officers' liability insurance providing coverage for directors and/or officers of the Company that is at least substantially comparable in scope and amount to that provided by the Company's current policies of directors' and officers' liability insurance. The minimum AM Best rating for the insurance carriers of such insurance policy shall be not less than A- VI.

(d) In the event of a Change in Control or the Company becoming insolvent—including, without limitation, being placed into receivership or entering the federal bankruptcy process and the like—the Company shall maintain in force any and all insurance policies then maintained by the Company in providing insurance—directors' and officers' liability, fiduciary, employment practices or otherwise—in respect of Indemnitee, for a period of six years thereafter (a "Tail Policy"). Such coverage shall be with the incumbent insurance carriers using the policies that were in place immediately prior to the consummation of the Change in Control (unless the incumbent carrier(s) will not offer such policies, in which case the Tail Policy shall be substantially comparable in scope and amount as the expiring policies, and the insurance carriers for the Tail Policy shall have an AM Best rating that is the same or better than the AM Best ratings of the expiring policies). Notwithstanding the foregoing, if the annual premium of any year of such Tail Policy or other continuing policies of insurance--directors' and officers' liability, fiduciary, employment practices or otherwise—would exceed 250% of the annual premium the Company paid for such insurance in its last full fiscal year prior to the reduction, termination, or expiration of such insurance or to such Change in Control (either case, a "Measuring Event"), the Company (or the acquiror or successor of the Company, as the case may be) will be deemed to have satisfied its obligations under this Section 17(d) by purchasing as much such insurance for such year as can be obtained for a premium equal to 250% of such annual premium the Company paid for such insurance prior to the Measuring Event. The insurance to be placed pursuant to this Section 17(d) shall be placed by the Company's insurance broker as of the time immediately prior to such Change in Control or insolvency event.

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

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

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

18. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee serves as a director or officer of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other Enterprise which Indemnitee serves at the request of the Company and shall continue thereafter so long as Indemnitee shall be subject to any possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 14 of this Agreement) by reason of his Corporate Status, whether or not he is acting in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement.

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

20. Enforcement and Binding Effect

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

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

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

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

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

21. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be

deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

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

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

(b) If to the Company, to:

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

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

23. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally: (a) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Delaware Court and not in any other state or federal court in the United States of America or any court in any other country; (b) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement; (c) appoint irrevocably, to the extent such party is not a resident of the State of Delaware, RL&F Service Corp., One Rodney Square, 10th Floor, 10th and King Streets, P.O. Box 551, Wilmington, Delaware 19899 as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware; (d) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court; and (e) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum, or is subject (in whole or in part) to a jury trial.

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

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

[SIGNATURE PAGE FOLLOWS]

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

FARMER BROS. CO.

By: \_\_\_\_\_  
Name:  
Title:

INDEMNITEE

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**SCHEDULE OF INDEMNITEES**

Hamideh Assadi  
Guenter W. Berger  
Randy E. Clark  
Jeanne Farmer Grossman  
Mark A. Harding  
Michael H. Keown  
Charles F. Marcy  
Thomas J. Mattei, Jr.  
Thomas W. Mortensen  
Christopher P. Mottern  
Mark J. Nelson  
L. Pat Quiggle  
Jonathan Waite  
Teri L. Witteman

**FARMER BROS. CO.  
AMENDED AND RESTATED  
2007 LONG-TERM INCENTIVE PLAN**

**ARTICLE 1  
PURPOSE**

The purpose of this Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (the “**Plan**”) is to promote the success and enhance the stockholder value of Farmer Bros. Co., a Delaware corporation (the “**Company**”), by linking the personal interests of the members of the Board and Employees to those of Company stockholders and by providing such individuals with an incentive for performance to generate returns to Company stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board and Employees upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent.

**ARTICLE 2  
DEFINITIONS AND CONSTRUCTION**

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 “**Administrator**” means the entity that conducts the general administration of the Plan as provided herein. With reference to the administration of the Plan with respect to Awards granted to Independent Directors, the term “**Administrator**” shall refer to the Board. With reference to the administration of the Plan with respect to any other Award, the term “**Administrator**” shall refer to the Committee unless the Board has assumed the authority for administration of the Plan generally as provided in Section 11.1.

2. “**Award**” means a performance-based Option, a Qualified Performance Based Award, a Restricted Stock award, another cash-based award or other incentive payable in cash granted to a Participant pursuant to the Plan.

2.3 “**Award Agreement**” means any written or electronic agreement, contract, or other instrument or document evidencing an Award.

2.4 “**Board**” means the Board of Directors of the Company.

2.5 “**Cause**,” unless otherwise defined in an employment or services agreement between the Participant and the Company or any Parent or Subsidiary, means a Participant’s dishonesty, fraud, gross or willful misconduct against the Company or any Parent or Subsidiary, unauthorized use or disclosure of confidential information or trade secrets of the Company or any Parent or Subsidiary, or conviction of, or plea of *nolo contendere* to, a crime punishable by law (except misdemeanor violations), in each case as determined by the Administrator, and its determination shall be conclusive and binding.

2.6 “**Change in Control**” means and includes each of the following:

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

(b) the approval of the stockholders of the Company of a reorganization, merger, consolidation, complete liquidation, or dissolution of the Company, the sale or disposition of all or substantially all of the assets of the Company or any similar corporate transaction (in each case referred to in this Section 2.6 as a “**Corporate Transaction**”), other than a Corporate Transaction that would result in the outstanding common stock of the Company immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into common stock of the surviving entity or a parent or affiliate thereof) at least fifty percent (50%) of the outstanding common stock of the Company or such surviving entity or parent or affiliate thereof (“**Successor Entity**”) immediately after such Corporate Transaction; provided, however, if the consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the Change in Control shall not occur until the obtaining of such consent (either explicitly or implicitly); or

(c) a change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (such Board shall be hereinafter referred to as the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 2.6 that any individual who becomes a member of the Board subsequent to the Effective Date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

The Administrator shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

2.7 “**Code**” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations issued thereunder.

2.8 “**Committee**” means the committee of the Board described in Article 11.

2.9 “**Covered Employee**” means an Employee who is, or is likely to become, a “covered employee” within the meaning of Section 162(m)(3) of the Code.

2.10 “**Disability**” means a permanent and total disability within the meaning of Section 22(e)(3) of the Code, as it may be amended from time to time.

2.11 “**Effective Date**” shall mean December 5, 2013.

2.12 “**Eligible Individual**” means any person who is a member of the Board or an Employee, as determined by the Administrator.

2.13 “**Employee**” means any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or any Parent or Subsidiary.

2.14 “**Exchange Act**” means the Securities Exchange Act of 1934, as amended from time to time.

2.15 “**Expiration Date**” has the meaning set forth in Section 12.3.

2.16 “**Fair Market Value**” means, as of any date, the value of Stock determined as follows:

(a) If the Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock as quoted on such exchange or system on the date of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for the Stock on the date of determination as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(c) In the absence of an established market for the Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

2.17 **“Incentive Stock Option”** means an Option that is intended to be an incentive stock option and meets the requirements of Section 422 of the Code or any successor provision thereto.

2.18 **“Independent Director”** means a member of the Board who is not an Employee.

2.19 **“Non-Employee Director”** means a member of the Board who qualifies as a “Non-Employee Director” as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor rule.

2.20 **“Non-Qualified Stock Option”** means an Option that is not intended to be or otherwise does not qualify as an Incentive Stock Option.

2.21 **“Option”** means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of shares of Stock at a specified price during specified time periods with specified Performance Goals. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.

2.22 **“Parent”** means any “parent corporation” as defined in Section 424(e) of the Code and any applicable regulations promulgated thereunder of the Company or any other entity which beneficially owns, directly or indirectly, a majority of the outstanding voting stock or voting power of the Company.

2.23 **“Participant”** means any Eligible Individual who, as a member of the Board or an Employee, has been granted an Award pursuant to the Plan.

2.24 **“Performance Criteria”** means the criteria, either individually, alternatively or in any combination, that the Administrator selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria that will be used to establish Performance Goals are limited to the following: (i) net sales or revenue; (ii) net income before tax and excluding gain or loss on sale of property, plant and equipment; and/or (iii) cash flow (including, but not limited to, operating cash flow and free cash flow), either individually, alternatively or in any combination, and may be measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous period results or to a designated comparison group, in each case as specified by the Administrator in the Award. The Administrator shall, within the time prescribed by Section 162(m) of the Code, define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period for such Participant.

2.25 **“Performance Goals”** means, for a Performance Period, the goals established in writing by the Administrator for the Performance Period based upon the Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division or other operational unit, or an individual. The Administrator, in its discretion, may, within the time prescribed by Section 162(m) of the Code, adjust or modify the calculation of Performance Goals for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants (i) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event, or development, or (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

2.26 **“Performance Period”** means the one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to, and the payment of, a Performance-Based Award.

2.27 **“Plan”** means this Farmer Bros. Co. 2007 Long-Term Incentive Plan, as it may be further amended from time to time.

2.28 “**Qualified Performance-Based Award**” means an Award granted to selected Covered Employees (including, potentially, pursuant to Article 6), but which is subject to the terms and conditions set forth in Article 7.

2.29 “**Qualified Performance-Based Compensation**” means any compensation that is intended to qualify as “qualified performance-based compensation” as described in Section 162(m)(4)(C) of the Code.

2.30 “**Restricted Stock**” means Stock awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture or repurchase.

2.31 “**Securities Act**” means the Securities Act of 1933, as amended from time to time.

2.32 “**Section 409A Award**” has the meaning set forth in Section 8.1.

2.33 “**Stock**” means the common stock of the Company and such other securities of the Company that may be substituted for Stock pursuant to Article 10.

2.34 “**Subsidiary**” means any “subsidiary corporation” as defined in Section 424(f) of the Code and any applicable regulations promulgated thereunder of the Company or any other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

2.35 “**Successor Entity**” has the meaning set forth in Section 2.6.

2.36 “**Termination of Directorship**” shall mean the time when a Participant who is an Independent Director ceases to be a member of the Board for any reason, including, but not by way of limitation, a termination by resignation, failure to be elected, death or retirement. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors.

2.37 “**Termination of Employment**” shall mean the time when the employee-employer relationship between a Participant and the Company or any Parent or Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding: (a) terminations where there is a simultaneous reemployment or continuing employment of a Participant by the Company or any Parent or Subsidiary, (b) at the discretion of the Administrator, terminations which result in a temporary severance of the employee-employer relationship, and (c) at the discretion of the Administrator, terminations which are followed by the simultaneous establishment of a consulting relationship by the Company or a Parent or Subsidiary with the former employee. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for Cause, and all questions of whether a particular leave of absence constitutes a Termination of Employment; *provided, however*, that, with respect to Incentive Stock Options, unless otherwise determined by the Administrator in its discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section.

### ARTICLE 3 SHARES SUBJECT TO THE PLAN

#### 3.1 Number of Shares

(a) Subject to Article 10 and Section 3.1(b), the aggregate number of shares of Stock which may be issued or transferred pursuant to Awards under the Plan shall be 1,375,000 shares.

(b) Shares of Stock covered by an Award shall be counted as used at the time the Award is granted to a Participant. If any Award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares of Stock are issued under the Plan to a Participant and are thereafter reacquired by the Company, the shares subject to such Awards and the reacquired shares shall again be available for issuance under the Plan. In addition to the shares of Stock that are actually issued to a Participant, the following items shall be counted against the total number of shares available for issuance under the Plan: (i) shares of Stock subject to an Award that are not delivered to a Participant because the Award is

exercised through a reduction of shares of Stock subject to the Award (i.e., “net exercised”); (ii) shares of Stock subject to an Award that are not delivered to a Participant because such shares are withheld in satisfaction of the withholding of taxes incurred in connection with the exercise of an Option, or the issuance of shares under a Restricted Stock Award or other Award; and (iii) shares that are tendered to the Company (either by actual delivery or attestation) to pay the exercise price of any Option. The following items shall not be counted against the total number of shares available for issuance under the Plan: (A) the payment in cash of dividends; and (B) any Award that is settled in cash rather than by issuance of Stock. All shares issued under the Plan may be either authorized and unissued shares, issued shares reacquired by the Company, shares purchased by the Company on the open market, or shares held in trust for issuance under the Plan.

(c) The Administrator shall have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

(d) Notwithstanding the provisions of this Section 3.1, (i) no shares of Stock may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an Incentive Stock Option under Section 422 of the Code; and (ii) the maximum number of shares that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate share number stated in Section 3.1(a), subject to adjustment as provided in Article 10; and provided, further, that for purposes of Section 3.3, any such shares shall be counted in accordance with the requirements of Section 162(m) of the Code.

3.2 Stock Distributed. Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury stock or Stock purchased on the open market.

3.3 Limitation on Number of Shares Subject to Awards. Notwithstanding any provision in the Plan to the contrary, and subject to Article 10, the maximum number of shares of Stock with respect to one or more Awards settled in Stock that may be granted to any one Participant during any calendar year shall be 75,000 (or, if settled in cash, shall be limited to the Fair Market Value of 75,000 shares of Stock).

#### **ARTICLE 4 ELIGIBILITY AND PARTICIPATION**

4.1 Eligibility. Persons eligible to participate in this Plan include Employees and members of the Board, as determined by the Administrator.

4.2 Participation. Subject to the provisions of the Plan, the Administrator may, from time to time, select from among all Eligible Individuals those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to this Plan.

#### **ARTICLE 5 PERFORMANCE STOCK OPTIONS**

5.1 General. The Administrator is authorized to grant Options to Eligible Individuals on the following terms and conditions:

(a) Exercise Price. The exercise price per share of Stock subject to an Option shall be determined by the Administrator and set forth in the Award Agreement; *provided* that the exercise price per share for any Option shall not be less than 100% of the Fair Market Value per share of the Stock on the date of grant.

(b) Time and Conditions of Exercise. The Administrator shall determine the time or times at which an Option may be exercised in whole or in part; *provided* that the term of any Option granted under the Plan shall not exceed ten years. The Administrator shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised; *provided* that in no event shall Options vest and be fully exercisable at any time earlier than one year from the grant date except as may be specifically provided as a result of an acceleration upon a Change in Control, Termination of Employment, Termination of Directorship, or other event providing for accelerated vesting. The Administrator may extend the term of any outstanding Option (but not beyond seven (7) years from the date of grant) in connection with any Termination of Employment or Termination of Directorship of the Participant holding such Option, or amend any other term or condition of such Option relating to such a Termination of Employment or Termination of Directorship.

(c) Payment. The Administrator shall determine the methods, terms and conditions by which the exercise price of an Option may be paid, and the form and manner of payment, including, without limitation, payment in the form of cash, by directing the Company to withhold such number of shares of Stock otherwise issuable in connection with the exercise of the Option having an aggregate Fair Market Value equal to the exercise price, shares of Stock, or other property acceptable to the Administrator and payment through the delivery of a notice that the Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale, and the methods by which shares of Stock shall be delivered or deemed to be delivered to Participants. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an “executive officer” of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option, or continue any extension of credit with respect to the exercise price of an Option with a loan from the Company or a loan arranged by the Company, in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Administrator.

(e) Performance. All Options issued to Participants who are Employees shall include Performance Criteria or Performance Goals and the vesting of such Options shall be subject to the satisfaction of one or more Performance Goals, in the manner determined by the Administrator; provided, however, that Options issued to Participants who are Employees in connection with the commencement of employment as an executive with the Company shall not be required to be subject to Performance Criteria or Performance Goals.

(f) Forfeiture. Except as otherwise determined by the Administrator at the time of the grant of the Award or thereafter, upon a Participant’s Termination of Employment or Termination of Directorship prior to vesting, Options that are at that time subject to restrictions shall be forfeited under such terms as the Administrator shall determine; provided, however, that the Administrator may (a) provide in any Award Agreement that restrictions or forfeiture conditions relating to Options will be waived in whole or in part in the event of a Participant’s Termination of Employment or Termination of Directorship under certain circumstances, and (b) in other cases waive in whole or in part restrictions or forfeiture conditions relating to Options.

