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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2010

OR

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

For the transition period from _____ to _____

Commission file number: 001-34249

FARMER BROS. CO.
(exact name of registrant as specified in its charter)

Delaware	**95-0725980**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
20333 South Normandie Avenue Torrance, California	**90502**
(address of principal executive offices)	**(Zip Code)**

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

On February 8, 2011, the registrant had 16,207,927 shares outstanding of its common stock, par value $1.00 per share, which is the registrant's only class of common stock.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FARMER BROS. CO.

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	December 31, 2010 (Unaudited)	June 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,619	$ 4,149
Short term investments	34,492	50,942
Accounts and notes receivable, net	42,804	42,596
Inventories	89,241	83,712
Income tax receivable	77	5,840
Deferred income taxes	4	4
Prepaid expenses	3,772	2,713
Total current assets	174,009	189,956
Property, plant and equipment, net	121,269	120,372
Goodwill and other intangible assets, net	23,357	25,242
Other assets	2,395	2,492
Deferred income taxes	1,059	1,059
Total assets	322,089	339,121
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	34,186	34,053
Accrued payroll expenses	13,819	14,661
Short-term borrowings under revolving credit facility	30,322	37,163
Short-term obligations under capital leases	1,410	724
Deferred income taxes	265	264
Other current liabilities	10,988	11,681
Total current liabilities	90,990	98,546
Accrued postretirement benefits	23,044	22,185
Long-term obligations under capital leases	7,364	3,137
Accrued pension liabilities	48,331	43,497
Accrued workers' compensation liabilities	4,320	4,388
Deferred income taxes	1,773	1,773
Total liabilities	175,822	173,526
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $1.00 par value, 500,000 shares authorized and none issued	—	—
Common stock, $1.00 par value, 25,000,000 shares authorized; 16,210,456 and 16,164,179 shares issued and outstanding at December 31, 2010 and June 30, 2010, respectively	16,210	16,164
Additional paid-in capital	34,880	37,468
Retained earnings	165,313	186,900
Unearned ESOP shares	(30,437)	(35,238)
Less accumulated other comprehensive loss	(39,699)	(39,699)
Total stockholders' equity	146,267	165,595
Total liabilities and stockholders' equity	$ 322,089	$339,121

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share data)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2010	2009	2010	2009
Net sales	$ 119,227	$ 120,225	$ 227,970	$ 232,352
Cost of goods sold	74,211	69,133	139,009	126,956
Gross profit	45,016	51,092	88,961	105,396
Selling expenses	43,624	44,668	86,787	88,966
General and administrative expenses	11,935	11,526	24,736	24,031
Operating expenses	55,559	56,194	111,523	112,997
Loss from operations	(10,543)	(5,102)	(22,562)	(7,601)
Other income (expense):				
Dividend income	918	854	1,597	1,533
Interest income	38	92	112	185
Interest expense	(481)	(183)	(883)	(322)
Other income	1,245	2,905	3,401	7,366
Total other income, net	1,720	3,668	4,227	8,762
(Loss) income before taxes	(8,823)	(1,434)	(18,335)	1,161
Income tax expense (benefit)	89	(2,851)	450	(2,455)
Net (loss) income	$ (8,912)	$ 1,417	$ (18,785)	$ 3,616
Basic net (loss) income per common share	$ (0.59)	$ 0.10	$ (1.25)	$ 0.25
Diluted net (loss) income per common share	$ (0.59)	$ 0.10	$ (1.25)	$ 0.25
Weighted average common shares outstanding—basic	15,078,026	14,721,740	15,050,644	14,692,164
Weighted average common shares outstanding—diluted	15,078,026	14,723,380	15,050,644	14,694,059
Cash dividends declared per common share	$ 0.060	$ 0.115	$ 0.175	$ 0.230

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended December 31,	
	2010	2009
Cash flows from operating activities:		
Net (loss) income	$(18,785)	$ 3,616
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,416	12,385
Loss on sales of assets	445	339
Share-based compensation expense	2,259	2,753
Net gain on investments	(2,651)	(7,007)
Change in operating assets and liabilities:		
Short-term investments	19,101	(2,741)
Accounts and notes receivable	(208)	(5,011)
Inventories	(5,529)	(10,973)
Income tax receivable	5,762	(2,386)
Prepaid expenses and other assets	(961)	(1,794)
Accounts payable	913	316
Accrued payroll expenses and other liabilities	226	151
Accrued postretirement benefits	859	(87)
Other long-term liabilities	4,425	4,392
Net cash provided by (used in) operating activities	21,272	(6,047)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(10,401)	(14,753)
Proceeds from sales of property, plant and equipment	495	127
Net cash used in investing activities	(9,906)	(14,626)
Cash flows from financing activities:		
Proceeds from revolving line of credit	18,550	21,495
Repayments on revolving line of credit	(26,150)	(15,267)
Payments on capital lease obligations	(609)	(386)
Dividends paid	(3,687)	(3,416)
Net cash (used in) provided by financing activities	(11,896)	2,426
Net decrease in cash and cash equivalents	(530)	(18,247)
Cash and cash equivalents at beginning of period	4,149	20,038
Cash and cash equivalents at end of period	$ 3,619	$ 1,791

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

FARMER BROS. CO.

Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Farmer Bros. Co. and Summary of Significant Accounting Policies

The Company

Farmer Bros. Co. (including its consolidated subsidiaries, unless the context requires otherwise, herein referred to as the "Company," "we," or "our") is a manufacturer, wholesaler and distributor of coffee, tea and culinary products to institutional food service establishments including restaurants, hotels, casinos, hospitals and food service providers, as well as retailers such as convenience stores, coffee houses, general merchandisers, private-label retailers and grocery stores. The Company was incorporated in California in 1923, and reincorporated in Delaware in 2004.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete consolidated financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals, unless otherwise indicated) considered necessary for a fair presentation of the interim financial data have been included. Operating results for the three and six months ended December 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2011. Events occurring subsequent to December 31, 2010 have been evaluated for potential recognition or disclosure in the unaudited consolidated financial statements for the three and six months ended December 31, 2010.

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended June 30, 2010, filed with the Securities and Exchange Commission (the "SEC") on September 14, 2010.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates.

Fair Value Measurements

Effective July 1, 2009, the Company implemented the requirements of Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures" ("ASC 820"), of the Financial Accounting Standards Board (the "FASB") for its financial assets and liabilities. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. The Company maximizes the use of observable market inputs, minimizes the use of unobservable market inputs and discloses in the form of an outlined hierarchy the details of such fair value measurements. See Note 2 for additional information.

Coffee Brewing Equipment and Service

The Company classifies certain expenses related to coffee brewing equipment provided to customers as cost of goods sold. These costs include the cost of equipment as well as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts) and are considered directly attributable to the generation of revenues from the Company's customers. Accordingly, such costs included in cost of goods sold in the accompanying unaudited consolidated financial statements for the three months ended December 31, 2010 and 2009 were $6.7 million and $4.8 million, respectively. Cost of coffee brewing equipment and service for the six months ended December 31, 2010 and 2009 was $13.9 million and $10.3 million, respectively. The Company capitalized coffee brewing equipment in the amounts of $6.2 million and $6.5 million during the six months ended December 31, 2010 and 2009, respectively. Depreciation expense related to capitalized coffee brewing equipment reported as cost of goods sold was $2.3 million and $1.4 million in the three months ended December 31, 2010 and 2009, respectively. Depreciation expense related to capitalized coffee brewing equipment reported as cost of goods sold was $4.4 million and $2.5 million in the six months ended December 31, 2010 and 2009, respectively.

Revenue Recognition

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

In connection with the acquisition of the DSD Coffee Business in February 2009, the Company entered into an agreement with Sara Lee Corporation ("Sara Lee") pursuant to which the Company performs co-packing services for Sara Lee as Sara Lee's agent. The Company recognizes revenue from this arrangement on a net basis, net of direct costs of revenue. As of December 31, 2010 and June 30, 2010, the Company had $3.6 million and $4.1 million of receivables from Sara Lee related to this arrangement, which are included in "Other receivables" (see Note 3).

Earnings (Loss) Per Common Share

Basic earnings (loss) per share ("EPS") is computed by dividing net income (loss) by the weighted average common shares outstanding (see Note 9), excluding unallocated shares held by the Company's Employee Stock Ownership Plan. Diluted EPS includes the effect of any potential shares outstanding, which for the Company consists of dilutive stock options. The dilutive effect of stock options is calculated using the treasury stock method with an offset from expected proceeds upon exercise of the stock options and unrecognized compensation expense. Computation of EPS for the three months ended December 31, 2010 does not include the dilutive effect of 22,000 shares issuable under stock options since their inclusion would be anti-dilutive. In the computation of EPS for the six months ended December 31, 2010, 171,435 shares issuable under stock options were excluded since including them would be anti-dilutive. Accordingly the unaudited consolidated financial statements present only basic net income (loss) per common share for the three and six months ended December 31, 2010. Computation of EPS for the three and six months ended December 31, 2009 includes 1,640 and 1,895 dilutive shares, respectively, issuable under stock options.

Effective July 1, 2009, the Company began using the "Two-Class Method" to compute EPS. The Two-Class Method considers unvested restricted stock with a right to receive non-forfeitable dividends as participating securities and allocates earnings to participating securities in the computation of EPS. The Company computed EPS using the Two-Class Method for all periods presented. The effect for the three and six months ended December 31, 2010 and 2009 was not material.

Dividends Declared

The following dividends were declared in the first six months of fiscal 2011 on the dates indicated (in thousands, except per share amounts):

		Dividend amount	
Record date	Payment date	Total	Per share
October 22, 2010	November 8, 2010	$1,858	$ 0.115
January 28, 2011	February 14, 2011	$ 969	$ 0.06

Impairment of Goodwill and Intangible Assets

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

In addition to an annual test, goodwill and indefinite-lived intangible assets must also be tested on an interim basis if events or circumstances indicate that the estimated fair value of such assets has decreased below their carrying value. There were no such events or circumstances during the six months ended December 31, 2010.

Recently Adopted Accounting Standards

In October 2009, the multiple-element arrangements guidance codified in ASC 605-25, "Revenue Recognition–Multiple Element Arrangements," was modified by the FASB as a result of the final consensus reached on EITF Issue No. 08-1, "Revenue Arrangements with Multiple Deliverables," which was codified by ASU No. 2009-13. The guidance in ASU No. 2009-13 supersedes

the existing guidance on such arrangements and is effective for the first annual reporting period after June 15, 2010 and was effective for the Company beginning on July 1, 2010. Adoption of ASU No. 2009-13 did not materially affect the results of operations, financial condition or cash flows of the Company.

New Accounting Pronouncements

No new accounting pronouncements were issued during the quarter ended December 31, 2010 and through the date of this filing that the Company believes are applicable or would have a material impact on the consolidated results of operations, financial condition or cash flows of the Company.

Note 2. Investments and Derivative Instruments

The Company purchases various derivative instruments as investments or to create economic hedges of its interest rate risk and commodity price risk. At December 31, 2010 and June 30, 2010, derivative instruments are not designated as accounting hedges. The fair value of derivative instruments is based upon broker quotes. The Company records unrealized gains and losses on trading securities and changes in the market value of certain coffee contracts meeting the definition of derivatives in "Other income."

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

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

The Company's investments have been grouped as follows at December 31, 2010 and June 30, 2010:

As of December 31, 2010 (In thousands)	Total	Level 1	Level 2	Level 3
		(Unaudited)		
Preferred stock	$34,181	$ 8,547	$25,634	$ —
Futures, options and other derivatives	$ 311	$ 311	$ —	$ —

As of June 30, 2010 (In thousands)	Total	Level 1	Level 2	Level 3
Preferred stock	$50,684	$11,946	$38,738	$ —
Futures, options and other derivatives	$ 258	$ 258	$ —	$ —

There were no significant transfers of securities between Level 1 and Level 2 as of December 31, 2010.

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

(In thousands)	December 31, 2010 (Unaudited)	June 30, 2010
Trading securities and derivatives at fair value		
Preferred stock	$ 34,181	$50,684
Futures, options and other derivatives	311	258
	$ 34,492	$50,942

Preferred stock investments as of December 31, 2010 consisted of securities with a fair value of $23.2 million in an unrealized gain position and securities with a fair value of $11.0 million in an unrealized loss position. Preferred stock investments as of June 30, 2010 consisted of securities with a fair value of $36.3 million in an unrealized gain position and securities with a fair value of $14.4 million in an unrealized loss position.

The following tables show gross unrealized losses (although such losses have been recognized in the statements of operations) and fair value for those investments that were in an unrealized loss position as of December 31, 2010 and June 30, 2010, aggregated by the length of time those investments have been in a continuous loss position:

	December 31, 2010 (Unaudited)			
	Less than 12 Months		Total	
(In thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Preferred stock	$ 507	$ (13)	$ 10,463	$ (4,763)

	June 30, 2010			
	Less than 12 Months		Total	
(In thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Preferred stock	$ 1,889	$ (97)	$ 14,358	$ (6,044)

Gains and losses, both realized and unrealized, are included in “Other income (expense).” Net realized and unrealized gains and losses are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	2010	2009	2010	2009
	(Unaudited)		(Unaudited)	
Net realized gains	$ 1,212	$ 269	$1,561	$ 324
Net unrealized (losses) gains	(458)	2,509	1,090	6,683
Net realized and unrealized gains	$ 754	$ 2,778	$2,651	$7,007

Note 3. Accounts and Notes Receivable, net

(In thousands)	December 31, 2010 (Unaudited)	June 30, 2010
Trade receivables	$ 41,658	$39,600
Other receivables	4,496	6,289
Allowance for doubtful accounts	(3,350)	(3,293)
	$ 42,804	$42,596

Note 4. Inventories

December 31, 2010 (In thousands)	Processed	Unprocessed (Unaudited)	Total
Coffee	$14,420	$ 29,210	$43,630
Tea and culinary products	29,210	3,164	32,374
Coffee brewing equipment	6,191	7,046	13,237
	$49,821	$ 39,420	$89,241

June 30, 2010 (In thousands)	Processed	Unprocessed	Total
Coffee	$22,230	$ 16,765	$38,995
Tea and culinary products	28,833	3,145	31,978
Coffee brewing equipment	5,849	6,890	12,739
	$56,912	$ 26,800	$83,712

Inventories are valued at the lower of cost or market. Costs of coffee, tea and culinary products are determined on the last in, first out (LIFO) basis. Costs of coffee brewing equipment manufactured are accounted for on the first in, first out (FIFO) basis. An actual valuation of inventory under the LIFO method is made only at the end of each fiscal year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management’s estimates of expected fiscal

year-end inventory levels and costs. Because these estimates are subject to many forces beyond management's control, interim results are subject to the final fiscal year-end LIFO inventory valuation.

Note 5. Employee Benefit Plans

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

Company Pension Plans

The Company has a contributory defined benefit plan for the majority of its employees who are not covered under a collective bargaining agreement (Farmer Bros. Co. Plan) and two defined benefit pension plans for certain hourly employees covered under a collective bargaining agreement (Brewmatic Plan and Hourly Employees' Plan). The net periodic benefit costs for the defined benefit plans are as follows:

Components of net periodic benefit cost

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	2010	2009	2010	2009
	(Unaudited)			
Service cost	$ 1,300	$ 1,097	$ 2,600	$ 2,195
Interest cost	1,569	1,527	3,139	3,054
Expected return on plan assets	(1,329)	(1,204)	(2,658)	(2,409)
Amortization of net (gain)/loss*	836	856	1,671	1,711
Amortization of prior service cost/(credit)*	41	41	82	83
Net periodic benefit cost	$ 2,417	$ 2,317	$ 4,834	$ 4,634

* These amounts represent the estimated portion of the net (gain)/loss and net prior service cost/(credit) remaining in accumulated other comprehensive income that is expected to be recognized as a component of net periodic benefit cost over the current fiscal year.

Weighted-average assumptions used to determine net periodic benefit cost

	Fiscal	
	2011	2010
Discount rate	5.60%	6.25%
Expected long-term rate of return	8.25%	8.25%
Rate of compensation increase	3.00%	3.00%

Basis used to determine expected long-term return on plan assets

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

Postretirement Medical, Dental and Vision Benefits

The Company sponsors a defined benefit postretirement medical, dental and vision plan that covers qualified non-union retirees and certain qualified union retirees. The plan is not funded. Under this postretirement medical plan, the Company's contributions toward premiums for retiree medical, dental and vision coverage for participants and dependents are scaled based on length of service, with greater Company contributions for retirees with greater length of service. Additionally, the plan establishes a maximum Company contribution.

The following table shows the components of net periodic postretirement benefit cost for the three and six months ended December 31, 2010 and 2009:

Components of net periodic postretirement benefit cost

(In thousands)	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Six Months Ended December 31, 2010	Six Months Ended December 31, 2009
	(Unaudited)			
Service cost	$ 474	$ 373	$ 948	$ 746
Interest cost	314	310	628	620
Expected return on plan assets	—	—	—	—
Amortization of net (gain) loss	(180)	(258)	(360)	(516)
Amortization of transition (asset)/obligation	—	—	—	—
Amortization of prior service cost (credit)	(58)	(58)	(116)	(116)
Net periodic postretirement benefit cost	$ 550	$ 367	$1,100	$ 734

Weighted-average assumptions used to determine net periodic postretirement benefit cost

	Fiscal 2011	Fiscal 2010
Discount rate	5.52%	6.61%

Note 6. Bank Loan

On March 2, 2009, the Company and its wholly owned subsidiary, Coffee Bean International, Inc. (“CBI”), as Borrowers, entered into a Loan and Security Agreement (the “Loan Agreement”), with Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association (“Wells Fargo”), as Lender, providing for a $50 million senior secured revolving credit facility expiring in February 2012 to help finance the DSD Coffee Business acquisition and for general corporate purposes.

All outstanding obligations under the Loan Agreement are collateralized by perfected security interests in the assets of the Borrowers, excluding the preferred stock held in investment accounts. The revolving line provides for advances of 85% of eligible accounts receivable and 65% of eligible inventory, as defined. The Loan Agreement has an unused commitment fee of 0.375%. The interest rate was 3.75% at December 31, 2010.

On August 31, 2010, the Company and its wholly owned subsidiaries entered into Amendment No. 4 to Loan and Security Agreement (the “Amendment”) with Wells Fargo pursuant to which effective March 31, 2010, certain collateral reporting, dividend payment, and financial covenants were modified. Effective September 1, 2010, the Amendment also amended the range of interest rates on the line usage based on modified Monthly Average Excess Availability levels. The range is PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.5% to Adjusted Eurodollar Rate + 3.0%. As of December 31, 2010, the Company was in compliance with all restrictive covenants under the Loan Agreement.

On December 31, 2010, the Company was eligible to borrow up to a total of $50.0 million under the credit facility. As of December 31, 2010, the Company had borrowed $30.3 million of this amount, utilized $3.2 million of its letters of credit sub-limit, and had excess availability of $16.5 million under the credit facility.

Note 7. Stock-Based Compensation

Stock Options

On December 9, 2010, the Company granted 207,656 shares issuable upon the exercise of non-qualified stock options with an exercise price of $18.03 per share to eligible employees, officers and directors under the Farmer Bros. Co. 2007 Omnibus Plan (the "Plan"). Shares under the options ratably vest over a three-year period. Following are the weighted average assumptions used in the Black-Scholes Merton valuation model for the grants issued during the six months ended December 31, 2010 and 2009:

	Six Months Ended December 31,	
	2010	2009
Weighted average fair value of options	$ 8.17	$ 6.14
Pre-vest forfeiture rate	6.50%	6.50%
Risk-free interest rate	2.80%	2.57%
Dividend yield	2.00%	2.50%
Average expected life	6.00 years	6.00 years
Expected stock price volatility	54.9%	41.20%

The Company estimates the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period in the Company's consolidated statement of operations. The Company estimates forfeitures based on its historical pre-vest forfeiture rate and will revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company's assumption regarding expected stock price volatility is based on the historical volatility of its stock price. The risk-free interest rate is based on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the expected life of the stock options.

