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

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2012

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)

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

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

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

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ 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 ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price at which the Farmer Bros. Co. common stock was sold on December 30, 2011 was $61.5 million.

As of September 6, 2012 the registrant had 16,307,324 shares outstanding of its common stock, par value $1.00 per share, which is the registrant’s only class of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement to be filed with the U.S. Securities and Exchange Commission (“SEC”) pursuant to Regulation 14A in connection with the registrant’s 2012 Annual Meeting of Stockholders (the “Proxy Statement”) or portions of the registrant’s 10-K/A, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this report. Such Proxy Statement or 10-K/A will be filed with the SEC not later than 120 days after the conclusion of the registrant’s fiscal year ended June 30, 2012.

TABLE OF CONTENTS

PART I		
ITEM 1.	Business	1
ITEM 1A.	Risk Factors	4
ITEM 1B.	Unresolved Staff Comments	12
ITEM 2.	Properties	12
ITEM 3.	Legal Proceedings	12
ITEM 4.	Mine Safety Disclosures	13
PART II		
ITEM 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	13
ITEM 6.	Selected Financial Data	15
ITEM 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
ITEM 7A.	Quantitative and Qualitative Disclosures About Market Risk	28
ITEM 8.	Financial Statements and Supplementary Data	30
ITEM 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	35
ITEM 9A.	Controls and Procedures	35
ITEM 9B.	Other Information	37
PART III		
ITEM 10.	Directors, Executive Officers and Corporate Governance	37
ITEM 11.	Executive Compensation	37
ITEM 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	37
ITEM 13.	Certain Relationships and Related Transactions, and Director Independence	37
ITEM 14.	Principal Accountant Fees and Services	38
PART IV		
ITEM 15.	Exhibits and Financial Statement Schedules	38
SIGNATURES		39

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual report on Form 10-K 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, 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.

PART I

Item 1. Business

Overview

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the “Company,” “we,” “our” or “Farmer Bros.”), is a manufacturer, wholesaler and distributor of coffee, tea and culinary products. We are a direct distributor of coffee to restaurants, hotels, casinos, hospitals and other foodservice providers, and a provider of private brand coffee programs to Quick Serve Restaurants ("QSR's"), grocery retailers, national drugstore chains, restaurant chains, convenience stores, and independent coffee houses, nationwide. We were founded in 1912, were incorporated in California in 1923, and reincorporated in Delaware in 2004. We operate in one business segment.

Business Strategy

Our mission is to “sell great coffee, tea and culinary products and provide superior service—one customer at a time.” We reach our customers in two ways: through our nationwide Direct-Store-Delivery (“DSD”) network of approximately 500 delivery routes, 117 branch warehouses and six distribution centers, and by using the distribution channels of our national retail and institutional customers. We differentiate ourselves in the marketplace through our customer service model. We offer value-added services including beverage equipment service, menu solutions, wherein we recommend products, how these products are prepared in the kitchen and presented on the menu, and hassle-free inventory and product procurement management to our foodservice customers. These services are conducted primarily in person through Regional Sales Representatives, or RSR’s, who develop personal relationships with chefs, restaurant owners and food buyers at their drop off locations. We also provide comprehensive coffee programs, including private brand development, green coffee procurement, category management, and supply chain management to our national retail customers.

We manufacture and distribute products under our own brands, as well as under private labels on behalf of certain customers. Our branded products are sold primarily into the foodservice channel, and are comprised of both national and regional brands. National foodservice brands include The Artisan Collection by Farmer Brothers™, Farmer Brothers®, Superior®, Metropolitan®, Island Medley Iced Tea®, Farmer Brothers Spice Products™, Sierra Tea™ and Orchard Hills Estate™. Regional foodservice and retail brands include Cain's®, Ireland® and McGarvey®.

Since 2007, Farmer Bros. has achieved growth, primarily through the acquisition in 2007 of Coffee Bean Holding Co., Inc., a Delaware corporation ("CBH"), the parent company of Coffee Bean International, Inc., an Oregon corporation (“CBI”), a specialty coffee manufacturer and wholesaler headquartered in Portland, Oregon, and the acquisition in 2009 from Sara Lee Corporation (“Sara Lee”) of certain assets used in connection with its DSD coffee business in the United States (the “DSD Coffee Business”).

Our product line is specifically focused on the needs of the markets we serve: restaurants, hotels, casinos, hospitals and other foodservice providers, as well as private brand retailers in the QSR, grocery, drugstore, restaurant, convenience store and independent coffeehouse channels. Our product line of over 3,000 SKU's (excluding private label), includes roasted coffee, liquid coffee, coffee-related products such as coffee filters, sugar and creamers, assorted teas, cappuccino, cocoa, spices, gelatins and puddings, soup bases, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves. For the past three fiscal years, sales of roasted coffee products represented approximately 50% of our total sales and no single product other than roasted coffee accounted for more than 10% of our total sales.

Coffee purchasing, roasting and packaging takes place at our Torrance, California; Portland, Oregon; and Houston, Texas plants. Spice blending and packaging takes place at our Torrance, California plant. Our distribution centers include our Torrance, Portland and Houston plants, and distribution centers in Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey. In July 2011, we closed our distribution center in Fridley, Minnesota.

We are focused on distributing our owned brands through our DSD network, while continuing to support and grow our private brand national accounts customers. To provide value to our current and potential customers, in fiscal 2012, we made the following investments:

- *Specialty coffee:* We have developed a specialty line of coffees called "The Artisan Collection by Farmers Brothers™." Pre-launched at the National Restaurant Association tradeshow in May 2012, this new line of coffees establishes an owned brand presence in the growing specialty coffee market, leveraging the blending, roasting and packaging capabilities of CBI.
- *Unified brand:* We have developed a unified corporate identity for our business nationwide that is reflected in our updated packaging, our website, many of our fleet vehicles, and in all of our sales materials.
- *Optimized portfolio:* In fiscal 2012, we continued to optimize and simplify our product portfolio. We eliminated over

1,000 SKU's and plan to eliminate a significant number of additional SKU's in fiscal 2013. These SKU reductions allow us to focus our resources on promoting and supporting fewer brands while lowering inventory and production costs.

- *Service improvements:* We have invested in sales and training for all of our RSRs, allowing us to expand the role we play as beverage consultants for our DSD customers.

We have also made the following investments to support our private brand national accounts business:

- *Coffee industry leadership:* Through our dedication to the craft of sourcing, blending and roasting coffee, and our leadership positions with the Specialty Coffee Association of America, World Coffee Research and Coffee Quality Institute, we work to help shape the future of the coffee industry. We believe that due to our commitment to the industry and our leadership role in shaping the industry's future, large retail and foodservice operators are drawn to working with us.

- *Market insight:* We have developed a market insight capability internally that reinforces our business-to-business positioning as a thought leader in the coffee industry. We provide trend insights that help our customers create winning products and integrated marketing strategies for their own coffee brands.

- *Sustainability leadership:* Due to our proactive efforts in counting carbon, creating programs for waste and energy reduction, and creating farmer relationship programs abroad, we are in a unique position to help retailers and foodservice operators create differentiated coffee sustainability programs such as carbon neutrality programs, direct trade coffee programs, and packaging material reductions.

Raw Materials and Supplies

Our primary raw material is green coffee, an agricultural commodity. The bulk of the world's green coffee supplies is grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived supply shortages, speculation in the commodity markets, 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 for specialty coffee 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.

Other raw materials used in the manufacture of our tea and culinary products include a wide variety of spices, such as pepper, chilies, oregano and thyme, as well as cocoa, dehydrated milk products, salt and sugar. These raw materials are agricultural products and can be subject to wide cost fluctuations. In fiscal 2011 and in the first half of fiscal 2012, fluctuations in commodity prices, specifically coffee commodity prices, had a material effect on our operating results.

Trademarks and Licenses

We own 160 registered trademarks which are integral to customer identification of our products. It is not possible to assess the impact of the loss of such identification. Additionally, in connection with the DSD Coffee Business acquisition, the Company and Sara Lee entered into certain operational agreements that include trademark and formula license agreements. In February 2012, the trademark agreements and formula license agreements with Sara Lee were assigned to the J.M. Smucker Company ("J.M. Smucker") as part of an acquisition transaction between J.M. Smucker and Sara Lee.

Seasonality

We experience some seasonal influences. The winter months are generally the strongest sales months. However, our product line and geographic diversity provide some sales stability during the warmer months when coffee consumption ordinarily decreases. Additionally, we usually experience an increase in sales during the summer and early fall months from seasonal businesses located in vacation areas, and from grocery retailers ramping up inventory for the winter selling season.

Distribution

Most sales are made “off-truck” to our customers at their places of business by our sales representatives who are responsible for soliciting, selling and collecting from and otherwise maintaining our customer accounts. We serve our customers from six distribution centers strategically located for national coverage. Our distribution trucks are replenished from 117 branch warehouses located throughout the contiguous United States. We operate our own trucking fleet to support our long-haul distribution requirements. A portion of our products is distributed by third parties or is direct shipped via common carrier. We maintain inventory levels at each branch warehouse to allow for minimal interruption in supply.

Customers

We serve a wide variety of customers, from small restaurants and donut shops to large institutional buyers like restaurant chains, hotels, casinos, hospitals, foodservice providers, convenience stores, gourmet coffee houses, bakery/café chains, national drugstore chains, large regional and national grocery and specialty food retailers, QSR's and gaming establishments. Within our DSD channel, we believe on-premise customer contact, our large distribution network, and our relationship-based high quality service model are integral to our past and future success. No single customer represents a significant concentration of sales. As a result, the loss of one or more of our larger customer accounts is not likely to have a material adverse effect on our results of operations.

Competition

We face competition from many sources, including the institutional foodservice divisions of multi-national manufacturers of retail products such as J.M. Smucker (Folgers Coffee), Dunkin' Donuts and Kraft Foods Inc. (Maxwell House Coffee), wholesale foodservice distributors such as Sysco Corporation and U.S. Foods, regional institutional coffee roasters such as S & D Coffee, Inc. and Boyd Coffee Company, and specialty coffee suppliers such as Green Mountain Coffee Roasters, Inc., Rogers Family Company, Distant Lands Coffee, Mother Parkers Tea & Coffee, Inc., and Peet’s Coffee & Tea, Inc. As many of our customers are small foodservice operators, we also compete with club stores such as Costco and Restaurant Depot. We believe our longevity, the quality of our products, our national distribution network and our comprehensive and superior customer service are the major factors that differentiate us from our competitors.

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

Working Capital

We finance our operations internally and through borrowings under our $85.0 million senior secured revolving credit facility with Wells Fargo Bank, National Association (“Wells Fargo”). We believe this credit facility, to the extent available, in addition to our cash flows from operations and other liquid assets, are sufficient to fund our working capital and capital expenditure requirements for the next 12 months.

Foreign Operations

We have no material revenues from foreign operations.

Other

On June 30, 2012 we employed 1,821 employees, 624 of whom are subject to collective bargaining agreements. Compliance with government regulations relating to the discharge of materials into the environment, or otherwise relating to protection of the environment, has not had a material effect on our financial condition or results of operations. The nature of our business does not provide for maintenance of or reliance upon a sales backlog. None of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the government.

Available Information

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

Item 1A. Risk Factors

You should consider each of the following factors as well as the other information in this report, including our consolidated 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. If any of the following risks actually occurs, our business and financial results could be harmed. In that case, the trading price of our common stock could decline.

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

Our primary raw material is green coffee, an agricultural commodity. The bulk of the world's green coffee supply is mainly grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived supply shortages, speculation in the commodity markets, 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. In fiscal 2011, the market for green Arabica coffee increased approximately 80% per pound compared to the prior fiscal year. Additionally, 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 for specialty coffee 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.

There can be no assurance that we will be successful in passing commodity price increases on to our customers without losses in sales volume or gross margin in the future. 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.

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

Some of the Arabica coffee beans of the quality we purchase do not trade directly on the commodity markets. Rather, we purchase these coffee beans on a negotiated basis from coffee brokers, exporters and growers. If any of these supply 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.

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 for delivery, in some instances, up to 18 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 Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of this report.

DECLINES IN OF GREEN COFFEE COMMODITY PRICES MAY NOT BE IMMEDIATELY REFLECTED IN OUR COST OF GOODS SOLD AND MAY INCREASE VOLATILITY IN OUR RESULTS.

We routinely use futures contracts to lock-in green coffee market prices, in some instances, as much as 18 months prior to the actual delivery date. Accounting rules require that we value our open futures contracts by marking them to market price at the end of each reporting period and include in our financial results the unrealized gains or losses based on whether the market price is higher or lower than the price we locked-in. If green coffee commodity prices decline below our locked-in price, we will be required to recognize the resulting losses in our results. Although such losses are offset by future gains when we sell the coffee, such transactions could potentially cause volatility in our results because the recognition of losses and the offsetting gains may occur in different fiscal periods. 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.

WE FACE EXPOSURE TO OTHER COMMODITY COST FLUCTUATIONS, WHICH COULD IMPACT OUR MARGINS AND PROFITABILITY.

We are exposed to cost fluctuations in other commodities, including milk, spices, natural gas and gasoline. In addition, an increase in the cost of fuel could indirectly lead to higher electricity costs, transportation costs and other commodity costs. Much like green coffee costs, the costs of these commodities depend on various factors beyond our control, including economic and political conditions, foreign currency fluctuations, and global weather patterns. To the extent we are unable to pass along such costs to our customers through price increases, our margins and profitability will decrease.