5.2 Incentive Stock Options. Incentive Stock Options may be granted only to employees (as defined in accordance with Section 3401(c) of the Code) of the Company or a Subsidiary which constitutes a “subsidiary corporation” of the Company within Section 424(f) of the Code or a Parent which constitutes a “parent corporation” of the Company within the meaning of Section 424(e) of the Code, and the terms of any Incentive Stock Options granted pursuant to the Plan must comply with the following additional provisions of this Section 5.2 in addition to the requirements of Section 5.1:

(a) Ten Percent Owners. An Incentive Stock Option shall be granted to any individual who, at the date of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of Stock of the Company or any “subsidiary corporation” of the Company or “parent corporation” of the Company (each within the meaning of Section 424 of the Code) only if such Option is granted at an exercise price per share that is not less than 110% of the Fair Market Value per share of the Stock on the date of the grant and the Option is exercisable for no more than five years from the date of grant.

(b) Transfer Restriction. An Incentive Stock Option shall not be transferable by the Participant other than by will or by the laws of descent or distribution.

(c) Right to Exercise. During a Participant’s lifetime, an Incentive Stock Option may be exercised only by the Participant.

(d) Failure to Meet Requirements. Any Option (or portion thereof) purported to be an Incentive Stock Option which, for any reason, fails to meet the requirements of Section 422 of the Code shall be considered a Non-Qualified Stock Option.

**ARTICLE 6**  
**RESTRICTED STOCK AWARDS**

6.1 Grant of Restricted Stock. The Administrator is authorized to make Awards of Restricted Stock to any Eligible Individual selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator; provided, however, that the Administrator shall not make Awards of Restricted Stock to any Participant who is an Employee except in connection with the commencement of employment as an executive with the Company. All Awards of Restricted Stock shall be evidenced by an Award Agreement. In no event shall an Award of Restricted Stock (or any portion of an Award of Restricted Stock) payable in shares vest sooner than one year after the date of grant or, in the case of Employee Participants, no sooner than three years after the date of grant. Notwithstanding the foregoing, the Administrator may accelerate vesting of any Award in the event of a Participant's Termination of Employment, Termination of Directorship, or a Change in Control.

6.2 Issuance and Restrictions. Restricted Stock shall be subject to such repurchase restrictions, forfeiture restrictions, restrictions on transferability and other restrictions as the Administrator may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances or installments or otherwise as the Administrator determines at the time of the grant of the Award or thereafter. Alternatively, these restrictions may lapse pursuant to the satisfaction of one or more Performance Goals or other specific performance goals as the Administrator determines to be appropriate at the time of the grant of the Award or thereafter, in each case on a specified date or dates or over any period or periods determined by the Administrator. In addition, the value of a Restricted Stock Award granted to any member of the Board (other than any member of the Board that is an Employee) shall be limited to an amount no more than \$30,000 annually for such member of the Board.

6.3 Repurchase or Forfeiture. Except as otherwise determined by the Administrator at the time of the grant of the Award or thereafter, upon a Participant's Termination of Employment or Termination of Directorship during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited or subject to repurchase by the Company (or its assignee) under such terms as the Administrator shall determine; *provided, however*, that the Administrator may (a) provide in any Restricted Stock Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of a Participant's Termination of Employment or Termination of Directorship under certain circumstances, and (b) in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock.

6.4 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse or the Award Agreement may provide that the shares shall be held in escrow by an escrow agent designated by the Company.

**ARTICLE 7**  
**QUALIFIED PERFORMANCE-BASED COMPENSATION**

7.1 Purpose. The purpose of this Article 7 is to provide the Administrator the ability to qualify Awards (including those granted pursuant to Article 6) as Qualified Performance-Based Compensation. If the Administrator, in its discretion, decides to grant a Qualified Performance-Based Award to a Covered Employee, the provisions of this Article 7 shall control over any contrary provision contained in Articles 5 or 6; *provided, however*, that the Administrator may in its discretion grant Awards to Covered Employees that are based on Performance Criteria or Performance Goals but that do not satisfy the requirements of this Article 7.

7.2 Applicability. This Article 7 shall apply only to those Covered Employees selected by the Administrator to receive Qualified Performance-Based Awards. The designation of a Covered Employee as a Participant for a Performance Period shall not in any manner entitle the Participant to receive an Award for the period. Moreover, designation of a Covered Employee as a Participant for a particular Performance Period shall not require designation of such Covered Employee as a Participant in any subsequent Performance Period and designation of one Covered Employee as a Participant shall not require designation of any other Covered Employees as a Participant in such period or in any other period.

7.3 Procedures with Respect to Qualified Performance-Based Awards. To the extent necessary to comply with the Qualified Performance-Based Compensation requirements of Section 162(m)(4)(C) of the Code, with respect to any Award which may be granted to one or more Covered Employees, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Administrator shall, in writing, (a) designate one or more Covered Employees, (b) select the Performance Criteria applicable to the Performance Period, (c) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (d) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Covered Employee for such Performance Period. Following the completion of each Performance Period, the Administrator shall certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned by a Covered Employee, the Administrator shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Administrator may deem relevant to the assessment of individual or corporate performance for the Performance Period.

7.4 Payment of Qualified Performance-Based Awards. Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company or a Parent or Subsidiary on the day a Qualified Performance-Based Award for such Performance Period is paid to the Participant. Furthermore, a Participant shall be eligible to receive payment pursuant to a Qualified Performance-Based Award for a Performance Period only if the Performance Goals for such period are achieved.

7.5 Additional Limitations. Notwithstanding any other provision of the Plan, any Award which is granted to a Covered Employee and is intended to constitute Qualified Performance-Based Compensation shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Section 162(m)(4)(C) of the Code, and the Plan shall be deemed amended to the extent necessary to conform to such requirements.

## ARTICLE 8 COMPLIANCE WITH SECTION 409A OF THE CODE

8.1 Awards subject to Code Section 409A. Any Award that constitutes, or provides for, a deferral of compensation subject to Section 409A of the Code (a “**Section 409A Award**”) shall satisfy the requirements of Section 409A of the Code and this Article 8, to the extent applicable. The Award Agreement with respect to a Section 409A Award shall incorporate the terms and conditions required by Section 409A of the Code and this Article 8.

8.2 Distributions under a Section 409A Award.

(a) Subject to subsection (b), any shares of Stock or other property or amounts to be paid or distributed upon the grant, issuance, vesting, exercise or payment of a Section 409A Award shall be distributed in accordance with the requirements of Section 409A(a)(2) of the Code, and shall not be distributed earlier than:

- (i) the Participant’s separation from service, as determined by the Secretary of the Treasury;
- (ii) the date the Participant becomes disabled;
- (iii) the Participant’s death;
- (iv) a specified time (or pursuant to a fixed schedule) specified under the Award Agreement at the date of the deferral of such compensation;
- (v) to the extent provided by the Secretary of the Treasury, a change in the ownership or effective control of the Company or a Parent or Subsidiary, or in the ownership of a substantial portion of the assets of the Company or a Parent or Subsidiary; or
- (vi) the occurrence of an unforeseeable emergency with respect to the Participant.

(b) In the case of a Participant who is a “specified employee,” the requirement of paragraph (a)(i) shall be met only if the distributions with respect to the Section 409A Award may not be made before the date which is six months after the Participant’s separation from service (or, if earlier, the date of the Participant’s death). For purposes of this subsection (b), a Participant shall be a “specified employee” if such Participant is a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) of a corporation any stock of which is publicly traded on an established securities market or otherwise, as determined under Section 409A(a)(2)(B)(i) of the Code and the Treasury Regulations thereunder.

(c) The requirement of paragraph (a)(vi) shall be met only if, as determined under Treasury Regulations under Section 409A(a)(2)(B)(ii) of the Code, the amounts distributed with respect to the unforeseeable emergency do not exceed the amounts necessary to satisfy such unforeseeable emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such unforeseeable emergency is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant’s assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

(d) For purposes of this Section, the terms specified therein shall have the respective meanings ascribed thereto under Section 409A of the Code and the Treasury Regulations thereunder.

8.3 Prohibition on Acceleration of Benefits. The time or schedule of any distribution or payment of any shares of Stock or other property or amounts under a Section 409A Award shall not be accelerated, except as otherwise permitted under Section 409A(a)(3) of the Code and the Treasury Regulations thereunder.

#### 8.4 Elections under Section 409A Awards

(a) Any deferral election provided under or with respect to an Award to any Eligible Individual, or to the Participant holding a Section 409A Award, shall satisfy the requirements of Section 409A(a)(4)(B) of the Code, to the extent applicable, and, except as otherwise permitted under paragraph (i) or (ii) below, any such deferral election with respect to compensation for services performed during a taxable year shall be made not later than the close of the preceding taxable year, or at such other time as provided in the Treasury Regulations.

(i) In the case of the first year in which an Eligible Individual or a Participant holding a Section 409A Award, becomes eligible to participate in the Plan, any such deferral election may be made with respect to services to be performed subsequent to the election with thirty days after the date the Eligible Individual, or the Participant holding a Section 409A Award, becomes eligible to participate in the Plan, as provided under Section 409A(a)(4)(B)(ii) of the Code.

(ii) In the case of any performance-based compensation based on services performed by an Eligible Individual, or the Participant holding a Section 409A Award, over a period of at least twelve months, any such deferral election may be made no later than six months before the end of the period, as provided under Section 409A(a)(4)(B)(iii) of the Code.

(b) In the event that a Section 409A Award permits, under a subsequent election by the Participant holding such Section 409A Award, a delay in a distribution or payment of any shares of Stock or other property or amounts under such Section 409A Award, or a change in the form of distribution or payment, such subsequent election shall satisfy the requirements of Section 409A(a)(4)(C) of the Code, and:

(i) such subsequent election may not take effect until at least twelve months after the date on which the election is made,

(ii) in the case such subsequent election relates to a distribution or payment not described in Section 8.2(a)(ii), (iii) or (vi), the first payment with respect to such election may be deferred for a period of not less than five years from the date such distribution or payment otherwise would have been made, and

(iii) in the case such subsequent election relates to a distribution or payment described in Section 8.2(a)(iv), such election may not be made less than twelve months prior to the date of the first scheduled distribution or payment under Section 8.2(a)(iv).

8.5 Compliance in Form and Operation. A Section 409A Award, and any election under or with respect to such Section 409A Award, shall comply in form and operation with the requirements of Section 409A of the Code and the Treasury Regulations thereunder.

## ARTICLE 9

### PROVISIONS APPLICABLE TO AWARDS

9.1 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

9.2 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event of the Participant's Termination of Employment or Termination of Directorship, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award. The provisions governing Awards need not be the same with respect to each recipient.

#### 9.3 Limits on Transfer

(a) Except as otherwise provided by the Administrator pursuant to Section 9.3(b), no right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Parent or Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Parent or Subsidiary. Except as otherwise provided by the Administrator pursuant to Section 9.3(b), no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution, unless and until such Award has been exercised, or the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed.

(b) Notwithstanding Section 9.3(a), the Administrator, in its sole discretion, may permit an Award (other than an Incentive Stock Option) to be transferred to, exercised by and paid to any one or more Permitted Transferees (as defined below), subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than by will or the laws of descent and distribution; (ii) any Award which is transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Participant (other than the ability to further transfer the Award); and (iii) the Participant and the Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under applicable federal and state securities laws and (C) evidence the transfer. For purposes of this Section 9.3(b), "**Permitted Transferee**" shall mean, with respect to a Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests, or any other transferee specifically approved by the Administrator.

9.4 Beneficiaries. Notwithstanding Section 9.3, a Participant may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Administrator.

#### 9.5 Stock Certificates; Book-Entry Procedures

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Stock pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed or traded. All Stock certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state, or foreign jurisdiction, securities or other laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Administrator may place legends on any Stock certificate to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Administrator may require that a Participant make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(b) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by applicable law, rule or regulation, the Company shall not deliver to any Participant certificates evidencing shares of Stock issued in connection with any Award and instead such shares of Stock shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

9.6 Paperless Exercise. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Awards, such as a system using an Internet website or interactive voice response, then the paperless exercise of Awards by a Participant may be permitted through the use of such an automated system.

### **ARTICLE 10 CHANGES IN CAPITAL STRUCTURE**

#### 10.1 Adjustments

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization, distribution of Company assets to stockholders (other than normal cash dividends), or any other corporate event affecting the Stock or the share price of the Stock, the Administrator shall make such proportionate adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such change with respect to (i) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Sections 3.1 and 3.3, provided that any adjustment of the limitations in Section 3.1 shall be subject to the fourth sentence of Section 3.1); (ii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (iii) the grant, exercise or purchase price per share for any outstanding Awards under the Plan. Any adjustment affecting an Award intended as Qualified Performance-Based Compensation shall be made consistent with the requirements of Section 162(m) of the Code.

(b) In the event of any transaction or event described in Section 10.1(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate (including without limitation any Change in Control), or of changes in applicable laws, regulations or accounting principles, and whenever the Administrator determines that such action is appropriate in order to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles, the Administrator, in its sole discretion and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been received upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 10.1(b) the Administrator determines in good faith that no amount would have been attained upon the exercise of

such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; and

(iii) To make adjustments in the number and type of shares of Stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

10.2 Acceleration Upon a Change in Control. Notwithstanding Section 10.1(b), and except as may otherwise be provided in any applicable Award Agreement or other written agreement entered into between the Company and a Participant, if a Change in Control occurs and a Participant's Awards are not continued, converted, assumed, or replaced by (i) the Company or a Parent or Subsidiary of the Company, or (ii) a Successor Entity, such Awards shall become fully exercisable and/or payable, as applicable, and all forfeiture, repurchase and other restrictions on such Awards shall lapse immediately prior to such Change in Control. Subject to the foregoing, the Administrator shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, dissolution or change in control of the Company, as defined by the Administrator, to take such further action as it determines to be necessary or advisable with respect to Awards. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the Administrator may take such actions with respect to all Participants, to certain categories of Participants or only to individual Participants. The Administrator may take such action before or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or change in control that is the reason for such action.

10.3 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Administrator under the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to an Award or the grant or exercise price of any Award.

## ARTICLE 11 ADMINISTRATION

11.1 Administrator. The Administrator of the Plan shall be the Compensation Committee of the Board (the "**Committee**"), which Committee shall consist solely of three or more members of the Board each of whom is both an "outside director," within the meaning of Section 162(m) of the Code, a Non-Employee Director and an "independent director" under the rules of the Nasdaq Stock Market. Notwithstanding the foregoing: (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to all Awards granted to Independent Directors, and for purposes of such Awards the term "**Administrator**" as used in this Plan shall be deemed to refer to the Board, and (b) the Committee may delegate its authority hereunder to the extent permitted by Section 11.5. Appointment of Committee members shall be effective upon acceptance of appointment. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Administrator under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may only be filled by the Board.

11.2 Action by the Administrator. A majority of the Administrator shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and, subject to applicable law, acts approved in writing by a majority of the Administrator in lieu of a meeting, shall be deemed the acts of the Administrator. Each member of the Administrator is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Parent or Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

11.3 Authority of Administrator. Subject to any specific designation in the Plan, the Administrator has the exclusive power, authority and discretion to:

- (a) Designate Participants to receive Awards;
- (b) Determine the type or types of Awards to be granted to each Participant;
- (c) Determine the number of Awards to be granted and the number of shares of Stock to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitations on the Award, Performance Criteria and Performance Goals associated with the Award, vesting, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines; *provided, however*, that the Administrator shall not have the authority to accelerate the vesting or waive the forfeiture of any Qualified Performance-Based Awards;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement;

(j) determine whether, to what extent and under what circumstances cash, shares of Stock, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the Participant; and

(k) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

11.4 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

## **ARTICLE 12**

### **EFFECTIVE AND EXPIRATION DATES**

12.1 Effective Date. The Plan will be effective as of the Effective Date.

12.2 Approval of Plan by Stockholders. The Plan has been previously approved by the Company's stockholders when originally submitted. If the Board determines that Awards other than Options which may be granted to Section 162(m)

Participants should continue to be eligible to qualify as performance-based compensation under Section 162(m)(4)(C) of the Code, the Performance Criteria must be disclosed to and approved by the Company's stockholders no later than the first stockholder meeting that occurs in the fifth year following the year in which the Company's stockholders previously approved the Plan, as amended and restated to include the Performance Criteria.