The following table summarizes stock option activity for the six months ended December 31, 2010:

(Unaudited)	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at June 30, 2010	404,943	$ 20.17	$ 6.25	5.8	$ —
Granted	207,656	$ 18.03	$ 8.17	—	$ —
Cancelled/forfeited	(50,514)	$ 20.14	$ 6.21	—	$ —
Outstanding at December 31, 2010	562,085	$ 19.38	$ 6.96	5.9	$ 22
Vested and exercisable, December 31, 2010	171,435	$ 21.05	$ 6.34	5.0	$ —
Vested and expected to vest, December 31, 2010	511,830	$ 19.52	$ 6.90	5.8	$ 19

The aggregate intrinsic value in the table above represents the total pretax intrinsic value, based on the Company's closing stock price of $17.80 at December 31, 2010, representing the last trading day of the quarter, which would have been received by award holders had all award holders exercised their awards that were in-the-money as of that date. As of December 31, 2010, there was approximately $2.2 million of unrecognized compensation cost related to stock options and 80,617 shares vested during the six months ended December 31, 2010. Compensation expense recognized in general and administrative expenses in each of the three months ended December 31, 2010 and 2009 was $0.2 million and $0.1 million, respectively, and in each of the six months ended December 31, 2010 and 2009 was $0.4 million and $0.3 million, respectively.

Restricted Stock

Shares of restricted stock vest at the end of three years from the grant date for eligible employees and officers who are employees. Shares of restricted stock vest ratably over a period of three years for directors and officers who are not employees. Compensation expense is recognized on a straight-line basis over the service period based on the estimated fair value of the restricted stock that is ultimately expected to vest. Restricted stock based compensation expense recognized in general and administrative expenses in each of the three months ended December 31, 2010 and 2009 was $0.1 million. Restricted stock based compensation expense recognized in general and administrative expenses in each of the six months ended December 31, 2010 and 2009 was $0.3 million and $0.2 million, respectively. As of December 31, 2010, there was approximately $1.4 million of unrecognized compensation cost related to restricted stock. During the six months ended December 31, 2010, 7,870 shares of restricted stock vested.

The following table summarizes restricted stock activity for the six months ended December 31, 2010:

(Unaudited)	Shares Awarded	Weighted Average Fair Value	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at June 30, 2010	80,208	$ 19.91	2.0	$ 1,210
Granted	53,595	$ 18.03	—	$ 966
Vested	(7,870)	$ 19.60	—	$ 143
Cancelled/Forfeited	(7,318)	$ 19.99	—	$ 117
Outstanding at December 31, 2010	118,615	$ 19.08	2.1	$ 2,111
Expected to vest, December 31, 2010	105,546	$ 19.20	2.0	$ 1,879

Note 8. Income Taxes

The Company adjusts its effective tax rate each quarter based on its current estimated annual effective tax rate. The Company also records the tax impact of certain discrete items, unusual or infrequently occurring tax events and the effects of changes in tax laws or rates, in the interim period in which they occur. In addition, the Company evaluates its deferred tax assets quarterly to determine if a valuation allowance is required.

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

After consideration of positive and negative evidence, including the recent history of losses, the Company cannot conclude that it is more likely than not to generate future earnings sufficient to realize the Company's deferred tax assets. Accordingly, the Company increased its valuation allowance by $3.5 million in the fiscal quarter ended December 31, 2010 to $51.8 million.

A summary of the income tax expense (benefit) recorded in the three and six months ended December 31, 2010 and 2009 is as follows:

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2010	2009	2010	2009
	(Unaudited)			
(Loss) income before taxes	$(8,823)	$(1,434)	$(18,335)	$ 1,161
Income tax provision at federal statutory rate	(3,000)	(488)	(6,234)	395
State income taxes and credits	(378)	91	(783)	222
Dividends received deduction	(81)	34	(496)	(345)
Valuation allowance	3,531	269	7,896	(176)
Change in valuation allowance from refund as a result of tax law change	—	(2,504)	—	(2,504)
Other permanent items	17	(253)	67	(47)
Income tax expense (benefit)	$ 89	$(2,851)	$ 450	$(2,455)

As of December 31, 2010 and June 30, 2010, the Company had not recognized the following tax benefits in its consolidated financial statements:

(In thousands)	As of December 31, 2010	As of June 30, 2010
	(Unaudited)	
Total unrecognized tax benefits*	$ 5,218	$5,218
Unrecognized benefits that, if recognized, would affect the Company's effective tax rate*	$ 4,953	$4,953

* Excluding interest and penalties

The Internal Revenue Service is currently conducting an audit of the Company's amended federal returns filed in September 2009, and the State of California is conducting a state examination of the Company's open tax years. The Company believes it is reasonably possible that a portion of its total unrecognized tax benefits will decrease in the next twelve months upon the conclusion of these examinations.

Note 9. Net Income (Loss) Per Common Share

The following table sets forth the calculation of basic and diluted net income (loss) per share:

(In thousands, except per share data)	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Six Months Ended December 31, 2010	Six Months Ended December 31, 2009
		(Unaudited)		
Net (loss) income attributable to common stockholders - basic	$ (8,862)	$ 1,409	$ (18,681)	$ 3,596
Effect of dilutive securities:				
Net (loss) income attributable to unvested restricted stockholders	(50)	8	(104)	20
Total net (loss) income	$ (8,912)	$ 1,417	$ (18,785)	$ 3,616
Weighted average common shares outstanding - basic	15,078,026	14,721,740	15,050,644	14,692,164
Effect of dilutive securities:				
Shares issuable under stock options	—	1,640	—	1,895
Weighted average common shares outstanding - diluted	15,078,026	14,723,380	15,050,644	14,694,059
Basic net (loss) income per common share	$ (0.59)	$ 0.10	$ (1.25)	$ 0.25
Diluted net (loss) income per common share	$ (0.59)	$ 0.10	$ (1.25)	$ 0.25

Note 10. Commitments and Contingencies

Contractual obligations for the remainder of the current fiscal year ending June 30, 2011 and future fiscal years are as follows (in thousands):

	Contractual Obligations (Unaudited)		
	Capital Lease Obligations	Operating Lease Obligations	Pension Plan Obligations
Six months ending June 30, 2011	$ 1,098	$ 2,531	$ 2,643
Year ending June 30, 2012	1,995	4,471	5,449
Year ending June 30, 2013	1,957	3,546	5,759
Year ending June 30, 2014	1,929	3,003	5,987
Year ending June 30, 2015	1,901	2,286	6,410
Thereafter	1,959	4,708	39,900
		$ 20,545	$ 66,148
Total minimum lease payments	$ 10,839		
Less: imputed interest (1.74% to 13.6%)	(2,065)		
Present value of future minimum lease payments	$ 8,774		
Less: current portion	1,410		
Long-term capital lease obligations	$ 7,364		

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

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

Forward-Looking Statements

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. The results of operations for the three and six months ended December 31, 2010 and 2009 are not necessarily indicative of the results that may be expected for any future period. The following discussion should be read in combination with the consolidated financial statements and the notes thereto included in Part I Item 1 of this report and with the "Risk Factors" described in Part II Item 1A of this report.

Liquidity and Capital Resources

Credit Facility

On March 2, 2009, we entered into a Loan Agreement with Wells Fargo, as Lender, providing for a $50 million senior secured revolving credit facility expiring in February 2012 to help finance the DSD Coffee Business acquisition and for general corporate purposes. The Loan Agreement contains a variety of restrictive covenants customary in an asset based lending facility, including a minimum excess availability requirement and a minimum total liquidity requirement, and it places limits on dividends. The Loan Agreement allows us to pay dividends at the current rate, subject to certain liquidity requirements.

All outstanding obligations under the Loan Agreement are collateralized by perfected security interests in our assets, excluding the preferred stock held in investment accounts. The revolving line provides for advances of 85% of eligible accounts receivable and 65% of eligible inventory, as defined. The Loan Agreement has an unused commitment fee of 0.375%. The interest rate varies based upon line usage, borrowing base availability and market conditions. The interest rate on the Company's outstanding borrowings was 3.75% at December 31, 2010. Due to the short-term nature of the credit facility and the variable interest rate, fair value of the balance outstanding approximates carrying value.

On August 31, 2010, we entered into Amendment No. 4 to Loan and Security Agreement with Wells Fargo (the "Amendment") pursuant to which effective March 31, 2010, certain collateral reporting, dividend payment, and financial covenants were modified. Effective September 1, 2010, the Amendment also amended the range of interest rates on the line usage based on modified Monthly Average Excess Availability levels. The range is PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.5% to Adjusted Eurodollar Rate + 3.0%. As of December 31, 2010, we were in compliance with all restrictive covenants under the Loan Agreement.

On December 31, 2010, we were eligible to borrow up to a total of $50.0 million under the credit facility. As of December 31, 2010, we had borrowed $30.3 million, utilized $3.2 million of our letters of credit sub-limit, and had excess availability under the credit facility of $16.5 million. As of January 15, 2011, approximately $31.8 million was outstanding under this credit facility.

Liquidity

In fiscal 2011, we continue to focus on streamlining our operations including, where appropriate, expense reductions, asset redeployment and improvements in operating efficiencies and automation intended to improve our operating results. We expect to continue to increase our selling prices in response to substantial increases in the cost of raw materials for coffee, tea and culinary products to the extent possible without negatively impacting our market share. In addition, we have implemented a number of initiatives intended to reduce the cost of our operations, including initiatives to reduce inventory levels and tighten our management of accounts receivables, cost-share measures to address increases in employee healthcare costs, automation of certain functions including the centralization of certain IT functions, and initiatives to reduce the use of outside services. We also intend to continue to sell our excess real estate where appropriate and have renegotiated lease arrangements on real estate on more favorable terms in light of current market conditions. In the first half of fiscal 2011, we sold a portion of our investments in preferred stock in order to diversify our liquid assets and to pay down a portion of the outstanding balance on our revolving line of credit.

During the six months ended December 31, 2010, we capitalized $10.4 million in property and equipment purchases which included $6.2 million in expenditures to replace normal wear and tear of coffee brewing equipment, $2.9 million in building and facility

improvements, $0.8 million in expenditures for vehicles, and machinery and equipment, and $0.4 million in information technology related expenditures.

Our expected capital expenditures for fiscal 2011 included completion of the installation of the two roasters and other production equipment at our Torrance facility and expenditures to replace normal wear and tear of coffee brewing equipment, vehicles, and machinery and equipment. As of December 31, 2010, we have substantially completed all capital expenditures associated with installation of the two roasters.

As described above, we maintain a $50 million senior secured revolving line of credit with Wells Fargo. Although we expect further synergies from integrating the DSD Coffee Business with our operations, and additional operational cost reduction, the realization and timing of these improvements are uncertain. Based on our current operations and anticipated cost management and operating improvements, we believe this credit facility, to the extent available, in addition to our cash flow from operations and other liquid assets, will be adequate to meet our liquidity needs through the current term of our credit facility. However, there can be no assurance that our business will generate sufficient cash flow from operations or that anticipated cost savings and operating improvements will be realized or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Our credit facility will expire in February 2012. We cannot provide assurances that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Our working capital is comprised of the following:

(In thousands)	As of December 31, 2010 (Unaudited)	As of June 30, 2010
Current assets	$ 174,009	$ 189,956
Current liabilities	90,990	98,546
Working capital	$ 83,019	$ 91,410

Liquidity Information

(In thousands)	For the Six Months Ended December 31, 2010 (Unaudited)	For the Twelve Months Ended June 30, 2010
Capital expenditures	$ 10,401	$ 28,484
Dividends paid	$ 3,687	$ 6,939

(In thousands)	As of December 31, 2010 (Unaudited)	As of June 30, 2010
Dividends payable	$ 969	$ 1,849

As of December 31, 2010, we had no material commitments for capital expenditures other than those described above.

Results of Operations

Our net sales in the three months ended December 31, 2010 decreased $1.0 million, or 1%, to $119.2 million as compared to $120.2 million during the three months ended December 31, 2009. Our net sales in the first half of fiscal 2011 decreased $4.4 million, or 1.9%, to $228.0 million as compared to $232.4 million in the first half of fiscal 2010. These decreases are primarily due to a modest reduction in the number of customers who purchased our products as compared to the same periods in the prior year. We expect that the ongoing weakness in the economy and reduced consumer spending will continue to impact our sales through the remainder of fiscal 2011.

Gross profit in the three months ended December 31, 2010 decreased $6.1 million, or 12%, to $45.0 million, as compared to $51.1 million during the three months ended December 31, 2009. Gross margin decreased to 38% in the three months ended December 31, 2010 from 42% in the comparable period in the prior fiscal year. Gross profit during the first half of fiscal 2011 decreased $16.4 million, or 15.6%, to $89.0 million, as compared to $105.4 million during the first half of fiscal 2010. Gross margin decreased to 39% in the first half of fiscal 2011 from 45% in the first half of fiscal 2010. This decrease in gross margin is primarily due to higher total coffee brewing equipment and service costs included in cost of goods sold compared to the same period in the prior year, substantially increased raw material costs which included an increase since the beginning of the current fiscal year of approximately 45% in the cost of green coffee beans purchased, and changes in the mix of our customers and the products we sell to them.

Operating expenses in the three months ended December 31, 2010 decreased $0.6 million, or 1%, to $55.6 million, or 47% of sales, from $56.2 million, or 47% of sales, in the comparable period of fiscal 2010. During the first half of fiscal 2011, operating expenses decreased $1.5 million, or 1.3%, to $111.5 million, or 49% of sales, as compared to $113.0 million, or 49% of sales, in the first half of fiscal 2010. The reduction in operating expenses in the three and six months ended December 31, 2010, as compared to the same periods in the prior year is primarily due to lower payroll and related expenses resulting from a reduction in number of employees offset in part by higher freight and fuel costs.

Loss from operations in the three and six months ended December 31, 2010 was $(10.5) million and $(22.6) million, respectively, as compared to $(5.1) million and $(7.6) million, respectively, during the three and six months ended December 31, 2009, primarily due to decline in gross profit.

Total other income in the three and six months ended December 31, 2010 was $1.7 million and $4.2 million, respectively, as compared to $3.7 million and $8.8 million, respectively, in the three and six months ended December 31, 2009. These changes were primarily due to higher interest expense and lower net realized and unrealized gains in the three and six months ended December 31, 2010, as compared to the three and six months ended December 31, 2009.

During the three and six months ended December 31, 2010, we recorded income tax expense of $0.1 million and $0.4 million compared to income tax benefit of $2.9 million and $2.5 million, respectively, recorded during the three and six months ended December 31, 2009. Income tax benefit for the three and six month periods ended December 31, 2009 was primarily attributable to federal legislation allowing a five year net operating loss carryback period for net operating losses incurred in tax years that ended in 2008 and 2009. This legislation allowed us to claim additional income tax receivable and record a corresponding decrease in our deferred tax assets relating to our net operating loss carryovers, thereby reducing the valuation allowance recorded as of June 30, 2009 and resulting in income tax benefit for the three and six months ended December 31, 2009.

As a result of the forgoing factors, we recorded a net loss of $(8.9) million, or $(0.59) per common share, for the three months ended December 31, 2010, compared to net income of $1.4 million, or $0.10 per common share, for the three months ended December 31, 2009. Net loss in the first half of fiscal 2011 was $(18.8) million, or $(1.25) per common share, as compared to net income of $3.6 million, or $0.25 per common share, in the first half of fiscal 2010.

Item 3. Qualitative and Quantitative Disclosures About Market Risk

Interest Rate Risk

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

The number and type of futures and options contracts entered into depends on, among other items, the specific maturity and issuer redemption provisions for each preferred stock held, the slope of the U.S. Treasury yield curve, the expected volatility of U.S. Treasury yields, and the costs of using futures and/or options.

As of December 31, 2010 there were no futures or options contracts in place as an interest rate hedge. The following table demonstrates the impact of varying interest rate changes based on the preferred stock holdings, futures and options positions, and market yield and price relationships at December 31, 2010. This table is predicated on an instantaneous change in the general level of interest rates and assumes predictable relationships between the prices of preferred securities holdings, the yields on U.S. Treasury securities and related futures and options.

	Market Value at December 31, 2010			Changes in Market Value of Total Portfolio
Interest Rate Changes	Preferred Securities	Futures and Options	Total Portfolio	
			(In thousands)	
–150 basis points	$34,936	$ —	$34,936	$ 754
–100 basis points	$34,848	$ —	$34,848	$ 667
Unchanged	$34,182	$ —	$34,182	$ —
+100 basis points	$32,642	$ —	$32,642	$ (1,540)
+150 basis points	$31,704	$ —	$31,704	$ (2,478)

Our revolving line of credit with Wells Fargo is at a variable rate. The interest rate varies based upon line usage, borrowing base availability and market conditions. Effective September 1, 2010, the interest rate on the line usage was amended to a range of PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.5% to Adjusted Eurodollar Rate + 3.0%, based on modified

Monthly Average Excess Availability levels. As of December 31, 2010, we had borrowed $30.3 million, utilized $3.2 million of our letters of credit sub-limit, and had excess availability of $16.5 million under the credit facility. The interest rate on the Company's outstanding borrowings at December 31, 2010 was 3.75%.

The following table demonstrates the impact of interest rate changes on our interest expense under the revolving credit facility for a full year based on the outstanding balance and interest rate as of December 31, 2010:

Interest Rate Changes	Interest Rate	Annual Interest Expense (In thousands)
–150 basis points	2.25%	$ 682
–100 basis points	2.75%	$ 834
Unchanged	3.75%	$ 1,137
+100 basis points	4.75%	$ 1,440
+150 basis points	5.25%	$ 1,592

Commodity Price Risk

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

The following table demonstrates the impact of hypothetical changes in the market value of coffee cost on the market value of our coffee inventory and coffee forward purchase contracts as of December 31, 2010:

	Market Value			Change in Market Value	
Coffee Cost Change	Coffee Inventory	Futures & Options	Total (In thousands)	Derivatives	Inventory
–10%	$39,000	$ (397)	$38,603	$ (397)	$ (4,630)
Unchanged	$43,630	$ 310	$43,940	$ —	$ —
10%	$48,000	$ 397	$48,397	$ 397	$ 4,370

Item 4. Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. In January 2010, we adopted Disclosure Controls and Procedures that included the organization of a Disclosure Committee designed to enhance our process of documenting our compliance with Rule 13a-15(e) promulgated under the Exchange Act. The Disclosure Committee performed its duties as prescribed by our Disclosure Controls and Procedures in preparing this Quarterly Report on Form 10-Q for the fiscal period ended December 31, 2010.

As of December 31, 2010, our management, with the participation of our principal executive and principal financial officers, or persons performing similar functions, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) promulgated under the Exchange Act. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2010, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

Management has determined that there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors

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

You should consider each of the following factors as well as the other information in this report and in our Annual Report on Form 10-K, as amended, for the fiscal year ended June 30, 2010, including our financial statements and the related notes, in evaluating our business and our prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also negatively affect our business operations. In that case, the trading price of our common stock could decline.

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

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

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

In the past, we generally have been able to pass on increases in green coffee costs to our customers. However, there can be no assurance that we will be successful in passing such fluctuations on to our customers without losses in sales volume or gross margin in the future. Similarly, rapid, sharp decreases in the cost of green coffee could also force us to lower sales prices before realizing cost reductions in our green coffee inventory. Additionally, if green coffee beans from a region become unavailable or prohibitively expensive, we could be forced to use alternative coffee beans or discontinue certain blends, which could adversely impact our sales.

Some of the Arabica coffee beans of the quality we purchase do not trade directly on the commodity markets. Rather, we purchase the high-end Arabica coffee beans that we use on a negotiated basis. We depend on our relationships with coffee brokers, exporters and growers for the supply of our primary raw material, high quality Arabica coffee beans. If any of our relationships with coffee brokers, exporters or growers deteriorate, we may be unable to procure a sufficient quantity of high quality coffee beans at prices acceptable to us or at all. In such case, we may not be able to fulfill the demand of our existing customers, supply new customers or expand other channels of distribution. A raw material shortage could result in a deterioration of our relationship with our customers, decreased revenues or could impair our ability to expand our business.

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

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

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

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

OUR EXISTING CREDIT FACILITY EXPIRES IN FEBRUARY 2012. WE MAY BE UNABLE TO REPLACE OR RENEGOTIATE THIS CREDIT FACILITY ON ACCEPTABLE TERMS.

Our existing credit facility expires in February 2012. We may be unable to extend or replace this credit facility on terms acceptable to us, or at all, and there can be no assurance that additional lines-of-credit or financing instruments will be available in amounts or on terms acceptable to us, if at all. A lack or high cost of credit could limit our ability to obtain additional financing for working capital, capital expenditures, or other purposes in the future, as needed. If future cash flow from operations and other sources of funds are insufficient to fund our liquidity needs, we may be forced to reduce or delay our business activities and capital expenditures, sell assets, or obtain additional equity capital. A return to recent tight credit markets may make replacement financing more expensive and difficult to obtain. There can be no assurance that we will be able to refinance our credit facility on a timely basis or on satisfactory terms, if at all. The inability to obtain additional or replacement financing could have a material adverse effect on our liquidity.