IMPAIRMENT CHARGES RELATED TO OUR DEFINITE-LIVED AND INDEFINITE-LIVED INTANGIBLE ASSETS COULD ADVERSELY AFFECT OUR FUTURE OPERATING RESULTS.

Indefinite-lived intangible assets (other than goodwill) 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. A definite-lived intangible asset is only deemed to have become impaired if the sum of the projected undiscounted future cash flows related to the asset is less than the carrying value of the asset. If the sum of the projected cash flows is less than the carrying value, then we must write down the carrying value to its estimated fair value in the period in which the determination is made. An indefinite-lived intangible asset (other than goodwill) is deemed impaired if its estimated fair value is less than its carrying value.

In the fourth quarter of fiscal 2012, we determined that certain indefinite-lived intangible asset consisting of trademarks acquired in connection with the CBI acquisition were impaired and recorded an impairment charge of $0.5 million in operating expenses. In the fourth quarter of fiscal 2011, we determined that definite-lived intangible assets consisting of the customer relationships acquired, and the distribution agreement and co-pack agreement entered into, in connection with the DSD Coffee Business acquisition were impaired and recorded an impairment charge of $7.8 million in operating expenses. Failure to achieve our forecasted operating results, due to further weakness in the economic environment or other factors, and further declines in our market capitalization, among other things, could result in further impairment of our definite-lived and indefinite-lived intangible assets.

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 an $85.0 million senior secured revolving credit facility. As of August 31, 2012, we had estimated outstanding borrowings of $24.0 million, excluding $0.2 million in loan extension fees, utilized $11.9 million of the letters of credit sublimit, and had excess availability under the credit facility of $39.5 million. 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 an increase in our net loss. 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 funding daily operations, investing in future business opportunities and capital expenditures;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate thereby placing us at a competitive disadvantage compared to our competitors that may have less debt or debt with less restrictive debt covenants;
- limit, by the financial and other restrictive covenants in our loan agreement, our ability to borrow additional funds; and
- have a material adverse effect on us if we fail to comply with the covenants in our loan agreement because such failure could result in an event of default which, if not cured or waived, could result in our indebtedness becoming immediately due and payable.

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

Our 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 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.

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 branch warehouses, our inability to record product sales and reduced operational efficiency. Significant capital investments could be required to remediate any potential problems.

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

We maintain a portfolio of fixed-income based investments disclosed as cash equivalents and short-term investments on our consolidated balance sheets. 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. If our operating losses continue, a portion or this entire 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 a 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 branch warehouses with product and would adversely impact our business.

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.

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 institutional foodservice divisions of multi-national manufacturers of retail products such as J.M. Smucker (Folgers Coffee), Dunkin' Donuts and Kraft Foods Inc. (Maxwell House Coffee), wholesale foodservice distributors such as Sysco Corporation and U.S. Foods, regional institutional coffee roasters such as S & D Coffee, Inc. and Boyd Coffee Company, and specialty coffee suppliers such as Green Mountain Coffee Roasters, Inc., Rogers Family Company, Distant Lands Coffee, Mother Parkers Tea & Coffee, Inc., and Peet’s Coffee & Tea, Inc. As many of our customers are small foodservice operators, we also compete with club stores such as Costco and Restaurant Depot. 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 FUNDING REQUIREMENTS AND NEGATIVELY IMPACT OUR FINANCIAL POSITION.

At June 30, 2012, the projected benefit obligation under our single employer defined benefit pension plans was $130.4 million and the fair value of plan assets was $85.8 million. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit cost and 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 benefit cost and increase our future funding requirements. As of June 30, 2012, we have made $7.3 million in contributions to these pension plans and accrued $1.2 million in expense. We expect to make approximately $4.3 million in contributions to our single employer defined benefit pension plans in fiscal 2013 and accrue expense of approximately $1.2 million per year beginning in fiscal 2013. These pension 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 many 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.

GOVERNMENT MANDATORY HEALTHCARE REQUIREMENTS COULD ADVERSELY AFFECT OUR PROFITS.

We offer healthcare benefits to all employees who work at least 40 hours a week and meet service eligibility requirements. In the past, some states, including California, have proposed legislation mandating that employers pay healthcare premiums into a state-run fund for all employees immediately upon hiring or pay a penalty for failing to do so. If legislation similar to this were to be enacted in California, or in the other states in which we do business, it could have an adverse effect on our results of operations. In addition, comprehensive health care legislation (the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010) was passed and signed into law in March 2010. Due to the breadth and complexity of this legislation, it is difficult to predict the financial and operational impacts this legislation will have on us. Our expenses may significantly increase over the long-term as a result of this legislation.

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 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 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. In May 2011, we did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers. As a result we were required to post a $5.9 million letter of credit as a security deposit to the State of California Department of Industrial Relations Self-Insurance Plans. As of June 30, 2012, this letter of credit continues to serve as a security deposit.

COMPETITORS MAY BE ABLE TO DUPLICATE OUR ROASTING AND BLENDING METHODS, 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. At the end of each quarter, we record the expected effect of the liquidation of LIFO inventory quantities and record the actual impact at fiscal year end. 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, COULD LEAD TO INCREASED LEVERAGE WHICH MAY HARM OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We have incurred operating losses and net losses 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 leading to deterioration in our credit rating, which could limit the availability of additional financing and increase the cost of obtaining financing. In addition, an increase in leverage could raise the likelihood of a financial covenant breach which in turn could limit our access to existing funding under our revolving credit facility.

Our ability to satisfy our operating lease obligations and make payments of principal and interest on our indebtedness depends on our future performance. Should we experience deterioration in operating performance, we will have less cash flow available to meet these obligations. In addition, if such deterioration were to lead to the closure of branch warehouses or distribution centers, we would need to fund the costs of terminating those leases. If we are unable to generate sufficient cash flow from operations in the future to satisfy these financial obligations, we may be required to, among other things:

- seek additional financing in the debt or equity markets;
- refinance or restructure all or a portion of our indebtedness;
- sell selected assets; or
- reduce or delay planned capital or operating expenditures.

Such measures might not be sufficient to enable us to satisfy our financial obligations. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms.

WE COULD FACE SIGNIFICANT WITHDRAWAL LIABILITY IF WE WITHDRAW FROM PARTICIPATION IN THE MULTIEMPLOYER PENSION PLANS IN WHICH WE PARTICIPATE.

We participate in a multiemployer defined benefit pension plan and a multiemployer defined contribution pension plan for certain union employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. In the event we withdraw from participation in one or both of these plans, we could be required to make an additional lump-sum contribution to the plan, which would be reflected as an expense in our consolidated statement of operations and a liability on our consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan’s funding of vested benefits. In fiscal 2012, in connection with the withdrawal from one of the multiemployer pension plans in which we participated, we recorded a charge of $4.3 million, representing the present value of the estimated withdrawal liability expected to be paid in quarterly installments of $0.1 million over 80 quarters. The installment payments will commence once the final amount of withdrawal liability is established, which determination may take up to 24 months from the date of withdrawal from the pension plan. Future collective bargaining negotiations may result in the Company withdrawing from the remaining multiemployer pension plans in which we participate and, if successful, may result in a withdrawal liability, the amount of which could be material to our results of operations and cash flows.

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 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 September 6, 2012, members of the Farmer family or entities controlled by the Farmer family (including trusts) as a group beneficially owned approximately 39.3% 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 in 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 in 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 INCREASE OUR OPERATING COSTS, REDUCE DEMAND FOR OUR PRODUCTS OR RESULT IN LITIGATION.

The conduct of our business, including the production, distribution, sale, advertising, marketing, labeling, safety, transportation and use of many of our products, are subject to various federal, state and local laws and regulations. These laws and regulations and interpretations thereof are subject to change as a result of political, economic or social events. Such changes may include changes in: food and drug laws; laws relating to product labeling, advertising and marketing practices; laws regarding ingredients used in our products; and increased regulatory scrutiny of, and increased litigation involving, product claims and concerns regarding the effects on health of ingredients in, or attributes of, our products. For example, we are subject to the California Safe Drinking Water and Toxic Enforcement Act of 1986 (commonly known as “Proposition 65”), a law which requires that a specific warning appear on any product sold in California that contains a substance listed by that State as having been found to cause cancer or birth defects. Proposition 65 exposes all food and beverage producers to the possibility of having to provide warnings on their products in California because it does not provide for any generally applicable quantitative threshold below which the presence of a listed substance is exempt from the warning requirement. Consequently, the detection of even a trace amount of a listed substance can subject an affected product to the requirement of a warning label.

On June 21, 2012, the Council for Education and Research on Toxics, a public interest group, issued a pre-litigation notice of intent to sue a number of companies, including CBI, which sell coffee in California for allegedly failing to issue clear and reasonable warnings that the coffee they produce, distribute and/or sell contains acrylamide in accordance with Proposition 65. Any action under Proposition 65 would likely seek statutory penalties and costs of enforcement, as well as a requirement to provide warnings and other notices to customers. If we were required to add warning labels to any of our products or place warnings in certain locations where our products are sold, sales of those products could suffer not only in those locations but elsewhere. Any change in labeling requirements for our products also 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 designed, documented, 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 1.B. Unresolved Staff Comments

None.

Item 2. Properties

Our largest and most significant facility is our corporate headquarters in Torrance, California. Our Torrance facility is a manufacturing facility and the distribution hub for our long-haul trucking fleet and houses our primary administrative offices. Coffee purchasing, roasting and packaging takes place at our Torrance, California; Portland, Oregon; and Houston, Texas plants. Spice blending and packaging takes place at our Torrance, California plant. Our distribution centers include our Torrance, Portland and Houston plants as well as distribution centers in Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey.

We stage our products in 117 branch warehouses throughout the contiguous United States. These branch warehouses and our 6 distribution centers, taken together, represent a vital part of our business, but no individual branch warehouse is material to the business as a whole. Our branch warehouses vary in size from approximately 2,500 to 50,000 square feet.

Approximately 55% of our facilities are leased with a variety of expiration dates through 2019, although our two largest facilities, in Torrance and Houston, are owned. The lease on the Portland facility expires in 2018 and has a 10 year renewal option.

We believe our plants, distribution centers and branch warehouses will continue to provide adequate capacity for the foreseeable future. A complete list of properties operated by Farmer Bros. is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

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

	Fiscal year ended June 30, 2012			Fiscal year ended June 30, 2011		
	High	**Low**	**Dividend**	**High**	**Low**	**Dividend**
1st Quarter	$ 12.45	$ 4.43	$ —	$ 17.46	$ 13.94	$ 0.115
2nd Quarter	$ 8.00	$ 4.96	$ —	$ 18.93	$ 15.55	$ 0.060
3rd Quarter	$ 12.25	$ 7.67	$ —	$ 18.13	$ 10.28	$ —
4th Quarter	$ 10.92	$ 6.73	$ —	$ 13.38	$ 8.59	$ —

Holders

There were approximately 2,300 holders of record on September 6, 2012. Determination of holders of record is based upon the number of record holders and individual participants in security position listings.

Dividends

Although historically the Company has paid a dividend to stockholders, in light of the Company's current financial position, the Company's Board of Directors has omitted the payment of a quarterly dividend since the third quarter of fiscal 2011. The amount, if any, of dividends to be paid in the future will depend upon the Company's then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors. For a description of the loan agreement restrictions on the payment of dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" included in Part II, Item 7 of this report, and Note 8 "Bank Loan" to the consolidated financial statements included in Part II, Item 8 of this report.

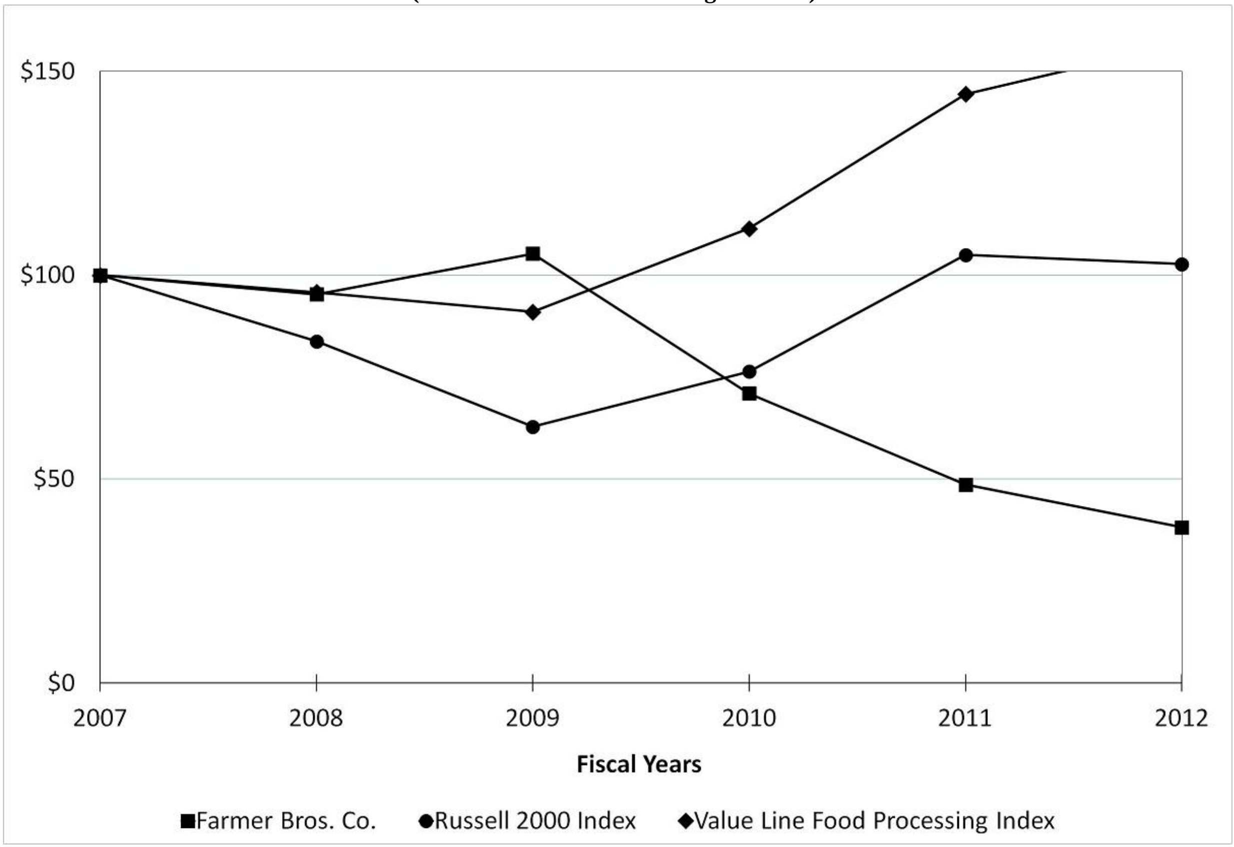
Equity Compensation Plan Information

This information appears in Part III, Item 12 of this report.