12.3 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, August 23, 2017 (the "**Expiration Date**"). Any Awards that are outstanding on August 23, 2017 shall remain in force according to the terms of the Plan and the applicable Award Agreement.

### ARTICLE 13 AMENDMENT, MODIFICATION, AND TERMINATION

13.1 Amendment, Modification, And Termination. The Board may terminate, amend or modify the Plan at any time and from time to time; *provided, however*, that (a) to the extent necessary to comply with any applicable law, regulation, or stock exchange rule, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) stockholder approval is required for any amendment to the Plan that increases the number of shares available under the Plan (other than any adjustment as provided by Article 10). Notwithstanding any provision in this Plan to the contrary, absent approval of the stockholders of the Company, no Option may be amended to reduce the per share exercise price of the shares subject to such Option below the per share exercise price as of the date the Option is granted and, except as permitted by Article 10, no Option may be granted in exchange for, or in connection with, the cancellation or surrender of an Option having a higher per share exercise price.

13.2 Awards Previously Granted. No termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

### ARTICLE 14 GENERAL PROVISIONS

14.1 No Rights to Awards. No Participant, Employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Participants, Employees, and other persons uniformly.

14.2 No Stockholders Rights. Except as otherwise provided herein, a Participant shall have none of the rights of a stockholder with respect to shares of Stock covered by any Award until the Participant becomes the record owner of such shares of Stock.

14.3 Withholding. The Company or any Parent or Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company an amount sufficient to satisfy federal, state, local and foreign taxes (including the Participant's employment tax obligations) required by law to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Administrator may, in its discretion and in satisfaction of the foregoing requirement: (i) allow a Participant to elect to have the Company or a Parent or Subsidiary, as applicable, withhold shares of Stock otherwise issuable under an Award (or allow the return of shares of Stock) having a Fair Market Value equal to the sums required to be withheld; or (ii) allow a Participant to use cash received from a broker-dealer to whom the Participant has submitted notice together with irrevocable instructions to deliver promptly to the Company the amount of sales proceeds from the sale of the shares of Stock (or certain of such shares of Stock) subject to the Award to pay the withholding taxes. Notwithstanding any other provision of the Plan, the number of shares of Stock which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award within six months (or such other period as may be determined by the Administrator) after such shares of Stock were acquired by the Participant from the Company) in order to satisfy the Participant's federal, state, local and foreign income and payroll tax liabilities with respect to the issuance, vesting, exercise or payment of the Award shall be limited to the number of shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income.

14.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company or any Parent or Subsidiary to terminate any Participant's employment or services

at any time, nor confer upon any Participant any right to continue in the employ or service of the Company or any Parent or Subsidiary.

14.5 Unfunded Status of Awards. The Plan is intended to be an unfunded plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Parent or Subsidiary.

14.6 Indemnification. To the extent allowable pursuant to applicable law, the Administrator (and each member thereof) shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

14.7 Relationship to Other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Parent or Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

14.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

14.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

14.10 Fractional Shares. No fractional shares of Stock shall be issued and the Administrator shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up or down as appropriate.

14.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 under the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

14.12 Government and Other Regulations. The obligation of the Company to make payment of awards in Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register pursuant to the Securities Act, any of the shares of Stock paid pursuant to the Plan. If the shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act, the Company may restrict the transfer of such shares in such manner as it deems advisable to ensure the availability of any such exemption.

14.13 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the conflicts of law principles thereof.

**Farmer Bros. Co.****Edited Transcript of Remarks From the  
2013 Annual Stockholders' Meeting held on December 5, 2013****Presented by:**

Michael H. Keown, Farmer Bros. Co. – President, CEO  
Mark J. Nelson, Farmer Bros. Co. – Treasurer, CFO  
Jonathan Waite, Farmer Bros. Co. – Vice President of Coffee  
Sarah Beaubien, Director of Corporate Sustainability

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**Mark Nelson - *Farmer Bros. Co. – Treasurer, CFO***

I will now turn the meeting over to CEO and President Mike Keown, but before we begin, I would like to remind everyone of the cautionary language contained in the Safe Harbor statement.

Certain statements made during today's meeting that are not historical facts, such as those regarding our future plans, objectives, and expected performance, are considered forward-looking statements under federal securities laws. While we believe these statements are reasonable, they are subject to various risks and uncertainties and the actual results may differ materially from our projections and expectations.

These risks and uncertainties are discussed in our reports filed with the SEC, such as our periodic reports on Forms 10-Q and 10-K and our other SEC filings. You should consider these factors when evaluating our forward-looking statements. Our forward-looking statements represent our outlook only as of today, and we disclaim any obligation to update these statements except as may be required by law. Mike?

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**Mike Keown - *Farmer Bros. Co. - President, CEO***

Okay. Good morning. Well, that was an interesting start. I didn't see that one coming. I'm really excited to be here today. And in all seriousness, with respect to the individuals who had some comments and concerns, if we don't address them now my commitment is to meet with you at another time. We have a board meeting right after, and I look forward to hearing that in greater detail, what the concerns are, but also to share with you the progress the Company is making because I think it's really important you understand what we're doing now versus what might have happened before.



The Company has clearly gone through a dark time, right? Lost \$70 million or so just a few years ago. I don't know what it was like and, for the most part, the management team we're building and the leaders that we're building don't know what it was like then. However, we're committed to pick it up, in many cases rebuild it, and rebuild the organization that many of you were part of for so many years. So, that's fair.

I'll move on. So, first, let me offer a welcome to Chuck Marcy and to Chris Mottern. We're very excited to have you here. These are tremendously talented individuals and even better people, frankly, and I think they will work with the current strength of the board to provide the stewardship that I know you all want. So, if we could, welcome, gentlemen. We're very excited to have you.



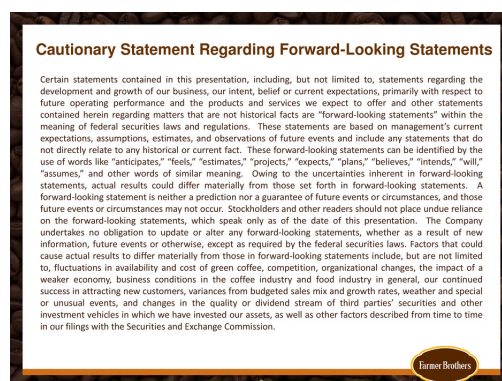
What I'm going to attempt to do today and what my team is going to do in the next 40 minutes or so, is to give you an update on how we're running the business. For those of you who are newer shareholders, we're going to warm up with a little bit of key message points, then I want to give you an overview of the Company as it comes to us today, then we're going to move into an overview of some of the challenges we face, some of the accomplishments we've had.

I want to give you an update on our strategic plan. Much of this is similar to what those of you who were here last year saw. And I'm just going to try to do a few things which bring to life how we are creating shareholder value for you and how we plan to do more of it in the future and restore some of the cultural touchstones that several of you commented on before.

I'm going to turn the meeting over to Mark, who will give you a quick update on the financials and the progress we're making there. And then, I'm really excited for the next two points. We're going to try to bring to life what we call the power of Farmer Brothers in two case studies.

The first one will be led by Jonathan Waite. And Jonathan, as many of you know, has perhaps the worst title in the Company but a broad array of capabilities and responsibilities in coffee sourcing, R&D, quality, and regulatory. And he's done a fantastic job of bringing together the pieces of the acquisitions. So, how do we combine Portland? We really don't use the term CBI as much anymore; it's really the Portland facility - some very talented and capable people up there, with the folks in Torrance and the folks that came through the Sara Lee DSD coffee business acquisition.

And then we're going to turn it over to Sarah Beaubien, our Director of Corporate Sustainability, who is doing much the same in her world of connecting well-meaning and high-performing employees in a new and different way to be more effective in the marketplace. Then, we'll go to questions, and I have a suspicion there will be several. Thank you for nodding so quickly.



Okay, we're going to dispense with the cautionary statement and jump right into some key message points. So, we think we're fundamentally a better Company now than we were last year, and you're seeing some of that in the market. In the first quarter, we were proud to have the best first quarter that the Company's had in about 10 years and positive profitability for the Company.

### Key Message Points

1

• Overall, we continue to make progress in improving the Company's financial results, with the operating income in Q1 of FY14 the highest in more than ten years. We are building a company which we believe will continue improving, but we have a long way to go.

2

• We have spent considerable time finishing recent integrations. This completion of integration has leveraged our specialty coffee capabilities, lowered costs, and attracted major customers. Our share on National Accounts is low, and we are working to increase this share.

3

• We have made several important improvements in our performance management process to better link each employee's performance to improved results and shareholder value.

4

• We are developing a leadership reputation in sustainability/coffee sourcing which is proving to be beneficial to our business.

Farmer Brothers

We think that some of which you might be seeing in the stock price, and our intent and my expectation is that that momentum will continue on into the future. So, we've got a long way to go, but we think we're on the right path to rebuild what some of you have talked about, but also with an eye to compete better in the future.

We've spent a lot of time on the integration, and this is where the power of Farmer Brothers concept comes together. We're combining the organization in ways which will create value for you and allow us to better compete in the future. That could be areas like looking at our supply chain as one as opposed to three disparate plants, looking at R&D as one group, and so forth, and so many ways that you'll get a sense of today.

As we do this, we're finding it's very appealing to our customer base, especially as customers want more and better partners to drive their coffee business. You might have seen we've picked up a few notable customers on a larger scale, but we're just as proud of the smaller people that we're picking up as well and move that forward. And you'll get a sense of that today, particularly in Jonathan's presentation.

I'm going to just give you a few slides on performance management, but we have completely overhauled how we set objectives, starting with the board, how they cascade through me, frankly, and the senior team and down in the organization, and allow people a clear sense of what's expected to them -- expected of them, excuse me, but also, as we achieve objectives we can celebrate that success moving forward. And under the human resources group, we've done a really good job, but we've changed a lot to try to ensure that what we do every day is creating value. And then, the last area is around our reputation and sustainability in the coffee industry, but I'm going to save that for Jonathan and Sarah; they'll hit that one very hard.

### Farmer Brothers Overview

A leading manufacturer, wholesaler, and distributor of coffee, tea, and culinary products

- Founded in 1912
- Today, one of the country's largest direct store delivery (DSD) coffee companies

#### Differentiated business model

- One of the most complete local, regional, and national DSD networks in the coffee industry
- Low-cost production capabilities at all three quality tiers
- Substantial knowledge of coffee sourcing, procurement, roasting, and blending.

#### Experienced and motivated management team

- Significant experience across consumer branded, packaged good, and beverage companies

FY13 Revenue - \$510M

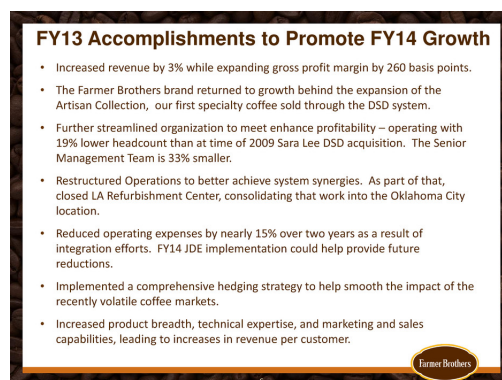
Category	Percentage
Coffee (Roast and Ground)	60%
Other Beverage	10%
Culinary	12%
Tea (Hot and Iced)	5%
Coffee (Frozen)	7%
Spice	6%

Farmer Brothers

So, let's warm up with a little bit on the business. We are now more than \$0.5 billion in revenue, as you can see here. Many of you know the history. Our major emphasis is on coffee, but we also believe we have opportunity in spice, in tea, and so forth. And as we better connect the organization, our expectation is those businesses will grow and thrive at a higher level as well.

Several of you have raised questions on our business model. Simply put, we've got unprecedented national reach in our DSD business. We also have the ability, though, to make almost any type of coffee and deliver it any way a customer wants. That could be through a distribution center, it could be through our DSD group, it could be both. And we have customers who do that. We have customers who demand certified coffee, and we'll talk about that -- Rainforest Alliance or free trade and so forth. We can do that. And we think we can do it in a way that gives us a special place in the industry, and one we're really just beginning to leverage.

The last area I'm going to talk about here is the management team here. I hope for those of you who haven't met some of the new faces here you take the time to do so over the course of the morning and over the course of the years. I think we are building a team that's got some tremendous experience and legacy, folks like Tom Mortensen, who I dare say was almost an old face, but I've learned not to say that, a more experienced face I think is how we phrase that in this day and age. And then, newer people as well.



So that's a little bit about the business. Let's talk about some accomplishments. So, we're back to driving revenue. In the year, revenue was up about 3%. We've driven some margin in the business through an assortment of initiatives, whether it's better sourcing, running our supply chain better, cutting costs across things, we're seeing margin progression, which is allowing for profit to fall to the bottom line. In the first quarter, you saw that accelerate pretty dramatically, and we think that's because we're attacking the fundamentals of the business better and better.

We are streamlining the organization. Several of you commented on the acquisitions. From where we were with the Sara Lee DSD coffee business acquisition, the total organization is about 19% smaller, the senior management team is about 33% smaller. So, we're trying to create better jobs for individuals where they can make a better contribution to the business, and we can compete very efficiently.

One area of that has been in operations. We are connecting our plants and our distribution centers better. We are not yet there, and we're in the process of implementing JD Edwards as a common platform to allow us to plan better, execute better, lower costs, while we bring on more volume. And what's not up here is in the last year we've been able to bring on some fairly large and some of the most demanding customers in the space. We're not going to go through specifics, but what the operations team has done to deliver efficiency and bring on high quality partners has been absolutely fantastic.

We're going to continue that process by aligning our plants under one individual. Jose Ramirez is in the back. He works for Mark Harding. Jose now can move volume between the plants as the Vice President in charge of that. He can see plants and do such that we better drive our customer's business and we better drive our business. So, Jose recently picked that up. Congratulations, Jose, it's really exciting -- a really exciting prospect for the future.

Okay. Let's keep going. I'll pick up the pace a little bit here. Operating expenses are down about 15% over the period, and we're continuing to work more and more to ensure that where we spend and how we spend is in the best interests of you all as the shareholders.

Two other areas I'm going to touch on briefly, and Jonathan will hit these, one, we have a very good hedging strategy now. So, we see the cost of coffee better. We're not going to explain what that is; we think it's a source of competitive advantage. And certainly, larger customers are coming to us to say, "Help us do this," so we must be doing a pretty good job.

And then, the last area is around product quality. Frankly, some of our products weren't so good in the past. We've re-launched a tea that tastes better than the competition's. We're in the middle of an iced coffee revitalization. And some of our coffees could have been better. And this is bringing R&D, marketing, sales, and the plants together in a way that we ensure our products are at the peak of freshness and they taste good, and I'm pleased with the progress there. So that gives you a snapshot on some of the accomplishments that are driving the business.

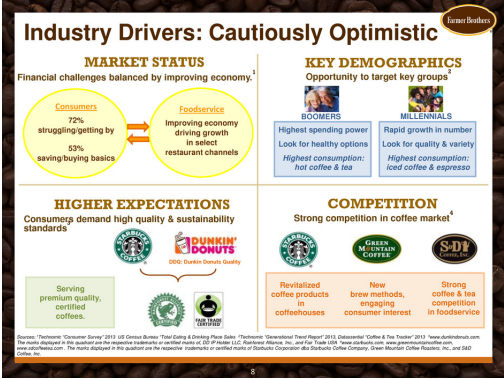
Experienced Management Team		
Name	Title	Prior Experience
Mike Keown	President and Chief Executive Officer	WhiteWave, P&G
Mark Nelson	Chief Financial Officer, Treasurer	Newport, GE
Mark Harding	Senior VP of Operations	SmartFood, ICA
Tom Mortensen	Senior VP of Route Sales	Farmer Brothers
Scott Siers	Senior VP of National Account Sales	MILKANE, Pepsi
Pat Quiggle	VP, Human Resources	H, GE
Tom Mattei	VP, Corporate Counsel	weintraub tobin, LATHAM+WATKINS
Rodney Naylor	Senior Director, Marketing	MARS, S&B

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Farmer Brothers

In terms of the management team, you've already been introduced to them. What I like about this team is it's a great blend of more familiar faces and newer faces, and that's something we want to continue. We have people from different companies, different categories, both large and small. Some have been through turnarounds; others have worked in very high performance organizations. So, you see a blend here from folks like Tom Mortensen, who's been with the Company for so long, and newer people like Mark Nelson, who's got a pedigree at GE but has also been in a very dynamic business in largely the tech space.