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

We have a $50 million senior secured revolving credit facility. As of January 15, 2011, approximately $31.8 million was outstanding under this credit facility. Maintaining a large loan balance under our credit facility could adversely affect our business and limit our ability to plan for or respond to changes in our business. Additionally, our borrowings under the credit facility are at variable rates of interest, exposing us to the risk of interest rate volatility, which could lead to a decrease in our net income. Our debt obligations could also:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including the payment of dividends, funding daily operations, investing in future business opportunities and capital expenditures;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate thereby placing us at a competitive disadvantage compared to our competitors that may have less debt or debt with less restrictive debt covenants;
- limit, by the financial and other restrictive covenants in our loan agreement, our ability to borrow additional funds; and

- have a material adverse effect on us if we fail to comply with the covenants in our loan agreement because such failure could result in an event of default which, if not cured or waived, could result in our indebtedness becoming immediately due and payable.

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

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

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

We maintain a significant portfolio of fixed-income based investments disclosed as cash equivalents and short term investments on our consolidated balance sheet. The value of our investments may be adversely affected by interest rate fluctuations, downgrades in credit ratings, illiquidity in the capital markets and other factors which may result in other than temporary declines in the value of our investments. Any of these events could cause us to record impairment charges with respect to our investment portfolio or to realize losses on the sale of investments. We seek to mitigate these risks with the help of our investment advisors by generally investing in high quality securities and continuously monitoring the overall risk of our portfolio. To date, we have not realized any material impairment within our investment portfolio. If the Company's operating losses continue, a portion or all of this investment portfolio may be liquidated to fund those losses.

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

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

WE MAY FAIL TO REALIZE THE EXPECTED SYNERGIES AND OTHER BENEFITS OF THE INTEGRATION OF THE DSD COFFEE BUSINESS, WHICH COULD ADVERSELY AFFECT OUR FUTURE RESULTS.

In fiscal 2010, we completed the integration of the DSD Coffee Business into our existing business. This was a complex, costly and time-consuming process which presented significant challenges and risks to our business, including:

- distraction of management from ongoing business concerns;
- assimilation and retention of employees and customers of the DSD Coffee Business;
- differences in the culture of the DSD Coffee Business and the Company's culture;
- unforeseen difficulties in integrating the DSD Coffee Business, including information systems and accounting controls;
- failure of the DSD Coffee Business to continue to generate income at the levels upon which we based our acquisition decision;
- managing the DSD Coffee Business operations through offices in Downers Grove, Illinois, which is distant from the Company's headquarters in Torrance, California;
- expansion into new geographical markets in which we have limited or no experience;
- integration of technologies, services and products; and
- achievement of appropriate internal control over financial reporting.

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

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

There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere have caused and will continue to cause significant changes in weather patterns around the globe and an increase in the frequency and severity of extreme weather events. Major weather phenomena like El Niño and La Niña are dramatically affecting coffee growing countries. The wet and dry seasons are becoming unpredictable in timing and duration causing improper development of the coffee cherries. Decreased agricultural productivity in certain regions as a result of changing weather patterns may affect the quality, limit availability or increase the cost of key agricultural commodities, such as green coffee, sugar and tea, which are important ingredients for our products. Increased frequency or duration of extreme weather conditions could also damage our facilities, impair production capabilities, disrupt our supply chain or impact demand for our products. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations.

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

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

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

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

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

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

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

At the end of fiscal 2010, the projected benefit obligation of our defined benefit pension plans was $114.7 million and assets were $66.0 million. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit costs of our pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic pension costs, and increase our future funding requirements. We expect to make

approximately $4.9 million in contributions to our pension plans in fiscal 2011 and record an accrued expense of approximately $9.8 million per year beginning in fiscal 2011. We have made approximately $3.2 million in contributions to pension plans and recorded accrued pension expense of approximately $4.8 million during the first half of fiscal 2011. These payments are expected to continue at this level for several years, and the current economic environment increases the risk that we may be required to make even larger contributions in the future.

OUR SALES AND DISTRIBUTION NETWORK IS COSTLY TO MAINTAIN.

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

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

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

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

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

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

As of December 31, 2010, we had a goodwill balance of $5.3 million. Goodwill impairment analysis and measurement is a process that requires significant judgment and the use of significant estimates related to valuation such as discount rates, long term growth rates and the level and timing of future cash flows. As a result, several factors could result in impairment of a material amount of our $5.3 million goodwill balance in future periods, including, but not limited to:

- a decline in our stock price and resulting market capitalization, if we determine that the decline is sustained and is indicative of a reduction in the fair value of any of our reporting units below its carrying value; and
- further weakening of the economy or the failure of CBI to reach our internal forecasts thereby impacting our ability to achieve our forecasted levels of cash flows and reducing the estimated discounted cash flow value of our reporting units.

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

We also test our other long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amount may be impaired. Failure to achieve our forecasted operating results, due to further weakness in the economic environment or other factors, could result in impairment of a significant amount of our long-lived intangible or tangible assets. As of December 31, 2010, we had $23.4 million of long-lived intangible assets, including $5.3 million of goodwill.

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

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

CHANGES IN CONSUMER PREFERENCES COULD ADVERSELY AFFECT OUR BUSINESS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of February 8, 2011, members of the Farmer family or entities controlled by the Farmer family (including trusts and a family partnership) as a group beneficially owned approximately 40% of our outstanding common stock. As a result, these stockholders, acting together, may be able to influence the outcome of stockholder votes, including votes concerning the election and removal of directors and approval of significant corporate transactions. This level of concentrated ownership may have the effect of delaying or preventing a change in the management or voting control of the Company. In addition, this significant concentration of share ownership may adversely affect the trading price of our common stock if investors perceive disadvantages in owning stock in a company with such concentrated ownership.

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

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

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

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

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

Further, certain provisions of our charter documents, including a classified board of directors, provisions eliminating the ability of stockholders to take action by written consent, and provisions limiting the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice, may have the effect of delaying or preventing changes in control or management of the Company, which could have an adverse effect on the market price of our stock. In addition, our charter documents do not permit

cumulative voting, which may make it more difficult for a third party to gain control of our Board of Directors. Further, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which will prohibit us from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, even if such combination is favored by a majority of stockholders, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change of control or management.

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

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

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

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

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

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

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

GOVERNMENT REGULATIONS COULD RESULT IN ADDITIONAL COSTS THEREBY AFFECTING OUR PROFITABILITY.

New laws and regulations may be introduced that could result in additional compliance costs, seizures, confiscations, recalls or monetary fines, any of which could prevent or inhibit the development, distribution and sale of our products. We continually monitor and modify our packaging to be in compliance with applicable laws and regulations. Any change in labeling requirements for our products may lead to an increase in packaging costs or interruptions or delays in packaging deliveries. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our results of operations.

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

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

Item 6. Exhibits

See Exhibit Index.

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SIGNATURES

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

Name	Title	Date
/s/ ROGER M. LAVERTY III **Roger M. Laverty III**	President and Chief Executive Officer (principal executive officer)	February 9, 2011
/s/ JEFFREY A. WAHBA **Jeffrey A. Wahba**	Treasurer and Chief Financial Officer (principal financial officer)	February 9, 2011

EXHIBIT INDEX

3.1	Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 filed with the SEC on May 11, 2009 and incorporated herein by reference).
3.2	Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on June 8, 2006 and incorporated herein by reference).
4.1	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).
4.2	Rights Agreement, dated March 17, 2005, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A., as Rights Agent (filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).
4.3	Specimen Stock Certificate (filed as Exhibit 4.1 to the Company's Form 8-A/A filed with the SEC on February 6, 2009 and incorporated herein by reference).
10.1	Asset Purchase Agreement dated as of December 2, 2008, by and among Sara Lee Corporation, Saramar, LLC and Farmer Bros. Co. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).
10.2	Amendment No. 1 to Asset Purchase Agreement, dated February 27, 2009, by and among Sara Lee Corporation, Saramar, LLC and Farmer Bros. Co. (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K/A for the fiscal year ended June 30, 2009 filed with the SEC on September 15, 2009 and incorporated herein by reference).
10.3	Second Amendment to Asset Purchase Agreement, dated December 17, 2009, by and among Sara Lee Corporation, Saramar, LLC and Farmer Bros. Co. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2009 and incorporated herein by reference).
10.4	Stock Purchase Agreement, dated April 27, 2007, by and among Farmer Bros. Co., Coffee Bean Holding Co., Inc., and the Stockholders of Coffee Bean Holding Co., Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2007 and incorporated herein by reference).
10.5	Loan and Security Agreement, dated March 2, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc., FBC Finance Company and SL Realty, LLC, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).
10.6	Amendment No. 1 to Loan and Security Agreement and Consent, dated March 2, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K/A for the fiscal year ended June 30, 2009 filed with the SEC on September 15, 2009 and incorporated herein by reference).
10.7	Amendment No. 2 to Loan and Security Agreement and Consent, dated July 27, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 filed with the SEC on November 9, 2009 and incorporated herein by reference).
10.8	Amendment No. 3 to Loan and Security Agreement, dated November 20, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed as

Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2009 filed with the SEC on February 9, 2010 and incorporated herein by reference).

10.9 Amendment No. 4 to Loan and Security Agreement and Consent, dated August 31, 2010, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K/A for the year ended June 30, 2010 filed with the SEC on September 14, 2010 and incorporated herein by reference).

10.10 Letter Agreement regarding Waiver of Event of Default dated May 7, 2010, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, as Lender (filed as Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).

10.11 Farmer Bros. Co. 2005 Incentive Compensation Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).*

10.12 Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, as adopted by the Board of Directors on December 9, 2010 and effective as of January 1, 2010 (filed herewith).*

10.13 ESOP Loan Agreement including ESOP Pledge Agreement and Promissory Note, dated March 28, 2000, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed herewith).

10.14 Amendment No. 1 to ESOP Loan Agreement, dated June 30, 2003, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed herewith).

10.15 ESOP Loan Agreement No. 2 including ESOP Pledge Agreement and Promissory Note, dated July 21, 2003 between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed herewith).

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

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

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

10.19 Employment Agreement, dated as of March 14, 2009, by and between Farmer Bros. Co. and Heidi L. Modaro (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K/A for the fiscal year ended June 30, 2009 filed with the SEC on September 15, 2009 and incorporated herein by reference).*

10.20 Employment Agreement, dated as of February 25, 2010, by and between Farmer Bros. Co. and Jeffrey A. Wahba (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 3, 2010 and incorporated herein by reference).*

10.21 Consulting Agreement, dated as of March 2, 2009, by and between Farmer Bros. Co. and Michael J. King (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K/A for the fiscal year ended June 30, 2009 filed with the SEC on September 15, 2009 and incorporated herein by reference).*

10.22	Interim Services Agreement, dated as of December 17, 2009, by and between Farmer Bros. Co. and Tatum, LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2010 and incorporated herein by reference).*
10.23	2007 Omnibus Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 29, 2007 and incorporated herein by reference).*
10.24	Form of 2007 Omnibus Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2008 and incorporated herein by reference).*
10.25	Form of 2007 Omnibus Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2008 and incorporated herein by reference).*
10.26	Stock Ownership Guidelines for Directors and Executive Officers (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2008 and incorporated herein by reference).*
10.27	Form of Target Award Notification Letter (Fiscal 2011) under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2010 and incorporated herein by reference).*
10.28	Form of Target Award Notification Letter (Fiscal 2010) under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 16, 2009 and incorporated herein by reference).*
10.29	Form of Change in Control Severance Agreement for Executive Officers of the Company (with schedule of executive officers attached) (filed herewith).*
10.30	Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on May 18, 2006 and as amended on December 31, 2008 (with schedules of indemnitees attached) (filed herewith).*
31.1	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Principal Financial and Accounting Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Principal Financial and Accounting Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

* Management contract or compensatory plan or arrangement.

FARMER BROS. CO.
AMENDED AND RESTATED
EMPLOYEE STOCK OWNERSHIP PLAN

Effective January 1, 2000

as Amended by Amendment No. 1
(Effective as of January 1, 2002)

as Amended by Amendment No. 2
(Effective as of January 1, 2003)

as Amended by Amendment No. 3
(Effective as of December 17, 2003)

Restated with Conforming Amendments and
Approved and Adopted as So Restated with Conforming Amendments,
By the Board of Directors On December 9, 2004
(Effective as of January 1, 2004)

Amended and Restated
By the Board of Directors on December 9, 2010
(Effective as of January 1, 2010)

FARMER BROS. CO.
AMENDED AND RESTATED
EMPLOYEE STOCK OWNERSHIP PLAN

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FARMER BROS. CO.
EMPLOYEE STOCK OWNERSHIP PLAN

ARTICLE 1. DEFINITIONS

1.01 *"Account"* means the Account established for a Member pursuant to Section 9.03 into which shall be credited the contributions made on a Member's behalf, Company Stock released from the Suspense Account for the Member, and earnings on those contributions and that Company Stock.

1.02 *"Affiliate"* means any company which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which also includes as a member the Company; any trade or business under common control (as defined in Section 414(c) of the Code) with the Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Section 414(o) of the Code. Notwithstanding the foregoing, for purposes of Sections 1.27 and 3.03, the definitions in Sections 414(b) and (c) of the Code shall be modified by substituting the phrase "more than 50 percent" for the phrase "at least 80 percent" each place it appears in Section 1563(a)(1) of the Code.

1.03 *"Annual Dollar Limit"* means $150,000, as adjusted from time to time for cost of living in accordance with Section 401(a)(17)(B) of the Code. The Annual Dollar Limit for Plan Years beginning after December 31, 2001, shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code.

1.04 *"Beneficiary"* means any person, persons or entity designated by a Member to receive any benefits payable in the event of the Member's death. However, a married Member's spouse shall be the Member's Beneficiary unless or until he or she elects another Beneficiary with Spousal Consent. If no Beneficiary designation is in effect at the Member's death, or if no person, persons or entity so designated survives the Member, the Member's surviving spouse, if any, shall be deemed to be the Beneficiary; otherwise the Beneficiary shall be the personal representative of the estate of the Member.

1.05 *"Board of Directors"* means the Board of Directors of the Company or any authorized committee thereof.

1.06 *"Break in Service"* means an event affecting forfeitures, which shall occur when an Employee is credited with less than 500 Hours of Service in any Plan Year. However, if an Employee is absent from work immediately following his or her active employment, irrespective of whether the Employee's employment is terminated, because of the Employee's pregnancy, the birth of the Employee's child, the placement of a child with the Employee in connection with the adoption of that child by the Employee or for purposes of caring for that child for a period beginning immediately following that birth or placement, a Break in Service shall occur only if the Member does not return to work within one (1) year of the date he or she began his or her leave from active employment for the above-stated reasons. A Break in Service shall not occur during an approved leave of absence or during a period of qualified military service that is included in the Employee's Vesting Service pursuant to Section 1.32.

1.07 "*Code*" means the Internal Revenue Code of 1986, as amended from time to time.

1.08 "*Committee*" means the persons named by the Board of Directors to administer and supervise the Plan as provided in Article 9.

1.09 "*Company*" means Farmer Bros. Co.

1.10 "*Company Stock*" means the shares of common stock of the Company or shares of preferred or preference stock of the Company that are convertible into such common stock provided that, in either event, such stock is an "employer security" within the meaning of Section 409(1) of the Code.

1.11 "*Compensation*" means wages as defined under Section 3401(a) of the Code (for purposes of income tax withholding at the source), but determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed. However, notwithstanding the foregoing, for purposes of this Plan, Compensation shall: (a) include any amounts not includible in income as salary deferral reductions pursuant to Section 401(k) of the Code or pursuant to a cafeteria plan as defined in Section 125 of the Code; (b) include any imputed income for automobile allowance or company-paid life insurance for the Member (including amounts for which the Employer or Affiliated Employer is required to furnish a written statement pursuant to Section 6052 of the Code); and (c) not exceed the maximum statutory Annual Dollar Limit. Notwithstanding the foregoing, Compensation shall not include any amount paid as remuneration after a Member's Severance Date unless it is regular compensation for services performed during employment (within the meaning of Treas Reg. § 1.415(c)-

(2)(e)(3)(ii)), or payment for unused accrued vacation or sick leave (within the meaning of Treas. Reg. § 1.415(c)-2(c)(3)(iii)(A)), and is paid by the later of 2-1/2 months after severance of employment or the end of the Plan Year in which such severance from employment occurred.

1.12 *"Disability"* means total and permanent physical or mental disability, as determined under the Company's long-term disability program as in effect from time to time.

1.13 *"Effective Date"* means January 1, 2000.

1.14 *"Eligible Employee"* means an Employee regularly employed by an Employer who receives stated compensation other than a pension, severance pay, retainer, or fee under contract; however, the term "Eligible Employee" excludes (a) any person who is included in a unit of Employees covered by a collective bargaining agreement which does not provide for his or her membership in the Plan, and (b) any non-resident alien with no US-source income. In addition, any person classified as an independent contractor or consultant by the Employer shall, during such period, be excluded from the definition of Eligible Employee, regardless of such person's reclassification for such period by the Internal Revenue Service for tax withholding purposes.

1.15 *"Employee"* means any individual who is employed by the Employer or an Affiliate as a common law employee of the Employer or Affiliate, regardless of whether the individual is an "Eligible Employee," and any Leased Employee.

1.16 *"Employer"* means the Company or any successor by merger, purchase or otherwise, with respect to its Employees; or any other company participating in the Plan as provided in Section 12.03, with respect to its Employees.

1.17 *"Employer Contributions"* means all amounts contributed pursuant to Section 3.01 of the Plan.

1.18 *"ERISA"* means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.19 *"Financed Shares"* means shares of Company Stock, whether allocated or unallocated, which have been purchased by means of an Exempt Loan.

1.20 *"Hour of Service"* means, with respect to any applicable computation period,

(a) each hour for which the Employee is paid or entitled to payment for the performance of duties for the Employer or an Affiliate; and

(b) each hour for which the Employee is paid or entitled to payment by the Employer or an Affiliate on account of a period during which no duties are performed, whether or not the employment relationship has terminated, due to vacation, holiday, illness, incapacity (including Disability), layoff, jury duty, military duty or leave of absence, but not more than 501 hours for any single continuous period; and each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer or an Affiliate, excluding any hour credited under (a) or (b), which shall be credited to the computation period or periods to

which the award, agreement or payment pertains rather than to the computation period in which the award, agreement or payment is made.

No hours shall be credited on account of any period during which the Employee performs no duties and receives payment solely for the purpose of complying with unemployment compensation, workers' compensation or disability insurance laws. The Hours of Service credited shall be determined as required by Title 29 of the Code of Federal Regulations, Sections 2530.200b-2(b) and (c). Notwithstanding the forgoing, solely to the extent required by law, an Employee who is absent from employment because of an authorized leave of absence under the Family and Medical Leave Act of 1993 shall receive credit for Hours of Service during such absence.

1.21 *"Leased Employee"* means any person performing services for the Employer or an Affiliate as a leased employee as defined in Section 414(n) of the Code. In the case of any person who is a Leased Employee before or after a period of service as an Eligible Employee, the entire period during which he or she has performed services as a Leased Employee shall be counted as service as an Eligible Employee for all purposes of the Plan, except that he or she shall not, by reason of that status, become a Member of the Plan.

1.22 *"Member"* means any person included in the membership of the Plan as provided in Article 2.

1.23 *"Plan"* means the Farmer Bros. Co. Employee Stock Ownership Plan, as set forth in this document or as amended from time to time.

1.24 *"Plan Year"* means the 12-month period beginning on any January 1.

1.25 *"Retirement"* means termination of employment from an Employer and all Affiliates after the earlier of (a) attainment of age 65 or (b) attainment of age 55 and completion of ten (10) years of Vesting Service or (c) the earliest retirement date available to a Member under any defined benefit plan of the Employer or an Affiliate in which the Member is a participant.

1.26 *"Severance Date"* means the earlier of (a) the date an Employee quits, retires, is discharged or dies, or (b) the last day of an authorized leave of absence, or if later, the first anniversary of the date on which an Employee is first absent from service, with or without pay, for any reason such as vacation, sickness, Disability, layoff or leave of absence.

1.27 *"Suspense Account"* means the account comprised of unallocated shares of Company Stock maintained in accordance with Section 5.03.