Performance Graph

The chart set forth below shows the value of an investment of $100 at the close of trading on June 30, 2006 in each of Farmer Bros. Co. common stock, the Russell 2000 Index and the Value Line Food Processing Index. All values assume reinvestment of the pre-tax value of dividends paid by companies included in these indices and are calculated as of June 30 of each year. The historical stock price performance of the Company's common stock shown in the performance graph below is not necessarily indicative of future stock price performance.

Comparison of Five-Year Cumulative Total Return
Farmer Bros. Co., Russell 2000 Index And Value Line Food Processing Index
(Performance Results Through 6/30/12)



Source: Value Line Publishing, LLC

		2007		2008		2009		2010		2011		2012
Farmer Bros. Co.	$	100.00	$	95.29	$	105.28	$	71.02	$	48.65	$	38.19
Russell 2000 Index	$	100.00	$	83.81	$	62.85	$	76.36	$	104.92	$	102.74
Value Line Food Processing Index	$	100.00	$	95.79	$	91.02	$	111.46	$	144.37	$	156.86

Item 6. Selected Financial Data

	Fiscal year ended June 30,				
	2012	2011	2010	2009(1)	2008(2)
	(In thousands, except per share data)				
Net sales	$ 495,442	$ 463,945	$ 450,318	$ 341,724	$ 266,485
Cost of goods sold	$ 322,618	$ 306,771	$ 252,754	$ 181,508	$ 147,073
Loss from operations	$ (24,867)	$ (68,422)	$ (39,192)	$ (15,203)	$ (10,644)
Loss from operations per common share	(1.61)	(4.54)	(2.64)	(1.05)	(0.75)
Net loss(3)	$ (29,329)	$ (54,317)	$ (23,953)	$ (33,270)	$ (7,924)
Net loss per common share	$ (1.89)	$ (3.61)	$ (1.61)	$ (2.29)	$ (0.55)
Total assets	$ 255,359	$ 290,053	$ 339,121	$ 330,017	$ 312,984
Capital lease obligations(4)	$ 15,867	$ 8,636	$ 3,861	$ 1,252	$ —
Cash dividends declared per common share	$ —	$ 0.18	$ 0.46	$ 0.46	$ 0.46

(1) Includes the results of operations of the DSD Coffee Business since its acquisition by the Company effective February 28, 2009.
(2) Includes the results of operations of CBH since its acquisition by the Company effective April 27, 2007.
(3) Includes: (a) $5.6 million in impairment losses on goodwill and intangible assets, $4.6 million in pension withdrawal expense and $14.2 million in beneficial effect of liquidation of LIFO inventory quantities in fiscal 2012; (b) $7.8 million in impairment losses on intangible assets, $1.5 million in pension curtailment charge, $1.1 million in beneficial effect of liquidation of LIFO inventory quantities and $9.2 million in income tax benefit in fiscal 2011; (c) $0.8 million in beneficial effect of liquidation of LIFO inventory quantities and $2.5 million in income tax benefit in fiscal 2010; and (d) a deferred tax asset valuation allowance of $19.7 million recorded as income tax expense in fiscal 2009.
(4) Excludes imputed interest.

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

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

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. The results of operations for the fiscal years ended June 30, 2012, 2011 and 2010 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 II, Item 8 of this report and with the “Risk Factors” described in Part I, Item 1A of this report.

Overview

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the “Company,” “we,” “our” or “Farmer Bros.”), is a manufacturer, wholesaler and distributor of coffee, tea and culinary products. We are a direct distributor of coffee to restaurants, hotels, casinos, hospitals and other foodservice providers, and a provider of private brand coffee programs to Quick Serve Restaurants ("QSR's"), grocery retailers, national drugstore chains, restaurant chains, convenience stores, and independent coffee houses, nationwide. We were founded in 1912, were incorporated in California in 1923, and reincorporated in Delaware in 2004. We operate in one business segment.

Since 2007, Farmer Bros. has achieved growth, primarily through the acquisition in 2007 of Coffee Bean Holding Co., Inc., a Delaware corporation ("CBH"), the parent company of Coffee Bean International, Inc., an Oregon corporation (“CBI”), a specialty coffee manufacturer and wholesaler headquartered in Portland, Oregon, and the acquisition in 2009 from Sara Lee Corporation (“Sara Lee”) of certain assets used in connection with its DSD coffee business in the United States (the “DSD Coffee Business”).

Critical Accounting Policies and Estimates

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

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

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

Coffee Brewing Equipment and Service

We classify certain expenses related to coffee brewing equipment provided to customers as cost of goods sold. These costs include the cost of the equipment as well as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts) and are considered directly attributable to the generation of revenues from our customers. We capitalize coffee brewing equipment and depreciate it over a three or five year period, depending on the assessment of its useful life and report the depreciation expense in cost of goods sold.

Investments

Our investments consist of money market instruments, marketable debt and equity securities, various derivative instruments, primarily exchange traded treasury and green coffee futures and options. All derivative instruments not designated as accounting hedges are marked to market and changes are recognized in current earnings. At June 30, 2012 and 2011, no derivative instruments were designated as accounting hedges. The fair value of derivative instruments is based upon broker quotes. The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Allowance for Doubtful Accounts

We maintain an allowance for estimated losses resulting from the inability of our customers to meet their obligations. In fiscal 2010, based on a larger customer base due to the recent Company acquisitions and in response to slower collection of our accounts receivable resulting from the impact of the economic downturn on our customers, we increased our allowance for doubtful accounts. In fiscal 2011, we decreased the allowance for doubtful accounts by $0.4 million due to improved collections of outstanding receivables. In fiscal 2012, we continued to improve the collection of past due accounts, and further decreased the allowance for doubtful accounts by $1.0 million.

Inventories

Inventories are valued at the lower of cost or market. We account for coffee, tea and culinary products on a last in, first out ("LIFO") basis, and coffee brewing equipment manufactured on a first in, first out ("FIFO") basis. We regularly evaluate our inventories to determine whether market conditions are correctly reflected in the recorded carrying value. At the end of each quarter, we record the expected effect of the liquidation of LIFO inventory quantities and record the actual impact at fiscal year-end. 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.

If inventory quantities decline at the end of the fiscal year compared to the beginning of the fiscal year, the reduction results in the liquidation of LIFO inventory quantities carried at the cost prevailing in prior years. This LIFO inventory liquidation may result in a decrease or increase in cost of goods sold depending on whether the cost prevailing in prior years was lower or higher, respectively, than the current year cost. In fiscal 2012, 2011 and 2010, the beneficial effect of this liquidation of LIFO inventory quantities reduced cost of goods sold and net loss in the amounts of $14.2 million, $1.1 million and $0.8 million, respectively.

Impairment of Goodwill and Indefinite-lived Intangible Assets

We perform our 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. Testing for impairment of goodwill is a two-step process. The first step requires us to compare the fair value of our reporting units to the carrying value of the net assets of the respective reporting units, including goodwill. If the fair value of a reporting unit is less than its carrying value, goodwill of the reporting unit is potentially impaired and we then complete step two to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill, which is the residual fair value remaining after 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. Indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values.

In the fourth quarter of fiscal 2012, during our annual test for impairment of goodwill, we identified indicators of impairment including a decline in market capitalization and continuing losses from operations. We performed impairment tests to determine the recoverability of the carrying values of the assets or if impairment should be measured. We were required to make estimates of the fair value of the Company's intangible assets, and all assets of CBI, the reporting unit. As a result of these impairment tests, we determined that the Company's trademarks acquired in connection with the CBI acquisition were impaired and the carrying value of all of the assets of CBI excluding goodwill exceeded their estimated fair values resulting in an implied fair value of zero for CBI's goodwill. Accordingly, in the fourth quarter of fiscal 2012, we recorded a total impairment charge of $5.6 million including $5.1 million in impairment losses on goodwill, which is included in operating expenses.

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

We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. In our annual test of impairment as of the end of fiscal 2011, we identified indicators of impairment including a decline in market capitalization and continuing losses from operations. We performed impairment tests to determine the recoverability of the carrying values of the assets or if impairment should be measured. The carrying value of these intangible assets was higher than the sum of each of their projected undiscounted cash flows. We determined that definite-lived intangible assets consisting of the customer relationships acquired, and the distribution agreement and co-pack agreement entered into, in connection with the DSD Coffee Business acquisition were impaired. As a result, in fiscal 2011 we recorded an impairment charge of $7.8 million in operating expenses.

Self-Insurance

We are self-insured for California workers' compensation insurance subject to specific retention levels and use historical analysis to determine and record the estimates of expected future expenses resulting from workers' compensation claims. The estimated outstanding losses are the accrued cost of unpaid claims valued as of June 30, 2012. The estimated outstanding losses, including allocated loss adjustment expenses ("ALAE"), include case reserves, the development of known claims and incurred but not reported (IBNR) claims. ALAE are the direct expenses for settling specific claims. The amounts reflect per occurrence and annual aggregate limits maintained by the Company. The analysis does not include estimating a provision for unallocated loss adjustment expenses.

Management believes that the amount accrued is adequate to cover all known claims at June 30, 2012. If the actual costs of such claims and related expenses exceed the amount estimated, additional reserves may be required which could have a material negative effect on operating results. If our estimate were off by as much as 15%, the reserve could be under or overstated by approximately $0.8 million as of June 30, 2012.

In May 2011, we did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers. As a result, we were required to post a $5.9 million letter of credit as a security deposit to the State of California Department of Industrial Relations Self-Insurance Plans. As of June 30, 2012, this letter of credit continues to serve as a security deposit.

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

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

Retirement Plans

We have a defined benefit pension plan, the Farmer Bros. Salaried Employees Pension Plan (the "Farmer Bros. Plan"), for the majority of our employees who are not covered under a collective bargaining agreement, and two defined benefit pension plans for certain hourly employees covered under a collective bargaining agreement (the "Brewmatic Plan" and the "Hourly Employees' Plan"). In addition, we contribute to a multiemployer defined benefit pension plan and a multiemployer defined contribution plan for certain union employees.

As of June 30, 2011, we amended the Farmer Bros. Plan, freezing the benefit for all participants effective June 30, 2011. After the plan freeze, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan. However, account balances continue to be credited with interest until paid out. As a result, we recorded $1.5 million in curtailment charge in the fourth quarter of fiscal 2011. Beginning in fiscal 2012, pension expense is significantly lower than in prior fiscal years due to the freeze in benefits as of June 30, 2011.

We obtain actuarial valuations for our plans and in fiscal 2012 we discounted the pension obligations using a 4.55% discount rate and we estimated an 8.25% long-term return on plan assets. The performance of the stock market and other investments as well as the overall health of the economy can have a material effect on pension investment returns and these assumptions. A change in these assumptions could affect our operating results.

At June 30, 2012, the projected benefit obligation under our single employer defined benefit pension plans was $130.4 million and the fair value of plan assets was $85.8 million. The difference between the projected benefit obligation and the fair value of plan assets is recognized as a decrease in other comprehensive income (loss) ("OCI") and an increase in pension liability and deferred tax assets. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit costs and 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 benefit cost and increase our future funding requirements. As of June 30, 2012, we have made $7.3 million in contributions to these plans and accrued $1.2 million in expense. We expect to make approximately $4.3 million in contributions to our single employer defined benefit pension plans in fiscal 2013 and accrue expense of approximately $1.2 million per year beginning in fiscal 2013. These pension payments are expected to continue at this level for several years, and the current economic environment increases the risk that we may be required to make even larger contributions in the future.