So, I won't drain that slide, but I hope you get a chance to meet this team and some of the people under them, both new and some of the ones who have been around. I think you'll find that we're coming together and building what we call the power of Farmer Brothers.



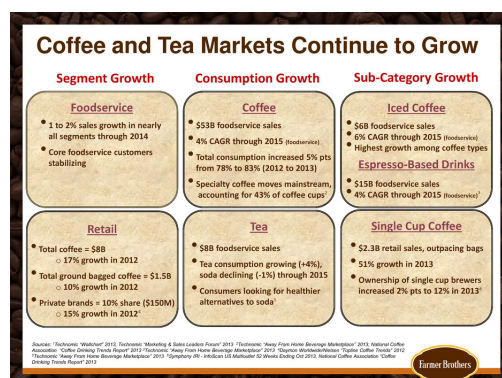
Okay. I'm going to shift gears now and just talk a little bit about our industry, what's going on, and this will lead to a discussion around our strategic plan. So, I'm going to hit some of this quickly. I'm going to start in the upper left corner. What's the economy like? Well, it's mixed right now. On the negative side, household incomes in this country are still about 6% below where they were in 2008 at the start of the Great Recession. That is impacting foodservice sales. And what we're finding, though, is that there are pockets of growth, so it's really important we play in areas that are growing and are very careful about how we continue to go into areas that may not be growing over time.

Another interesting trend is in demographics. So, much like there are pockets of opportunity from a channel standpoint, there's a yin and yang going on around how people drink their coffee. I'm a boomer; I tend to like my coffee black. I'm seeing some head nods, that is demographic. Younger folks drink it differently. Often, a younger consumer will come into the place with iced

coffee. Coffee is defined as something that's cold and sweet and it's creamy and that's how it comes; it's not inherently something that's hot and black that I might put stuff in. And you'll see our strategies embrace that.

Espresso is another area where it's really important that we understand how our products play, because the coffee category is changing in many, many dynamic ways. There are significantly higher expectations regarding sustainability. And we all see it, we touch it in everything. I'm really proud of the progress that we've made in becoming a more sustainable company. I think we're in the top tier of coffee companies, but there's so much more to go in that area, and I'll let Sarah speak to that in just a little while.

And then the last area I'll talk about is competition. Coffee categories have always been very competitive, and it's not getting any easier at all, whether it's large competitors like Starbucks or smaller, coffee is a growth business and it's a very profitable business in the foodservice space, and we expect that will continue. So, a real mixed bag.

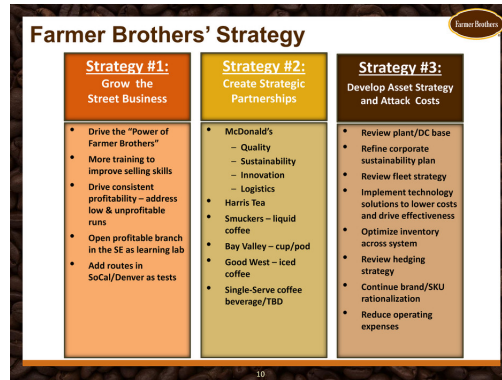


Let me shift gears and get a little deeper into coffee and tea. So, if you look at total foodservice sales, and I'm in the upper left corner, for the first time in a few years people are eating out a little bit more. It's almost growing 1% to 2% depending on the data point you use, but pretty sluggish. Coffee is a bright spot. Coffee in this country in foodservice is a \$53 billion business; it's growing at 4%, a little bit more than total.

And again, there's a dynamic of different pockets of growth in decline. Specialty coffee is growing, and that's why we launched the Artisan Collection by Farmer Brothers™ so we can better compete there. Iced coffee is growing, and we'll talk about that later, a huge opportunity. But having good products and a good channel strategy is essential, and I'll pay that off for you, or at least give you a sense of how we see it in just a few slides.

When you move to the -- oh, one other aspect I'll touch on is the growth of the cup business. Some people have asked about that, and I will share a little bit more of how we want to continue to play there. Frankly, I'm having a discussion with the board, who wants to know what our plan is in single cup and how that evolves in a few hours. So, forgive me if it's a little bit light; I want to get them a line to it before we go prime-time.

The other growth area is tea. So, tea, the consumer dynamic is really interesting. Consumers, particularly young, are moving away from carbonated soft drinks; they're drinking more tea. And we're really trying to take advantage of that with an improved tea program. We've rolled out under the Farmer Brothers brand, I think, some great teas. They tested better than competition and we're beginning to see that growth now, where I believe roughly eight of our regions are growing. There are a couple of competitive spots, but I'm confident that that's going to continue to be a source of growth and value creation for all of us.



Okay. So, how are we reacting to those trends? I'm just going to touch on a few. Many of you have seen these strategies before, so I'm going to start at the top. We need to reinvigorate our route sales business. It's the bread and butter of what we do and roughly two-thirds of the business. Here's what we've done in the last year, and it may surprise some of you. We've worked together to train 1,000 of our employees, so you'll see some of us with a coffee and tea expert certification.

It was a tremendous undertaking, it really was - the whole Company pulling together to make sure that our sales people understand coffee at a high level to sell the world's best coffee - and we think we're making the world's best coffee. A tremendous undertaking and we're continuing to invest in improving our route sales people, in particular in their selling skills. That is ongoing and we're excited for what that might bear.

We've got some new tools to help us see profitability by branch and route. And we're just in the infancy, but we think we can arm our field sales people to help us understand in a market like Denver, which might be doing extremely well but have a couple of routes that are under performing, and see that and be able to train and work with the people to bring those up.

We're also going back on the offensive and adding routes. So, we've added a branch in Charlotte that's performing very well. We're in the process of adding some other routes in the West. And we want to find a model which will help us grow by investing in growing that route business. The last area we'll come to is technology, but I'm going to save that.

Bucket two is creating strategic partnerships. We don't talk about many of our larger customers, but the metaphor I would offer is for these larger customers, they don't want to be sold, they want to be partnered with. And that means high quality, sustainability, logistic excellence, innovation, all coming together in a way that drives their business. McDonald's is a good embodiment of that. There are other customers as well that we're working with right now, and you're seeing that in the financial progress that we're making. Other examples of partners we're developing, Harris in tea, Smuckers in frozen coffee or liquid coffee, and Bay Valley, which is a division of TreeHouse Foods, where we partner up for cups, largely around private label cups.

I'm going to move on to asset strategy and just hit a couple of things. As we see our supply chain as one, there's enormous opportunity to improve effectiveness and reduce costs. Oh, what does that mean? Some of the things we're doing are looking at areas like our inventory, and we're still finding a way to identify the right level of inventory. We don't want too much, but we certainly can't have too little and not meet our customer's needs.

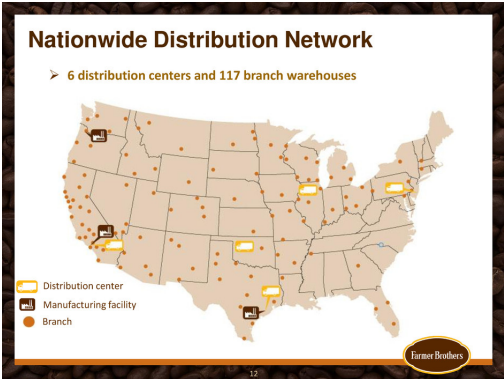
Another area would be number of SKUs. So, I don't know if anybody knows what a SKU is; it's an item we make and sell. When we finished the Sara Lee DSD coffee business acquisition, we had 6,500 SKUs. 6,500, that's a lot. And particularly for the supply chain folks, many of those SKUs kind of gummed up the supply chain. They're low margin, they're low volume, they're tough to run. We're on the path to cutting that in half to roughly 3,000 items, and we think there's more. We have too many blends that taste almost identical that make it really tough for our plants to run for no benefit when we can combine them, and we're working through that. Okay?

I am going to shift gears a little bit and talk about how we're aligning people's performance. This gets to some of the questions raised earlier. We're trying to set clear objectives, starting with me, board approved, and working throughout the organization to ensure people know how they're evaluated so they can know how they're compensated. And ideally, we're celebrating the success that goes with that. And I'm going to dive deep in that in just a second.

I think I've already touched on strategy five, it's around driving high growth categories. That's iced tea, iced coffee, espresso, specialty coffee, and so forth. The next is really around driving product penetration. We sometimes have thought about the businesses

-- coffee, tea, and so forth -- but we want to make sure that we're driving more to each customer. Many of our customers just buy coffee, so why can't we sell them tea? Why can't we sell them spices? And how do we work together across categories to make sure that happens?

Frankly, as part of the Sara Lee DSD coffee business acquisition we took on some unprofitable larger customers. And we've, I think, largely remedied that, but we want to be very vigilant that we're not taking on customers just for volume, but because they're actually driving shareholder value. And then the last area is around profitability and national accounts.



Okay. I mentioned how we see our supply chain as one. Let me bring it to life very simply. In the past, Portland was run as a stand-alone company. You've heard of CBI. It wasn't well integrated. Now we're seeing -- the little smoke stacks, by the way, are plants, the trucks are distribution centers, the dots are branches. We're running and pushing volume back and forth to have the lowest possible cost and the high possible customer satisfaction. Okay?



Areas we're investing in, I think I've already touched on most of these. We've added some new lines to make sure that we've got the right production capability, especially for these demanding customers. We are working to make sure that the routes have the best possible coffee to allow them to compete and for us to compete in the industry. We've talked a little bit about the brand, and I want to share an interesting factoid.



When you look at the Farmer Brothers brand altogether, the products that we sell under Farmer Brothers, it's growing for the first time in years. And out of respect to some of the comments that were made earlier, we're investing in understanding what the Farmer Brothers brand means, that it's in the marketing, it's in the sales, and so forth, and we're proud. Because for too many years the brand has languished and you're seeing that turn around. For the first time in years we're growing share, and I think that comes from a respect for the brand and the Company and what we deliver every day.

Okay. To shift gears quickly, national customers. Several of you have asked, "How do they buy? How do they work?" I think when Jonathan and Sarah are done you'll see this, but they really see us now as a company that can hedge, that's at the gold standard of sustainability, that has a learning lab in Portland called Public Domain. I hope you had a chance to meet the barista who is out serving coffee. We've got great baristas, and we're turning that into a learning model versus just a cost center.

And it's being very well received by larger customers, whether regional, national, or independent and we actually try to make sure that as we buy coffee for them -- that's where hedging comes in -- that we're working with them to buy coffee at the highest quality, at the best possible price. And when we do that well -- and I don't think there are many people who are doing it well out there -- we're an enormously compelling company for the largest customers moving forward.



Okay. Building a high performance culture. I'm going to go a little bit off script to address some of the questions that were raised earlier. Frankly, a couple of years ago we did an employee survey, and it was pretty bad. Participation was low, the feedback was not good in areas like senior management, where the Company's going. This was about 2000 -- help me, 2011 was when the survey was done? Was that it? Okay.

As the management team has come in, we've seen participation more than double. We've seen employee feedback being valued, roughly triple, and we're just in our infancy. Frankly, the scores aren't good enough about where we're going. And I share that and I'd be happy to go into as much detail per the comments earlier around that because we take it very seriously.

I wanted to share some other things that we've done. We've re-established the tenure awards for employees. So, one of the things that had happened is we had employees who had been around 25, 30, 35 years. At Farmer Bros., you could even go longer, all the way to Guenter Berger, up at 53 or so. And we've brought back those awards to celebrate the time spent in the organization and the accomplishments of those organizations.

We've started the Brew Awards, which are done quarterly but also annually, to allow employees to send in the success that they see among other employees and for us to acknowledge it both publicly but also with financial stipends. And, we're going to have that done annually to celebrate the values that so many of you referenced earlier. Okay?



So, we think we're bringing some of those things back as we work on a better performance plan. And let me share the model for that moving forward. So, here's what we do now. In the spring, I sit with the board and get their alignment on a three-year strategic plan with financials and so forth, and I can promise you those are pretty free-flowing meetings, for lack of a better term. But what we try to do is really establish a sense of where the Company is going. That translates to annual operating plans. These are a little more metric-driven, and that's around how I'm evaluated, the rest of the team, and the rest of the Company. The board approves that with the duty to ensure that those plans drive shareholder value for all of you.

Then, the ball comes to management, and we translate those into annual objectives across the organization, we'll be establishing quarterly priorities, and that becomes the basis for performance evaluation. Because what had happened is a few years ago people weren't getting performance evaluations, and when that happens it breeds fear, it breeds discontent, and it's not very good to drive the organization forward.



If you go back before 2011, to be kind, less than 50% of the employees had a performance review. That breeds some of the behaviors that were referenced earlier. If you don't know what's expected of you, it's tough to come to work every day. And the shareholders begin to wonder, "What are you doing?" and so forth. And my belief is that's what drove some of the results over that era.

Recently, we've had 99% of employees with a performance review. I think that's what's also driving morale and so forth. I think it would be really hard to come to work and not know what's expected of me. Do you think that would breed fear around when you got your performance review? Absolutely. We're trying to move away from that and make sure that, starting with the board, we're all marching to the same beat of the same drum and doing what's right to generate the returns that you want from us. And we're going to continue to come forward on that.

Let me shift gears to a couple of other issues that were raised earlier in this regard. We have brought back raises the last two years in a row. We've brought back raises across the organization. It does vary by some because we have some collective bargaining agreements that were pre-existing, but, of course, we honor those moving forward, and our hope is to continue to push to higher levels of profitability, which will allow us to reward all employees the same.

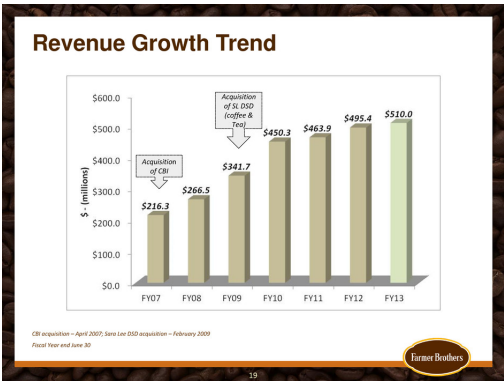
In terms of compensation, we've got a pretty in-depth program, where we try to benchmark in the industry what competitive compensation levels are and then follow those, aiming to bring in talent to continue the turnaround of the organization, but also not to pay more than necessary. We've got a pretty elaborate plan to do that, and I would love to spend time with anybody who would like to see that in more detail; I think you'd find it pretty eye-opening, pretty data-based, and based on performance as well.

Okay. That's a little more time than I wanted to spend, but I wanted to make sure we brought some sense of closure around what we're doing and why, because I think it's really important you understand. I'd reiterate, my commitment is to spend the time necessary with those of you who still may have issues, but time does preclude us from doing that today. And I'll finish by saying I'm very confident we're a much better company than we were three years ago, we're a much better company than we were last year, and we'll be a much better company in the future.



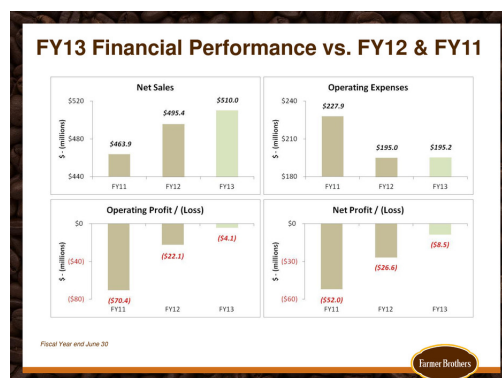
With that, I'm going to turn it over to Mark Nelson, and we'll try to pick up the pace a little bit. Thanks.

Mark Nelson - Farmer Bros. Co. - Treasurer, CFO



Thank you, Mike. Okay. I will try and move through this with some pace, kind of back in my comfort zone, I can talk about numbers. So, this is a seven-year chart of revenue, and you can see very clearly where our revenue has been impacted by acquisitions.