1.28 *"Spousal Consent"* means the written consent of a Member's spouse to the Member's designation of a specified Beneficiary. The spouse's consent shall be witnessed by a Plan representative or notary public. The consent of the spouse shall also acknowledge the effect on him or her of the Member's election. The requirement for Spousal Consent may be waived by the Committee if it believes there is no spouse, that the spouse cannot be located, that a legal separation has occurred, or because of such other circumstances as may be established by applicable law.

1.29 *"Trust"* or *"Trust Fund"* means the fund established by the Board of Directors as part of the Plan into which contributions are to be made and from which benefits are to be paid in accordance with the terms of the Plan.

1.30 *"Trustee"* means the trustee or trustees holding the funds of the Plan as provided in Article 10.

1.31 *"Valuation Date"* means, for so long as there is a generally recognized market for Company Stock, each business day. If at any time there shall be no generally recognized market for Company Stock, then "Valuation Date" shall mean the last day of the Plan Year and such other date as of which the Committee shall determine the investment experience of the Trust Fund and adjust the Member's Accounts accordingly.

1.32 *"Vesting Service"* means the summation of the Years of Service an Employee has been credited since the Employee's hire date.

Notwithstanding the foregoing, the following apply for purposes of crediting vesting within this section:

(a) Vesting Service with respect to qualified military service will be provided in accordance with Code Section 414(u). The period of qualified military service shall be treated as Hours of Service for determination of Years of Service for vesting purposes;

(b) If an Employee's employment terminates after he or she has vested in his or her Account pursuant to Section 6.01 and he or she is reemployed, his or her Vesting Service after reemployment shall

be aggregated with his or her previous period or periods of Vesting Service; and

(c) If an Employee's employment terminates before he or she has vested in his or her Account pursuant to Section 6.01 and he or she is reemployed after he or she has incurred a Break in Service, his or her Vesting Service after reemployment shall be aggregated with his or her previous period or periods of Vesting Service (other than Vesting Service not required to be aggregated pursuant to this paragraph (c) by reason of a prior termination of employment) if the date of such reemployment is prior to the date as of which such Employee had incurred five (5) consecutive Breaks in Service.

1.33 *"Year of Service"*. An Employee shall earn one (1) Year of Service for each Plan Year during which he/she is credited with at least one thousand (1,000) Hours of Service.

ARTICLE 2. MEMBERSHIP

2.01 *Membership*

Each Eligible Employee shall become a Member on the Plan's Effective Date as long as he or she is at least age eighteen (18). Each Eligible Employee who is at least eighteen (18) on his or her hire date shall become a Member on his or her hire date. Each other Eligible Employee shall become a Member on the first day of the Plan Year coinciding with or immediately following the date he or she has attained his or her 18th birthday.

2.02 *Reemployment of Former Eligible Employees and Former Members*

Any person reemployed by the Employer as an Eligible Employee, who was previously a Member or who was previously eligible to become a Member, shall become a Member immediately upon reemployment. Any person reemployed by the Employer as an Eligible Employee, who was not previously eligible to become a Member, shall become a Member upon completing the eligibility requirements described in Section 2.01.

2.03 *Transferred Members*

Notwithstanding any provision of the Plan to the contrary, a Member who remains in the employ of the Employer or an Affiliate but ceases to be an Eligible Employee shall continue to be a Member of the Plan but shall only be eligible to receive allocations of Employer Contributions with respect to Compensation.

2.04 *Termination of Membership*

A Member's membership shall terminate on his or her Severance Date unless he or she is entitled to benefits under the Plan, in which event his or her membership shall terminate when those benefits are distributed to him or her in full.

ARTICLE 3. CONTRIBUTIONS

3.01 *Employer Contributions*

(a) The Employer may make Employer Contributions to the Plan on account of any Plan Year, in Company Stock or cash, in the manner and amount to be determined by the Board of Directors. Employer Contributions shall be made on behalf of each Member

who (i) is an Eligible Employee on the last day of the Plan Year and who completed at least 1,000 Hours of Service during such Plan Year; or (ii) is an Eligible Employee who terminated employment during such Plan Year by reason of death, Disability, or Retirement. At the time of determining an Employer Contribution for a Plan Year, the Board of Directors may specify a target percentage of Compensation with respect to allocations for such Plan Year. In no event, however, shall the Employer Contributions for any Plan Year exceed the maximum amount deductible from the Employer's income for that Plan Year under Section 404(a)(3)(A) of the Code or any statute of similar import. The Employer Contributions shall be paid to the Trust Fund no later than the time (including extensions) prescribed by law for the filing of the Employer's federal income tax return for the year for which the contributions are made;

(b) Except as provided in Section 5.04, shares of Company Stock released from the Suspense Account for that Plan Year and any Employer Contributions for that Plan Year not used to repay an Exempt Loan shall be allocated as of the last Valuation Date (or such earlier Valuation Date as the Committee shall determine) in the Plan Year to the Accounts of Members on behalf of whom contributions were made for that Plan Year pursuant to paragraph (a), in the ratio that the Compensation of each such Member bears

to the total Compensation of all such Members for the Plan Year, subject to the limitations described in Section 3.03. In no event shall more than one-third of the Employer Contributions to the Plan be allocated to Members who are highly compensated employees as defined in Section 414(q) of the Code; and

(c) Notwithstanding paragraphs (a) and (b) above, each Employer may make an additional Employer Contribution to the Plan, in Company Stock or cash, at a time and in an amount determined by the Board of Directors. Such contribution, or shares of Company Stock released from the Suspense Account by reason of the use of such contribution to repay an Exempt Loan, shall be allocated to the Accounts of Members who were entitled to an allocation under paragraph (b) for the preceding Plan Year and who terminated employment during the period beginning with the first day of the Plan Year in which such additional contribution is made and ending on a date specified by the Board of Directors at the time of determining the additional contribution, and to such Members who have not terminated service, in an amount which, when added to the initial allocation for the preceding Plan Year, results in a total allocation for such Plan Year equal to the target percentage of each such Member's Compensation for the preceding Plan Year which had been specified by the Board of Directors when determining the Employer Contribution under paragraph (a). Any allocation of an

additional contribution made pursuant to this paragraph (c) shall be made as of the last Valuation Date in the Plan Year preceding the Plan Year in which such contribution is made unless otherwise specified by the Board of Directors, shall be subject to the limitation of Section 3.03, and shall comply with the last sentence of paragraph (b).

3.02 *Member Contributions*

No Member shall be required or permitted to make any contributions under this Plan.

3.03 *Maximum Annual Additions*

(a) The annual addition to a Member's Account for any Plan Year, which shall be considered the "limitation year" for purposes of Section 415 of the Code, when added to the Member's annual addition for that Plan Year under any other qualified defined contribution plan of the Employer or an Affiliate, shall not exceed an amount which is equal to the lesser of (i) 25 percent of his or her aggregate remuneration for that Plan Year or (ii) $30,000, as adjusted pursuant to Section 415(d) of the Code. Notwithstanding the foregoing, for limitation years beginning on or after January 1, 2002, the annual additions that may be contributed or allocated to a Member's Account under the Plan shall not exceed the lesser of:

(i) Forty Thousand Dollars ($40,000), as adjusted for increases in the cost of living under Section 415(d) of the Code, or

(ii) One Hundred Percent (100%) of the Member's aggregate remuneration for that Plan Year.

The compensation limit referred to in (ii) above shall not apply to any contribution for medical benefits after separation from service (within the meaning of 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an annual addition;

(b) For purposes of this Section, the "annual addition" to a Member's Account under this Plan or any other qualified defined contribution plan (including a deemed qualified defined contribution plan under a qualified defined benefit plan) maintained by the Employer or an Affiliate shall be the sum of:

(i) the total contributions made on the Member's behalf by the Employer and all Affiliates;

(ii) all Member contributions, exclusive of any rollover contributions;

(iii) forfeitures;

(iv) amounts described in Sections 415(l)(1) and 419A(d)(2) allocated to the Member; and

(v) Employer Contributions to the Plan which are deductible under Section 404(a)(9)(B) of the Code and charged against a Member's Account.

The reinvestment of dividends on Company Stock pursuant to Code Section 404(k)(2)(A)(iii)(II) does not give rise to an annual addition.

Annual additions shall not include the allocation of the excess amounts remaining in the Suspense Account subsequent to a sale of Company Stock from such account. Annual additions shall not include a restorative payment in accordance with Treas. Reg. § 1.415(c)-1(b)(2)(C) that is made to restore losses to the Plan resulting from actions by a fiduciary for which there is a reasonable risk of liability for breach of fiduciary duty under ERISA or other applicable federal and state law.

Notwithstanding the foregoing, if no more than one-third of Employer Contributions to the Plan for a year which are deductible under Section 404(a)(9) of the Code are allocated to Highly Compensated Employees (within the meaning of Section 414(q) of the Code), the limitations imposed herein shall not apply to:

Forfeitures of Employer securities (within the meaning of Section 409 of the Code) under the Plan if such securities were acquire with the proceeds of an Exempt Loan; or

(c) For purposes of this Section, the term "remuneration" with respect to any Member shall mean the wages, salaries and other amounts

paid in respect of such Member by the Employer or an Affiliate for personal services actually rendered to the extent includible in gross income, plus amounts contributed by the Employer pursuant to a salary reduction agreement which are not includible in the gross income of the Employee under Section 125 (including any "deemed" Code Section 125 compensation, as defined in Treas. Reg. § 1.415(c)-2(g)(6)), 402(g) or 457 of the Code, but shall exclude deferred compensation, stock options and other amounts that receive special tax benefits under the Code that are listed in Treas. Reg. §1.415(c)-2(c). In the event Company Stock, is released from a Member's Suspense Account and allocated to the Member's Account for a Plan Year, the Committee may determine for such year that the annual addition shall be calculated on the basis of the fair market value of the Company Stock so released and allocated on the Valuation Date coincident with the release date, if the annual addition, as so calculated is lower than the annual addition calculated on the basis of Employer Contributions. Notwithstanding the foregoing, any amount paid after severance from employment shall not be treated as Compensation unless it is regular compensation for services performed during employment (within the meaning of Treas Reg. § 1.415(c)-(2)(e)(3)(ii)), or payment for unused accrued vacation or sick leave (within the meaning of Treas. Reg. § 1.415(c)-2(c)(3)(iii)(A)), and is paid by

the later of 2-1/2 months after severance of employment or the end of the Plan Year in which such severance from employment occurred;

(d) In the event that the Committee determines that the allocation of a contribution would cause the restriction imposed by paragraph (a) to be exceeded, allocations shall be reduced in the following order, but only to the extent necessary to satisfy such restrictions:

(i) first, the annual additions under any other qualified defined contribution plan maintained by an Employer or an Affiliate; and

(ii) second, the annual additions under this Plan.

(e) If the annual addition to a Member's Account for any Plan Year, prior to the application of the limitation set forth in paragraph (a) above, exceeds that limitation due to a reasonable error in estimating a Member's annual compensation or in determining the amount of Employer Contributions that may be made with respect to a Member under Section 415 of the Code, or as the result of the allocation of forfeitures, the amount of contributions credited to the Member's Account in that Plan Year shall be adjusted to the extent necessary to satisfy that limitation in accordance with the following order of priority:

(i) first, the annual additions under any other qualified defined contribution plan maintained by an Employer or an Affiliate; and

(ii) second, the annual additions under this Plan.

If it becomes necessary to make an adjustment in annual additions to a Member's Account under this Plan, either because of the limitations as applied to this Plan alone or as applied to this Plan in combination with another plan, the excess annual addition under this Plan with respect to the affected Member shall be reallocated proportionately in the same manner as Employer Contributions are allocated to the Accounts of other Members until the annual addition to the Account of each Member reaches the limits of Section 415 of the Code. If such limits are reached and there are remaining excess Employer Contributions, such contributions shall be placed in an unallocated suspense account and allocated in subsequent years before any Employer Contributions are made.

If the total annual additions on behalf of a Member for a limitation year exceed the limitations described herein, then the excess amounts may be corrected in accordance with the Internal Revenue Service Employee Plans Compliance Resolution System as set forth in Revenue Procedures 2006-27 and 2008-50 or any superseding guidance, or in accordance with the preamble to the final Code Section 415 regulations as published in the Federal Register on April 5, 2007. The provisions of Section 415 of the

Code and the Regulations promulgated thereunder are hereby incorporated by reference to the extent not provided above.

3.04 *Return of Contributions*

(a) If all or part of the Employer's deductions for contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the contributions to which that disallowance applies shall be returned to the Employer without interest but reduced by any investment loss attributable to those contributions, provided that the contribution is returned within one year after the disallowance of deduction. For this purpose, all contributions made by the Employer are expressly declared to be conditioned upon their deductibility under Section 404 of the Code; and

(b) The Employer may recover without interest the amount of its contributions to the Plan made on account of a mistake of fact, reduced by any investment loss attributable to those contributions, if recovery is made within one year after the date of those contributions.

ARTICLE 4. VALUATION OF THE ACCOUNTS

4.01 *Investment of the Trust Fund*

(a) Except to the extent used to repay an Exempt Loan, Employer Contributions to the Plan shall be invested in shares of Company Stock. Consistent with the Plan's status as an employee stock ownership plan under Section 4975(e)(7) of the Code, the Trustee

may keep such amounts of cash, securities or other property as it, in its sole discretion, shall deem necessary or advisable as part of the Trust Fund, all within the limitations specified in the trust agreement; and

(b) Dividends, interest, and other distributions received on the assets held by the Trustee in respect to the Trust Fund shall be reinvested in the Trust Fund, except as otherwise may be provided in Article 5 with respect to dividends on Company Stock.

4.02 *Valuation of the Trust Fund*

The Trustee shall value the Trust Fund at least annually as of the last day of the Plan Year. On each such annual Valuation Date there shall be allocated to the Account of each Member his or her proportionate share of the increase or decrease in the fair market value of his or her Account in the Trust Fund. Whenever an event (other than the occurrence of the last day of the Plan Year) requires a determination of the value of the Member's Account, the value shall be computed as of the Valuation Date coincident with the date of determination, subject to the provisions of Section 4.03.

4.03 *Right to Change Procedures*

The Committee reserves the right to change from time to time the procedures used in valuing the Account or crediting (or debiting) the Account if it determines, after due deliberation and upon the advice of counsel and/or the current record keeper, that such an action is justified in that it results in a more accurate

reflection of the fair market value of assets. In the event of a conflict between the provisions of this Article and such new administrative procedures, those new administrative procedures shall prevail.

4.04 *Statement of Account*

At least once a year, each Member shall be furnished with a statement setting forth the value of his or her Account and the vested portion of his or her Account.

4.05 *Plan Expenses*

To the extent the Company does not choose to pay for them, all routine Plan administrative expenses for such services as Account recordkeeping, required audits and governmental filings shall be paid by the Plan.

ARTICLE 5. ACQUISITION OF COMPANY STOCK WITH PROCEEDS OF AN EXEMPT LOAN

5.01 *Purchase of Company Stock*

(a) The Plan is an employee stock ownership plan (an "ESOP"), which is designed to invest primarily in qualified employer securities, including the acquisition of Company Stock with the proceeds of an Exempt Loan; and

(b) Company Stock acquired by the Trustee hereunder may be purchased on an established securities market, from the Company or from any other person or entity. However, Company Stock acquired from a "disqualified person," as defined in Section 4975(e)(2) of the Code, may not be purchased at a price in excess of "adequate consideration," as defined in Section 3(18) of ERISA.

5.02 *Exempt Loan*

An Exempt Loan shall be used primarily for the benefit of Members and their Beneficiaries, shall be for a specific term, shall bear a reasonable rate of interest, and shall not be payable on demand, except in the event of default. In the event of default, the value of Plan assets transferred in satisfaction of the Exempt Loan shall not exceed the amount of default. An Exempt Loan may be secured by a collateral pledge of the Company Stock acquired with the proceeds of such loan, contributions (other than contributions of Company Stock) that are made under the ESOP to meet its obligations under the Exempt Loan and earnings attributable to such collateral and the investment of such contributions, but no other assets of the Trust may be pledged as collateral for the Exempt Loan and no lender shall have recourse against any assets of the Trust, except to the extent permitted under Reg. §54.4975-7(b)(5). Any pledge of Company Stock shall provide for the release of shares so pledged on a pro rata basis as principal and interest on the Exempt Loan are repaid by the Trustee; provided however, that an alternative method of releasing such stock from encumbrance may be utilized if permitted by applicable regulations under Section 4975 of the Code and the Committee adopts such method. Such stock shall be allocated as provided in Section 3.01(b).

5.03 *Suspense Account; Dividends on Unallocated Stock*

(a) Company Stock acquired with the proceeds of an Exempt Loan shall be held in the Suspense Account and shall be allocated to the Members' Accounts based on the release of Company Stock from the Suspense Account. During the term of the Exempt Loan, a

number of shares of Company Stock shall be released per Plan Year equal to the number of shares in the Suspense Account multiplied by a fraction, the numerator of which shall be the amount of principal and interest paid by the Trustee on the Exempt Loan for the Plan Year, and the denominator of which shall be the sum of the numerator and the aggregate principal and interest to be paid by the Trustee on the Exempt Loan for all future Plan Years; provided, however, that an alternative method of releasing such stock from encumbrance may be utilized if permitted by applicable regulations under Section 4975 of the Code and the Committee adopts such method. For this purpose, the number of future years under the Exempt Loan must be definitely ascertainable and must be determined without taking into account any possible extensions or renewal periods. If the interest rate under the Exempt Loan is variable, the interest to be paid in future years shall be computed by using the interest rate applicable as of the end of the calendar year. Shares may also be released from the Suspense Account more frequently than annually, provided in such event that the total number of shares of Company Stock released during a Plan Year shall not be less than the number of shares that would have been released from the Suspense Account during such Plan Year if such release had occurred on an annual basis; and

(b) Any cash dividends received by the Trustee on shares of Company Stock held in the Suspense Account shall be applied to the payment of any outstanding obligations of the Trust under any Exempt Loan (and shall be invested in an interest bearing or other fixed income investment pending such payment) unless, in the sole discretion of the Committee, the Trustee is directed to use such dividends to buy additional shares of Company Stock. Any shares of Company Stock released from the Suspense Account due to application of such dividends to the repayment of an Exempt Loan or purchased using such dividends shall be allocated to Members' Accounts on the basis set forth in Section 3.01(b).

5.04 *Dividends on Allocated Shares*

Unless, in the sole discretion of the Committee, the Trustee is directed that dividends that are payable with respect to Company Stock that is allocated to a Member's Account may be (a) accumulated in the Member's Account and used to buy additional Company Stock, (b) paid directly to the Member in cash (to the extent such direct payment may be effectuated), or (c) paid to the Trust and distributed by the Trustee in cash to the Member not later than 90 days after the close of the Plan Year in which paid to the Trust, then such dividends shall be applied to the payment of outstanding obligations of the Trust under any Exempt Loan; provided however, that this provision shall only be effective if Company Stock with a fair market value not less than the amount of dividends so applied is allocated to the Member's Account for the Plan Year in which the dividends were

paid to the Trust. The excess, if any, of the fair market value of Company Stock released from the Suspense Account by reason of the application of dividends described in this Section 5.04 over the fair market value of Company Stock allocated to a Member's Account pursuant to the proviso in the immediately preceding sentence shall be allocated among Members' Accounts on the basis set forth in Section 3.01(b).

ARTICLE 6. VESTED PORTION OF ACCOUNTS

6.01 *Vesting Schedule*

(a) A Member shall be vested in, and have a nonforfeitable right to, his or her Account upon completion of five (5) years of Vesting Service; and

(b) Notwithstanding the foregoing, a Member shall be 100 percent vested in, and have a nonforfeitable right to, his or her Account upon death, Disability, or the later of the attainment of his or her 55th birthday or the tenth anniversary of the date he or she becomes a Member.

6.02 *Disposition of Forfeitures*

Upon termination of employment of a Member who was not vested in his or her Account, his or her Account shall be forfeited. The Member shall be deemed to have received a distribution of the zero, vested benefit upon his or her termination of employment. If the former Member is reemployed by the Employer or an Affiliate before incurring a period of Break in Service of five years, his or her Account shall be restored. The Committee shall direct the Trustee to apply any

amounts forfeited pursuant to this Section to (a) restore amounts previously forfeited by the Member but required to be reinstated upon resumption of employment, (b) reduce Employer contributions, or (c) reallocate to Members in the same manner as contributions under Section 3.01(b). If forfeitures arising during any Plan Year are insufficient to restore forfeited amounts to the Accounts of Members pursuant to this Section 6.02, the Employer shall contribute the balance required for that purpose.