The following chart quantifies the effect on the projected benefit obligation and the net periodic benefit cost of a change in the discount rate assumption and the impact on the net periodic benefit cost of a change in the assumed rate of return on plan assets for fiscal 2013:

	(Dollars in thousands)		
Farmer Bros. Plan Discount Rate	**4.05%**	**Actual 4.55%**	**5.05%**
Net periodic benefit cost	$ 673	$ 617	$ 549
Projected benefit obligation	$ 133,619	$ 124,828	$ 116,928
Farmer Bros. Plan Rate of Return	**7.50%**	**Actual 8.00%**	**8.50%**
Net periodic benefit cost	$ 1,026	$ 617	$ 207
Brewmatic Plan Discount Rate	**4.05%**	**Actual 4.55%**	**5.05%**
Net periodic benefit cost	$ 194	$ 184	$ 175
Projected benefit obligation	$ 4,242	$ 4,022	$ 3,823
Brewmatic Plan Rate of Return	**7.50%**	**Actual 8.00%**	**8.50%**
Net periodic benefit cost	$ 197	$ 184	$ 171
Hourly Employees’ Plan Discount Rate	**4.05%**	**Actual 4.55%**	**5.05%**
Net periodic benefit cost	$ 441	$ 400	$ 369
Projected benefit obligation	$ 1,654	$ 1,520	$ 1,402
Hourly Employees' Rate of Return	**7.50%**	**Actual 8.00%**	**8.50%**
Net periodic benefit cost	$ 406	$ 400	$ 395

Income Taxes

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

Deferred Tax Asset Valuation Allowance

We assess whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets will or will not ultimately be realized in future periods. In making such assessment, significant weight is to be given to evidence that can be objectively verified such as recent operating results and less consideration is to be given to less objective indicators such as future earnings projections. We have evaluated our deferred tax assets in accordance with these requirements.

After consideration of positive and negative evidence, including the recent history of losses, the Company is maintaining a valuation allowance against its deferred tax assets as of June 30, 2012. The valuation allowance increased to $85.0 million in fiscal 2012, from $60.4 million and $43.9 million in fiscal 2011 and 2010, respectively.

Deferred tax assets increased to $88.6 million as of June 30, 2012 compared to $68.8 million and $53.7 million in fiscal 2011 and 2010, respectively. In fiscal 2012, deferred tax assets increased primarily due to net loss carryovers and a decrease in expected pension asset values related to a change in actuarial assumptions. In fiscal 2011, deferred tax assets increased primarily due to net loss carryovers partially offset by a reduction in deferred tax assets due to an increase in expected pension asset values.

Postretirement Benefits

We sponsor a postretirement medical and dental plan that covers qualified non-union employees and retirees, and certain qualified union retirees. Under this postretirement plan, our 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, but subject to a maximum monthly Company contribution.

Our retiree medical plan is unfunded and its liability was calculated using an assumed discount rate of 4.4% at June 30, 2012. We project an initial medical trend rate of 7.0% ultimately reducing to 5.0% in 5 years.

Share-based Compensation

We measure all share-based compensation cost at the grant date, based on the fair value of the award, and recognize such cost as an expense in our consolidated statement of operations over the requisite service period. The process of estimating the fair value of share-based compensation awards and recognizing share-based compensation cost over the requisite service period involves significant assumptions and judgments. We estimate the fair value of stock option awards on the date of grant using the Black-Scholes option valuation model which requires that we make certain assumptions regarding: (i) the expected volatility in the market price of our common stock; (ii) dividend yield; (iii) risk-free interest rates; and (iv) the period of time employees are expected to hold the award prior to exercise (referred to as the expected holding period). In addition, we estimate the expected impact of forfeited awards and recognize share-based compensation cost only for those awards expected to vest. If actual forfeiture rates differ materially from our estimates, share-based compensation expense could differ significantly from the amounts we have recorded in the current period. We will periodically review actual forfeiture experience and revise our estimates, as necessary. We will recognize as compensation cost the cumulative effect of the change in estimated forfeiture rates on current and prior periods in earnings of the period of revision. As a result, if we revise our assumptions and estimates, our share-based compensation expense could change materially in the future. In fiscal 2012 and 2011, we used an estimated 6.5% annual forfeiture rate to calculate share-based compensation expense based on actual forfeiture experience from the inception of the Omnibus Plan.

Liquidity and Capital Resources

Credit Facility

On September 12, 2011, we entered into an Amended and Restated Loan and Security Agreement (the “Loan Agreement”) among the Company and CBI, as Borrowers, certain of the Company’s other subsidiaries, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association ("Wells Fargo"), as Agent

The Loan Agreement provides for a senior secured revolving credit facility of up to $85.0 million, with a letter of credit sublimit of $20.0 million. The revolving credit facility provides for advances of 85% of eligible accounts receivable and 75% of eligible inventory (subject to a $60.0 million inventory loan limit), as defined. The Loan Agreement provides for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.0% to Adjusted Eurodollar Rate + 2.5%. The Loan Agreement has an amendment fee of 0.375% and an unused line fee of 0.25%. Outstanding obligations under the Loan Agreement are collateralized by all of the Borrowers’ assets, including the Company’s preferred stock portfolio. The term of the Loan Agreement expires on March 2, 2015.

The Loan Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including those relating to reporting requirements, maintenance of records, properties and corporate existence, compliance with laws, incurrence of other indebtedness and liens, limitations on certain payments, including the payment of dividends and capital expenditures, and transactions and extraordinary corporate events. The Loan Agreement allows us to pay dividends, subject to certain liquidity requirements. The Loan Agreement also contains financial covenants requiring the Borrowers to maintain minimum Excess Availability and Total Liquidity levels. The Loan Agreement allows the Lender to establish reserve requirements, which may reduce the amount of credit otherwise available to us, to reflect events, conditions, or risks that would have a reasonable likelihood of adversely affecting the Lender’s collateral or our assets, including our green coffee inventory.

The Loan Agreement provides that an event of default includes, among other things, subject to certain grace periods: (i) payment defaults; (ii) failure by any guarantor to perform any guarantee in favor of Lender; (iii) failure to abide by loan covenants; (iv) default with respect to other material indebtedness; (v) final judgment in a material amount not discharged or stayed; (vi) any change of control; (vii) bankruptcy or insolvency; and (viii) the failure of the Farmer Bros. Co. Employee Stock Ownership Benefit Trust, created by the Company to implement the Farmer Bros. Co. Employee Stock Ownership Plan ("ESOP"), to be duly qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, or exempt from federal income taxation, or if the ESOP engages in a material non-exempt prohibited transaction.

On January 9, 2012, the Loan Agreement was amended (“Amendment No. 1”) in connection with JPMorgan Chase Bank, N.A. (“JPMorgan Chase”), becoming an additional Lender thereunder. Pursuant to Amendment No. 1, Wells Fargo will provide a commitment of $60.0 million and JPMorgan Chase will provide a commitment of $25.0 million.

The interest rate on our outstanding borrowings under the Loan Agreement was 3.5% at June 30, 2012. As of June 30, 2012, we had outstanding borrowings of $29.1 million, excluding loan extension fees of $0.2 million, utilized $11.9 million of the letters of credit sublimit, and had excess availability under the credit facility of $31.4 million. Due to the short-term nature of the credit facility and the variable interest rate, fair value of the balance outstanding approximates carrying value. As of June 30, 2012, we were in compliance with all restrictive covenants under the Loan Agreement. There can be no assurance that the Lender will issue a waiver or grant an amendment to the covenants in future periods, if the Company required one. As of August 31, 2012, we had estimated outstanding borrowings of $24.0 million, excluding loan extension fees of $0.2 million, utilized $11.9 million of the letters of credit sublimit, and had excess availability under the credit facility of $39.5 million.

Liquidity

We generally finance our operations through cash flow from operations and borrowings under our revolving credit facility described above. As of June 30, 2012, we had $3.9 million in cash and cash equivalents and $21.0 million in short-term investments. We believe our revolving credit facility, to the extent available, in addition to our cash flows from operations and other liquid assets, are sufficient to fund our working capital and capital expenditure requirements for the next 12 months.

We generate cash from operating activities primarily from cash collections related to the sale of our products. Net cash provided by operating activities was $18.1 million in fiscal 2012, compared with $33.9 million in fiscal 2011 and net cash used in operating activities of $1.0 million in fiscal 2010. The lower level of net cash provided by operating activities in fiscal 2012 was primarily due to an increase in accounts payable payments. In fiscal 2011, net cash provided by operating activities was larger primarily due to a decrease in accounts payable payments and higher proceeds from the sale of investments.

Net cash used in investing activities decreased to $14.5 million in fiscal 2012, compared to $17.4 million and $28.0 million in fiscal 2011 and fiscal 2010, respectively, primarily due to reduced levels of capital expenditures.

Net cash used in financing activities was $5.8 million in fiscal 2012, compared to $14.6 million in fiscal 2011 and net cash provided by financing activities of $13.2 million in fiscal 2010. Net cash used in financing activities in fiscal 2012 included net repayments on our credit facility of $4.0 million compared to net repayments of $8.5 million and net borrowings of $21.0 million in fiscal 2011 and 2010, respectively. In addition, there were no dividend payments in fiscal 2012, compared to dividend payments of $4.7 million and $6.9 million in fiscal 2011 and 2010, respectively.

In fiscal 2012, we capitalized $17.5 million in property, plant and equipment purchases which included $13.9 million in expenditures to replace normal wear and tear of coffee brewing equipment, $0.1 million in building and facility improvements, $3.0 million in expenditures for vehicles, and machinery and equipment, and $0.5 million in information technology related expenditures. In addition, during fiscal 2012 we acquired equipment and trucks under capital leases totaling $9.5 million.

Our expected capital expenditures for fiscal 2013 include expenditures to replace normal wear and tear of coffee brewing equipment, vehicles, and machinery and equipment, and are expected not to deviate significantly from fiscal 2012 levels.

Our working capital is comprised of the following:

	June 30,	
	2012	2011
	(In thousands)	
Current assets	$ 135,851	$ 157,410
Current liabilities	92,689	103,462
Working capital	$ 43,162	$ 53,948

Liquidity Information:

	June 30,					
	2012		2011		2010	
	(In thousands)					
Capital expenditures	$	17,498	$	19,416	$	28,484
Dividends paid	$	—	$	4,657	$	6,939
Dividends payable	$	—	$	—	$	1,849

Results of Operations

Fiscal Years Ended June 30, 2012 and 2011

Overview

In fiscal 2012, commodity prices remained high through the first half of the fiscal year and started to fall during the second half of the fiscal year, with the exception of fuel costs which remained high throughout fiscal 2012. We utilize several strategies to minimize the impact of increasing green coffee prices, including the purchase of future coffee contracts, in some instances, up to 18 months in advance of the actual delivery date, to enable us to lock-in green coffee prices within a pre-established range. Although this strategy minimizes the impact of increasing green coffee prices, if green coffee prices decline after we lock the purchase cost, the cost of our purchases reflected in our financial results may be higher compared to the current market cost of green coffee. To address the increase in freight and fuel expense, in fiscal 2011 we instituted an energy surcharge which continued in fiscal 2012.

To address downward margin pressures, we continued to focus on streamlining our operations in fiscal 2012. Specifically, we continued our focus on expense reductions and asset redeployment to improve our operating results. The benefit of initiatives we implemented in fiscal 2011 intended to reduce the cost of our operations, including headcount reduction, inventory reduction, implementation of improved collection practices of past due accounts, cost-sharing measures to address increases in employee healthcare costs, automation of certain functions, centralization of certain IT functions, and in-sourcing of certain business support functions, also started to be realized. In fiscal 2012, we also implemented employee benefit plan restructuring, and continued to improve our real-estate asset management by divesting underutilized properties and renegotiating our lease terms in response to more favorable market conditions in certain markets.

Operations

Net sales in fiscal 2012 increased $31.5 million, or 6.8%, to $495.4 million from $463.9 million in fiscal 2011, primarily due to increases in list prices of our coffee, cappuccino, cocoa and selected spice products implemented in the second half of fiscal 2011, offset in part by the effect of a decrease in the number of customers who purchased our products as compared to the prior fiscal year.

Cost of goods sold in fiscal 2012 increased $15.8 million, or 5.2%, to $322.6 million, or 65.1% of sales, from $306.8 million, or 66.1% of sales, in fiscal 2011, primarily due to the increase in net sales. The decrease in cost of goods sold as a percent of net sales in fiscal 2012 is primarily due to a reduction in coffee inventory, which resulted in the liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The beneficial effect of this liquidation of LIFO inventory quantities reduced cost of goods sold by $14.2 million compared to $1.1 million in fiscal 2011. This reduction in cost of goods sold was offset, in part, by a 16.0% increase in the average cost of green coffee purchased in fiscal 2012 compared to the prior fiscal year.

Gross profit in fiscal 2012 increased $15.7 million, or 10.0%, to $172.8 million from $157.2 million in fiscal 2011. Gross margin increased to 35% in fiscal 2012 from 34% in the prior fiscal year. The increase in gross profit and gross margin is primarily due to the beneficial effect of the liquidation of LIFO inventory quantities and the full year benefit of price increases for our coffee, cappuccino, cocoa and selected spice products in fiscal 2012, offset by changes in the mix of our customers and the products we sell to them and a 16.0% increase in the average cost of green coffee purchased in fiscal 2012.

In fiscal 2012, operating expenses decreased $27.9 million, or 12.4%, to $197.7 million, or 40% of sales, from $225.6 million, or 49% of sales, in fiscal 2011. The reduction in operating expenses in fiscal 2012 is primarily due to lower payroll and related expenses resulting from a decreased employee headcount, savings from employee benefit plan restructuring and ongoing cost control measures. The decrease if operating expenses was offset, in part, by impairment losses on goodwill and intangible assets in the amount of $5.6 million and charges related to withdrawal from multiemployer pension plans in the amount of $4.6 million.