The acquisition of Coffee Bean International and then the Sara Lee DSD coffee business acquisition caused pretty good revenue growth through that period. And then, since 2010, the steady state has been about a 4% compound annual growth rate. So, it's been growing at a pretty regular clip. When we talk about the first quarter, you're going to see another kind of a sign change where that revenue growth accelerates again.



But this is kind of the historical precedent of the revenue growth. And when you look at what does that translate into, the ramping sales, combined with operating expenses, which did drop and have kind of leveled out a little bit. Some of the expense, the operating expense that you see in the top right quadrant is for fiscal '13. We had about \$3 million to \$5 million of expense come through things like Super Storm Sandy, and that really impacted our Moonachie, New Jersey distribution center. We did a lot of investment in the training for tea. We experienced some heightened workers compensation expense. But these all came together. We wanted to really continue to drive, and we will continue to drive that expense number, but just the combination of those ramping sales and dropping expenses really drives operating profit.

And in this graph, below the line is not good and we're gradually getting to the point where the operating profit, or loss in this case, \$70 million in 2011, we closed the gap all the way up to \$4 million in 2013. So that's a really good trend and operating profit. And net income, which is the next chart, same trend, same trajectory. And that's very important. That produces the cash flow that we need to do the investment and to address how we deploy that cash throughout the organization.

**Solid EBITDAE Growth**

Reconciliation of reported net loss to EBITDAE and Adjusted EBITDAE:

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

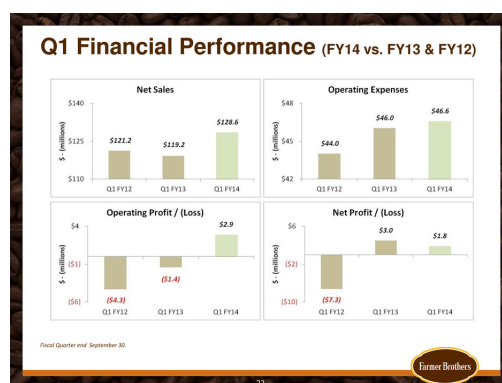
EBITDAE is a non-GAAP financial measure\*

\* In addition to net income (loss) determined in accordance with GAAP, we use certain non-GAAP financial measures, such as "EBITDAE," in assessing our operating performance. We believe this non-GAAP financial measure serves as an appropriate measure to be used in evaluating the performance of our business. EBITDAE as defined by us may not be comparable to similarly titled measures reported by other companies. We do not intend for non-GAAP financial measures to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP. Please refer to our Form 10-K for additional disclosures relating to this non-GAAP financial measure.

Turner Brothers

EBITDAE, you see this in our 10-K, is a measure of cash flow; it's another way to look at cash flow. And you can see that this is also improving quite dramatically -- \$24 million EBITDAE, that's a consumption of cash number, growing to \$25 million in 2012 and then about \$34 million in 2013. The big driver of this and the thing that we are working on each and every day is to reduce that net loss. As net loss continues to shrink, we hope to eliminate the brackets.

We will continue to drive better and better cash flow performance to turn this Company into a more profitable enterprise. EBITDAE is a non-GAAP financial measure. I'll just say that in case anybody wants to hear about GAAP, they can go online, it's pretty dull reading.



Q1 financial performance, now this is really where you can see a different snapshot. The sales in the first quarter of '12, the first quarter of '13, and then you see this big spike in the first quarter of '14. That's about an 8% increase over the prior-year period. It's really impressive. We're really starting to hit traction with a lot of the work we've been doing in national accounts and in DSD, and this is helping to drive that increase in sales.

Operating expenses slightly up in the quarter over the prior year, but a lot of that has been volume-driven. We're running to add volume very aggressively, so there's some temp labor and other costs in there. But what this really -- the combination of the two produced that exceptional operating profit result we saw in the first quarter.

Mike referenced it was the best first quarter we had in over a decade. So that's really excellent performance as well. You see that in the net profit line which has improved as well. So, this is really the trajectory we are striving to continue, and so that's the focus for the management team.

**Strong Balance Sheet with a Focus on Asset Management**

<small>(\$ in Millions)</small>	<small>30-Sep-13</small>
Cash and Cash Equivalents	11.2
Short-term Investments	20.4
Accounts and Notes Receivable, Net	42.8
Inventories	68.7
Other Current Assets	3.0
Net PP&E	90.2
Other Assets	11.9
<b>Total Assets</b>	<b>248.3</b>
Total Liabilities excluding Credit Facility	144.5
Credit Facility	20.1
Stockholders' Equity	83.6
<b>Total Liabilities and Stockholders' Equity</b>	<b>248.3</b>

- Inventory -- recorded under LIFO methodology
- PP&E - includes approximately 50 owned properties

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**Turner Brothers**

Balance sheet. The liquidity has really been the question that most people have - do we have enough cash? The combination of our cash and cash equivalents and short-term investments, that's approximately \$32 million.

We like to look at that as an offset with the amount that we have borrowed in our credit facility, about \$20 million. So, from a very short-term focus perspective, just net cash, we have good liquidity. The goal is as we grow profit we will continue to add to our cash balance, and that continues to drive the health of the Company.

And that's all I had. I'm going to turn it over to Jonathan.

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**Jonathan Waite - Farmer Bros. Co. – Vice President of Coffee**



All right. Are we good here? Good morning, everyone.

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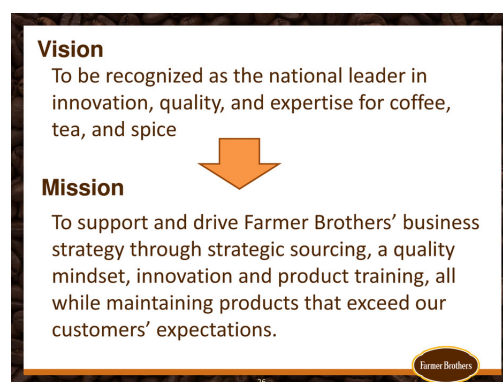
The image shows a presentation slide titled "Background: 'Talent, but Needing More Vision and Coordination'". It contains a bulleted list of five points: 1. We source coffee from approximately 28 countries around the world and produce well over 50M lbs. of coffee annually. 2. There was little integration of coffee sourcing, R&amp;D, quality assurance, and regulatory after the Sara Lee/CBI acquisitions. 3. Our customers and consumers demand excellence in quality, cost/value, and innovation and "freshness." 4. However, we had a tremendous team that we believe is second to none in our industry. 5. The challenge was to establish a compelling vision, identify core strategies, and build a structure that leveraged these strengths to deliver a great product. The slide has a dark brown border with a repeating pattern of small coffee beans. A small Farmer Brothers logo is in the bottom right corner, and the number "25" is centered at the bottom.

So, I wanted to take an opportunity to -- we've obviously as a Company done a lot in the integration field to bring all these acquisitions that we've done over the years. So, as you know, we did the Sara Lee DSD coffee business acquisition in '09 and the CBI acquisition in '07.

And unfortunately, as a Company, as we went through tough times and you saw the losses that you did and all those things that happened, we did not do a good job as a Company integrating everything, if you will, right? So, we wanted to take a moment today and highlight how that happened and how we were able to do that, starting with at least the coffee department.

So, here's a little background on it. As a group, throughout all these acquisitions we actually obtained some really good talent. It was unfortunate, because it was fairly fractured and was based on where it was located plant-wise or office-wise -- Torrance, at the time, Chicago, those kind of things. So, we had a lot of talent, but it just wasn't being leveraged appropriately. And to be truthfully honest with you, it wasn't really allowed to be leveraged appropriately. We had leadership that would not let that happen, for whatever reason I don't know.

Here's a little background on the coffee piece. Today, we source from about 28 countries. We do well over 50 million pounds annually across all three facilities. And as we've gone forward as a group, we've started to leverage the employees that we have moving forward.



We sat down as a department -- this is all coffee QA, R&D for the entire Company -- and we said, "What do we want to be as a department?" So we created a vision. And, of course, we want to be recognized as the actual leader in innovation, quality, and expertise for coffee, tea, and spice. And not only is that just the department goal, but the Company has a similar goal as well.

And our mission within that is to do everything we can to support the Company's business strategy through the things that we do, such as the strategic sourcing, maintaining the good, firm quality, and innovative R&D, and, of course, ensuring that our customers are happy with the product they're getting and that we're treating them well.



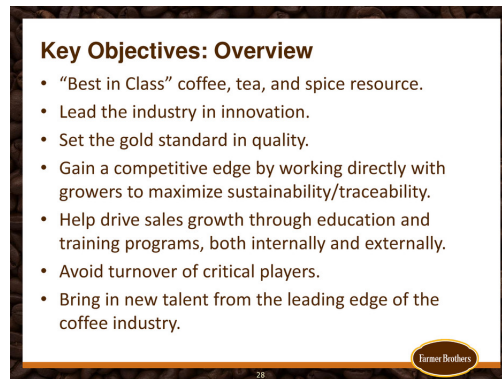
So, as a result, over the last two years we have taken all these groups and kind of joined them together. So now, the department is a little more defined and we've divided it into some main functions. What you see here are the coffee procurement piece, so all of the procurement we do for coffee; the sustainability and producer relations, and that piece is partially what my group does and then partially what Sarah's group does; the research and development innovation piece.

So, a quick moment on that one. With research and development, it's been fairly fractured over the years, coffee versus spice, tea, culinary, all those other things. The culinary lab was handed off many, many times to organizations that it didn't actually make sense. At one time, they were actually overseen by marketing, and marketing didn't pay a lot of attention to them. Don't worry, Rodney

that was before you, so I'm not calling you out there. So, we've taken that and we've located that under one group and so now all R&D is together.

Food safety and quality, again, every plant had its own quality standards. So, what did we do to bring that together and harness that? Regulatory enforcement also was fractured between the different facilities, so now we've brought that into one function. And with that comes food security and traceability, which, as hopefully many of you know, is becoming more and more important today.

And then, of course, coffee education and training - we have a large sales network force, but what service are we doing them if we're not training them appropriately? So that's a big thing. Tom Mortensen's got a big group and Scott Siers' got a big group, and some of them, more on Tom's side, have been around for so long that we've introduced all these products, and what job have we done to really teach them what that's all about so they can be out there and be the best sales group they can? So, that's one of the things that the department has developed and pushed out.

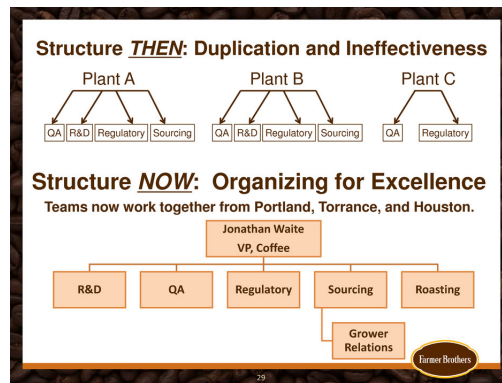


Some of our key objectives within the group- obviously, the best-in-class piece, very important, and not just within our group. We want to push that out, push that feeling out to all of the employees within the organization. Lead the industry in innovation. So, there are a lot of things going on. You see the pods and you see those kind of things that are -- the K-Cups that are happening out there, so we're behind the scenes in our R&D group and we're making sure that we're staying not only on top of things, but also coming up with ideas that our competition hasn't thought of yet. So it's very important.

Also, as Mike had mentioned, on the quality side, increasing that, right? So, we've always had a quality product. It's just what else can we do to make it better and really hit that note? So, when you look at the Company as a whole, you've got everything from low-end stuff that's price-driven that people really want, all the way to high-end micro-lots. And it's now leveraging our ability to get to those higher-end things that we didn't have before, where we're elevating our quality there.

Working directly with growers - Sarah will probably touch on that a little bit as well, but we do have direct trade programs. There's a slide a little bit further in, so I'll get in on that one. It's important, too, to avoid the turnover of some of our critical people, right? So, when we're training somebody in our group, there's an element where we've got to teach them how to “cup”.

Coffee, for example, not just on the spice side, but on the coffee side as well. And if we're going to spend the time and investment to train them, what can we do to make sure we keep people motivated and ready to engage? So we've developed some programs around that. And then, of course, bringing on new talent from the coffee industry. So, that's a piece that we've really, really increased in the last couple of years, and there's a piece on that a little bit later down, too.



So, how did it look then? We had three plants eventually -- in 2009, we had all three. The Houston plant from the Sara Lee DSD coffee business acquisition was kind of a fractured acquisition. It was basically operations and there was no back-end piece to that. So, the only thing that came with that plant was the QA and the regulatory piece dedicated just to that facility. But for Torrance and for Portland, everybody operated completely independently of each other and there wasn't a lot of discussion between the groups. So what that resulted in was QA procedures that were in place and good, but they weren't consolidated into one; everybody was kind of doing their own thing.

The same thing applies with sourcing, which although the Torrance facility sourced Houston, because there was no backbone for that there, Portland was kind of left in the dark on that. So there was no leveraging of the volume we do. So, with 50 million pounds of coffee and more, there's an opportunity there to really leverage our buying power, and it wasn't being fully harnessed prior. So, we've taken all that today and we've merged all the groups together, as noted there, so that we could move forward with an organization that made sense.



So, some of our key accomplishments today I've touched on -- the reorganizing piece, driving the efficiency and cost reduction, comes from the ability to merge QA, we don't have duplication, R&D doesn't have duplication, and we keep all of that in line. And with the sourcing piece, to make sure that we're getting the best deals possible there. Upgrading of products has been a big push company-wide, lots of people have been involved in those projects. The training of sales people -- there's a slide I'll get to on that one.



Meeting the quality standards of several new customers - So, as things evolve, Farmer Brothers, in the past, was always a very mom-and-pop DSD organization, if you will. It's true that in the '80s we had an account, we had McDonalds, it was a big account and there were some here and there. But overall, it never really was out there to meet the needs of the customers. We did what we felt was right as a Company, and we didn't really have to answer to anybody, if you will, from some of the quality perspectives. Of course, we had customers that asked questions; we would answer those.

But now, with the new things in the world, with the Food Safety Modernization Act and some of the other things that are happening, we need to make sure that we're meeting the demands that our customers have now, and there's a lot more that goes into that now. In the past, sales people would go to accounts and they would give a presentation on what we had to offer.

Today, it's not just the salesperson that's going. Depending upon the account, we're sending people from the coffee department, we're sending people from QA, and we're sending people from R&D -- and all of those people are very heavily involved with the acquisition of these new accounts and the maintenance of existing accounts. So that's a very, very important change we've made, and in that also is taking a key role in leading the industry. And there's a slide further down, I'll touch on that as well

So, again, some of this is a bit repetitive, but driving cost savings and system efficiency are related, in this case, mostly to sourcing. So what we've been able to do, the last two days the green coffee team and the R&D team had a summit to discuss these exact matters. And so it was two full days, about nine hours each day, and we sat down and said, "What can we do as an organization to make this better?"

One of the key takeaways from that is to combine and consolidate all of our item numbers. One of the biggest problems we have today is that every item code at every facility is different. Houston has one system, Torrance has one system, and Portland has one system, but they're the same coffees.

These are things that don't make sense from an organization standpoint and create complications in shifting, as Mike had mentioned earlier, in Jose's ability to shift production around. It causes a problem in shifting coffee around since it's not the same. So, with the Portland integration of JDE coming online in the next month, month-and-a-half, we'll be able to have better visibility of that, all the item codes will be the same, and we can easily move things between facilities. So, that's very good.

And with that comes also the SKU rationalization of green blend. So, Mike touched briefly on that. We do have a lot of coffees and blends on the Houston side that came with Sara Lee DSD coffee business acquisition that are very, very similar to each other. And from an efficiency standpoint, which Jose can appreciate, we need to dial that down so that the plant can be more efficient on what it does, instead of film changeovers and coffee changeovers and roaster changeovers. So we're working as a group to try to help that as well.

In the meantime, we're also starting to look at how we can do that on the spice side. So, involving the culinary lab and the R&D on that side, what work we can do on spice blends to either make them more efficient or, in some cases, maybe different tiers of spice levels, different quality levels to satisfy all of our customer needs.