ARTICLE 7. DISTRIBUTION AND TRANSFERS OF ACCOUNT

7.01 *Eligibility*

(a) Upon a Member's termination of employment, the vested portion of his or her Account, as determined under Article 6, shall be distributed as provided in this Article; and

(b) An eligible Member may, in accordance with Section 7.04, request a transfer or distribution, whichever is applicable, from his or her Account, whether or not he or she has terminated employment.

7.02 *Time of Distribution*

(a) Except as otherwise provided in this Article, distribution of the vested portion of a Member's Account shall commence as soon as administratively practicable, but not more than one (1) year following the later of (i) the last day of the Plan Year in which a Member incurs a Break in Service or (ii) the Member's 65th birthday (but, unless the Member otherwise elects, in accordance with Section 401(a)(14) of the Code, in no event later than the 60th

day following the close of the Plan Year in which the latest of the following occurs: (1) the Member's 65th birthday; (2) the tenth anniversary of the date on which the Member commenced participation under this Plan; or (3) the Member terminates employment with all Employers);

(b) A Member whose employment is terminated for any reason shall be entitled, upon written request, in accordance with procedures established by the Committee, to receive distribution of the entire vested interest in the Member's Account in accordance with either this Section 7.02 or Section 7.06. If the value of the vested portion of a Member's Account exceeds $5,000 and he or she does not consent in writing within 60 days (or such other period prescribed by the Committee) of his or her Severance Date to an immediate distribution to be made as soon thereafter as administratively practicable, distribution of the vested interest in the Member's Account shall be made as soon as practicable following the Valuation Date coincident with the earliest of:

(i) receipt by the Committee at least sixty (60) days (or such other period prescribed by the Committee) prior to such Valuation Date of the Member's written request for payment;

(ii) the Member's attainment of age 65; or

(iii) the Member's death.

In the event an allocation of Employer Contributions and/or forfeitures is made to the Member's Account pursuant to Article 3 or Article 6 following the date on which a distribution is made hereunder, distribution of such contributions and/or forfeitures shall be made to the Member or Beneficiary in a single sum as soon as practicable following the date on which such allocation is made;

(c) In the case of the death of a Member before the distribution of his or her Account, the vested portion of his or her Account shall be distributed to the Member's Beneficiary as soon as administratively practicable following the Valuation Date coincident with or next following the Member's date of death; and

(d) The amount of a distribution made pursuant to this Section 7.02 shall be determined as of the applicable Valuation Date.

7.03 *Form and Manner of Distribution*

(a) Distributions shall be paid in a single sum consisting of shares of Company Stock or cash, at the election of the Member or his or her Beneficiary. Unless the Member or Beneficiary elects to receive the distribution in Company Stock, such distribution shall be paid entirely in cash. If the distribution is made in Company Stock, any unpaid dividends which may be due and any balance in the Account representing fractional shares will be paid in cash. If the

distribution is to be made in cash, and, if the Committee in its discretion determines that there is insufficient cash in the Plan, or that it is not desirable or appropriate to distribute some or all of such cash from the Plan, the Trustee will, as soon as practicable following its receipt of notice of such distribution, and of appropriate instructions, from the Committee, sell the shares held in the Member's Account and otherwise held by the Plan to the extent necessary. Such Member or Beneficiary shall thereafter receive, entirely in cash, such distribution;

(b) Shares of Company Stock distributed to Members pursuant to Section 7.03 (a) that at the time of such distribution are not readily tradable on an established market shall be subject to a put option which shall permit the Member to sell such stock to the Company at any time during two option periods at the fair market value of such shares (as of the most recent Valuation Date). The first period shall be for at least 60 days beginning on the date of distribution. The second period shall be for at least 60 days beginning on the first Valuation Date in the calendar year following the year in which the distribution was made. The Company or the Committee may direct the Trustee to purchase shares tendered to the Company under a put option. Payment for any shares of stock sold under a put option shall be made in a lump sum or in substantially equal annual installments over a period not

exceeding five years, with interest payable at a reasonable rate (as determined by the Committee). Except as may be permitted under applicable law or regulations, the rights of a distributee of Company Stock under this Section 7.03(b) shall survive the repayment of any relevant Exempt Loan, the termination of the Plan, and any amendment of the Plan; and

(c) Notwithstanding the preceding and at the discretion of the Committee, any portion of a Member's vested Account which consists of Financed Shares shall not be distributed until any outstanding Exempt Loan has been completely repaid.

7.04 *Diversification of Account*

(a) Each eligible Member (including each former Employee of an Employer) may make an annual election to transfer his or her Account to a plan designated for such purpose by the Committee. The election to effect such transfer shall be granted with respect to a period of six Plan Years ("Election Period") commencing with the Plan Year in which occurs the later of the Member's attainment of age 55 or the Member's completion of ten years of participation in the Plan. For each Plan Year within the Member's Election Period a Member may elect, within 90 days of the close of such Plan Year, to transfer all or a portion of his or her Account which is subject to this Section 7.04 ("Diversification Amount"). The

amount in the Account subject to this Section 7.04 shall be the excess of (i) over (ii) as follows:

(i) 25% of the sum of (A) the balance of the Member's Account, determined as of the close of such Plan Year, and (B) the distributions received by and transfers made as result of his or her prior elections (provided that "50%" shall be substituted for "25%" for his or her final election within the Election Period), minus; and

(ii) the distribution received by and transfers made by the Member pursuant to his or her prior elections.

(b) Notwithstanding Section 7.04(a) above, the Committee may allow Members the following diversification options in lieu of transfer to another plan:

(i) Transfer the Diversification Amount to an individual retirement account (IRA);

(ii) Reallocate, at the discretion of the Member, the Diversification Amount among at least three (3) alternate investment options as chosen by the Committee for this purpose; or

(iii) Distribute the Diversification Amount in a single lump-sum payment directly to the Member.

(c) If a Member elects to receive or have transferred an amount described in paragraph (a) or (b) above, such distribution or transfer shall be made within 90 days after the close of the applicable annual Election Period.

7.05 *Age 70 1/2 Required Distribution*

(a) Notwithstanding any provision of the Plan to the contrary, if a Member is a 5-percent owner (as defined in Section 416(i) of the Code), distribution of the Member's Account shall begin no later than the April 1 following the calendar year in which he or she attains age 70 1/2. No minimum distribution payments will be made to a Member under the provisions of Section 401(a)(9) of the Code if the Member is not a 5-percent owner as defined above. However, if a Member who is not a 5-percent owner (as defined in Section 416(i) of the Code) attains age 70 1/2 prior to January 1, 2000 and remains in service after the April 1 following the calendar year in which he or she attains age 70 1/2, he or she may elect to have the provisions of paragraph (b) apply as if the Member was a 5-percent owner. Such election shall be made in accordance with such administrative procedures as the Committee shall prescribe;

(b) In the event a Member is required to begin receiving payments while in service under the provisions of paragraph (a) above, the

Member may elect to receive payments while in service in accordance with option (i) or (ii), as follows:

(i) A Member may receive one lump-sum payment on or before the Member's required beginning date equal to his or her entire Account balance and annual lump-sum payments thereafter of amounts accrued during each calendar year; or

(ii) A Member may receive annual payments of the minimum amount necessary to satisfy the minimum distribution requirements of Section 401(a)(9) of the Code. Such minimum amount will be determined on the basis of the joint life expectancy of the Member and his or her Beneficiary. Such life expectancy will be recalculated once each year; however, the life expectancy of the Beneficiary will not be recalculated if the Beneficiary is not the Member's spouse.

An election under this Section shall be made by a Member by giving written notice to the Committee within the 90-day period prior to his or her required beginning date. The commencement of payments under this Section shall not constitute an annuity starting date for purposes of Sections 72, 401(a)(11) and 417 of the Code. Upon the Member's subsequent termination of employment, payment of the Member's Account shall be made in accordance with the provisions of Section 7.02. In the

event a Member fails to make an election under this Section, payment shall be made in accordance with clause (ii) above;

(c) *Distribution Made After December 31, 2000*. With respect to age 70 1/2 required distributions made under the Plan for calendar years beginning on or after January 1, 2001, the Plan will apply the minimum distribution requirements of Section 401(a)(9) of the Code in accordance with the regulations under Section 401(a)(9) that were proposed on January 7, 2001, notwithstanding any provision of the Plan to the contrary. This amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under Section 401(a)(9) or such other date as may be specified in guidance published by the Internal Revenue Service; and

(d) *Minimum Distribution Requirements For Plan Years Beginning on or after January 1, 2003*

(1) General Rules

(i) *Effective Date*. The provisions of this subsection will apply for purposes of determining required minimum distributions for Plan Years beginning with the 2003 calendar year. Required minimum distributions for Plan Years ending prior to January 1, 2003 shall be determined pursuant to subsection (c) above;

(ii) *Precedence*. The requirements of this Article will take precedence over any inconsistent provisions of the Plan; and

(iii) *Requirements of Treasury Regulations Incorporated*. All distributions required under this Article will be determined and made in accordance with the Treasury regulations under Section 401(a)(9) of the Code.

(2) Time and Manner of Distribution

(i) *Required Commencement Date*. The Member's entire interest will be distributed, or begin to be distributed, to the Member no later than the date stipulated in Subsection 7.05(a) above;

(ii) *Death of Member Before Distributions Begin*. If the Member dies before distributions begin, the Member's entire interest will be distributed, or begin to be distributed, no later than as follows:

(A) If the Member's surviving spouse is the Member's sole Designated Beneficiary, then, except as provided in any other section of the Plan, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Member

died, or by December 31 of the calendar year in which the Member would have attained age 70 1/2, if later;

(B) If the Member's surviving spouse is not the Member's sole Designated Beneficiary, then, except as provided in any other section of the Plan, distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Member died;

(C) If there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, the Member's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Member's death; and

(D) If the Member's surviving spouse is the Member's sole Designated Beneficiary and the surviving spouse dies after the Member but before distributions to the surviving spouse begin, this section, other than subsection (A) above, will apply as if the surviving spouse were the Member.

For purposes of this section and Section 7.05(d)(3) below, unless Subsection 7.05(d)(2)(ii)(D) applies, distributions are considered to begin on the Member's Required Commencement Date. If Subsection 7.05(d)(2)(ii)(D) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Subsection 7.05(d)(2)(ii)(A). If distributions under an annuity purchased from an insurance company irrevocably commence to the Member before the Member's Required Commencement Date (or to the Member's surviving spouse before the date distributions are required to begin to the surviving spouse under Subsection 7.05(d)(2)(ii)(A)), the date distributions are considered to begin is the date distributions actually commence.

(iii) *Forms of Distribution*. Unless the Member's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Commencement Date, as of the first Distribution Calendar Year distributions will be made in accordance with Plan Sections 7.05(d)(3) and 7.05(d)(4). If the Member's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the

requirements of Section 401(a)(9) of the Code and the Treasury regulations.

(3) Required Minimum Distributions During Member's Lifetime

(i) *Amount of Required Minimum Distribution For Each Distribution Calendar Year*. During the Member's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of:

(A) The quotient obtained by dividing the Member's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Member's age as of the Member's birthday in the Distribution Calendar Year; or

(B) If the Member's sole Designated Beneficiary for the Distribution Calendar Year is the Member's spouse, the quotient obtained by dividing the Member's Account Balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Member's and spouse's attained ages as of the Member's and spouse's birthdays in the Distribution Calendar Year.

(ii) *Lifetime Required Minimum Distributions Continue Through Year of Member's Death*. Required minimum distributions will be determined under this Section 7.05(d)(3) beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Member's date of death.

(4) Required Minimum Distributions After Member's Death.

(i) Death On or After Date Distributions Begin

(A) *Member Survived by Designated Beneficiary*. If the Member dies on or after the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Member's death is the quotient obtained by dividing the Member's Account Balance by the longer of the remaining Life Expectancy of the Member or the remaining Life Expectancy of the Member's Designated Beneficiary, determined as follows:

(I) The Member's remaining Life Expectancy is calculated using the age of the Member in the year of death, reduced by one for each subsequent year;

(II) If the Member's surviving spouse is the Member's sole Designated Beneficiary, the remaining Life Expectancy of the surviving spouse is calculated for each Distribution Calendar year after the year of the Member's death using the surviving spouse's age as of the spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving spouse's death, the remaining Life Expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year; and

(III) If the Member's surviving spouse is not the Member's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the beneficiary in the year following the year of the Member's death, reduced by one for each subsequent year.

(B) *No Designated Beneficiary*. If the Member dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Member's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Member's death is the quotient obtained by dividing the Member's Account Balance by the Member's remaining Life Expectancy calculated using the age of the Member in the year of death, reduced by one for each subsequent year.

(ii) Death Before Date Distributions Begin.

(A) *Member Survived by Designated Beneficiary*. Except as otherwise provided in the Plan, if the Member dies before the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Member's death is the quotient obtained by dividing the Member's Account Balance by the remaining Life Expectancy of the Member's Designated Beneficiary, determined as provided in Section 7.05(d)(4);

(B) *No Designated Beneficiary*. If the Member dies before the date distributions begin and there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, distribution of the Member's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death; and

(C) *Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin*. If the Member dies before the date distributions begin, the Member's surviving spouse is the Member's sole Designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 7.05(d)(2)(ii)(A), this Section 7.05(d)(4)(ii) will apply as if the surviving spouse were the Member.

(e) *Definitions* – The following definitions apply to Section 7.05(d) only.

(i) *Designated Beneficiary*. The individual who is designated as the Beneficiary under Plan Section 1.05 and is the Designated Beneficiary under Section 401(a)(9) of the

Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations;

(ii) *Distribution Calendar Year*. A calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year that contains the Member's Required Commencement Date. For distributions beginning after the Member's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin under Section 7.05(d)(2)(ii). The required minimum distribution for the Member's first Distribution Calendar Year will be made on or before the Member's Required Commencement Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Member's Required Commencement Date occurs, will be made on or before December 31 of that Distribution Calendar Year;

(iii) *Life Expectancy*. Life Expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations;

(iv) *Member's Account Balance*. The Account Balance as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account Balance as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The Account Balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the Distribution Calendar Year if distributed or transferred in the valuation calendar year; and

(v) *Required Commencement Date*. The date specified in Section 7.05(a) of the Plan.

7.06 *Small Benefits*

(a) Notwithstanding any provision of the Plan to the contrary, a lump-sum payment shall be made in lieu of all vested benefits if the value of the vested portion of the Member's Account as of his or her termination of employment amounts to $5,000 or less (prior to March 28, 2005) or $1,000 or less (on or after March 28, 2005). The lump-sum payment shall automatically be made as soon as administratively practicable following the Member's termination of

employment but not later than ninety (90) days after the Plan Year end in which he or she incurs a Break in Service.

(b) Any distribution in excess of $1,000 (on or after January 1, 2011) shall be made by transferring the amount to be distributed to an individual retirement plan designated by the Committee in accordance with Section 404(a) of ERISA and the regulations thereunder, unless the Member or Beneficiary entitled to receive the distribution elects (1) to receive the distribution directly, or (2) to have the distribution paid directly to another Eligible Retirement Plan as described in Section 402(c)(8)(B) of the Code.

7.07 *Status of Account Pending Distribution*

Until completely distributed under Section 7.03 or 7.05, the Account of a Member who is entitled to a distribution shall continue to be invested as part of the funds of the Plan.

7.08 *Proof of Death and Right of Beneficiary or Other Person*

The Committee may require and rely upon such proof of death and such evidence of the right of any Beneficiary or other person to receive the value of the Account of a deceased Member as the Committee may deem proper and its determination of the right of that Beneficiary or other person to receive payment shall be conclusive.

7.09 *Distribution Limitation*

Notwithstanding any other provision of this Article 7, all distributions from this Plan shall conform to the regulations issued under Section 401(a)(9) of the Code, including the incidental death benefit provisions of Section 401(a)(9)(G) of the Code. Further, such regulations shall override any Plan provision that is inconsistent with Section 401(a)(9) of the Code.

7.10 *Direct Rollover of Certain Distributions*

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. The following definitions apply to the terms used in this Section:

(a) "Eligible rollover distribution" means any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more, any distribution to the extent such distribution is required under Section 401(a)(9) of the Code, and the portion of any distribution that is not includible in gross

income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities);

(b) "Eligible retirement plan" means an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity. Effective January 1, 2002, an eligible retirement plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is an alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code;

(c) "Distributee" means an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse

and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse; and

(d) "Direct rollover" means a payment by the Plan to the eligible retirement plan specified by the distributee.

7.11 *Waiver of Notice Period*

Except as provided in the following sentence, if the value of the vested portion of a Member's Account exceeds $5,000 ($1,000 on or after March 28, 2005), an election by the Member to receive a distribution prior to age 65 shall not be valid unless the written election is made (i) after the Member has received the notice required under Section 1.411(a)-11(c) of the Treasury regulations and (ii) not less than thirty (30) days and not more than one hundred eighty (180) days before the effective date of the commencement of the distribution as prescribed by said regulations. If such distribution is one to which Sections 401(a)(11) and 417 of the Code do not apply, such distribution may commence less than 30 days after the notice required under Section 1.411(a)-11(c) of the Treasury regulations is given, provided that:

(a) the Committee clearly informs the Member that he or she has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option); and

(b) the Member, after receiving the notice under Sections 411 and 417, affirmatively elects a distribution.

ARTICLE 8. VOTING

8.01 *Voting Company Stock*

(a) Notwithstanding any other provision of this Plan to the contrary, if any, but subject to the provisions of this Article, the Trustee shall have no discretion or authority to vote Company Stock held in the trust by the Trustee on any matter presented for a vote by the stockholders of the Company except in accordance with timely directions received by the Trustee from Members who have Company Stock allocated to their Accounts under the Plan. Each Member who has allocated Company Stock shall, as the named fiduciary for this purpose, direct the Trustee with respect to the vote of the Company Stock allocated to the Member's Account and the Trustee shall follow the directions of those Members who provide timely instructions to the Trustee;

(b) With respect to Company Stock held in the Trust by the Trustee but not allocated to the Accounts of Members, and with respect to Company Stock otherwise allocated to Accounts of Members but for which no voting directions are timely received by the Trustee, the Trustee shall vote a percentage of such shares in favor of the proposed transaction that is equal to the percentage of allocated Common Stock in Members' Accounts for which voting directions

are timely received from Members that are in favor of such transaction, the Trustee shall vote a percentage of such shares against the proposed transaction equal to the percentage of allocated Common Stock in Members' Accounts for which voting directions are timely received from Members that are not in favor of such transaction, and the Trustee shall abstain from voting a percentage of shares for or against the proposed transaction equal to the percentage of allocated Common Stock in Members' Accounts for which abstention voting directions are timely received from the Members;

(c) In the event a court of competent jurisdiction shall issue any order or any opinion to the Plan, the Company or the Trustee, which shall, in the opinion of counsel to the Company or the Trustee, invalidate under ERISA, in all circumstances or in any particular circumstances, any provision or provisions of this Section 8.01 regarding the manner in which Company Stock held in the Trust shall be voted or cause any such provisions or provision to conflict with ERISA, then, upon notice thereof to the Company or the Trustee, as the case may be, such invalid or conflicting provisions of this Section 8.01 shall be given no further force or effect. In such circumstances the Trustee shall nevertheless have no discretion to vote allocated shares of Company Stock held in the

Trust unless required under such order or opinion but shall follow instructions received from Members and not invalidated;

(d) In the event that any option, right, warrant, or similar property derived from or attributable to the ownership of the Company Stock allocated to Members shall be granted, distributed, or otherwise issued which is and shall become exercisable, each Member (or Beneficiary) shall be entitled to direct the Trustee, in writing, to sell, exercise, distribute, or retain any such option, right, warrant, or similar property. The securities acquired by the Trustee upon such exercise shall be held in a special account or accounts. For all Plan purposes, all options, rights, warrants, or similar property described in this paragraph (d) of Section 8.01 hereof shall be treated as income added to the appropriate Accounts of Members (or Beneficiaries). If, within a reasonable period of time after the form soliciting direction from a Member (or Beneficiary), has been sent, no written directions shall have been received by the Trustee from such Member (or Beneficiary), the Trustee shall, in its sole discretion, sell, exercise, or retain and keep unproductive of income such option, right, warrant, or similar property for which no response has been received from such Member (or Beneficiary) and also for options, rights, warrants, or similar property derived from, or attributable to, the ownership of

Company Stock not yet allocated to any Member's (or Beneficiary's) Account; and

(e) The Trustee shall, in accordance with timely directions received by the Trustee from the Committee in its sole discretion, sell, exercise, or retain and keep unproductive of income such option, right, warrant, or similar property attributable to unallocated Company Stock held in the Suspense Account.