In our annual test of impairment of long-lived assets, we determined that goodwill and certain trademarks acquired in connection with the CBI acquisition were impaired. Accordingly, in the fourth quarter of fiscal 2012, we recorded total impairment charges of $5.6 million including $5.1 million in impairment losses on goodwill.

In fiscal 2012, we withdrew from two multiemployer defined benefit pension plans and recorded a charge of $4.3 million associated with withdrawal from one of these plans, representing the present value of the estimated withdrawal liability expected to be paid in quarterly installments of $0.1 million over 80 quarters. Installment payments will commence once the final determination of the amount of withdrawal liability is established, which determination may take up to 24 months from the date of withdrawal from the pension plan. Upon withdrawal, the employees covered under one of these multiemployer pension plans were included in our 401(k) plan ("401(k) Plan") and the other defined benefit multiemployer pension plan was replaced with a defined contribution pension plan. The $4.3 million charge is included in our consolidated statement of operations for the year ended June 30, 2012 as "Pension withdrawal expense" and in current and long-term liabilities on the Company's balance sheet at June 30, 2012. In addition, we also recorded $0.3 million in pension withdrawal expense for acquisition-related pension withdrawal liability assumed in connection with the DSD Coffee Business acquisition that was fully paid in fiscal 2012.

Loss from operations in fiscal 2012 was $(24.9) million compared to $(68.4) million in fiscal 2011, due to improvement in gross profit and reduction in operating expenses.

Total other income (expense)

Total other expense in fiscal 2012 was $4.8 million compared to total other income of $4.9 million in fiscal 2011, primarily due to net derivative losses of $4.1 million in fiscal 2012 compared to net derivative gains of $4.2 million in fiscal 2011. The net derivative losses and gains were primarily due to coffee-related futures contracts.

Income taxes

In fiscal 2012, we recorded an income tax benefit of $0.3 million compared to $9.2 million in fiscal 2011. Income tax benefit for fiscal 2012 was primarily attributable to the settlement of certain tax issues with the Internal Revenue Service and the State of California during our exam appeals. In fiscal 2012, unrecognized tax benefits related to certain tax refunds were released and the resulting benefit was recorded.

Income tax benefit for fiscal 2011 was primarily attributable to gains on postretirement benefits. Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in Accounting Standards Codification ("ASC") 740, "Income Taxes," when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the tax expenses recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from postretirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the fiscal year ended June 30, 2011, we recorded a tax expense of $9.8 million in OCI related to the gain on postretirement benefits, and recorded a corresponding tax benefit of $9.8 million in continuing operations.

Net Loss

As a result of the above operating factors, net loss decreased to $(29.3) million, or $(1.89) per common share, in fiscal 2012 compared to a net loss of $(54.3) million, or $(3.61) per common share, in fiscal 2011.

Fiscal Years Ended June 30, 2011 and 2010

Overview

Fiscal 2011 was a period of rapid commodity inflation, which impacted our cost of green coffee, sugar and cocoa and freight expense. Since we value our inventory on a LIFO basis rather than on a FIFO basis, the escalating coffee prices had a significant negative impact on our cost of goods sold and the resulting gross profit. To address the increase in freight and fuel expense, we instituted an energy surcharge in fiscal 2011 and, to minimize gross margin erosion, we increased pricing to our customers several times in fiscal 2011 although the price increases, at times, lagged the relatively rapid and steep cost increases we incurred. In an environment of record-high costs, rising unemployment and a severe economic downturn, we were unable to fully pass along our costs to our customers.

To address downward margin pressures, we continued to focus on streamlining our operations in fiscal 2011. Specifically, we focused on expense reductions, asset redeployment and automation intended to improve our operating results. We implemented a number of initiatives intended to reduce the cost of our operations, including headcount reduction, inventory reduction, implementation of improved collection practices of past due accounts, cost-sharing measures to address increases in employee healthcare costs, automation of certain functions, centralization of certain IT functions, and in-sourcing of certain business support functions. We have and expect to continue to improve our real-estate asset management by divesting underutilized properties and renegotiating our lease terms in response to more favorable market conditions in certain markets.

In fiscal 2011, we significantly modified our retirement benefit program. Specifically, we amended the Farmer Bros. Plan, freezing the benefit for all participants effective June 30, 2011. After the plan freeze, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan. However, account balances continue to be credited with interest until paid out. The freeze of the Farmer Bros. Plan coincided with an enhanced defined contribution 401(k) Plan with a discretionary Company match of the employees' annual contributions. In fiscal 2011, the Company accrued $0.1 million towards this Company match. The pension freeze was anticipated to save over $8.0 million annually in future pension expense accrual, which is expected to be offset by any discretionary Company match under the 401(k) Plan.

In fiscal 2011, we also sold a portion of our investments in preferred stock in order to pay down a portion of the outstanding balance on our revolving credit facility.

Operations

Net sales in fiscal 2011 increased $13.6 million, or 3%, to $463.9 million from $450.3 million in fiscal 2010, primarily due to increases in list prices of our coffee, cappuccino, cocoa and selected spice products implemented in the second half of fiscal 2011, offset in part by a decrease in the number of customers who purchased our products as compared to the prior fiscal year.

Cost of goods sold in fiscal 2011 increased $54.0 million, or 21%, to $306.8 million, or 66% of sales, from $252.8 million, or 56% of sales, in fiscal 2010 primarily due to the increase in the cost of green coffee beans. Green coffee costs increased 80% in fiscal 2011 compared to the prior fiscal year. Additionally, the cost of coffee brewing equipment and related service also contributed to the increase in cost of goods sold. Cost of coffee brewing equipment and related service in fiscal 2011 was $27.1 million compared to $21.5 million in fiscal 2010.

Gross profit in fiscal 2011 decreased $(40.4) million, or (20)%, to $157.2 million from $197.6 million in fiscal 2010. Gross margin decreased to 34% in fiscal 2011 from 44% in the prior fiscal year. This decrease in gross margin is primarily due to (1) increased raw material costs including an 80% increase in the cost of green coffee beans in fiscal 2011 compared to the prior fiscal year partially offset by price increases for finished goods during the period, (2) increased coffee brewing equipment and service costs, and (3) changes in the mix of our customers and the products we sell to them.

In fiscal 2011, operating expenses decreased $(11.2) million, or (5)%, to $225.6 million, or 49% of sales, from $236.8 million, or 53% of sales, in fiscal 2010. The reduction in operating expenses in fiscal 2011, as compared to the prior fiscal year, is primarily due to lower payroll and related expenses resulting from a reduction in the number of employees offset in part by higher freight and fuel costs, and severance costs associated with the reduction in headcount of approximately 200 employees in the amount of $3.1 million. Operating expenses in fiscal 2011 also include $7.8 million in impairment losses related to intangible assets, $1.5 million in pension curtailment charges, and $0.7 million in severance costs recorded pursuant to the Separation Agreement between the Company and Roger M. Laverty III, the Company's former President and Chief Executive Officer.

Loss from operations in fiscal 2011 was $(68.4) million compared to $(39.2) million in fiscal 2010, primarily due to decline in gross profit.

Total other income (expense)

Total other income in fiscal 2011 was $4.9 million compared to $12.7 million in fiscal 2010. The decrease in total other income was primarily due to lower net realized and unrealized gains on a smaller investment portfolio and higher interest expense related to borrowings under our revolving credit facility in fiscal 2011 as compared to fiscal 2010.

Income taxes

In fiscal 2011, we recorded an income tax benefit of $9.2 million compared to $2.5 million in fiscal 2010. Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in ASC 740 when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the tax expenses recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from postretirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the fiscal year ended June 30, 2011, we recorded a tax expense of $9.8 million in OCI related to the gain on postretirement benefits, and recorded a corresponding tax benefit of $9.8 million in continuing operations. Income tax benefit for fiscal 2010 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 fiscal 2010.

Net Loss

As a result of the above operating factors, net loss increased to $(54.3) million, or $(3.61) per common share, in fiscal 2011 compared to a net loss of $(24.0) million, or $(1.61) per common share, in fiscal 2010.

Non-GAAP Financial Measures

In addition to net income (loss) determined in accordance with GAAP, we use certain non-GAAP financial measures, such as “Net income (loss) excluding LIFO impact,” “EBITDAE” and “Adjusted EBITDAE,” in assessing our operating performance. We believe the non-GAAP measures serve as appropriate measures to be used in evaluating the performance of our business.

We define “Net income (loss) excluding LIFO impact” as net income (loss) excluding the impact of LIFO charge or credit. LIFO charge or credit includes: (1) the effect of the liquidation of LIFO inventory quantities as of the fiscal year end recorded in cost of goods sold, and (2) an estimate of the difference between cost of goods sold recorded on a LIFO basis and cost of goods sold that would have been recorded if we had used the FIFO method of inventory valuation.

We define “EBITDAE” as net income (loss) excluding the impact of income taxes, interest expense, depreciation and amortization, ESOP and share-based compensation expense, non-cash impairment losses, pension withdrawal expense, and gains and losses from derivatives and investments. We reference this particular non-GAAP financial measure frequently in our decision-making because it provides supplemental information that facilitates internal comparisons to the historical operating performance of prior periods. In addition, incentive compensation is based, in part, on EBITDAE and we base certain of our forward-looking estimates on EBITDAE to facilitate quantification of planned business activities and enhance subsequent follow-up with comparisons of actual to planned EBITDAE.

We define “Adjusted EBITDAE” as EBITDAE excluding the impact of LIFO charges or credits. While we believe the use of the LIFO method of inventory valuation for coffee, tea and culinary products results in a better matching of costs and revenues, we believe Adjusted EBITDAE provides a basis for comparisons to companies that do not use LIFO and enhances the understanding of our historical operating performance.

Net income (loss) excluding LIFO, EBITDAE and Adjusted EBITDAE as defined by us may not be comparable to similarly titled measures reported by other companies. We do not intend for non-GAAP financial measures to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP.

Set forth below is a reconciliation of reported net loss and reported basic and diluted net loss per common share to net loss excluding LIFO impact and basic and diluted net loss per common share excluding LIFO impact, respectively:

	Year Ended June 30,		
	2012	2011	2010
	(In thousands, except share and per share data)		
Net loss, as reported	$ (29,329)	$ (54,317)	$ (23,953)
LIFO (credit) charge:			
Effect of liquidation of LIFO inventory quantities, net of taxes of zero(1)	(14,206)	(1,100)	(800)
Estimated difference in cost of goods sold—LIFO basis vs. FIFO basis, net of taxes of zero(1)(2)	1,847	32,854	1,033
Net loss, excluding LIFO impact	$ (41,688)	$ (22,563)	$ (23,720)
Weighted average common shares outstanding, basic and diluted	15,492,314	15,066,663	14,866,306
Net loss per common share—basic and diluted, as reported	$ (1.89)	$ (3.61)	$ (1.61)
Net loss per common share, excluding LIFO impact—basic and diluted	$ (2.69)	$ (1.50)	$ (1.60)

Set forth below is a reconciliation of reported net loss to EBITDAE and Adjusted EBITDAE:

	Year Ended June 30,		
	2012	2011	2010
	(In thousands)		
Net loss, as reported	$ (29,329)	$ (54,317)	$ (23,953)
Income tax benefit	(347)	(9,167)	(2,529)
Interest expense	2,137	1,965	986
Depreciation and amortization expense	32,113	31,758	26,778
ESOP and share-based compensation expense	3,287	3,825	4,785
Impairment losses on goodwill and intangible assets	5,585	7,805	—
Pension withdrawal expense	4,568	—	—
Net loss (gain) on derivatives and investments	4,117	(4,191)	(10,169)
EBITDAE	$ 22,131	$ (22,322)	$ (4,102)
LIFO (credit) charge:			
Effect of liquidation of LIFO inventory quantities, net of taxes of zero(1)	(14,206)	(1,100)	(800)
Estimated difference in cost of goods sold—LIFO basis vs. FIFO basis, net of taxes of zero(1)(2)	1,847	32,854	1,033
LIFO (credit) charge, net of taxes of zero(1)	(12,359)	31,754	233
Adjusted EBITDAE	$ 9,772	$ 9,432	$ (3,869)

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(1) LIFO (credit) charge had no impact on income tax (benefit) expense since we have recorded a 100% valuation allowance against deferred tax assets.