### Coffee/Tea Training

- 5 Regionalized Trainings
- Nearly 1,000 New Coffee and Tea Experts
- Training Included Sales and Marketing





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So, the coffee and tea training that we discussed. So, this, over the course of the last year now it's been, we started in November -- October or November of last year, we took everybody out in the field, including the national sales team and the DSD team, and we trained them to be coffee and tea experts. Training like this had never been done before. We invested a lot of money to make this happen and it was very, very successful. So, all 1,000 of those employees are now trained and certified in basic coffee and tea mastery, right?

So, we have plans to expand that, but what they did was they learned where coffee comes from, where tea comes from, how does it work, what are the qualities? And they actually participated through this in tests, took some tests. If they passed, they received the certification pin there. And as well they also cupped and tasted teas and coffees so that they could understand more the differences between the different grades and how they interact with each other. So, it was a very, very good event that occurred and hopefully in the near future we'll be able to build upon that some more.

### Commitment to Quality in the Supply Chain

- Roughly 15 trips to origin (growers) per year
- Ensure sustainability and certifications
- Provide the opportunity for growers to improve their lifestyles and well-being
- Quality improvement
- Fair pricing
- Traceability
- Research under way for new Direct Trade program in Colombia




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The commitment to quality in the supply chain - basically, coffee is a commodity. It's grown overseas. We don't have a lot of history on it when it arrives in the plants. So we've taken steps to try to combat that, and we dispatch probably about eight or nine different employees in my group at different times to hit origin about 15 times a year.

Some of that's related to just checking on our suppliers and making sure the quality is correct, making sure that the farmers are doing what they're supposed to and that we're treating them right, ensuring sustainability and certification. So, there are certifications out there such as Rainforest Alliance and others, and we want to make sure that if we're buying those coffees for our customers that they're actually being certified correctly and coming from the right places.

Providing the opportunities for growers to improve their lifestyle - one of the things that Portland had implemented prior to the integration, which we're now actually embracing in the Houston facility for some customers, is what we call Project Direct. So,

what Project Direct does is we have a direct relationship with farms and mills on the ground and then we use a separate importer to bring the coffee in, but the transaction occurs with that farmer.

And we're sending people down there to make sure that they're doing better things with quality, trying to improve the lives of their pickers and the harvesters, and all of that comes from us at a premium for the coffee. So, the more they show us quality-wise, the bigger of a premium we'll pay. And we have some pretty large customers that sponsor that and push that out to their customers.

It also allows us to keep on the quality improvement piece, so we're making sure that what's coming from origin, all the way through the shipping, makes it to Torrance, Houston or Portland the way it should be. Traceability, right?

So, traceability is becoming very, very important as well, including with the Food Safety Modernization Act, we need to make sure that what we're paying for and what we're getting is coming from where the people are saying it is. So there's a lot of paperwork involved in that, and there's also now, as many of you've seen, the customer demand for, "Where did this come from?" Right?

So, we saw that McDonald's actually created an app in Australia, I believe it was last year, where you could scan -- I can't remember, it might have been potatoes, but it was something they had -- but you could scan something and it would tell you right where that potato came from, right down to the farm. You could meet the farmer, learn all about how it got to where it got to. So, that was kind of their test to see how the customers react to this, but we're seeing this a lot more and more with the QR codes on smartphones. This is very important for us.

The direct trade program operates, I believe, in five countries. And we just started up another program in Colombia, working with both the Colombian Federation and local farmers and coops that we went out and visited and established relationships with. So it was quite an interesting project there, so now we're starting up with Colombia.

### Hiring/Developing Great Talent: Examples

 <p><b>David Pohl</b> Director, R&amp;D</p> <ul style="list-style-type: none"><li>• 12 years in the coffee industry; 10 Years Roasting</li><li>• Experience:<ul style="list-style-type: none"><li>– Fair Trade Certification</li><li>– Head Roaster</li><li>– Green Coffee Buyer</li><li>– Plant Manager</li><li>– Coffee QC</li><li>– Product Development</li><li>– Barista</li></ul></li><li>• Involvement:<ul style="list-style-type: none"><li>– Roast Magazine, Editorial Advisory Board Member</li><li>– Coffee Quality Institute Volunteer</li><li>– Roasters Guild Member</li><li>– Licensed Q and R Grader</li></ul></li></ul>	 <p><b>Christian Rotsko</b> Roastmaster, Houston</p> <ul style="list-style-type: none"><li>• 9 years in the coffee industry</li><li>• 8 years roasting</li><li>• Positions:<ul style="list-style-type: none"><li>– Lead Production Roaster</li><li>– Green coffee buyer</li><li>– Coffee QC</li><li>– Coffee Blend Development</li><li>– Barista</li></ul></li><li>• Involvement:<ul style="list-style-type: none"><li>– Licensed Q Grader</li><li>– International cupping judge</li><li>– Roasters Guild Member</li></ul></li></ul>	 <p><b>Brian Howard</b> Green Coffee Buyer/ Developer Portland</p> <ul style="list-style-type: none"><li>• 17 years in the coffee industry</li><li>• 12 years Green Coffee procurement and quality control</li><li>• Experience:<ul style="list-style-type: none"><li>– Green coffee buyer</li><li>– Evaluation of green coffee</li><li>– Sample roasting</li><li>– Production roasting</li><li>– Product development</li><li>– Travel to origin</li></ul></li><li>• Involvement:<ul style="list-style-type: none"><li>– Licensed Q Grader</li></ul></li></ul>
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So, we touched just a little bit on the developing and hiring of great talent and how do we maintain those people? So, over the last couple of years -- this was just a small sampling, by the way, of some of the people in the department. There's plenty of other people we've hired over time that have been doing a really, really good job. But notably, David Pohl, who is our Director of R&D now, overseeing both coffee and the spice side, came to us from a small little roastery in San Francisco and he's done an amazing job growing the business, working with customers, working with sales.

Christian Rotsko, who we actually just hired about a month-and-a-half ago, is right now on the road driving all of his belongings from here to Houston. I don't know exactly why he chose to move there, but good for him, because we now have a certified roast master in Houston. Christian comes from Intelligentsia. He has nine years in the industry and his primary function in Houston is to have somebody on the ground there that has a real handle on coffee and that works well with R&D so that we can really educate the Houston folks a little bit more on what coffee is all about. It's a piece that lacked there just because of the logistics of the plants, and now we're trying to patch that gap. And he's going to grow the team there and training everybody about the roasting side.

And then, Brian Howard, who is up in Portland, currently is overseeing the buying on the Portland side and making sure that the coffees up there are coming in as they should. In the next month-and-a-half to two months, his role will expand and Brian will oversee the coffee buying of the entire Company. So, he'll be in charge of that. He actually came to us from Boyd's Coffee.

He's been with us for about three years now or so and he has about 17 years in the coffee industry, doing everything from buying to roasting and working on those pieces. So, there's lots and lots of talent, not just in these three guys, but also in the other group that we have as well.

### Industry Leadership

- Specialty Coffee Association of America
- Coffee Quality Institute
- Cup of Excellence/Alliance for Coffee Excellence
- Roasters Guild
- Pacific Coast Coffee Association
- World Coffee Research
- Charitable Support

The marks displayed above are the properties of those organizations.



So, some of the key points to what makes us who we are in the coffee world, if you will, is industry leadership. We spend a lot of time and resources making sure that we have a firm foot in the industry. Whether it be some of the Prop 65 issues that California has seen, sustainability issues, farmer quality, weather changes, things along those lines, we want to make sure that we're in there as a company, because, after all, we are mostly coffee. That's our main business and we want to make sure that not only do we have a supply forever but we're doing everything we can to make the coffee world a better place.

### SCAA Presidency

Paul Thornton  
Director of Coffee



So, these are some of the things that we work with industry-wide, so especially Coffee Association of America, has been around for several years, more specialty-based, making sure that there's a channel for how the specialty coffee market works. The Coffee Quality Institute hosts cuppings and also does things at origin to show farmers what their coffees are like, what they can get out of them, how they can improve them, also just standard competitions just to see who's doing the best at what.

That really goes hand in hand with the Cup of Excellence and the Alliance for Coffee Excellence, the same -- similar principal. The Roasters Guild, which we have several people in the group that are members of that, they get together and they do some fun things, but they also experiment with roasts and roasters and how we can roast better and come up with new blends and things along those lines.

The Pacific Coast Coffee Association, which Farmer Bros. has been a member of just about since the beginning, which was 1932. So, not to pick on Jose too much, but he knew it was coming. So, Jose Ramirez was actually part of the green coffee team and he had the opportunity to move to the manufacturing side as the VP of Manufacturing, which actually, as a Company, is a really, really good thing for us. Because of his knowledge of coffee it helps keep that bridge open between the coffee group and the manufacturing group, and he understands what our limitations are and that helps him out. But he's currently sitting in the Pacific Coast Coffee Association as their President, so he's pretty much in charge of that right now.

World Coffee Research, lots of scientific-based things. Mike Keown sits on the board. I don't know, are you the Chairman of that board or are you just on the board?

---

**Mike Keown - Farmer Bros. Co. - President, CEO**

Just on.

---

**Jonathan Waite - Farmer Bros. Co. - Vice President of Coffee**

Just on the board, okay. He's working his way up. Good. And then, General Charitable Support, which I assume Sarah will probably touch on a little bit.

Moving back to the SCA - not only do we have the Pacific Coast Coffee Association presidency this year, but we also have the Specialty Coffee Association presidency. So, Paul Thornton, who is our Director of Coffee and oversees the procurement piece, the coffee sustainability piece, and the direct trade programs, is currently the Specialty Coffee Association President. So, it's actually a very, very prestigious honor and we're glad to have that. He will maintain that chair until the annual meeting, which will occur in April of next year. So, all very, very good things.



And so when you see all that, what do we do as a Company with all that? That's a lot of talent. That's a lot of industry events and things that are happening there. So, as a group, we go out -- and this is part of our training, so we wanted to show you how we leverage some of those things with one of our customers here. The web address for this video is <http://www.youtube.com/watch?v=VKA5QhFQQiE>

(YouTube VIDEO PLAYING)

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**Jonathan Waite - Farmer Bros. Co. - Vice President of Coffee**

So, that was -- that Target video was shot by Target, utilizing our Portland facility, explaining a little bit more about coffee. And they ran it on -- and I'm assuming they still are running it on social media, YouTube, those kind of things, so it's out there for everybody to see and get a hold of. And again, it's a relationship that we've built over many, many years with Target -- with our QA folks, with our buying folks, and just really training them and making them be better as a company.

Before I turn it over to Sarah, I do want to mention one more thing. So, Mike had touched on Public Domain. Public Domain -- as a laboratory, if you will, in Portland, Oregon, is our coffee shop there. And they also were bounced around through some strange management channels, so today Public Domain ultimately does report to me, so we've brought all of that together. And the barista that was out there today is Kevin, and Kevin's actually our manager of Public Domain. He was promoted to the manager there in June and he's made a lot of good changes, great group working for him there. It's a great opportunity. Should you ever find yourself in Portland, it's in downtown and it would be a great place for you to stop by and see and meet Kevin and his group.

So, with that, I will give it to Sarah.

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**Sarah Beaubien - Farmer Bros. Co. - Director of Corporate Sustainability**

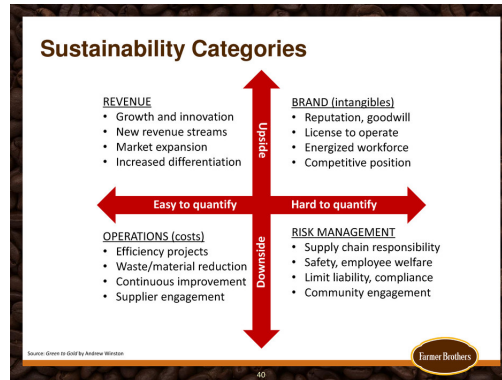


Good morning, everybody. It's great to be here this morning. And as Jonathan said, and Mike introduced me earlier, I'm going to be talking about sustainability today. And in just a couple of minutes I'm going to just do a broad stroke, paint our sustainability in broad strokes.

And I have a lot of people ask me, "What is sustainability exactly? Is it recycling?" Yes. "Is it philanthropy?" Yes. "Is it employee well-being?" Yes. "Is it saving electricity?" Yes. It's all of those things. And one simple way that I like to think about it is conducting our business in a way that meets the needs of today without compromising the welfare of tomorrow.



And at Farmer Bros., until last year, we had a lot of projects for good around the Company, but we didn't -- they were very disjointed and they weren't aligned under one broader strategy. So, by weaving sustainability into the tapestry of our business, it not only allows us to have a greater impact, but it enhances our culture and our long-term viability. And I'm really excited about the traction that we've made over the past year-and-a-half or so.



We typically think about sustainability in four general categories. On the top, we have revenue and brand, which have tremendous upside potential. And that includes things like innovation and market expansion and competitive position. On the bottom, we have operations and risk, which has unfortunately serious downside potential if we're not managing it well. And that includes things like our waste, our energy, and our liabilities. And my job is to make sure that we're guiding -- that I'm guiding or helping to guide and monitor success in all of those four areas. And over this past year I'm really excited about the traction that we've made.

### 2013 Sustainability Progress

			
<b>Revenue</b>	<b>Brand</b>	<b>Operations</b>	<b>Risk Management</b>
<ul style="list-style-type: none"> <li>• Create revenue streams with waste diversion: burlap bags, coffee bags, &amp; chaff</li> <li>• Attract new customers with sustainability focus</li> <li>• Grow volume with existing customers because of sustainability culture</li> </ul>	<ul style="list-style-type: none"> <li>• Establish leadership &amp; reputation: councils, boards, &amp; panels</li> <li>• Published first sustainability report &amp; case study carousel on website</li> <li>• Align with reporting standard to prepare for verification</li> <li>• Receive national accolades</li> </ul>	<ul style="list-style-type: none"> <li>• Save on high costs of landfill tipping fees &amp; hauling waste</li> <li>• Complete energy efficiency projects at roasteries &amp; with fleet</li> <li>• Improve water efficiency in Houston</li> <li>• Engage suppliers through Sustainable Purchasing Policy &amp; codes of conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Secure raw materials for assured supply &amp; predictable pricing</li> <li>• Increase transparency &amp; traceability with suppliers</li> <li>• Engage in partnerships with new stewardship policy</li> <li>• Take a pre-competitive approach, collaborate to solve issues</li> </ul>

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Under revenue, we've been able to add some brand new revenue streams, including diverting our waste. We do have people paying us for our trash. As the saying goes, one man's trash is another man's treasure, so we've been able to get rebates on some of the things -- some of our recyclables, chaff, burlap bags, that type of thing. We also have a lot of favorable response on requests for proposal from prospects because of our sustainability initiatives. In the area of brand, we've done a lot to not only protect our brand, but improve our reputation through planning and communicating our sustainability story.

In the area of operations, you've heard it from Mike, you heard it from Mark, you heard it from Jonathan, that efficiency and resources management are on everybody's radar. And in the area of risk management, we're really focusing on assuring supply and coming up with predictable pricing. Some of the ways that we're doing this are collaborating with suppliers, non-government organizations, ad groups, I said suppliers, and then also even competitors in some situations, to solve some of the most critical issues in our industry.

### 2013 Sustainability Key Accomplishments

- Published first sustainability report for calendar year 2012 and updated content on website with sustainability case study carousel.
- Revised corporate stewardship policy to support supply chain stability with a focus on food security in partnership with World Coffee Research, Mercy Corps, Feeding America, Coffee Kids, and Ronald McDonald House Charities.
- Launched new recycling/composting program in Torrance, Houston, Portland, Oklahoma City, Northlake and Phoenix, including recycling all packaging waste from roasteries.
- In Torrance, replaced 2,260 light bulbs and submitted order for equalizer to reduce harmonic pollution—estimated to reduce energy usage by ~4% or \$70,000, annually.
- Received national recognition in the areas of Community Impact, Economics, and Waste.

Farmer Brothers

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Some of the highlights from this past year, we've created -- or we've implemented a recycling and composting program at our largest facilities, here in Torrance, Houston, Portland, Oklahoma City, North Lake, and -- what am I forgetting? -- Phoenix. And then, the rest of the locations are quick to follow behind that.