8.02 *Shareholder Communication*

Notwithstanding anything to the contrary in this Article 8, the Company shall make any and all communications or distributions required under the Shareholder Communications Act of 1985 and any rules thereunder.

ARTICLE 9. ADMINISTRATION OF PLAN

9.01 *Appointment of Committee*

The general administration of the Plan and the responsibility for carrying out the provisions of the Plan shall be placed in a Committee consisting of not more than five (5) members, all of whom shall be appointed and serve at the pleasure of the Board of Directors. Any person who is appointed a member of the Committee shall signify his or her acceptance by filing written acceptance with the Board of Directors and the secretary of the Committee. Any member of the Committee may resign by delivering his or her written resignation to the Board of Directors and the secretary of the Committee.

9.02 *Duties of Committee*

The Committee shall elect a chairman from their number and a secretary who may be but need not be one of the members of the Committee; may appoint from their number such subcommittees with such powers as they shall determine; may authorize one or more of their number or any agent to execute or deliver any instrument or make any payment on their behalf; may retain counsel, employ agents and provide for such clerical, accounting, and consulting services as they may require in carrying out the provisions of the Plan; and may allocate among themselves or delegate to other persons all or such portion of their duties under the Plan, other than those granted to the Trustee under the trust agreement adopted for use in implementing the Plan, as they, in their sole discretion, shall decide. The Board of Directors, in its sole and absolute discretion, may delegate any or all of the duties of the Committee to the Trustee as it may determine from time to time, upon the Trustee's acceptance of such duties.

9.03 *Individual Account*

The Committee shall maintain, or cause to be maintained, records showing the individual balances in each Member's Account. However, maintenance of those records and Accounts shall not require any segregation of the funds of the Plan.

9.04 *Meetings*

The Committee shall hold meetings upon such notice, at such place or places, and at such time or times as it may from time to time determine.

9.05 *Action of Majority*

Any act which the Plan authorizes or requires the Committee to do may be done by a majority of its members. The action of that majority expressed from time to time by a vote at a meeting or in writing without a meeting shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all members of the Committee at the time in office.

9.06 *Compensation and Bonding*

No member of the Committee shall receive any compensation from the Plan for his or her services as such. Except as may otherwise be required by law, no bond or other security need be required of any member in that capacity in any jurisdiction.

9.07 *Establishment of Rules*

Subject to the limitations of the Plan, the Committee from time to time shall establish rules for the administration of the Plan and the transaction of its business. The Committee shall have discretionary authority to construe and interpret the Plan (including, but not limited to, determination of an individual's eligibility for Plan participation, the right and amount of any benefit payable under the Plan and the date on which any individual ceases to be a Member). The determination of the Committee as to the interpretation of the Plan or any disputed question shall be conclusive and final to the extent permitted by applicable law.

9.08 *Prudent Conduct*

The Committee shall use that degree of care, skill, prudence and diligence that a prudent man acting in a like capacity and familiar with such matters would use in his conduct of a similar situation.

9.09 *Service In More Than One Fiduciary Capacity*

Any individual, entity or group of persons may serve in more than one fiduciary capacity with respect to the Plan and/or the funds of the Plan.

9.10 *Limitation of Liability*

The Employer, the Board of Directors, the directors of an Employer, the Committee, and any officer, employee or agent of the Employer shall not incur any liability individually or on behalf of any other individuals or on behalf of the Employer for any act or failure to act, made in good faith in relation to the Plan or the funds of the Plan. However, this limitation shall not act to relieve any such individual or the Employer from a responsibility or liability for any fiduciary responsibility, obligation or duty under Part 4, Title I of ERISA.

9.11 *Indemnification*

The Committee, the Board of Directors, and the officers, employees and agents of the Employer shall be indemnified against any and all liabilities arising by reason of any act, or failure to act, in relation to the Plan or the funds of the Plan, including, without limitation, expenses reasonably incurred in the defense of any claim relating to the Plan or the funds of the Plan, and amounts paid in any compromise or settlement relating to the Plan or the funds of the Plan, except for

actions or failures to act made in bad faith. The foregoing indemnification shall be from the funds of the Plan to the extent of those funds and to the extent permitted under applicable law; otherwise from the assets of the Employer.

9.12 *Named Fiduciary*

For purposes of ERISA, the Committee shall be the named fiduciary of the Plan except or until otherwise determined by the Board of Directors.

9.13 *Claims Procedure*

The claims procedure hereunder shall be as provided herein:

(a) *Claim*. A Member or Beneficiary or other person who believes that he or she is being denied a benefit to which he or she is entitled (hereinafter referred to as "Claimant") may file a written request for such benefit with the Committee setting forth his claim;

(b) *Response to Claim.* The Committee shall respond within ninety (90) days of receipt of the claim. However, upon written notification to the Claimant, the response period may be extended for an additional ninety (90) days for reasonable cause. If the claim is denied in whole or in part, the Claimant shall be provided with a written opinion using nontechnical language setting forth:

(i) The specific reason or reasons for the denial;

(ii) The specific references to pertinent Plan provisions on which the denial is based;

(iii) A description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or such information is necessary;

(iv) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; and

(v) The time limits for requesting a review.

(c) *Request for Review.* Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Committee review the determination. The Claimant or his duly authorized representative may review the pertinent documents and submit issues and comments in writing for consideration by the Committee. If the Claimant does not request a review of the determination within such sixty (60) day period, he shall be barred from challenging the determination; and

(d) *Review and Decision.* The Committee shall review the determination within sixty (60) days after receipt of a Claimant's request for review; provided, however, that for reasonable cause such period may be extended to no more than one hundred twenty (120) days. After considering all materials presented by the Claimant, the Committee will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific

references to the pertinent Plan provisions on which the decision is based.

9.14 *Committee's Decision Final*

Subject to applicable law, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Committee made by the Committee in good faith shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known and the Committee shall make such adjustment on account thereof as it considers equitable and practicable.

ARTICLE 10. MANAGEMENT OF FUNDS

10.01 *Trust Agreement*

All the funds of the Plan shall be held by a Trustee appointed from time to time by the Board of Directors under a trust agreement adopted, or as amended, by the Board of Directors for use in providing the benefits of the Plan and paying its expenses not paid directly by the Employer. The Employer shall have no liability for the payment of benefits under the Plan nor for the administration of the funds paid over to the Trustee.

10.02 *Exclusive Benefit Rule*

Except as otherwise provided in the Plan, no part of the corpus or income of the funds of the Plan shall be used for, or diverted to, purposes other than for the exclusive benefit of Members and other persons entitled to benefits under the Plan and paying the expenses of the Plan not paid directly by the Employer. No person

shall have any interest in, or right to, any part of the earnings of the funds of the Plan, or any right in, or to, any part of the assets held under the Plan, except as and to the extent expressly provided in the Plan.

ARTICLE 11. GENERAL PROVISIONS

11.01 *Nonalienation*

(a) Except as required by any applicable law or by paragraph (c), no benefit under the Plan shall in any manner be anticipated, assigned or alienated, and any attempt to do so shall be void. However, payment shall be made in accordance with the provisions of any judgment, decree, or order which:

(i) creates for, or assigns to, a spouse, former spouse, child or other dependent of a Member the right to receive all or a portion of the Member's benefits under the Plan for the purpose of providing child support, alimony payments or marital property rights to that spouse, child or dependent;

(ii) is made pursuant to a State domestic relations law;

(iii) does not require the Plan to provide any type of benefit, or any option, not otherwise provided under the Plan; and

(iv) otherwise meets the requirements of Section 206(d) of ERISA, as amended, as a "qualified domestic relations order", as determined by the Committee.

(b) Notwithstanding anything herein to the contrary, if the amount payable to the alternate payee under the qualified domestic relations order is less than $5,000, such amount shall be paid in one lump sum as soon as practicable following the qualification of the order. If the amount exceeds $5,000, it may be paid as soon as practicable following the qualification of the order if the qualified domestic relations order so provides and the alternate payee consents thereto; otherwise it may not be payable before the earlier of (i) the Member's termination of employment or (ii) the Member's attainment of age 50; and

(c) A Member's benefit under the Plan shall be offset or reduced by the amount the Member is required to pay to the Plan under the circumstances set forth in Section 401(a)(13)(C) of the Code.

11.02 *Conditions of Employment Not Affected by Plan*

The establishment of the Plan shall not confer any legal rights upon any Eligible Employee or other person for a continuation of employment, nor shall it interfere with the rights of the Employer to discharge any Eligible Employee and to treat him or her without regard to the effect which that treatment might have upon him or her as a Member or potential Member of the Plan.

11.03 *Facility of Payment*

If the Committee shall find that a Member or other person entitled to a benefit is unable to care for his or her affairs because of illness or accident or because he or

she is a minor, the Committee may direct that any benefit due him or her, unless claim shall have been made for the benefit by a duly appointed legal representative, be paid to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides. Any payment so made shall be a complete discharge of the liabilities of the Plan for that benefit.

11.04 *Erroneous Allocation*

Notwithstanding any provision of the Plan to the contrary, if a Member's Account is credited with an erroneous amount due to a mistake in fact or law, the Committee shall adjust such Account in such equitable manner as it deems appropriate to correct the erroneous allocation.

11.05 *Information*

Each Member, Beneficiary or other person entitled to a benefit, before any benefit shall be payable to him or her or on his or her account under the Plan, shall file with the Committee the information that it shall require to establish his or her rights and benefits under the Plan.

11.06 *Top-Heavy Provisions Prior to January 1, 2002*

(a) The following definitions apply to the terms used in this Section:

(i) "applicable determination date" means the last day of the preceding Plan Year;

(ii) "top-heavy ratio" means the ratio of (A) the value of the aggregate of the Accounts under the Plan for key employees to (B) the value of the aggregate of the

Accounts under the Plan for all key employees and non-key employees;

(iii) "key employee" means an Employee who is in a category of employees determined in accordance with the provisions of Sections 416(i)(1) and (5) of the Code and any regulations thereunder, and where applicable, on the basis of the Employee's statutory compensation from the Employer or an Affiliate;

(iv) "non-key employee" means any Employee who is not a key employee;

(v) "applicable Valuation Date" means the Valuation Date coincident with or immediately preceding the last day of the preceding Plan Year;

(vi) "required aggregation group" means any other qualified plan(s) of the Employer or an Affiliate in which there are members who are key employees or which enable(s) the Plan to meet the requirements of Section 401(a)(4) or 410 of the Code; and

(vii) "permissive aggregation group" means each plan in the required aggregation group and any other qualified plan(s) of the Employer or an Affiliate in which all members are non-key employees, if the resulting aggregation group

continues to meet the requirements of Sections 401(a)(4) and 410 of the Code.

(b) For purposes of this Section, the Plan shall be "top-heavy" with respect to any Plan Year if as of the applicable determination date the top-heavy ratio exceeds 60 percent. The top-heavy ratio shall be determined as of the applicable Valuation Date in accordance with Sections 416(g)(3) and (4) of the Code and Article 5 of this Plan, and shall take into account any contributions made after the applicable Valuation Date but before the last day of the Plan Year in which the applicable Valuation Date occurs. For purposes of determining whether the Plan is top-heavy, the Account balances under the Plan will be combined with the Account balances or the present value of accrued benefits under each other plan in the required aggregation group, and, in the Employer's discretion, may be combined with the account balances or the present value of accrued benefits under any other qualified plan in the permissive aggregation group. Distributions made with respect to a Member under the Plan during the five-year period ending on the applicable determination date shall be taken into account for purposes of determining the top-heavy ratio; distributions under plans that terminated within such five-year period shall also be taken unto account, if any such plan contained key employees and therefore would have been part of the required aggregation group;

(c) The following provisions shall be applicable to Members for any Plan Year with respect to which the Plan is top-heavy:

(i) In lieu of the vesting requirements specified in Section 6.01, a Member shall be vested in, and have a nonforfeitable right to, his or her Account in accordance with the following schedule:

Years of Vesting Service	*Nonforfeitable Percentage*
less than 2 years	0%
2 years	20
3 years	40
4 years	60
5 or more years	100

provided that in no event shall the vested portion of his or her Account be less than the vested portion determined under Section 6.01; and

(ii) An additional Employer contribution shall be allocated on behalf of each Member (and each Eligible Employee eligible to become a Member) who is a non-key employee, and who has not separated from service as of the last day of the Plan Year, to the extent that the contributions made on his or her behalf under Section 3.01 for the Plan Year would otherwise be less than 3 percent of his or her

remuneration. However, if the greatest percentage of remuneration contributed on behalf of a key employee under Section 3.01 for the Plan Year would be less than 3 percent, that lesser percentage shall be substituted for "3 percent" in the preceding sentence. Notwithstanding the foregoing provisions of this subparagraph (ii), no minimum contribution shall be made under this Plan with respect to a Member (or an Employee eligible to become a Member) if the required minimum benefit under Section 416(c)(1) of the Code is provided to him or her by any other qualified pension plan of the Employer or an Affiliate. For the purposes of this subparagraph (ii), remuneration has the same meaning as set forth in Section 3.03(c).

(d) If the Plan is top-heavy with respect to a Plan Year and ceases to be top-heavy for a subsequent Plan Year, the following provisions shall be applicable:

(i) If a Member has completed at least three years of Vesting Service on or before the last day of the most recent Plan Year for which the Plan was top-heavy, the vesting schedule set forth in paragraph (b)(i) shall continue to be applicable; and

(ii) If a Member has completed at least two, but less than three, years of Vesting Service on or before the last day of the

most recent Plan Year for which the Plan was top-heavy, the vesting provisions of Section 6.01 shall again be applicable; provided, however, that in no event shall the vested percentage of a Member's Account be less than the percentage determined under paragraph (b)(i) above as of the last day of the most recent Plan Year for which the Plan was top-heavy.

11.07 *Top-Heavy Provisions After December 31, 2001*

(a) *Effective Date*. This Section 11.07 shall apply for purposes of determining whether the Plan is a top-heavy plan under Section 416(g) of the Code for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefits requirements of Section 416(c) of the Code for such years. This section amends the above Section 11.06 of the Plan;

(b) *Determination of Top-Heavy Status*. Key employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual compensation greater than $130,000 (as adjusted under Section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having annual compensation of more than $150,000. For this purpose, annual compensation means compensation within

the meaning of Section 415(c)(3) of the Code. The determination of who is a key employee will be made in accordance with Section 416(i) of the Code and the applicable regulations and other guidance of general applicability issued thereunder; and

(c) *Determination of Present Values and Amounts*. This Section 11.07(c) shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of Employees as of the determination date.

(i) *Distributions During Year Ending on the Determination Date*. The present values of accrued benefits and the amounts of Account balances of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Section 416(g)(2) of the Code during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death, or Disability, this provision shall be applied by substituting “5-year period” for “1-year period”; and

(ii) *Employees not performing services during the year ending on the determination date*. The accrued benefits and Accounts of any individual who has not performed services for the Employer during the 1-year period ending on the determination date shall not be taken into account.

(d) *Minimum Benefits*

(i) *Matching Contributions*. Employer matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Section 416(c)(2) of the Code and the Plan. The preceding sentence shall apply with respect to matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Section 401(m) of the Code; and

(ii) *Contributions under other plans*. The Employer may provide in the adoption agreement that the minimum benefit requirement shall be met in another plan (including another plan that consists solely of a cash or deferred arrangement which meets the requirements of Section

401(k)(12) of the Code and matching contributions with respect to which the requirements of Section 401(m)(11) of the Code are met).

11.08 *Prevention of Escheat*

If the Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Committee may, no earlier than three years from the date such payment is due, mail a notice of such due and owing payment to the last known address of such person, as shown on the records of the Committee or the Employer. If such person has not made written claim therefor within three months of the date of the mailing, the Committee may, if it so elects and upon receiving advice from counsel to the Plan, direct that such payment and all remaining payments otherwise due such person be canceled on the records of the Plan and the amount thereof applied to reduce the contributions of the Employer. Upon such cancellation, the Plan and the Trust shall have no further liability therefor except that, in the event such person or his or her Beneficiary later notifies the Committee of his or her whereabouts and requests the payment or payments due to him or her under the Plan, the amount so applied shall be paid to him or her in accordance with the provisions of the Plan.

11.09 *Written Elections*

Any elections, notifications or designations made by a Member pursuant to the provisions of the Plan shall be made in writing and filed with the Committee in a time and manner determined by the Committee under rules uniformly applicable to all Employees similarly situated. The Committee reserves the right to change

from time to time the time and manner for making notifications, elections or designations by Members under the Plan if it determines after due deliberation that such action is justified in that it improves the administration of the Plan. In the event of a conflict between the provisions for making an election, notification or designation set forth in the Plan and such new administrative procedures, those new administrative procedures shall prevail.

11.10 *Construction*

(a) The Plan shall be construed, regulated and administered under ERISA and the laws of the State of California, except where ERISA controls; and

(b) The titles and headings of the Articles and Sections in this Plan are for convenience only. In the case of ambiguity or inconsistency, the text rather than the titles or headings shall control.

ARTICLE 12. AMENDMENT, MERGER AND TERMINATION

12.01 *Amendment of Plan*

The Board of Directors reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate, to amend in whole or in part any or all of the provisions of the Plan. The Committee may amend the Plan, provided such amendments would not significantly increase the cost of the Plan, change the level of benefits provided under the Plan or modify the underlying policy reflected by the Plan and provided, further, that notwithstanding the above, the Committee may adopt any amendment necessary to maintain the Plan's qualified status under the applicable provisions of the Code. However, no

amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of persons entitled to benefits under the Plan. No amendment shall be made which has the effect of decreasing the balance of the Account of any Member or of reducing the nonforfeitable percentage of the balance of the Account of a Member below the nonforfeitable percentage computed under the Plan as in effect on the date on which the amendment is adopted, or if later, the date on which the amendment becomes effective. Any action to amend the Plan by the Board of Directors shall be taken in such manner as may be permitted under the by-laws of the Company, and any action to amend the Plan by the Committee shall be taken at a meeting held in person or by telephone or other electronic means or by unanimous written consent in lieu of a meeting.

12.02 *Merger, Consolidation or Transfer*

The Plan may not be merged or consolidated with, and its assets or liabilities may not be transferred to, any other plan unless each person entitled to benefits under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation, or transfer if the Plan had then terminated.

12.03 *Additional Participating Employers*

(a) If any company is or becomes an Affiliate, the Board of Directors may include the Employees of that Affiliate in the membership of the Plan upon appropriate action by that Affiliate necessary to

adopt the Plan unless the Board of Directors or its delegate provides otherwise. In that event, or if any persons become Eligible Employees of an Employer as the result of merger or consolidation or as the result of acquisition of all or part of the assets or business of another company, the Board of Directors shall determine to what extent, if any, previous service with .the Affiliate shall be recognized under the Plan, but subject to the continued qualification of the Trust for the Plan as tax-exempt under the Code; and

(b) Any Affiliate may terminate its participation in the Plan upon appropriate action by it. In that event the funds of the Plan held on account of Members in the employ of that Affiliate, and any unpaid balances of the Accounts of all Members who have separated from the employ of that Affiliate, shall be determined by the Committee. Those funds shall be distributed as provided in Section 12.04 if the Plan should be terminated, or shall be segregated by the Trustee as a separate trust, pursuant to certification to the Trustee by the Committee, continuing the Plan as a separate plan for the employees of that Affiliate under which the board of directors of that Affiliate shall succeed to all the powers and duties of the Board of Directors, including the appointment of the members of the Committee.

12.04 *Termination of Plan*

The Board of Directors, by action taken at a meeting held in person or by telephone or other electronic means, or by unanimous written consent in lieu of a meeting, may terminate the Plan or completely discontinue Employer contributions under the Plan for any reason at any time. In case of termination or partial termination of the Plan, or complete discontinuance of Employer contributions to the Plan, the rights of affected Members to their Accounts under the Plan as of the date of the termination or discontinuance shall be nonforfeitable. In the event of the Plan's termination, the total amount in each Member's Account shall be distributed to him or her if permitted by law or continued in trust for his or her benefit, as the Committee shall direct.