(2) Effective October 1, 2011, we refined the methodology that we use to estimate the LIFO impact and use the average purchase cost over the months of inventory-on-hand instead of the latest purchase cost to value the ending inventory. In an environment of volatile prices, using the average purchase cost provides a more accurate inventory value than using the latest purchase cost for that period. The effect of this refinement in methodology on previously disclosed non-GAAP financial measures is included in the fiscal year ended June 30, 2011 and 2010 columns above and is summarized below:

(In thousands, except per share data)	As Previously Reported		As Refined	
	Fiscal Year Ended June 30,		Fiscal Year Ended June 30,	
	2011	2010	2011	2010
LIFO charge (credit), net of taxes of zero	$ 40,317	$ 1,033	$ 31,754	$ 233
Net loss, excluding LIFO impact	$ (14,000)	$ (22,920)	$ (22,563)	$ (23,720)
Net loss per common share, excluding LIFO impact—basic and diluted	$ (0.93)	$ (1.54)	$ (1.50)	$ (1.60)
Adjusted EBITDAE	$ 17,995	$ (3,070)	$ 9,432	$ (3,869)

Contractual Obligations

The following table contains supplemental information regarding total contractual obligations as of June 30, 2012, including capital leases:

(In thousands)	Payment due by period				
	Total	Less Than One Year	1-3 Years	3-5 Years	More Than 5 Years
Contractual obligations:					
Operating lease obligations	$ 15,456	$ 3,979	$ 6,139	$ 3,291	$ 2,047
Capital lease obligations(1)	17,939	4,523	7,532	4,926	958
Pension plan obligations	74,570	6,364	13,200	14,063	40,943
Postretirement benefits other than pension plans	24,686	1,363	3,296	4,468	15,559
Revolving credit facility(2)	29,126	29,126	—	—	—
	$ 161,777	$ 45,355	$ 30,167	$ 26,748	$ 59,507

(1) Includes imputed interest of $2,072.
(2) Revolving credit facility expires March 2, 2015, but is presented as a current liability on the Company's consolidated balance sheets.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market value risk arising from changes in interest rates on our securities portfolio. Our portfolio of preferred securities has sometimes included investments in derivatives that provide a natural economic hedge of interest rate risk. We review the interest rate sensitivity of these securities and may enter into “short positions” in futures contracts on U.S. Treasury securities or hold put options on such futures contracts to reduce the impact of certain interest rate changes. 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 Treasury yield curve, the expected volatility of U.S. Treasury yields, and the costs of using futures and/or options.

The following table demonstrates the impact of varying interest rate changes based on our preferred securities holdings and market yield and price relationships at June 30, 2012. This table is predicated on an “instantaneous” change in the general level of interest rates and assumes predictable relationships between the prices of our preferred securities holdings and the yields on U.S. Treasury securities. At June 30, 2012, we had no futures contracts or put options designated as interest rate risk hedges.

Interest Rate Changes	Market Value of Preferred Securities at June 30, 2012	Change in Market Value
	(In thousands)	
–150 basis points	$ 20,159	$ 764
–100 basis points	$ 19,962	$ 567
Unchanged	$ 19,395	$ —
+100 basis points	$ 18,628	$ (767)
+150 basis points	$ 18,272	$ (1,123)

Our revolving credit facility with Wells Fargo is at a variable rate. The interest rate varies based upon line usage, borrowing base availability and market conditions. As of June 30, 2012, we had outstanding borrowings of $29.1 million, excluding loan extension fees of $0.2 million, utilized $11.9 million of the letters of credit sublimit, and had excess availability under the credit facility of $31.4 million. The interest rate on the outstanding borrowings at June 30, 2012 was 3.5%. The Loan Agreement provides for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.0% to Adjusted Eurodollar Rate + 2.5%.

The following table demonstrates the impact of interest rate changes on our annual interest expense under the revolving credit facility based on the outstanding balance and interest rate as of June 30, 2012:

Interest Rate Changes	Interest Rate	Annual Interest Expense
		(In thousands)
–150 basis points	2.0%	$ 585
–100 basis points	2.5%	$ 732
Unchanged	3.5%	$ 1,025
+100 basis points	4.5%	$ 1,317
+150 basis points	5.0%	$ 1,464

Commodity Price Risk

We are exposed to commodity price risk arising from changes in the market price of green coffee. We value green coffee inventory on the 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.

We routinely enter into specialized hedging transactions to purchase future coffee contracts to enable us to lock in green coffee prices within a pre-established range, and hold a mix of futures contracts and options to help hedge against volatility in green coffee prices. Gains and losses on these derivative instruments are realized immediately in "Other, net."

For the fiscal year ended June 30, 2012, 2011 and 2010, we recorded $(8.6) million, $0.9 million and $29,000, respectively, in coffee-related net realized derivative (losses) and gains. For the fiscal years ended June 30, 2012, 2011 and 2010, we recorded $1.2 million, $(2.4) million and $1.5 million, respectively, in coffee-related net unrealized derivative gains (losses).

The following table demonstrates the impact of changes in the market value of coffee cost on the market value of coffee inventory and forward purchase contracts:

	Market Value			(Decrease) Increase in Market Value	
Coffee Cost (Decrease) Increase	**Coffee Inventory**	**Futures & Options**	**Total**	**Derivatives**	**Inventory**
			(In thousands)		
– 10%	$ 25,000	$ (486)	$ 24,514	$ (486)	$ (2,321)
Unchanged	$ 27,321	$ 1,626	$ 28,947	$ —	$ —
+10%	$ 30,000	$ 486	$ 30,486	$ 486	$ 2,679

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Farmer Bros. Co. and Subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended June 30, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Farmer Bros. Co. and Subsidiaries at June 30, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Farmer Bros. Co. and Subsidiaries' internal control over financial reporting as of June 30, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 7, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
September 7, 2012

FARMER BROS. CO.

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

	June 30, 2012	June 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,906	$ 6,081
Short-term investments	21,021	24,874
Accounts and notes receivable, net of allowance for doubtful accounts of $1,872 and $2,852, respectively	40,736	43,501
Inventories	65,981	79,759
Income tax receivable	762	448
Prepaid expenses	3,445	2,747
Total current assets	135,851	157,410
Property, plant and equipment, net	108,135	114,107
Goodwill and other intangible assets, net	7,615	14,639
Other assets	2,904	2,892
Deferred income taxes	854	1,005
Total assets	$ 255,359	$ 290,053
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 27,676	$ 42,473
Accrued payroll expenses	20,494	15,675
Short-term borrowings under revolving credit facility	29,126	31,362
Short-term obligations under capital leases	3,737	1,570
Deferred income taxes	1,480	500
Other current liabilities	10,176	11,882
Total current liabilities	92,689	103,462
Accrued postretirement benefits	34,557	23,585
Other long-term liabilities—capital leases	12,130	7,066
Accrued pension liabilities	42,513	22,371
Accrued workers' compensation liabilities	4,131	3,639
Deferred income taxes	607	1,815

Total liabilities	$ 186,627	$ 161,938
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, $1.00 par value, 500,000 shares authorized and none issued	$ —	$ —
Common stock, $1.00 par value, 25,000,000 shares authorized; 16,308,859 and 16,186,372 issued and outstanding at June 30, 2012 and 2011, respectively	16,309	16,186
Additional paid-in capital	34,834	36,470
Retained earnings	100,455	129,784
Unearned ESOP shares	(25,637)	(30,437)
Less accumulated other comprehensive loss	(57,229)	(23,888)
Total stockholders' equity	$ 68,732	$ 128,115
Total liabilities and stockholders' equity	$ 255,359	$ 290,053

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

	Year ended June 30,		
	2012	2011	2010
Net sales	$ 495,442	$ 463,945	$ 450,318
Cost of goods sold	322,618	306,771	252,754
Gross profit	172,824	157,174	197,564
Selling expenses	150,641	170,670	187,685
General and administrative expenses	36,897	47,121	49,071
Impairment losses on goodwill and intangible assets	5,585	7,805	—
Pension withdrawal expense	4,568	—	—
Operating expenses	197,691	225,596	236,756
Loss from operations	(24,867)	(68,422)	(39,192)
Other (expense) income:			
Dividend income	1,231	2,534	3,224
Interest income	214	178	303
Interest expense	(2,137)	(1,965)	(986)
Other, net	(4,117)	4,191	10,169
Total other (expense) income	(4,809)	4,938	12,710
Loss before taxes	(29,676)	(63,484)	(26,482)
Income tax benefit	(347)	(9,167)	(2,529)
Net loss	$ (29,329)	$ (54,317)	$ (23,953)
Net loss per common share—basic and diluted	$ (1.89)	$ (3.61)	$ (1.61)
Weighted average common shares outstanding—basic and diluted	15,492,314	15,066,663	14,866,306
Cash dividends declared per common share	$ —	$ 0.18	$ 0.46

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended June 30,		
	2012	2011	2010
Net loss	$ (29,329)	$ (54,317)	$ (23,953)
Other comprehensive loss, net of tax:			
Retiree benefits	(33,341)	25,634	(4,787)
Income tax benefit	—	(9,823)	—
Total comprehensive loss, net of tax	$ (62,670)	$ (38,506)	$ (28,740)

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

Year ended June 30,

	2012	2011	2010
Cash flows from operating activities:			
Net loss	$ (29,329)	$ (54,317)	$ (23,953)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	32,113	31,758	26,778
Provision for doubtful accounts	—	2,024	3,188
Deferred income taxes	(78)	336	758
Impairment losses on goodwill and intangible assets	5,585	7,805	—
(Gain) loss on sales of assets	(268)	358	430
ESOP and share-based compensation expense	3,287	3,825	4,785
Net loss (gain) on investments	6,175	(1,312)	(9,382)
Change in operating assets and liabilities:			
Short-term investments	(2,322)	27,381	1,365
Accounts and notes receivable	2,765	(2,929)	(40)
Inventories	13,314	3,952	(14,751)
Income tax receivable	(314)	5,392	(1,677)
Prepaid expenses and other assets	(711)	(434)	178
Accounts payable	(13,083)	12,997	(738)
Accrued payroll, expenses and other liabilities	3,112	2,112	2,904
Accrued postretirement benefits	995	1,399	3,926
Other long-term liabilities	(3,108)	(6,410)	5,182
Net cash provided by (used in) operating activities	$ 18,133	$ 33,937	$ (1,047)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(17,498)	(19,416)	(28,484)
Proceeds from sales of property, plant and equipment	3,037	2,021	437
Net cash used in investing activities	$ (14,461)	$ (17,395)	$ (28,047)
Cash flows from financing activities:			
Proceeds from revolving credit facility	17,250	35,450	33,737
Repayments on revolving credit facility	(21,200)	(43,970)	(12,756)
Payments of capital lease obligations	(1,897)	(1,433)	(837)
Dividends paid	—	(4,657)	(6,939)
Net cash (used in) provided by financing activities	$ (5,847)	$ (14,610)	$ 13,205
Net (decrease) increase in cash and cash equivalents	$ (2,175)	$ 1,932	$ (15,889)
Cash and cash equivalents at beginning of year	6,081	4,149	20,038
Cash and cash equivalents at end of year	$ 3,906	$ 6,081	$ 4,149

(continued on next page)

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued from previous page)
(In thousands)

	Year ended June 30,		
	2012	2011	2010
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 2,123	$ 1,945	$ 890
Cash paid for income taxes	$ 317	$ 324	$ 154
Non-cash financing and investing activities:			
Equipment acquired under capital leases	$ 9,508	$ 5,659	$ 3,954
Dividends accrued, but not paid	$ —	$ —	$ 1,849

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share and per share data)

	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2009	**16,078,111**	**$ 16,078**	**$ 31,135**	**$ 217,792**	**$ (33,604)**	**$ (34,912)**	**$ 196,489**
Net loss				(23,953)			(23,953)
Retiree benefits, net of tax of $0						(4,787)	(4,787)

Dividends ($0.46 per share)				(6,939)			(6,939)
ESOP compensation expense, including reclassifications			5,344		(1,634)		3,710
Share-based compensation	86,068	86	989				1,075
Balance at June 30, 2010	**16,164,179**	**$ 16,164**	**$ 37,468**	**$ 186,900**	**$ (35,238)**	**$ (39,699)**	**$ 165,595**
Net loss				(54,317)			(54,317)
Retiree benefits, net of tax benefit of $9,823						15,811	15,811
Dividends ($0.18 per share)				(2,799)			(2,799)
ESOP contributions	1,040	1	8		(9)		—
ESOP compensation expense, including reclassifications			(2,173)		4,810		2,637
Share-based compensation	21,153	21	1,167				1,188
Balance at June 30, 2011	**16,186,372**	**$ 16,186**	**$ 36,470**	**$ 129,784**	**$ (30,437)**	**$ (23,888)**	**$ 128,115**
Net loss				(29,329)			(29,329)
Retiree benefits, net of tax of $0						(33,341)	(33,341)
ESOP compensation expense, including reclassifications			(3,327)		4,800		1,473
Share-based compensation	122,487	123	1,691		—		1,814
Balance at June 30, 2012	**16,308,859**	**$ 16,309**	**$ 34,834**	**$ 100,455**	**$ (25,637)**	**$ (57,229)**	**$ 68,732**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the “Company,” or “Farmer Bros.”), is a manufacturer, wholesaler and distributor of coffee, tea and culinary products. The Company is a direct distributor of coffee to restaurants, hotels, casinos, hospitals and other foodservice providers, and is a provider of private brand coffee programs to Quick Serve Restaurants ("QSR's"), grocery retailers, national drugstore chains, restaurant chains, convenience stores and independent coffee houses, nationwide. The Company was founded in 1912, was incorporated in California in 1923, and reincorporated in Delaware in 2004. The Company operates in one business segment.

The Company’s product line includes roasted coffee, liquid coffee, coffee-related products such as coffee filters, sugar and creamers, assorted teas, cappuccino, cocoa, spices, gelatins and puddings, soup bases, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves. Most sales are made “off-truck” by the Company to its customers at their places of business.

The Company serves its customers from six distribution centers and its distribution trucks are replenished from 117 branch warehouses located throughout the contiguous United States. The Company operates its own trucking fleet to support its long-haul distribution requirements. A portion of the Company’s products is distributed by third parties or is direct shipped via common carrier.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries FBC Finance Company and Coffee Bean Holding Co., Inc. All inter-company balances and transactions have been eliminated.