And you've seen some of the sorting stations throughout the building where employees, whether they're working in the office or the manufacturing facility, can now compost and recycle commonly used items, but it also means that we've found an outlet for our packaging waste coming out of our roasteries. We've actually found a recycler that will pay us for that material, and they up-cycle it into corner boards for pallets.

Another thing that we've done over the past year is that we've rewritten and broadcast our new stewardship policy, which supports supply chain stability with a focus on food security or food insecurity. Not the type of food security that Jonathan was talking about with safe quality foods, but an endemic problem both domestically and internationally with people not having enough nourishment. So we're really trying to attack that issue through some preferred organizations. Feeding America, World Coffee Research, Coffee Kids, Ronald McDonald House, and Mercy Corps are our preferred organizations and we've really done a lot to reign that in and have more of an impact in those areas.

We have really put a focus, especially here in Torrance, on energy reduction. We replaced over 2,000 light bulbs with more efficient light bulbs and we're working on a harmonics project to try to save about 4% of our electricity in this building, which it's a kind of complicated story and way over my head and involves some math from high school, and I don't claim to understand it, but we hope it works.

And then finally, we've published our first sustainability report, which is just our first stab and a first pass at being able to put our story out there publicly, and we're currently working on the second one. So, we're just getting traction and I'm really excited to see where we go over the next short-term and then the long-term. Thank you.



NASDAQ: FARM

Mark Nelson - Farmer Bros. Co. – Treasurer, CFO

Okay. At this point, we would like to open up the floor and see if there are any questions.



# **2013 Annual Stockholders Meeting**

December 5, 2013

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# Agenda

- **Key Message Points**
- **Farmer Brothers Business Overview**
- **Recent Accomplishments & Challenges**
- **Strategy Evolution**
- **Aligning Performance to Create Stockholder Value**
- **Financial Overview for FY 2013 and Q1 2014**
- **Spotlight: Coffee Sourcing/Quality & Sustainability**
- **Questions?**



## Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in this presentation, including, but not limited to, statements regarding the development and growth of our business, our intent, belief or current expectations, primarily with respect to future operating performance and the products and services we expect to offer and other statements contained herein regarding matters that are not historical facts are “forward-looking statements” within the meaning of federal securities laws and regulations. These statements are based on management’s current expectations, assumptions, estimates, and observations of future events and include any statements that do not directly relate to any historical or current fact. These forward-looking statements can be identified by the use of words like “anticipates,” “feels,” “estimates,” “projects,” “expects,” “plans,” “believes,” “intends,” “will,” “assumes,” and other words of similar meaning. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. Stockholders and other readers should not place undue reliance on the forward-looking statements, which speak only as of the date of this presentation. The Company undertakes no obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, fluctuations in availability and cost of green coffee, competition, organizational changes, the impact of a weaker economy, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, and changes in the quality or dividend stream of third parties’ securities and other investment vehicles in which we have invested our assets, as well as other factors described from time to time in our filings with the Securities and Exchange Commission.

# Key Message Points

1

- Overall, we continue to make progress in improving the Company's financial results, with the operating income in Q1 of FY14 the highest in more than ten years. We are building a company which we believe will continue improving, but we have a long way to go.

2

- We have spent considerable time finishing recent integrations. This completion of integration has leveraged our specialty coffee capabilities, lowered costs, and attracted major customers. Our share on National Accounts is low, and we are working to increase this share.

3

- We have made several important improvements in our performance management process to better link each employee's performance to improved results and shareholder value.

4

- We are developing a leadership reputation in sustainability/coffee sourcing which is proving to be beneficial to our business.

# Farmer Brothers Overview

**A leading manufacturer, wholesaler, and distributor of coffee, tea, and culinary products**

- Founded in 1912
- Today, one of the country's largest direct store delivery (DSD) coffee companies

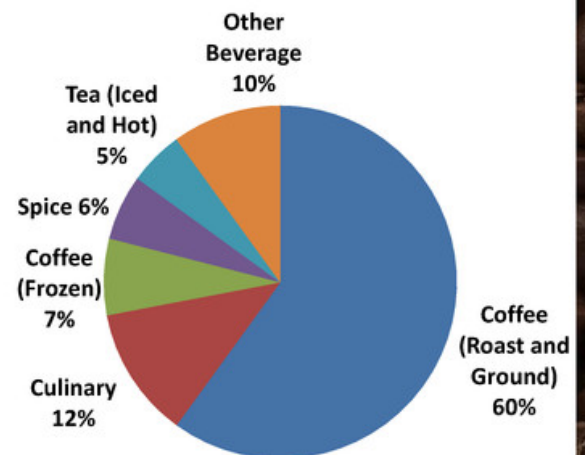
## Differentiated business model

- One of the most complete local, regional, and national DSD networks in the coffee industry
- Low-cost production capabilities at all three quality tiers
- Substantial knowledge of coffee sourcing, procurement, roasting, and blending.

## Experienced and motivated management team

- Significant experience across consumer branded, packaged good, and beverage companies

**FY13 Revenue - \$510M**



Farmer Brothers

## FY13 Accomplishments to Promote FY14 Growth

- Increased revenue by 3% while expanding gross profit margin by 260 basis points.
- The Farmer Brothers brand returned to growth behind the expansion of the Artisan Collection, our first specialty coffee sold through the DSD system.
- Further streamlined organization to meet enhance profitability – operating with 19% lower headcount than at time of 2009 Sara Lee DSD acquisition. The Senior Management Team is 33% smaller.
- Restructured Operations to better achieve system synergies. As part of that, closed LA Refurbishment Center, consolidating that work into the Oklahoma City location.
- Reduced operating expenses by nearly 15% over two years as a result of integration efforts. FY14 JDE implementation could help provide future reductions.
- Implemented a comprehensive hedging strategy to help smooth the impact of the recently volatile coffee markets.
- Increased product breadth, technical expertise, and marketing and sales capabilities, leading to increases in revenue per customer.

# Experienced Management Team

Name	Title	Prior Experience	
Mike Keown	President and Chief Executive Officer		
Mark Nelson	Chief Financial Officer, Treasurer		
Mark Harding	Senior VP of Operations		
Tom Mortensen	Senior VP of Route Sales		
Scott Siers	Senior VP of National Account Sales		
Pat Quiggle	VP, Human Resources		
Tom Mattei	VP, Corporate Counsel		
Rodney Naylor	Senior Director, Marketing		

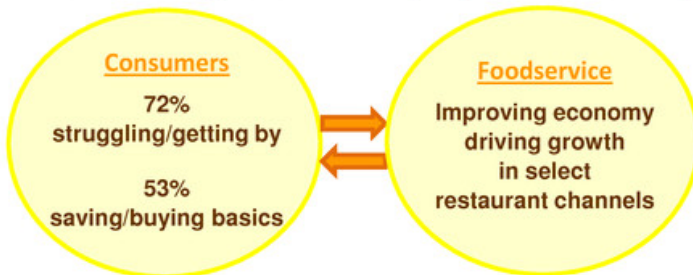
Note: The marks displayed above are the properties of these companies. Use in this presentation does not imply endorsement of this presentation.

Farmer Brothers

# Industry Drivers: Cautiously Optimistic

## MARKET STATUS

Financial challenges balanced by improving economy.<sup>1</sup>



## KEY DEMOGRAPHICS

Opportunity to target key groups<sup>2</sup>



BOOMERS

Highest spending power  
Look for healthy options  
*Highest consumption: hot coffee & tea*



MILLENNIALS

Rapid growth in number  
Look for quality & variety  
*Highest consumption: iced coffee & espresso*

## HIGHER EXPECTATIONS

Consumers demand high quality & sustainability standards



DDQ: Dunkin Donuts Quality

Serving premium quality, certified coffees.



## COMPETITION

Strong competition in coffee market<sup>4</sup>



Revitalized coffee products in coffeehouses

New brew methods, engaging consumer interest

Strong coffee & tea competition in foodservice

Sources: <sup>1</sup>Technomic "Consumer Survey" 2013 US Census Bureau "Total Eating & Drinking Place Sales" <sup>2</sup>Technomic "Generational Trend Report" 2013, Datassential "Coffee & Tea Tracker" 2013 <sup>3</sup>[www.dunkindonuts.com](http://www.dunkindonuts.com). The marks displayed in this quadrant are the respective trademarks or certified marks of, DD IP Holder LLC, Rainforest Alliance, Inc., and Fair Trade USA <sup>4</sup>[www.starbucks.com](http://www.starbucks.com), [www.greenmountaincoffee.com](http://www.greenmountaincoffee.com), [www.sdcoffeetea.com](http://www.sdcoffeetea.com). The marks displayed in this quadrant are the respective trademarks or certified marks of Starbucks Corporation dba Starbucks Coffee Company, Green Mountain Coffee Roasters, Inc., and S&D Coffee, Inc.

# Coffee and Tea Markets Continue to Grow

## Segment Growth

### Foodservice

- 1 to 2% sales growth in nearly all segments through 2014
- Core foodservice customers stabilizing

### Retail

- Total coffee = \$8B
  - 17% growth in 2012
- Total ground bagged coffee = \$1.5B
  - 10% growth in 2012
- Private brands = 10% share (\$150M)
  - 15% growth in 2012<sup>4</sup>

## Consumption Growth

### Coffee

- \$53B foodservice sales
- 4% CAGR through 2015 (foodservice)
- Total consumption increased 5% pts from 78% to 83% (2012 to 2013)
- Specialty coffee moves mainstream, accounting for 43% of coffee cups<sup>2</sup>

### Tea

- \$8B foodservice sales
- Tea consumption growing (+4%), soda declining (-1%) through 2015
- Consumers looking for healthier alternatives to soda<sup>5</sup>

## Sub-Category Growth

### Iced Coffee

- \$6B foodservice sales
- 6% CAGR through 2015 (foodservice)
- Highest growth among coffee types

### Espresso-Based Drinks

- \$15B foodservice sales
- 4% CAGR through 2015 (foodservice)<sup>3</sup>

### Single Cup Coffee

- \$2.3B retail sales, outpacing bags
- 51% growth in 2013
- Ownership of single cup brewers increased 2% pts to 12% in 2013<sup>6</sup>

Sources: <sup>1</sup>Technomic "Wallchart" 2013, Technomic "Marketing & Sales Leaders Forum" 2013 <sup>2</sup>Technomic "Away From Home Beverage Marketplace" 2013; National Coffee Association "Coffee Drinking Trends Report" 2013 <sup>3</sup>Technomic "Away From Home Beverage Marketplace" 2013 <sup>4</sup>Daymon Worldwide/Nielsen "Topline Coffee Trends" 2012 <sup>5</sup>Technomic "Away From Home Beverage Marketplace" 2013 <sup>6</sup>Symphony IRI - InfoScan US Multioutlet 52 Weeks Ending Oct 2013, National Coffee Association "Coffee Drinking Trends Report" 2013

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# Farmer Brothers' Strategy

## Strategy #1:

Grow the  
Street Business

- Drive the "Power of Farmer Brothers"
- More training to improve selling skills
- Drive consistent profitability – address low & unprofitable runs
- Open profitable branch in the SE as learning lab
- Add routes in SoCal/Denver as tests

## Strategy #2:

Create Strategic  
Partnerships

- McDonald's
  - Quality
  - Sustainability
  - Innovation
  - Logistics
- Harris Tea
- Smuckers – liquid coffee
- Bay Valley – cup/pod
- Good West – iced coffee
- Single-Serve coffee beverage/TBD

## Strategy #3:

Develop Asset Strategy  
and Attack Costs

- Review plant/DC base
- Refine corporate sustainability plan
- Review fleet strategy
- Implement technology solutions to lower costs and drive effectiveness
- Optimize inventory across system
- Review hedging strategy
- Continue brand/SKU rationalization
- Reduce operating expenses

# Farmer Brothers' Strategy (Continued)

<b>Strategy #4:</b> <b>Improve Capability and Align to Create Shareholder Value</b>	<b>Strategy #5:</b> <b>Drive High Growth Categories</b>	<b>Strategy #6:</b> <b>Increase Product Penetration</b>	<b>Strategy #7:</b> <b>Grow Profit in National Accounts</b>
<ul style="list-style-type: none"> <li>• Align employee performance to Annual Operating Plan</li> <li>• Provide clear employee evaluation process</li> <li>• Enhance performance-based incentives</li> <li>• Improve engagement and morale</li> <li>• Develop project implementation plan</li> <li>• Improve safety to best in class</li> <li>• Drive sustainable supply chain excellence</li> </ul>	<ul style="list-style-type: none"> <li>• Invest in R&amp;D and Marketing</li> <li>• Tea innovation</li> <li>• Focus on high-growth product categories</li> <li>• Leverage Spice in DSD with new flavors</li> </ul>	<ul style="list-style-type: none"> <li>• Drive Artisan Collection</li> <li>• Drive hot and iced tea penetration</li> <li>• Drive new in-room program</li> <li>• Create promotions focused on high-margin items</li> <li>• Re-launch Spice</li> <li>• Use culinary portfolio to increase average invoice size</li> </ul>	<ul style="list-style-type: none"> <li>• Develop customer P&amp;Ls</li> <li>• Differentiate through QA, sustainability, innovation, and risk management programs</li> <li>• Leverage national DSD network</li> <li>• Renegotiate targeted relationships with low profit margin</li> <li>• Keep profitable business</li> </ul>

# Nationwide Distribution Network

- 6 distribution centers and 117 branch warehouses



# Investing in the Future



## **UPGRADING PRODUCTION:**

Adding state-of-the-art roasting and packaging equipment lines in Houston and Torrance facilities.

## **BUILDING & UPGRADING THE BRAND:**

Integrating our brands under a strong leading company brand, simply: **Farmer Brothers.**

## **LOADING THE TRUCK:**

In September 2012, we launched a new line of specialty coffees, the Artisan Collection™ by Farmer Brothers, and in March 2013, we introduced Farmer Brothers premium flavored iced teas.

## **LEADING WITH EXPERTISE:**

Focused training for all regional sales personnel – over 1,000 representatives and sales professionals – on specialty coffee and tea.

Farmer Brothers

# Developing Model to Win New Customers

## Industry Leadership



Paul Thornton,  
President, SCAA

## Connections at Origin



Large scale direct trade program in 6 countries

## Risk Management



Innovative hedging tools

## National DSD



Unparalleled reach in 48 states

## QC & Product Development



State-of-the-art SCAA-certified coffee lab

## National Customers

## Market Insights



Relationships with  
Datassential, Nielsen,  
Symphony IRI &  
The Hartman Group

## Innovation Lab



Public Domain® Coffee  
House in Portland, OR

## Sustainability Programs



Co-Founder: World  
Coffee Research

## Dedicated Account Management



Vendor of the Year at  
Sheetz & Target (2010)  
Einstein Golden Bagel  
(2012)

# Building a High Performance Culture

We are focused on restoring the culture of Farmer Brothers

## KEY STRATEGIES

### Completing Integration

- We are now one company. We are aligning work and processes across the entire company.

### Strategy Communication

- Ensuring all employees know where we are going, key strategies, and their role.

### Setting Expectations/ Evaluations

- Ensuring all employees have a clear idea of what is expected & how they will be evaluated, tying to the Annual Operating Plan & creating shareholder value.

### Rewarding Success/ Accomplishment

- In addition to performance reviews, we have added a program to celebrate quarterly and annual accomplishments which set a new standard.