ARTICLE 13. ADOPTION

13.01 *Execution.*

To record the adoption of this Amended and Restated Plan, by unanimous vote of the Company's Board of Directors at its regularly scheduled and noticed meeting on December 9, 2010, effective as of January 1, 2010, the Company has caused this document to be executed on the 17th day of December, 2010.

By /s/ Jeffrey Wahba
Jeffrey Wahba
Chief Financial Officer

Exhibit 10.13

ESOP LOAN AGREEMENT

This Loan Agreement (the "Agreement") dated March 28, 2000 is entered into by and between FARMER BROS. CO., a California corporation ("Lender"), and WELLS FARGO BANK, N.A., (the "Trustee") as trustee for the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN (the "Borrower" or the "ESOP").

RECITALS

The Lender has adopted an employee stock ownership plan to purchase and hold FARMER BROS. CO. stock on behalf of the eligible employees of Lender. The ESOP is intended to qualify as an employee stock ownership plan under section 4975(e)(7) of the Internal Revenue Code of 1986, as amended (the "Code"), and Section 407(d)(6) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The ESOP provides that the ESOP may obtain loans to purchase shares of Lender's stock. It is intended that loans made under this Agreement shall qualify for an exemption under Section 4975(d) of the Code from being a prohibited transaction under Section 4975(c) of the Code.

The Lender is willing to lend and Borrower is willing to borrow up to $50,000,000 (the "Principal Amount") in order to finance the Borrower's purchases of up to 300,000 shares of FARMER BROS. CO. stock. The undersigned therefore agree to the following:

ARTICLE 1: The ESOP Loan:

1.1 Subject to the terms set forth herein, the Lender agrees to lend to the Borrower the Principal Amount, or such portion of the Principal Amount as the Borrower elects to receive from time to time under Section 1.2 of this Agreement (the "Loan").

1.2 During the period commencing with the date hereof and ending on December 31, 2002, the Borrower may elect from time to time to receive from Lender all or any portion of the Principal Amount (an "Advance"), less the portion of the Principal Amount previously advanced to the Borrower hereunder which is outstanding at the time of such election. Amounts Advanced and repaid may be reborrowed prior to December 31, 2002. An election to receive an Advance shall be made by the Borrower in writing to the Lender and shall specify the amount of the Advance requested and the date on which the Borrower requests that such funds be made available. Such date shall be no less than three business days prior to the date the notice of such election is received by the Lender, unless the Lender in its sole discretion waives such requirement.

1.3 The Borrower hereby agrees that it will use the entire proceeds of each Advance within a reasonable time after receipt to acquire FARMER BROS. CO. stock through open market purchases or from the Lender or any shareholder of Lender. If for any reason such purchases cannot be effected within a reasonable time, the Borrower must make a principal prepayment of the Loan with all such unused proceeds.

1.4 Borrower's indebtedness is evidenced by a Promissory Note of even date (the "Note") in the form attached hereto as Exhibit "A". The Lender shall enter upon the schedule attached to the Note the date and principal amount of each Advance.

1.5 Interest shall accrue on the balance of unpaid principal from the date of each Advance until the payment due date as described in the Note.

1.6 To secure payment of the Promissory Note, Borrower grants Lender a security interest in the shares purchased with the loan proceeds under the ESOP Pledge Agreement attached hereto as Exhibit "B".

1.7 The Borrower shall make principal and interest payments to the Lender according to the terms of the Note. The date and amount of each payment, principal or interest, shall be entered on the schedule to the Note.

1.8 The Lender agrees to make contributions to the ESOP in cash or by cancellation of indebtedness from time to time and in amounts sufficient to permit the Borrower to make timely repayments of principal and interest due under the terms of the Note. Subject to the preceding sentence, the amount and timing of such contribution(s) shall be at the sole discretion of the Lender, after considering the amount of each annual payment of principal and interest, the amount of any cash dividends received by the ESOP on Lender's stock and the amount, if any, of non-Lender investments held by the ESOP. The Lender shall not be required to make contributions to the ESOP in amounts in excess of the limitations under Sections 404(a) and 415(c) of the Code. The Borrower agrees that so long as any interest or principal amount remains payable on the Loan, Borrower will use all cash contributions, earnings thereon and cash dividends received by the ESOP to make payments on the Loan. Borrower's obligation to make payments on the Loan is limited to the excess of the aggregate of such contributions, earnings and dividends over prior Loan payments. Lender shall have no recourse against Borrower's assets other than such excess contributions, earnings and dividends and the shares of FARMER BROS. CO. stock then pledged under the ESOP Pledge Agreement.

1.9 The Borrower may prepay principal or interest without premium or penalty, any such prepayment shall be applied to the principal installments in the inverse order of maturities.

1.10 The ESOP may elect to apply the proceeds from the sale of any Shares remaining subject to pledge to pay principal and interest due on the Loan in the event of the termination of the ESOP or if the ESOP ceases to be an employee stock ownership plan under Section 4975(e)(7) of the Code.

ARTICLE 2: The Borrower Represents and Warrants as Follows:

2.1 The Borrower has duly authorized the execution, delivery and performance of this Agreement, the Note, and the ESOP Pledge Agreement and any other documents in connection with the Loan. These documents that have been or will be executed and delivered pursuant to this Agreement constitute valid, binding obligations of the ESOP, each enforceable according to its terms.

2.2 The Borrower is an employee stock ownership plan established by the Lender and has all requisite power and authority, as described in the ESOP plan document, to execute, deliver and perform its obligations under this Agreement.

2.3 All of the proceeds of the Loan will be used by the Trustee to purchase for the ESOP shares of "employer securities" as defined in Section 409(1) of the Code, subject to Section 1.3 above.

2.4 This Agreement is executed by Wells Fargo Bank, N.A. solely in its capacity as Trustee of the Farmer Bros. Co. Employee Stock Ownership Plan pursuant to directions from the ESOP.

ARTICLE 3: The Lender Represents and Warrants as Follows:

3.1 The Lender is a corporation duly incorporated and validly existing and in good standing under the laws of the State of California.

3.2 The Lender has all requisite power and authority to deliver and perform its obligations under this Agreement. The Lender has taken all corporate action to establish the ESOP and to authorize this Agreement. This Agreement has been duly executed and delivered by the Lender and is a legal, valid and binding obligation of the Lender.

3.3 Neither the execution of this Agreement nor the fulfillment of any of the Lender's obligations under this Agreement will conflict with or result in a breach or violation of or constitute any default under any known rule, law, regulation, order contract or agreement of the Lender.

ARTICLE 4: Miscellaneous:

4.1 No amendment or waiver of any provision of the Agreement shall be effective unless set forth in an instrument in writing and signed by both parties to this Agreement.

4.2 No delay or omission of Lender in exercising any right or remedy under this Agreement shall impair such right or remedy or be construed to be a waiver of any default of an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude other or further exercise thereof or the exercise of any other right or remedy, and no waiver, amendment or other variation of the terms, conditions or provisions of this Agreement whatsoever shall be valid unless in writing signed by the Lender, and then only to the extent in such writing specifically set forth. All rights and remedies described in this Agreement, the Note or other Loan documents shall be cumulative and all shall be available to the Lender until all terms and conditions of the debt have been satisfied.

4.3 This instrument, including the Exhibits hereto, is the entire Agreement between the parties hereto with respect to the Loan and all representations, warranties, agreements or undertakings heretofore or contemporaneously made, which are not set forth herein, are superceded hereby.

4.4 This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors or assigns.

4.5 Any notice, consent, approval or directions required or permitted to be given hereunder shall be in writing and shall be deemed duly given and received upon personal delivery to the addressee stated below or if mailed, forty-eight (48) hours after deposit in the United States Mail, first class postage and addressed as required below:

LENDER:

Treasurer’s Office
FARMER BROS. CO.
20333 South Normandie Avenue
Torrance, CA 90502

BORROWER:

Administrative Committee
Farmer Bros. Co. Employee Stock Ownership Plan
20333 South Normandie Avenue
Torrance, CA 90502

WITH A COPY TO TRUSTEE:

Wells Fargo Bank, N.A.
Institutional Trust, E2818-101
707 Wilshire Boulevard
Los Angeles, CA

4.6 All Exhibits are incorporated herein.

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

LENDER:

FARMER BROS. CO., a California corporation

By: /s/ Roy E. Farmer
Roy E. Farmer, President

By: /s/ John E. Simmons
John E. Simmons, Treasurer

BORROWER:

FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN

/s/ [Illegible]

By: /s/ Arminé Mirzayan
WELLS FARGO BANK, N.A. (the "Trustee") as trustee for the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN

ESOP PLEDGE AGREEMENT

This ESOP Pledge Agreement (the "Pledge Agreement") dated March 28, 2000 is entered into by and between FARMER BROS. CO., a California corporation (the "Lender") and the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN (the "Borrower" or the "ESOP") and WELLS FARGO BANK, N.A. (the "Pledge Holder").

In accordance with the terms and conditions of the ESOP Loan Agreement (the "Agreement") and the Promissory Note (the ' "Note") of even date herewith, the Borrower desires to purchase securities with the proceeds of loan advances from the Lender (the "Loan"). Under the Agreement, Borrower agrees to borrow and Lender agrees to lend up to $50,000,000 to purchase up to 300,000 shares of FARMER BROS. CO. common stock ("Shares").

In consideration of Lender making loan advances to Borrower for purchase of Shares, and as security for the Note and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Borrower hereby pledges and grants to Lender a first priority security interest in all Shares now or hereafter acquired by Borrower with Loan proceeds as continuing security for the full performance and payment of the Secured Obligation. Borrower transfers to the Lender all of Borrower's right, title and interest in and to the pledged Shares, to be held in the physical possession of the Pledge Holder upon the terms and conditions set forth in this Agreement.

The Secured Obligation consists of payment of all of Borrower's indebtedness to Lender Note and all renewals, extensions, modifications and notations thereof.

1. Until this Agreement is terminated, Borrower shall:

   1.1 Deliver to Pledge Holder all Shares purchased with Loan proceeds.

   1.2 Not create, incur or suffer to exist any lien, encumbrance or security interest against the Shares except the security interest created by this Pledge Agreement.

2. Lender agrees as follows:

   2.1 Except upon the occurrence of an Event of Default, as defined below, Lender shall not sell, exchange or otherwise dispose of any of the Shares without the prior consent of the Borrower, which shall not be withheld unreasonably.

   2.2 Within ten (10) days after each payment of principal under the Loan, Lender shall cause the Pledge Holder to release a number of the Shares held hereunder. The number of Shares to be released shall be calculated by multiplying the number of Shares held by the Pledge Holder immediately before the release by a fraction the numerator of which is the amount of the latest principal payment and the denominator of which is the sum of the numerator and the remaining unpaid principal balance of the Loan.

3. So long as no Event of Default, as defined below, has occurred and is continuing:

   3.1 Borrower shall have the right to vote the Shares, grant or withhold consent, or exercise any other right or privilege with respect to the Shares allowed under Article 8 of the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN (the "Plan Document").

4. The Pledge Holder:

   4.1 Lender hereby appoints WELLS FARGO BANK, N.A. to act as Pledge Holder.

4.2 Borrower will deliver to the Pledge Holder the Shares acquired with the proceeds of the Loan advances.

4.3 The Shares will be held in a segregated account by the Pledge Holder for the benefit of the Lender accordance with the terms and conditions of this Pledge Agreement.

4.4 The-Pledge Holder shall release from the pledge the number of Shares required by Section 2.2 as calculated by the Lender.

4.5 The Lender may remove the Pledge Holder and substitute another entity or person to function as Pledge Holder. Upon receipt by a Pledge Holder of any such notice of removal and substitution, said Pledge Holder shall transfer to the successor Pledge Holder Shares, documents of title, and related books and records.

5. Event of Default:

5.1 If the Borrower fails to make any installment of principal or interest due under the Note within ten (10) days after receipt of written notice of non-payment from Lender, an Event of Default shall have occurred.

6. Upon Occurrence of an Event of Default:

6.1 Lender shall have all rights and remedies afforded a secured party and all other rights and remedies available under applicable law, all of which shall be cumulative, but subject to all limitations set forth herein, or in the Agreement or Note, or under Section 4975 of the Internal Revenue Code of 1986, as amended, or under the Employee Retirement Income Security Act of 1974, as amended.

6.2 The Lender shall have the right at any time after the occurrence of an Event of Default to repurchase, sell or otherwise convert to cash all or any portion of the Shares of FARMER BROS. CO. common stock remaining subject to pledge, provided that such Shares may be so applied only in an amount necessary to cure the Event of Default. The proceeds of any sale of Shares shall be applied first to the payment of the Lender's reasonable expenses incurred in effecting such sale or other disposition, including but not limited to attorney's fees, and thereafter to Borrower's liabilities under the Note. Any surplus remaining with the Lender after payment of such expenses and liabilities shall be returned to the Borrower.

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

PLEDGEE:
FARMER BROS. CO., a California corporation

By: /s/ John E. Simmons

By: /s/ Roy E. Farmer

PLEDGE HOLDER:
WELLS FARGO N.A.

By: /s/ [Illegible]

PLEDGOR:
WELLS FARGO BANK, N. A., as Trustee for the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN

/s/ Illegible

By: /s/ Arminé Mirzayan

PROMISSORY NOTE

$50,000,000 **March 28, 2000**

For value received, the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN ("Borrower") promises to pay to the order of FARMER BROS. CO., a California corporation ("Lender"), at 20333 South Normandie Avenue, Torrance, California, or at such other place as the holder of this Note may designate, the principal sum of Fifty Million Dollars ($50,000,000.00) or such lesser amount as has been advanced by Lender as may be set forth on the attached schedule (the "Schedule"), with interest thereon as follows:

Each advance shall bear interest from the date made at the interest rate then applicable under this Note. The interest rate shall be an annual rate equal to 1.5% per annum over the "90-day Commercial Paper Rate" determined initially on the date of the first advance and thereafter adjusted quarterly on the first business day of each calendar quarter. The 90-day Commercial Paper Rate is the United States commercial paper rate for said number of days as last published in The Wall Street Journal as of the date of the first advance or as of an adjustment date, as applicable. Interest shall be computed and paid on the basis of a 360-day year for the actual number of days elapsed. Unpaid interest shall bear interest as principal. The initial advance is $13,287,304.90.

Principal is payable in annual installments on December 15 of each year beginning December 15, 2000 in an amount equal to the unpaid principal balance divided by the number of years remaining until maturity of this Note on December 15, 2015 when the entire unpaid principal balance shall be due and payable. Interest on unpaid principal shall be paid annually on December 15 concurrently with principal installments.

Payments shall be applied first to interest then accrued and the remainder to principal whereupon interest shall cease on principal so paid. Principal and interest shall be payable in lawful money of the United States of America.

This Note evidences the indebtedness incurred by the Borrower to the Lender under the ESOP Loan Agreement dated March 28, 2000 by and between the Borrower and the Lender (the "Agreement") the terms of which are made a part hereof.

This Note may be prepaid in whole or in part at any time, without premium or penalty. Partial prepayments shall be applied in inverse order of maturity.

Except as otherwise provided in the Agreement, payments of principal and interest hereunder shall be made by the Borrower only from cash contributions (or contributions in the form of cancellation of indebtedness), from any earnings attributable to such contributions and from any cash dividends paid on the shares of FARMER BROS. CO. common stock purchased with the proceeds of the loan evidenced hereby. Lender's recourse is limited as provided in Section 1.8 of the Agreement.

This Note is not subject to acceleration. In the event of default in payment of any installment of principal or interest due under this Note (which will not be deemed to have occurred if such default occurs as a result of a default by Lender under Section 1.8 of the Agreement), the liability of Borrower is limited to the amount of such installment.

This Note is collateralized by a pledge of stock under an ESOP Pledge Agreement of even date herewith.

This Note is governed by the laws of the State of California, except to the extent preempted by federal laws.

FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN

/s/ [Illegible]

By: /s/ Arminé Mirzayan

WELLS FARGO BANK, N.A. as Trustee for
FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN

SCHEDULE TO PROMISSORY NOTE

Date	Amount of Borrowing	Amount of Repayment		Unpaid Principal Balance
		Principal	Interest	

Loan agreement 3/28/00

Exhibit 10.14

AMENDMENT NO. 1 TO ESOP LOAN AGREEMENT

This Amendment No. 1 to ESOP Loan Agreement ("Amendment") is made and entered into by and between Farmer Bros. Co., a California corporation, as Lender and Wells Fargo Bank, N.A. as trustee for the Farmer Bros. Co. Employee Stock Ownership Plan as the Borrower.

RECITALS

A. Lender and Borrower have entered into an ESOP Loan Agreement dated March 28, 2000 (the "Loan Agreement") which provides that advances can be made by Lender to Borrower through a period ending on December 31, 2002.

B. Lender and Borrower desire to amend the Loan Agreement to extend the date for advances through and including July 31, 2003.

NOW, THEREFORE, it is agreed as follows:

1. Section 1.2 of the Loan Agreement is amended by changing the date December 31, 2002, as it appears in both places in Section 1.2, to My 31, 2003.

2. In all other respects the Loan Agreement is ratified and approved.

IN WITNESS WHEREOF, the parties have executed this Amendment on the date set forth below effective as of December 31, 2002.

Dated: JUNE 26, 2003

Farmer Bros. Co.

By: /s/ Roy E. Farmer
Roy E. Farmer, President

By: /s/ John E. Simmons
John E. Simmons, Treasurer

Dated: JUNE 30, 2003

Farmer Bros. Co. Stock Ownership Plan

Wells Fargo, N.A., as trustee for the Fanner Bros. Co. Employee Stock Ownership Plan

By: /s/ E. Pigott
Title: VICE PRESIDENT

ESOP LOAN AGREEMENT NO. 2

This ESOP Loan Agreement No. 2 (the "Second Agreement") dated as of July 21, 2003 is entered into by and between FARMER BROS. CO., a California corporation ("Lender"), and WELLS FARGO BANK, N.A., (the "Trustee") as trustee for the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN (the "Borrower" or the "ESOP").

RECITALS

A. The Lender has adopted an employee stock ownership plan to purchase and hold FARMER BROS. CO. stock on behalf of the eligible employees of Lender. The ESOP is intended to qualify as an employee stock ownership plan under section 4975(c)(7) of the Internal Revenue Code of 1986, as amended (the "Code"), and Section 407(d)(6) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The ESOP provides that the ESOP may obtain loans to purchase shares of Lender's stock. It is intended that loans made under this Agreement shall qualify for an exemption under Section 4975(d) of the Code from being a prohibited transaction under Section 4975(c) of the Code.

B. Pursuant to the ESOP Loan Agreement dated March 28, 2000 as amended by Amendment No. 1 to ESOP Loan Agreement ("First Agreement"), as of the date hereof the ESOP has acquired 170,426 shares of the 300,000 shares of the Company's common stock for which a loan was authorized by the First Agreement.

C. The provisions for loan advances under the First Agreement expired on July 31, 2003.

D. On July 21, 2003 Lender's Board of Directors authorized a loan to the ESOP, without limitation as to amount, to purchase the remainder (129,574 shares) of the 300,000 originally authorized. Such remaining shares are called "Shares" herein.

E. The ESOP Plan Committee by action dated October 6, 2003 has authorized the execution of the Second Agreement.

ARTICLE 1: The ESOP Loan

1.1 Subject to the terms set forth herein, the Lender agrees to lend to the Borrower the Principal Amount, or such portion of the Principal Amount as the Borrower elects to receive from time to time under Section 1.2 of this Second Agreement (the "Loan").

1.2 During the period commencing with the date hereof and ending on July 31, 2005, the Borrower may elect from time to time to receive from Lender an advance (an "Advance"). Amounts Advanced and repaid may be reborrowed prior to July 31, 2005. An election to receive an Advance shall be made by the Borrower in writing to the Lender and shall specify the amount of the Advance requested and the date on which the Borrower requests that such funds be made available. Such date shall be no less than three business days prior to the date the notice of such election is received by the Lender, unless the Lender in its sole discretion waives such requirement.

1.3 The Borrower hereby agrees that it will use the entire proceeds of each Advance within a reasonable time after receipt to acquire Shares through open market purchases or from the Lender or any shareholder of Lender. If for any reason such purchases cannot be effected within a reasonable time, the Borrower must make a principal prepayment of the Loan with all such unused proceeds.