Financial Statement Preparation

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

Cash Equivalents

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

Investments

The Company’s investments consist of money market instruments, marketable debt and equity securities, various derivative instruments, primarily exchange traded treasury and green coffee futures and options. Investments are held for trading purposes and stated at fair value. All derivative instruments not designated as accounting hedges are marked to market and changes are recognized in current earnings. At June 30, 2012 and 2011, no derivative instruments were designated as accounting hedges. The fair value of derivative instruments is based upon broker quotes. The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Concentration of Credit Risk

At June 30, 2012, the financial instruments which potentially expose the Company to concentration of credit risk consist of cash in financial institutions (which exceeds federally insured limits), short-term investments, investments in the preferred stocks of other companies and trade receivables. Cash equivalents and short-term investments are not concentrated by issuer, industry or geographic area. Maturities are generally shorter than 180 days. Investments in the preferred stocks of other companies are limited to high quality issuers and are not concentrated by geographic area or issuer.

Concentration of credit risk with respect to trade receivables for the Company is limited due to the large number of customers comprising the Company’s customer base and their dispersion across many different geographic areas. The trade receivables are generally short-term and all probable bad debt losses have been appropriately considered in establishing the allowance for doubtful accounts. In fiscal 2010, based on a larger customer base due to the recent Company acquisitions and in response to slower collection of the Company’s accounts receivable resulting from the impact of the economic downturn on the Company’s customers, the Company increased its allowance for doubtful accounts from the previous fiscal year by$2.1 million and recorded a $3.2 million charge to bad debt expense. In fiscal 2012 and fiscal 2011, due to improvements in the collection of past due accounts, the Company reduced its allowance for doubtful accounts by $1.0 million and $0.4 million, respectively.

Inventories

Inventories are valued at the lower of cost or market. The Company accounts for coffee, tea and culinary products on a last in, first out (“LIFO”) basis, and coffee brewing equipment manufactured on a first in, first out (“FIFO”) basis. The Company regularly evaluates these inventories to determine whether market conditions are correctly reflected in the recorded carrying value. At the end of each quarter, the Company records the expected beneficial effect of the liquidation of LIFO inventory quantities and records the actual impact at fiscal year-end. 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.

If inventory quantities decline at the end of the fiscal year compared to the beginning of the fiscal year, the reduction results in the liquidation of LIFO inventory quantities carried at the cost prevailing in prior years. This LIFO inventory liquidation may result in a decrease or increase in cost of goods sold depending on whether the cost prevailing in prior years was lower or higher, respectively, than the current year cost.

Property, Plant and Equipment

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

Buildings and facilities	10 to 30 years

Machinery and equipment	3 to 5 years
Equipment under capital leases	Term of lease
Office furniture and equipment	5 years
Capitalized software	3 years

When assets are sold or retired, the asset and related accumulated depreciation are removed from the respective account balances and any gain or loss on disposal is included in operations. Maintenance and repairs are charged to expense, and betterments are capitalized.

Coffee Brewing Equipment and Service

The Company classifies certain expenses related to coffee brewing equipment provided to customers as cost of goods sold. These costs include the cost of the equipment as well as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts) and are considered directly attributable to the generation of revenues from its customers. Accordingly, such costs included in cost of goods sold in the accompanying consolidated financial statements for the years ended June 30, 2012, 2011 and 2010 are $24.9 million, $27.1 million and $21.5 million, respectively.

The Company has capitalized coffee brewing equipment in the amounts of $13.9 million and $12.7 million in fiscal 2012 and 2011, respectively. During fiscal 2012, 2011 and 2010, the Company had depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold in the amounts of $12.2 million, $9.6 million and $6.1 million, respectively.

Income Taxes

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

Revenue Recognition

Most product sales are made "off-truck" to the Company's customers at their places of business by the Company's sales representatives. Revenue is recognized at the time the Company's sales representatives physically deliver products to customers and title passes or when it is accepted by the customer when shipped by third-party delivery.

The Company sells roast and ground coffee and tea to The J.M. Smucker Company ("J.M. Smucker") pursuant to a co-packing agreement as J.M. Smucker's agent. The co-packing agreement was assigned by Sara Lee Corporation ("Sara Lee") to J.M. Smucker on February 17, 2012, as part of J.M. Smucker's acquisition of Sara Lee's coffee business. The Company recognizes revenue from this arrangement on a net basis, net of direct costs of revenue. As of June 30, 2012 and 2011, the Company had $0.8 million and $4.9 million, respectively, of receivables relating to this arrangement which are included in "Other receivables" (see Note 3).

Earnings (Loss) Per Common Share

Basic earnings (loss) per share ("EPS") represents net earnings attributable to common stockholders divided by the weighted-average number of common shares outstanding for the period (see Note 13), excluding unallocated shares held by the Company's Employee Stock Ownership Plan. Diluted EPS represents net earnings attributable to common stockholders divided by the weighted-average number of common shares outstanding, inclusive of the dilutive impact of common equivalent shares outstanding during the period. However, nonvested restricted stock awards (referred to as participating securities) are excluded from the dilutive impact of common equivalent shares outstanding in accordance with authoritative guidance under the two-class method since the nonvested restricted stockholders are entitled to participate in dividends declared on common stock as if the shares were fully vested and hence are deemed to be participating securities. Under the two-class method, earnings (loss) attributable to nonvested restricted stockholders are excluded from net earnings (loss) attributable to common stockholders for purposes of calculating basic and diluted EPS. Computation of EPS for the years ended June 30, 2012, 2011 and 2010 does not include the dilutive effect of 667,235, 497,810 and 404,943 shares, respectively, issuable under stock options since their inclusion would be anti-dilutive. Accordingly, the consolidated financial statements present only basic net income (loss) per common share (see Note 13).

Dividends Declared

Although historically the Company has paid a dividend to stockholders, in light of the Company's current financial position, the Company's Board of Directors has omitted the payment of a quarterly dividend since the third quarter of fiscal 2011. The amount, if any, of dividends to be paid in the future will depend upon the Company's then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors.

Employee Stock Ownership Plan ("ESOP")

Compensation cost for the ESOP is based on the fair market value of shares released or deemed to be released for the period. Dividends on allocated shares retain the character of true dividends, but dividends on unallocated shares are considered compensation cost. As a leveraged ESOP with the Company as lender, a contra equity account is established to offset the Company's note receivable. The contra account will change as compensation is recognized.

Impairment of Goodwill and Intangible Assets

The Company performs its 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, which is the residual fair value remaining after 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 its annual test of impairment in the fourth quarter of fiscal 2012, the Company identified indicators of impairment including a decline in market capitalization and continuing losses from operations arising from its DSD coffee business. The Company performed impairment tests to determine the recoverability of the carrying values of the assets or if impairment should be measured. The Company was required to make estimates of the fair value of the Company's intangible assets, and all assets of CBI, the reporting unit, which were based on the use of the income approach and/or market approach.

The Company used the relief from royalty method under the income approach to estimate the fair value of its indefinite-lived intangible assets. Inputs to this method included estimated royalty rates associated with licensing and franchise royalty agreements in related industries, which are Level 3 inputs within the fair value hierarchy. To estimate the fair value of CBI, the Company used discounted cash flow analysis under the income approach and the guideline public company method under the market approach. Inputs to the discounted cash flow analysis included the projection of future cash flows which are Level 3 inputs within the fair value hierarchy. Inputs to the guideline public company analysis included valuation multiples of publicly traded companies similar to CBI, which are Level 2 inputs within the fair value hierarchy.

As a result of these impairment tests, the Company determined that the Company's trademarks acquired in connection with the CBI acquisition were impaired and that the carrying value of all of the assets of CBI excluding goodwill exceeded their estimated fair values resulting in an implied fair value of zero for CBI's goodwill. Accordingly, in the fourth quarter of fiscal 2012, the Company recorded total impairment charges of $5.6 million including $5.1 million in impairment losses on goodwill.

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

The Company reviews the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. In its annual test of impairment as of the end of fiscal 2011, the Company identified indicators of impairment including a decline in market capitalization and continuing losses from operations. The Company performed impairment tests to determine the recoverability of the carrying values of the assets or if impairment should be measured. The carrying value of these intangible assets was higher than the sum of each of their projected undiscounted cash flows. The Company was required to make estimates of the fair value of the intangible assets in this group, which were based on the use of the income approach. Inputs to the analysis include the projection of future cash flows which are Level 3 inputs within the fair value hierarchy. The Company determined that definite-lived intangible assets consisting of the customer relationships acquired, and the distribution agreement and co-pack agreement entered into, in connection with the DSD Coffee Business acquisition were impaired. The total impairment charge recorded in operating expenses on the consolidated statement of operations as a result of the impairment test was $7.8 million.

Shipping and Handling Costs

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

Collective Bargaining Agreements

Certain Company employees are subject to collective bargaining agreements. The duration of these agreements extend to 2014. Approximately 34% of the workforce is covered by such agreements.

Reclassifications

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

Recently Adopted Accounting Standards

In September 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-09, “Compensation-Retirement Benefits-Multiemployer Plans (Subtopic 715-80), Disclosures about an Employer's Participation in a Multiemployer Plan” (“ASU 2011-09”). ASU 2011-09 requires companies participating in multiemployer pension plans to disclose more information about the multiemployer plan(s), the employer's level of participation in the multiemployer plan(s), the financial health of the plan(s), and the nature of the employer's commitments to the plan(s). The Company adopted the amendments effective fiscal year ended June 30, 2012. Since ASU 2011-09 does not change the accounting for an employer's participation in a multiemployer plan, adoption of ASU 2011-09 did not impact the results of operations, financial position or cash flows of the Company.

In June 2011, the FASB issued ASU No. 2011-05, “Comprehensive Income (Topic 220), Presentation of Comprehensive Income” (“ASU 2011-05”). The new GAAP guidance gives companies two choices of how to present items of net income, items of other comprehensive income (loss) ("OCI") and total comprehensive income (loss): Companies can create one continuous statement of comprehensive income or two separate consecutive statements. Companies will no longer be allowed to present OCI in the statement of stockholders’ equity. Earnings per share would continue to be based on net income. Although existing guidance related to items that must be presented in OCI has not changed, companies will be required to display reclassification adjustments for each component of OCI in both net income and OCI. Also, companies will need to present the components of OCI in their interim and annual financial statements. The amendments in the ASU should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company adopted the amendments effective fiscal year ended June 30, 2012. Adoption of ASU 2011-05 did not impact the results of operations, financial position or cash flows of the Company.

New Accounting Pronouncements

In January 2012, the FASB proposed guidance that would give companies the option to first perform a qualitative assessment to determine whether it more likely than not that an indefinite-lived intangible asset is impaired. The proposed guidance is similar to ASU 2011-08, "Testing Goodwill for Impairment." Companies would consider relevant events and circumstances that may affect the significant inputs used in determining the fair value of an indefinite-lived intangible asset. A company that concludes that it is more likely than not that the fair value of such an asset exceeds its carrying amount would not need to calculate the fair value of the asset in the current year. However, if a company concludes that it is more likely than not that the asset is impaired, it must calculate the fair value of the asset and compare that value with its carrying amount, as is required by current guidance. The final amendments would be applied prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted, and, for the Company, the amendments are effective beginning in July 1, 2013. The Company believes that adoption of ASU 2011-04 will not impact the results of operations, financial position or cash flows of the Company.

In May 2011, the FASB issued ASU No. 2011-04, "Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU 2011-04"). The ASU amends the fair value measurement and disclosure guidance in ASC 820, "Fair Value Measurement," to converge GAAP and International Financial Reporting Standards requirements for measuring amounts at fair value as well as disclosures about these measurements. Many of the amendments clarify existing concepts and are generally not expected to result in significant changes to how many companies currently apply the fair value principles. In certain instances, however, the FASB changed a principle to achieve convergence, and while limited, these amendments have the potential to significantly change practice for some companies. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011 and, for the Company, the amendments are effective beginning in July 1, 2012. The Company believes that adoption of ASU 2011-04 will not impact the results of operations, financial position 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 June 30, 2012 and 2011, derivative instruments were not designated as accounting hedges as defined by ASC 815, "Accounting for Derivative Instruments and Hedging Activities." The fair value of derivative instruments is based upon broker quotes. The Company records unrealized gains and losses on trading securities and changes in the market value of certain coffee contracts meeting the definition of derivatives in "Other, net."

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.

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

As of June 30, 2012	Total	Level 1	Level 2	Level 3
Preferred stock(1)	$ 19,395	$ 14,078	$ 5,317	$ —
Futures, options and other derivative assets(1)	$ 1,626	$ —	$ 1,626	$ —
Derivative liabilities(2)	$ 410	$ —	$ 410	$ —

As of June 30, 2011	Total	Level 1	Level 2	Level 3
Preferred stock(1)	$ 24,407	$ 7,181	$ 17,226	$ —
Futures, options and other derivatives(1)	$ 467	$ —	$ 467	$ —
Derivative liabilities(2)	$ 1,647	$ —	$ 1,647	$ —

(1) Included in "Short-term investments" on the consolidated balance sheet.
(2) Included in "Accounts Payable" on the consolidated balance sheet.

There were no significant transfers of securities between Level 1 and Level 2.