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## Management Process Aligning with Key Stakeholders



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# Evolution of the Performance Management Process

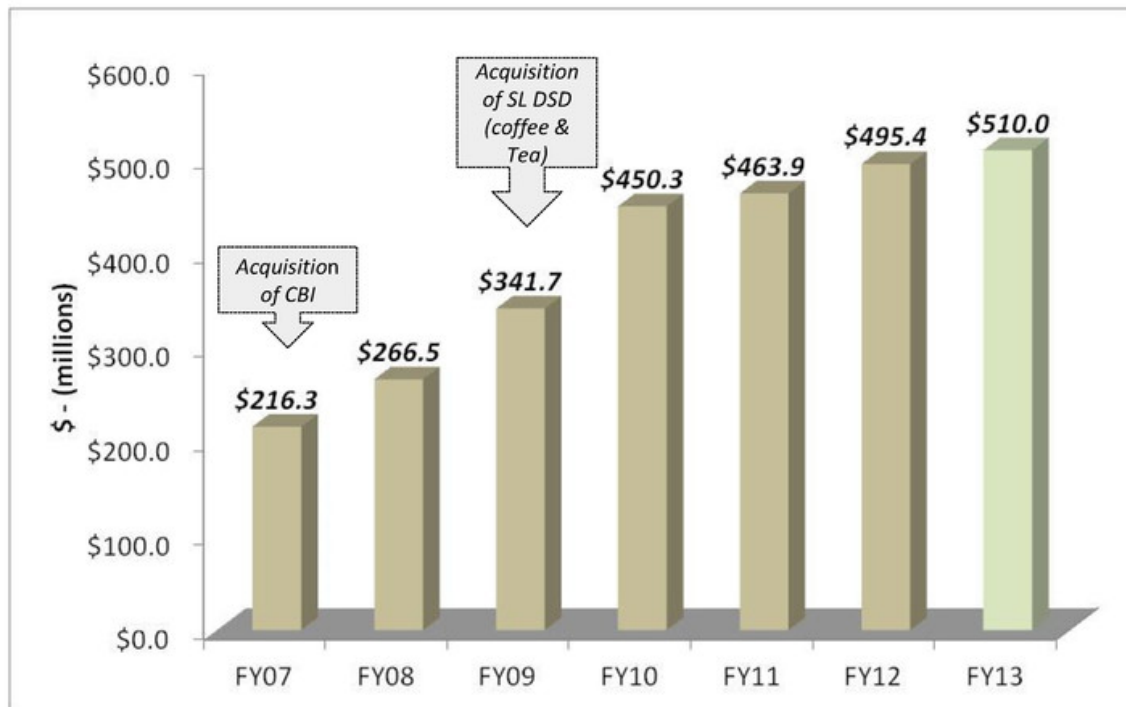




## **Financial Overview**

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# Revenue Growth Trend

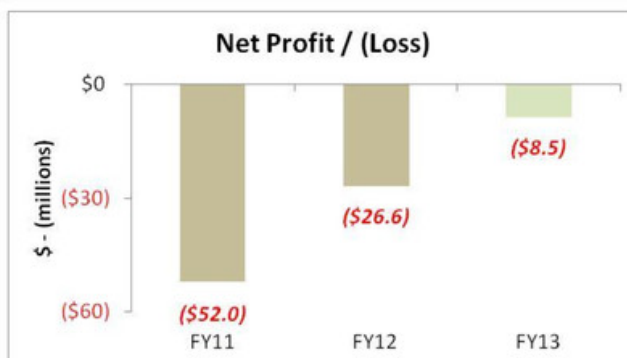
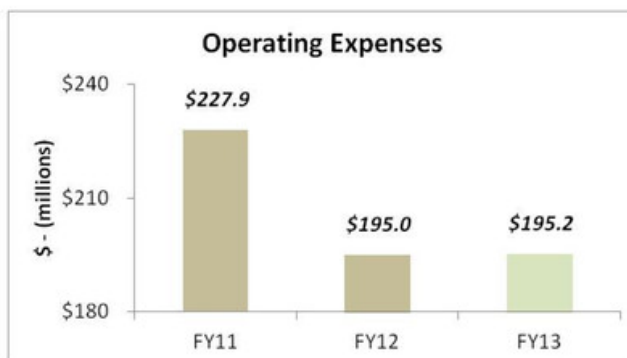
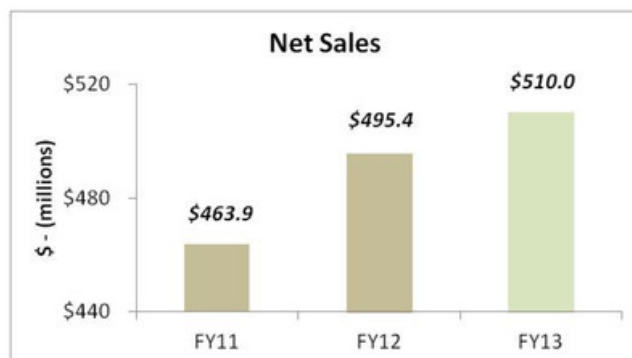


CBI acquisition – April 2007; Sara Lee DSD acquisition – February 2009

Fiscal Year end June 30

Farmer Brothers

# FY13 Financial Performance vs. FY12 & FY11



Fiscal Year end June 30

Farmer Brothers

# Solid EBITDAE Growth

Reconciliation of reported net loss to EBITDAE and Adjusted EBITDAE:

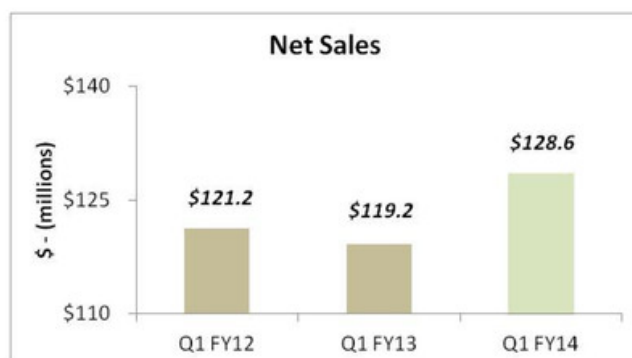
	Year Ended June 30,		
	2013	2012	2011
Net loss, as reported	\$ (8,462)	\$ (26,576)	\$ (52,033)
Income tax benefit	(825)	(347)	(13,396)
Interest expense	1,782	2,137	1,965
Depreciation & amortization expense	32,542	32,113	31,758
ESOP and Share-based compensation expense	3,563	3,287	3,825
Impairment losses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

## EBITDAE is a non-GAAP financial measure\*

\* In addition to net income (loss) determined in accordance with GAAP, we use certain non-GAAP financial measures, such as "EBITDAE," in assessing our operating performance. We believe this non-GAAP financial measure serves as an appropriate measure to be used in evaluating the performance of our business. EBITDAE as defined by us may not be comparable to similarly titled measures reported by other companies. We do not intend for non-GAAP financial measures to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP. Please refer to our Form 10-K for additional disclosure relating to this non-GAAP financial measure.

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# Q1 Financial Performance (FY14 vs. FY13 & FY12)



Fiscal Quarter end September 30.

Farmer Brothers

# Strong Balance Sheet with a Focus on Asset Management

<i>(\$ in Millions)</i>	30-Sep-13
Cash and Cash Equivalents	11.2
Short-term Investments	20.4
Accounts and Notes Receivable, Net	42.8
Inventories	68.7
Other Current Assets	3.0
Net PP&E	90.2
Other Assets	11.9
<b>Total Assets</b>	<b>248.3</b>
Total Liabilities excluding Credit Facility	144.5
Credit Facility	20.1
Stockholders' Equity	83.6
<b>Total Liabilities and Stockholders' Equity</b>	<b>248.3</b>

- Inventory – recorded under LIFO methodology
- PP&E - includes approximately 50 owned properties



# **Coffee/Tea/Culinary Department**

**A Strategic Evolution . . .**

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## **Background:**

### **“Talent, but Needing More Vision and Coordination”**

- We source coffee from approximately 28 countries around the world and produce well over 50M lbs. of coffee annually.
- There was little integration of coffee sourcing, R&D, quality assurance, and regulatory after the Sara Lee/CBI acquisitions.
- Our customers and consumers demand excellence in quality, cost/value, and innovation and “freshness.”
- However, we had a tremendous team that we believe is second to none in our industry.
- The challenge was to establish a compelling vision, identify core strategies, and build a structure that leveraged these strengths to deliver a great product.

## **Vision**

To be recognized as the national leader in innovation, quality, and expertise for coffee, tea, and spice



## **Mission**

To support and drive Farmer Brothers' business strategy through strategic sourcing, a quality mindset, innovation and product training, all while maintaining products that exceed our customers' expectations.

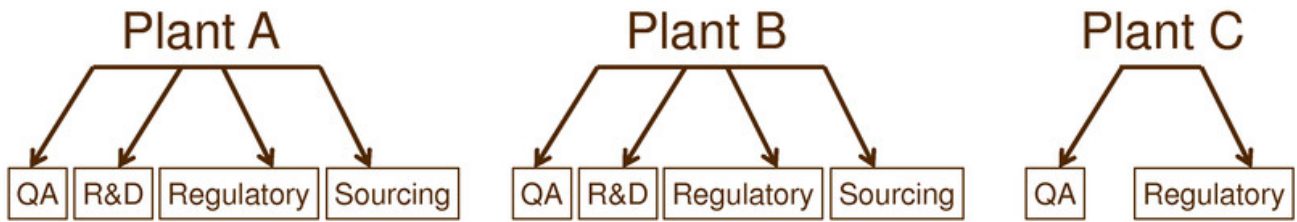
# Main Department Functions: Overview

- Coffee Procurement
- Coffee Sustainability/Producer Relations
- Research and Development (Innovation)
- Food Safety and Quality Systems (QA Function)
- Regulatory Enforcement/Compliance
- Food Security/Traceability (FSMA Compliance)
- Coffee Education/Training

## Key Objectives: Overview

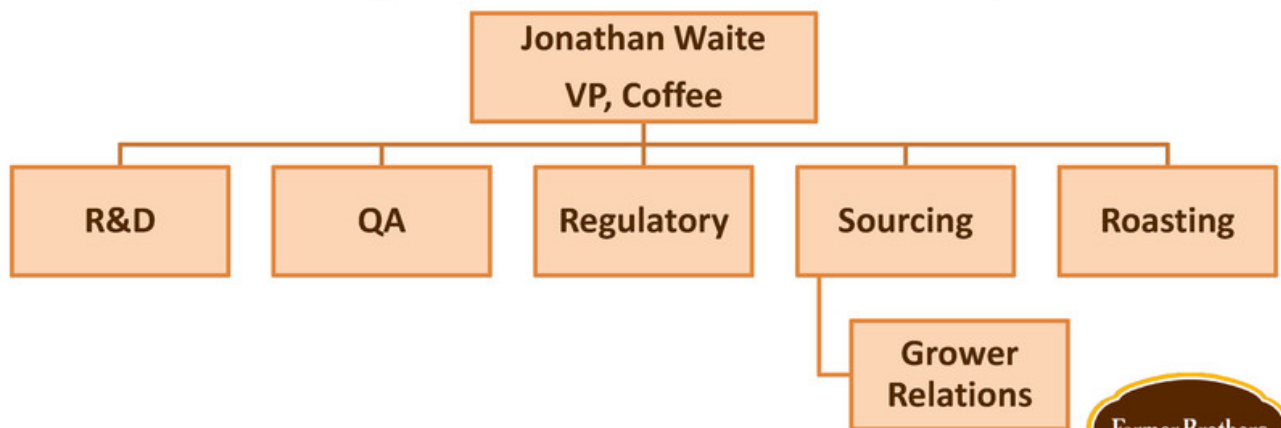
- “Best in Class” coffee, tea, and spice resource.
- Lead the industry in innovation.
- Set the gold standard in quality.
- Gain a competitive edge by working directly with growers to maximize sustainability/traceability.
- Help drive sales growth through education and training programs, both internally and externally.
- Avoid turnover of critical players.
- Bring in new talent from the leading edge of the coffee industry.

## Structure THEN: Duplication and Ineffectiveness



## Structure NOW: Organizing for Excellence

Teams now work together from Portland, Torrance, and Houston.



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## Key Accomplishments to Date

- ✓ Reorganizing: keeping critical individuals and upgrading capabilities.
- ✓ Driving system efficiency and cost reduction.
- ✓ Upgrading products: Tea complete, iced coffee in process.
- ✓ Leading the training of over 1,000 sales people.
- ✓ Meeting the quality standards of several large new customers.
- ✓ Taking a key role in leading the industry.

# Driving Cost Savings & System Efficiency

- Improved Vendor Communication
- Strategic Sourcing
- Green Coffee Blend SKU Rationalization
- Green Coffee Blend Optimization
- Expanding to Spice

# Coffee/Tea Training



- 5 Regionalized Trainings
- Nearly 1,000 New Coffee and Tea Experts
- Training Included Sales and Marketing



# Commitment to Quality in the Supply Chain

- Roughly 15 trips to origin (growers) per year
- Ensure sustainability and certifications
- Provide the opportunity for growers to improve their lifestyles and well-being
- Quality improvement
- Fair pricing
- Traceability
- Research under way for new Direct Trade program in Colombia



# Hiring/Developing Great Talent: Examples



**David Pohl**  
**Director, R&D**

- 12 years in the coffee industry;  
10 Years Roasting
- Experience:
  - Fair Trade Certification
  - Head Roaster
  - Green Coffee Buyer
  - Plant Manager
  - Coffee QC
  - Product development
  - Barista
- Involvement
  - Roast Magazine, Editorial Advisory Board Member
  - Coffee Quality Institute Volunteer
  - Roasters Guild Member
  - Licensed Q and R Grader



**Christian Rotsko**  
**Roastmaster,**  
**Houston**

- 9 years in the coffee industry
- 8 years roasting
- Positions:
  - Lead Production Roaster
  - Green coffee buyer
  - Coffee QC
  - Coffee Blend Development
  - Barista
- Involvement:
  - Licensed Q-Grader
  - International cupping judge
  - Roasters Guild Member



**Brian Howard**  
**Green Coffee Buyer/**  
**Developer**  
**Portland**

- 17 years in the coffee industry
- 12 years Green Coffee procurement and quality control
- Experience:
  - Green coffee buyer
  - Evaluation of green coffee
  - Sample roasting
  - Production roasting
  - Product development
  - Travel to origin
- Involvement:
  - Licensed Q-Grader

# Industry Leadership



- Specialty Coffee Association of America
- Coffee Quality Institute
- Cup of Excellence/Alliance for Coffee Excellence
- Roasters Guild
- Pacific Coast Coffee Association
- World Coffee Research
- Charitable Support



The marks displayed above are the properties of those organizations.

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# SCAA Presidency

Paul Thornton

Director of Coffee



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# How Does This Group Build the Business?



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## **2013 Sustainability Progress**

December 2013

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## **Sustainability: Background**

- Prior to 2012, we had passionate employees doing good work with no overall corporate sustainability strategy.
- Working together, our efforts have put Farmer Brothers in the top tier of coffee companies in sustainability.
- This initiative is good for our Company, for the planet, and has been a compelling reason for customers to partner with Farmer Brothers.
- We expect considerably more progress in the next three years.

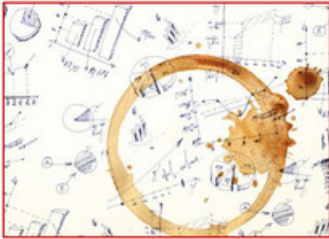
# Sustainability Categories



Source: *Green to Gold* by Andrew Winston

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# 2013 Sustainability Progress



## Revenue

- Create revenue streams with waste diversion: burlap bags, coffee bags, & chaff
- Attract new customers with sustainability focus
- Grow volume with existing customers because of sustainability culture

## Brand

- Establish leadership & reputation: councils, boards, & panels
- Published first sustainability report & case study carousel on website
- Align with reporting standard to prepare for verification
- Receive national accolades

## Operations

- Save on high costs of landfill tipping fees & hauling waste
- Complete energy efficiency projects at roasteries & with fleet
- Improve water efficiency in Houston
- Engage suppliers through Sustainable Purchasing Policy & codes of conduct

## Risk Management

- Secure raw materials for assured supply & predictable pricing
- Increase transparency & traceability with suppliers
- Engage in partnerships with new stewardship policy
- Take a pre-competitive approach, collaborate to solve issues

## 2013 Sustainability Key Accomplishments

- Published first sustainability report for calendar year 2012 and updated content on website with sustainability case study carousel.
- Revised corporate stewardship policy to support supply chain stability with a focus on food security in partnership with World Coffee Research, Mercy Corps, Feeding America, Coffee Kids, and Ronald McDonald House Charities.
- Launched new recycling/composting program in Torrance, Houston, Portland, Oklahoma City, Northlake and Phoenix, including recycling all packaging waste from roasteries.
- In Torrance, replaced 2,260 light bulbs and submitted order for equalizer to reduce harmonic pollution—estimated to reduce energy usage by ~4% or \$70,000, annually.
- Received national recognition in the areas of Community Impact, Economics, and Waste.



**NASDAQ: FARM**

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