1.4 Borrower's indebtedness is evidenced by a Promissory Note of even date (the "Note") in the form attached hereto as Exhibit "A". The Lender shall

enter upon the schedule attached to the Note the date and principal amount of each Advance.

1.5 Interest shall accrue on the balance of unpaid principal from the date of each Advance until the payment due date as described in the Note.

1.6 To secure payment of the Promissory Note, Borrower grants Lender a security interest in the Shares purchased with the loan proceeds under the ESOP Pledge Agreement attached hereto as Exhibit “B”.

1.7 The Borrower shall make principal and interest payments to the Lender according to the terms of the Note. The date and amount of each payment, principal or interest, shall be entered on the schedule to the Note.

1.8 The Lender agrees to make contributions to the ESOP in cash or by cancellation of indebtedness from time to time and in amounts sufficient to permit the Borrower to make timely repayments of principal and interest due under the terms of the Note. Subject to the preceding sentence, the amount and timing of such contribution(s) shall be at the sole discretion of the Lender, after considering the amount of each annual payment of principal and interest, the amount of any cash dividends received by the ESOP on Lender’s stock and the amount, if any, of non-Lender investments held by the ESOP. The Lender shall not be required to make contributions to the ESOP in amounts in excess of the limitations under Sections 404(a) and 415 (c) of the Code. The Borrower agrees that so long as any interest or principal amount remains payable on the Loan, Borrower will use all cash contributions, earnings thereon and cash dividends received by the ESOP to make payments on the Loan. Borrower’s obligation to make payments on the Loan is limited to the excess of the aggregate of such contributions, earnings and dividends over prior Loan payments. Lender shall have no recourse against Borrower’s assets other than such excess contributions, earnings and dividends and the Shares then pledged under the ESOP Pledge Agreement.

1.9 The Borrower may prepay principal or interest without premium or penalty, any such prepayment shall be applied to the principal installments in the inverse order of maturities.

1.10 The ESOP may elect to apply the proceeds from the sale of any Shares remaining subject to pledge to pay principal and interest due on the Loan in the event of the termination of the ESOP or if the ESOP ceases to be an employee stock ownership plan under Section 4975(e)(7) of the Code.

ARTICLE 2: The Borrower Represents And Warrants As Follows:

2.1 The Borrower has duly authorized the execution, delivery and performance of this Agreement, the Note and the ESOP Pledge Agreement and any other documents in connection with the Loan. These documents that have been or will be executed and delivered pursuant to this Agreement constitute valid, binding obligations of the ESOP, each enforceable according to its terms.

2.2 The Borrower is an employee stock ownership plan established by the Lender and has all requisite power and authority, as described in the ESOP plan document, to execute, deliver and perform its obligations under this Agreement.

2.3 All of the proceeds of the Loan will be used by the Trustee to purchase for the ESOP shares of “employer securities” as defined in Section 409(l) of the Code, subject to Section1.3 above.

2.4 This Agreement is executed by Wells Fargo Bank, N.A. solely in its capacity as Trustee of the Farmer Bros. Co. Employee Stock Ownership Plan pursuant to directions from the ESOP.

ARTICLE 3: The Lender Represents And Warrants As Follows:

3.1 The Lender is a corporation duly incorporated and validly existing and in good standing under the laws of the State of California.

3.2 The Lender has all requisite power and authority to deliver and perform its obligations under this Agreement. The Lender has taken all corporate action to establish the ESOP and to authorize this Agreement. This Agreement has been duly executed and delivered by the Lender and is a legal, valid and binding obligation of the Lender.

3.3 Neither the execution of this Agreement nor the fulfillment of any of the Lender's obligations under this Agreement will conflict with or result in a breach or violation of or constitute any default under any known rule, law, regulation, order contract or agreement of the Lender.

ARTICLE 4: Miscellaneous

4.1 No amendment or waiver of any provision of the Agreement shall be effective unless set forth in an instrument in writing and signed by both parties to this Agreement.

4.2 No delay or omission of Lender in exercising any right or remedy under this Agreement shall impair such right or remedy or be construed to be a waiver of any default of an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude other or further exercise thereof or the exercise of any other right or remedy; and no waiver, amendment or other variation of the terms, conditions or provisions of this Agreement whatsoever shall be valid unless in writing signed by the Lender, and then only to the extend such writing specifically set forth. All rights and remedies described in this Agreement, the Note or other Loan documents shall be cumulative and all shall be available to the Lender until all terms and conditions of the debt have been satisfied.

4.3 This instrument, including the Exhibits hereto, is the entire agreement between the parties hereto with respect to the loan and all representations, warranties, agreements or undertakings heretofore or contemporaneously made, which are not set forth herein, are superceded hereby.

4.4 This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors or assigns.

4.5 Any notice, consent, approval or directions required or permitted to be given hereunder shall be in writing and shall be deemed duly given and received upon personal delivery to the addressee stated below or if mailed, forty-eight (48) hours after deposit in the United States Mail, first class postage and addressed as required below:

"LENDER"

Treasurer's Office
Farmer Bros. Co.
20333 South Normandie Avenue
Torrance, CA 90502

"BORROWER"

Administrative Committee
Farmer Bros. Co. Employee Stock Ownership Plan
20333 South Normandie Avenue
Torrance, CA 90502

With a copy to “TRUSTEE”

Wells Fargo Bank, N.A.
Employee Benefit Trust
707 Wilshire Boulevard
Los Angeles, CA 90017

4.6 All Exhibits are incorporated herein.

4.7 The Trustee’s personal assets shall not be liable for any act or omission of the Trustee except in the case of gross negligence or willful misconduct.

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

“LENDER”
Farmer Bros. Co.

By: /s/ Roy E. Farmer
Roy E. Farmer, President

By: /s/ John E. Simmons
John E. Simmons, Treasurer

“BORROWER”
Farmer Bros. Co. Employee Stock Ownership Plan
by Wells Fargo Bank, N.A., Trustee

By: /s/ E. Pigott
Title: Vice President

By: /s/ E. L. Yeany
Title: Vice President

PROMISSORY NOTE

For value received, the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN ("Borrower') promises to pay to the order of FARMER BROS. CO., a California corporation ("Lender"), at 20333 South Normandie Avenue, Torrance, California or at such other place as the holder of this Note may designate, such amount as has been advanced by Lender as may be set forth on the attached schedule (the "Schedule"), with interest thereon as follows:

Each advance shall bear interest from the date made at the interest rate then applicable under this Note. The interest rate shall be an annual rate equal to 1.5% per annum over the "90-day Commercial Paper Rate" determined initially on the date of the first advance and thereafter adjusted quarterly on the first business day of each calendar quarter. The 90-day Commercial Paper Rate is the United States commercial paper rate for said number of days as last published in The Wall Street Journal as of the date of the first advance or as of an adjustment date, as applicable. Interest shall be computed and paid on the basis of a 360-day year for the actual number of days elapsed. Unpaid interest shall bear interest as principal.

Principal is payable in annual installments on December 15 of each year beginning December 15, 2003 in an amount equal to the unpaid principal balance divided by the number of years remaining until maturity of this Note on December 15, 2018 when the entire unpaid principal balance shall be due and payable. Interest on unpaid principal shall be paid annually on December 15 concurrently with principal installments.

Payments shall be applied first to interest then accrued and the remainder to principal whereupon interest shall cease on principal so paid. Principal and interest shall be payable in lawful money of the United States of America.

This Note evidences the indebtedness incurred by Borrower to the Lender under the ESOP Loan Agreement No. 2 dated as of July 21, 2003 by and between the Borrower and the Lender (the "Agreement") the terms of which are made a part hereof.

This Note may be prepaid in whole or in part at any time, without premium or penalty. Partial prepayments shall be applied in inverse order of maturity.

Except as otherwise provided in the Agreement, payments of principal and interest hereunder shall be made by the Borrower only from cash contributions (or contributions in the form of cancellation of indebtedness), from any earnings attributable to such contributions and from any cash dividends paid on the shares of FARMER BROS. CO. common stock purchased with the proceeds of the loan evidenced hereby. Lender's recourse is limited as provided in Section 1.8 of the Agreement.

This Note is not subject to acceleration. In the event of default in payment of any installment of principal or interest due under this Note (which will not be deemed to have occurred if such default occurs as a result of a default by Lender under Section 1.8 of the Agreement), the liability of Borrower is limited to the amount of such installment.

This Note is collateralized by a pledge of stock under an ESOP Pledge Agreement of even date herewith.

This Note is governed by the laws of the State of California, except to the extent preempted by federal laws.

Dated: July 21, 2003

Farmer Bros. Co. Employee Stock Ownership Plan

by Wells Fargo Bank, N.A,. as Trustee

By: /s/ E. Pigott
Title: Vice President

By: /s/ E. L. Yeany
Title: Vice President

SCHEDULE TO PROMISSORY NOTE

Date	Amount of Borrowing	Amount of Repayment		Unpaid Principal Balance
		Principal	Interest	

ESOP PLEDGE AGREEMENT

This ESOP Pledge Agreement (the “Pledge Agreement”) dated as of July 21, 2003 is entered into by and between FARMER BROS. CO., a California corporation (the “Lender”) and the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN (the “Borrower” or the “ESOP”) and WELLS FARGO BANK, N.A. (the “Pledge Holder”).

In accordance with the terms and conditions of the ESOP Loan Agreement No. 2 dated as of July 21, 2003 (the “Agreement) and the Promissory Note (the “Note”) of even date herewith, the Borrower desires to purchase securities with the proceeds of loan advances from the Lender (the “Loan”). Under the Agreement, Borrower agrees to borrow and Lender agrees to lend funds to enable the ESOP to purchase up to 129,574 shares of the Company’s common stock (“Shares”) over and above the 170,426 shares purchased under the original ESOP Loan Agreed dated March 28, 2000.

In consideration of Lender making loan advances to Borrower for purchase of Shares, and as security for the Note and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Borrower hereby pledges and grants to lender a first priority security interest in all Shares now or hereafter acquired by Borrower with Loan proceeds as continuing security for the full performance and payment of the Secured Obligation. Borrower transfers to the Lender all of Borrower’s right, title and interest in and to the pledged Shares, to be held in the physical possession of the Pledge Holder upon the terms and conditions set forth in this Agreement.

The Secured Obligation consists of payment of all of Borrower’s indebtedness to Lender Note and all renewals, extensions, modifications and novations thereof.

1. Until this Agreement is termination, Borrower shall:

1.1 Deliver to Pledge Holder all Shares purchased with Loan proceeds.

1.2 Not create, incur or suffer to exist any lien, encumbrance or security interest against the Shares except the security interest created by this Pledge Agreement.

2. Lender agrees as follows:

2.1 Except upon the occurrence of an Event of Default, as defined below, Lender shall not sell, exchange or otherwise dispose of any of the Shares without the prior consent of the Borrower, which shall not be withheld unreasonably.

2.2 Within ten (10) days after each payment of principal under the Loan, Lender shall cause the Pledge Holder to release a number of the Shares held hereunder. The number of Shares to be released shall be calculated by multiplying the number of Shares held by the Pledge Holder immediately before the release by a fraction the numerator of which is the amount of the latest principal and interest payment and denominator of which is the sum of the numerator and the remaining unpaid principal and interest payments of the Loan.

3. So long as no Event of Default, as defined below, has occurred and is continuing:

3.1 Borrower shall have the right to vote the Shares, grant or withhold consent, or exercise any other right or privilege with respect to the Shares allowed under Article 8 of the FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN (the “Plan Document”).

4. The Pledge Holder agrees as follows:

4.1 Lender hereby appoints WELLS FARGO BANK, N.A., to act as Pledge Holder and Pledge Holder accepts such appointment.

4.2 Borrower will deliver to the Pledge Holder the Shares acquired with the proceeds of the Loan advances.

4.3 The Shares will be held in a segregated account by the Pledge Holder for the benefit of the Lender in accordance with the terms and conditions of this Pledge Agreement.

4.4 The Pledge Holder shall release from the pledge the number of Shares required by Section 2.2.

4.5 The Lender may remove the Pledge Holder and substitute another entity or person to function as Pledge Holder. Upon receipt by a Pledge Holder of any such notice of removal and substitution, said Pledge Holder shall transfer to the successor Pledge Holder Shares, documents of title, and related books and records.

5. Event of Default:

5.1 If the Borrower fails to make any installment of principal or interest due under the Note within ten (10) days after receipt of written notice of non- payment from Lender, an Event of Default shall have occurred.

6. Upon Occurrence of an Event of Default:

6.1 Lender shall have all rights and remedies afforded a secured party and all other rights and remedies available under applicable law, all of which shall

be cumulative, but subject to all limitations set forth herein, or in the Agreement, or Note, or under Section 4975 of the Internal Revenue Code of 1986, as amended, or under the Employee Retirement Income Security Act of 1974, as amended.

6.2 The Lender shall have the right at any time after the occurrence of an Event of Default to repurchase, sell or otherwise convert to cash all or any portion of the Shares remaining subject to pledge, provided that such Shares may be so applied only in an amount necessary to cure the Event of Default. The proceeds of any sale of Shares shall be applied first to the payment of the Lender's reasonable expenses incurred in effecting such sale or other disposition, including but not limited to attorneys' fees, and thereafter to Borrower's liabilities under the Note, Any surplus remaining with the Lender after payment of such expenses and liabilities shall be returned to the Borrower.

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

"PLEDGEE"

FARMER BROS. CO., a California corporation

By: /s/ Roy E. Farmer
Roy E. Farmer, President

By: /s/ John E. Simmons
John E. Simmons, Treasurer

"PLEDGOR"

FARMER BROS. CO. EMPLOYEE STOCK OWNERSHIP PLAN
by WELLS FARGO BANK, N.A., as Trustee

By: /s/ E. Pigott
Title: Vice President

By: /s/ E. L. Yeany
Title: Vice President

"PLEDGE HOLDER"

WELLS FARGO BANK, N.A.

By: /s/ E. Pigott
Title: Vice President

By: /s/ E. L. Yeany
Title: Vice President

[FORM OF EXECUTIVE OFFICER]
CHANGE IN CONTROL SEVERANCE AGREEMENT

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

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

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

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

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

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

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

2. Definitions

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

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

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

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

(e) "Cause" shall mean:

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

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

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

(f) "Change in Control" shall mean:

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

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

(iii) A change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (such Board shall be hereinafter referred to as the

"Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 2(f) that any individual who becomes a member of the Board subsequent to the Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

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

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

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

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

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

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

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

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

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

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

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

termination occurs not more than one (1) year following the initial existence of the condition claimed to constitute "Good Reason.

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

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

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

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

(a) Salary. The Executive will receive as severance an amount equal to [his/her] Base Salary at the rate in effect on the date of termination for a period of twenty-four (24) months, such payment to be made in installments in accordance with the Company's standard payroll practices, such installments to commence, subject to Section 9(j)(ii), in the month following the month in which the Executive's Separation from Service occurs. The Executive shall also receive a payment equal to one hundred percent (100%) of the Executive's target Bonus for the fiscal year in which the date of termination occurs (or, if no target Bonus has been assigned to the Executive as of the date of termination, the average Bonus paid by the Company to the Executive for the last three (3) completed fiscal years or for the number of completed fiscal years that Executive has been in the employ of the Company if fewer than three, prior to the termination date), such payment to be made, subject to Section 9(j)(ii), in a lump sum within thirty (30) days after the end of the Company's fiscal year in which the Executive's date of termination occurs. As used herein, a "Separation from Service" occurs when the Executive dies, retires, or otherwise has a termination of employment with the Company that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

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

(c) Health, Dental, and Life Insurance Coverage. The health, dental, and life insurance benefits coverage provided to the Executive at [his/her] date of termination shall be continued by the Company during the twenty-four (24) month period following the Executive's date of termination unless the Executive commences employment prior to the end of the twenty four (24) month period and qualifies for substantially equivalent insurance benefits with the Executive's new employer , in which case, such insurance coverages shall end on the date of qualification. The Executive shall inform the Company promptly of [his/her] qualification for any of such insurance coverages. . The Company shall provide for such insurance coverages at its expense at the same level and in the same manner as if the Executive's employment had not terminated (subject to the customary changes in such coverages if the

Executive retires under a Company retirement plan, reaches age 65, or similar events and subject to Executive's right to make any changes in such coverages that an active employee is permitted to make). Any additional coverages the Executive had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any costs the Executive was paying for such coverages at the time of termination shall be paid by the Executive by separate check payable to the Company each month in advance. If the terms of any benefit plan referred to in this Section do not permit continued participation by the Executive, the Company will arrange for other coverage at its expense providing substantially similar benefits. If the Executive is covered by a split-dollar or similar life insurance program at the date of termination, [he/she] shall have the option in [his/her] sole discretion to have such policy transferred to him upon termination, provided that the Company is paid for its interest m the policy upon such transfer.

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

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

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

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

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

(i) in full, or

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

concerning applicable taxes and may rely on reasonable good faith interpretations concerning the applications of Section 280G and 4999 of the Code. The Company shall cause the Accountants to provide detailed supporting calculations of its determination to Executive and the Company. Executive and the Company shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 5.

6. Obligation Not to Solicit

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

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

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

8. Settlement of Disputes; Arbitration

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

(b) The foregoing notwithstanding, if the amount in controversy exceeds $200,000, exclusive of attorneys' fees and costs, the matter shall be litigated in the Los Angeles County Superior Court as a regular civil action except that a former California Superior Court Judge selected by JAMS in an impartial manner shall be appointed as referee to determine, sitting without a jury (a jury being waived by all parties hereto), all issues pursuant to California Code of Civil Procedure §638(1). Judgment entered on the decision of the referee shall be appealable as a judgment of the Superior Court. The prevailing party shall be entitled to receive its reasonable attorneys' fees and costs from the other party, but such award for attorneys' fees shall not exceed One Hundred Thousand Dollars ($100,000).

9. Miscellaneous

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

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

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

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

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

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

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

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

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

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

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

(j) Section 409A

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

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

(iii) To the extent that any benefits or reimbursements pursuant to Section 4(c) or Section 4(d) are taxable to the Executive, any reimbursement payment due to the Executive

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

[SIGNATURES FOLLOW]

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

Company:

FARMER BROS. CO.,
a Delaware corporation

By: _____
Name: _____
Title: _____

Executive:

_____
[Name of Executive]

SCHEDULE OF EXECUTIVE OFFICERS

Roger M. Laverty III
Jeffrey A. Wahba
Mark A. Harding
Larry B. Garrett

Exhibit 10.30

[FORM OF]
INDEMNIFICATION AGREEMENT

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

RECITALS

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

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

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

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

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

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

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

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

1. Definitions. As used in this Agreement:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. Additional Indemnification

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

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

8. Contribution

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

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

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

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

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

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

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

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

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

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

10. Advances of Expenses; Defense of Claim

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

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

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

11. Procedure for Notification and Application for Indemnification

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

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

12. Procedure Upon Application for Indemnification

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

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

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

13. Presumptions and Effect of Certain Proceedings

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

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

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

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

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

14. Remedies of Indemnitee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20. Enforcement and Binding Effect

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

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

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

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

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

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

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

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

(b) If to the Company, to:

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

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

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

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

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

[SIGNATURE PAGE FOLLOWS]

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

FARMER BROS. CO.

By: _____
Name:
Title:

INDEMNITEE

_____
Name:

Address: _____
_____
_____

SCHEDULE OF INDEMNITEES

John M. Anglin
Guenter W. Berger
Kenneth R. Carson
Lewis A. Coffman
Larry B. Garrett
Hortensia R. Gómez
Jeanne Farmer Grossman
Mark A. Harding
Michael J. King
Peter B. Knepper
Roger M. Laverty III
Martin A. Lynch
Thomas A. Maloof
James J. McGarry
John H. Merrell
Heidi L. Modaro
John Samore, Jr.
John E. Simmons
Jeffrey A. Wahba
Carol Farmer Waite
Drew H. Webb

Exhibit 31.1

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

I, Roger M. Laverty III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Farmer Bros. Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2011

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

Exhibit 31.2

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

I, Jeffrey A. Wahba, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Farmer Bros. Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2011

/s/ Jeffrey A. Wahba
Jeffrey A. Wahba
Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Farmer Bros. Co. (the "Company") on Form 10-Q for the fiscal quarter ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roger M. Laverty III, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 9, 2011

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

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

Exhibit 32.2

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

In connection with the Quarterly Report of Farmer Bros. Co. (the "Company") on Form 10-Q for the fiscal quarter ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey A. Wahba, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 9, 2011

/s/ Jeffrey A. Wahba
Jeffrey A. Wahba
Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

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