Gains and losses, both realized and unrealized, are included in "Other, net" on the statement of operations and in the "Net loss (gain) on investments" in the statement of cash flows. Net realized and unrealized gains and losses are as follows:

	June 30,		
	2012	2011	2010
		(In thousands)	
Investments and coffee-related derivatives:			
Unrealized gains	$ 1,940	$ 865	$ 9,647
Unrealized losses	(1,013)	—	—
Realized gains	1,545	447	—
Realized losses	(8,647)	—	(265)
Net realized and unrealized (losses) gains	(6,175)	1,312	9,382
Net gains from sales of assets	1,375	1,359	201
Other gains, net	683	1,520	586
Other, net	$ (4,117)	$ 4,191	$ 10,169

Preferred stock investments as of June 30, 2012 consisted of securities with a fair value of $16.5 million in an unrealized gain position and securities with a fair value of $2.9 million in an unrealized loss position. Preferred stock investments as of June 30, 2011 consisted of securities with a fair value of $18.1 million in an unrealized gain position and securities with a fair value of $6.3 million in an unrealized loss position.

The following tables show gross unrealized losses (although such losses have been recognized in the consolidated statements of operations) and fair value for those investments that were in an unrealized loss position as of June 30, 2012 and 2011, aggregated by the length of time those investments have been in a continuous loss position:

June 30, 2012

(In thousands)	Less than 12 Months Fair Value	Less than 12 Months Unrealized Loss	Total Fair Value	Total Unrealized Loss
Preferred stock	$ 1,750	$ (16)	$ 2,891	$ (40)

(In thousands)	June 30, 2011 Less than 12 Months Fair Value	Less than 12 Months Unrealized Loss	Total Fair Value	Total Unrealized Loss
Preferred stock	$ 319	$ (3)	$ 6,326	$ (1,122)

Note 3. Accounts and Notes Receivable, net

	June 30, 2012	June 30, 2011
	(In thousands)	
Trade receivables	$ 40,687	$ 40,716
Other receivables	1,921	5,637
Allowance for doubtful accounts	(1,872)	(2,852)
	$ 40,736	$ 43,501

In fiscal 2010, based on a larger customer base due to recent Company acquisitions and in response to slower collection of the Company's accounts receivable resulting from the impact of the economic downturn on the Company's customers, the Company recorded a $3.2 million charge to bad debt expense resulting in a net increase of $2.1 million in its allowance for doubtful accounts. In fiscal 2012 and fiscal 2011, due to improvements in the collection of past due accounts, the Company reduced its allowance for doubtful accounts by $1.0 million and $0.4 million, respectively.

Allowance for doubtful accounts:

(In thousands)	
Balance at June 30, 2009	$ (1,173)
Additions	(3,188)
Write-offs	1,068
Balance at June 30, 2010	(3,293)
Additions	(2,024)
Write-offs	2,465
Balance at June 30, 2011	(2,852)
Additions	—
Write-offs	980
Balance at June 30, 2012	$ (1,872)

Note 4. Inventories

June 30, 2012	Processed	Unprocessed	Total
		(In thousands)	
Coffee	$ 15,485	$ 11,836	$ 27,321
Tea and culinary products	24,502	4,817	29,319
Coffee brewing equipment	3,977	5,364	9,341
	$ 43,964	$ 22,017	$ 65,981

June 30, 2011	Processed	Unprocessed	Total
		(In thousands)	
Coffee	$ 22,464	$ 17,220	$ 39,684
Tea and culinary products	25,469	4,100	29,569
Coffee brewing equipment	3,930	6,576	10,506
	$ 51,863	$ 27,896	$ 79,759

Current cost of coffee, tea and culinary inventories exceeds the LIFO cost by:

(In thousands)	June 30, 2012	June 30, 2011
Coffee	$ 34,844	$ 62,870

Tea and culinary products	7,239	6,695
Total	$ 42,083	$ 69,565

The Company routinely enters into specialized hedging transactions to purchase future coffee contracts to enable it to lock in green coffee prices within a pre-established range, and holds a mix of futures contracts and options to help hedge against volatility in green coffee prices. None of these hedging transactions, futures contracts or options is designated as an accounting hedge. Gains and losses on these derivative instruments are realized immediately in "Other, net."

For the fiscal years ended June 30, 2012, 2011 and 2010, the Company recorded $(8.6) million, $0.9 million, and $29,000, respectively, in coffee-related net realized derivative (losses) gains. For the fiscal years ended June 30, 2012, 2011 and 2010, the Company recorded $1.2 million, $(2.4) million and $1.5 million in coffee-related net unrealized derivative gains (losses).

In fiscal 2012 and 2011, certain inventory quantities were reduced. This reduction resulted in the liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The beneficial effect of this liquidation of LIFO inventory quantities reduced net loss for fiscal 2012, 2011 and 2010 by $14.2 million and $1.1 million, $0.8 million respectively.

Note 5. Property, Plant and Equipment

	June 30, 2012	June 30, 2011
	(In thousands)	
Buildings and facilities	$ 78,608	$ 80,352
Machinery and equipment	129,845	119,209
Equipment under capital leases	19,731	10,675
Capitalized software	18,524	18,294
Office furniture and equipment	16,818	16,839
	$ 263,526	$ 245,369
Accumulated depreciation	(164,662)	(140,996)
Land	9,271	9,734
Property, plant and equipment, net	$ 108,135	$ 114,107

Capital leases consist mainly of vehicle leases at June 30, 2012 and 2011.

The Company has capitalized coffee brewing equipment (included in machinery and equipment) in the amounts of $13.9 million and $12.7 million in fiscal 2012 and 2011, respectively. Depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold was $12.2 million, $9.6 million and $6.1 million in fiscal 2012, 2011 and 2010, respectively. Depreciation and amortization expense includes amortization expense for assets recorded under capitalized leases.

Maintenance and repairs to property, plant and equipment charged to expense for the years ended June 30, 2012, 2011 and 2010 were $7.9 million, $10.3 million and $15.0 million, respectively.

Note 6. Goodwill and Intangible Assets

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

	As of June 30, 2012		As of June 30, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Amortized intangible assets:				
Customer relationships	$ 10,083	$ (8,188)	$ 10,460	$ (7,291)
Total amortized intangible assets	$ 10,083	$ (8,188)	$ 10,460	$ (7,291)
Unamortized intangible assets:				
Tradenames with indefinite lives	$ 3,640	$ —	$ 4,080	$ —
Trademarks with indefinite lives	2,080	—	2,080	—
CBI Goodwill	—	—	5,310	—
Total unamortized intangible assets	$ 5,720	$ —	$ 11,470	$ —
Total intangible assets	$ 15,803	$ (8,188)	$ 21,930	$ (7,291)

Aggregate amortization expense for the past three fiscal years:	
For the fiscal year ended June 30, 2012	$ 1,439
For the fiscal year ended June 30, 2011	$ 2,948
For the fiscal year ended June 30, 2010	$ 2,849
Estimated amortization expense for each of the next five fiscal years:	
For the fiscal year ended June 30, 2013	$ 1,246
For the fiscal year ended June 30, 2014	$ 649

The remaining weighted average amortization periods for intangible assets with finite lives are as follows:

Customer relationships (years)	1.4

Summary of the changes in the carrying value of goodwill:

Balance at July 1, 2010	$	5,310
Acquisitions during year		—
Balance at July 1, 2011	$	5,310
Reclassification		(165)
Impairment loss		(5,145)
Balance at June 30, 2012	$	—

Note 7. 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. Certain retirees are also eligible for medical, dental and vision benefits.

The Company is required to recognize the funded status of a benefit plan in its balance sheet. The Company is also required to recognize in OCI certain gains and losses that arise during the period but are deferred under pension accounting rules.

Single Employer Pension Plans

The Company has a defined benefit pension plan, the Farmer Bros. Salaried Employees Pension Plan (the "Farmer Bros. Plan"), for the majority of its employees who are not covered under a collective bargaining agreement. The Company amended the Farmer Bros. Plan, freezing the benefit for all participants effective June 30, 2011. After the plan freeze, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan. As a result, the Company recorded a curtailment charge of $1.5 million in the fourth quarter of fiscal 2011. As all plan participants became inactive following this curtailment, net (gain) loss is now amortized based on the remaining life expectancy of these participants instead of the remaining service period of these participants.

The Company also has two defined benefit pensions plan for certain hourly employees covered under a collective bargaining agreement (the "Brewmatic Plan" and the "Hourly Employees' Plan"). All assets and benefit obligations were determined using a measurement date of June 30.

Obligations and Funded Status

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
	2012	2011	2012	2011	2012	2011
	(In thousands)		(In thousands)		(In thousands)	
Change in projected benefit obligation						
Benefit obligation at the beginning of the year	$ 107,071	$ 110,449	$ 3,662	$ 3,707	$ 1,055	$ 578
Service cost	—	4,609	39	57	456	409
Interest cost	5,846	5,999	197	199	59	32
Plan participant contributions	81	1,005	—	—	—	—
Actuarial (gain) loss	17,066	(1,409)	416	(24)	(38)	39
Benefits paid	(5,236)	(5,022)	(292)	(284)	(12)	(3)
Effect of curtailment	—	(8,560)	—	7	—	—
Projected benefit obligation at the end of the year	$ 124,828	$ 107,071	$ 4,022	$ 3,662	$ 1,520	$ 1,055
Change in plan assets						
Fair value of plan assets at the beginning of the year	80,448	63,462	2,871	2,490	421	—
Actual return on plan assets	246	16,619	(25)	635	(4)	11
Employer contributions	6,571	4,384	164	30	608	413
Plan participant contributions	81	1,005	—	—	—	—
Benefits paid	(5,236)	(5,022)	(292)	(284)	(12)	(3)
Fair value of plan assets at the end of the year	$ 82,110	$ 80,448	$ 2,718	$ 2,871	$ 1,013	$ 421
Funded status at end of year (underfunded) overfunded	$ (42,718)	$ (26,623)	$ (1,304)	$ (791)	$ (507)	$ (634)
Amounts recognized in balance sheet						
Noncurrent assets	$ —	$ —	$ —	$ —	$ —	$ —
Current liabilities	(5,700)	(5,360)	(300)	(310)	(17)	(8)
Noncurrent liabilities	(37,018)	(21,263)	(1,004)	(481)	(490)	(626)
Total	$ (42,718)	$ (26,623)	$ (1,304)	$ (791)	$ (507)	$ (634)
Amounts recognized in balance sheet						
Total net (gain) loss	$ 48,720	$ 25,900	$ 2,154	$ 1,587	$ 90	$ 96

Transition (asset) obligation	—	—	—	—	—	—
Prior service cost (credit)	—	—	53	71	—	—
Total accumulated OCI (not adjusted for applicable tax)	$ 48,720	$ 25,900	$ 2,207	$ 1,658	$ 90	$ 96
Weighted average assumptions used to determine benefit obligations						
Discount rate	4.55%	5.60%	4.55%	5.60%	4.55%	5.60%
Rate of compensation increase	N/A	3.00%	N/A	N/A	N/A	3.00%

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

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
	2012	2011	2012	2011	2012	2011
	(In thousands)		(In thousands)		(In thousands)	
Components of net periodic benefit cost						
Service cost	$ —	$ 4,609	$ 39	$ 57	$ 456	$ 409
Interest cost	5,846	5,999	197	199	59	32
Expected return on plan assets	(6,569)	(5,323)	(213)	(179)	(28)	(9)
Amortization of net (gain) loss	570	2,871	87	119	—	—
Amortization of prior service cost (credit)	—	122	18	18	—	—
Amount recognized due to special event (curtailment)	—	1,456	—	—	—	—
Net periodic benefit cost	$ (153)	$ 9,734	$ 128	$ 214	$ 487	$ 432
Other changes recognized in OCI						
Net (gain) loss	$ 23,389	$ (12,705)	$ 654	$ (480)	$ (6)	$ 37
Prior service cost (credit)	—	—	—	7	—	—
Amortization of net gain (loss)	(570)	(2,871)	(87)	(119)	—	—
Amortization of transition asset (obligation)	—	—	—	—	—	—
Amortization of prior service (cost) credit	—	(122)	(18)	(18)	—	—
Amount recognized due to special event (curtailment)	—	(10,016)	—	—	—	—
Total recognized in OCI	$ 22,819	$ (25,714)	$ 549	$ (610)	$ (6)	$ 37
Total recognized in net periodic benefit cost and OCI	$ 22,666	$ (15,980)	$ 677	$ (396)	$ 481	$ 469
Weighted-average assumptions used to determine net periodic benefit cost						
Discount rate	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%
Expected long-term return on plan assets	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Rate of compensation increase	N/A	N/A	N/A	N/A	3.00%	3.00%

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

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

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

Description of Investment Policy

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

Additional Disclosures

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
	2012	2011	2012	2011	2012	2011
	($ In thousands)		($ In thousands)		($ In thousands)	
Comparison of obligations to						

plan assets						
Projected benefit obligation	$ 124,828	$ 107,071	$ 4,022	$ 3,662	$ 1,520	$ 1,055
Accumulated benefit obligation	$ 124,828	$ 107,071	$ 4,022	$ 3,662	$ 1,520	$ 1,055
Fair value of plan assets at measurement date	$ 82,110	$ 80,448	$ 2,718	$ 2,871	$ 1,013	$ 421
Plan assets by category						
Equity securities	$ 53,396	$ 56,792	$ 1,767	$ 2,016	$ 686	$ 297
Debt securities	24,610	18,945	815	688	261	99
Real estate	4,104	4,711	136	167	66	25
Total	$ 82,110	$ 80,448	$ 2,718	$ 2,871	$ 1,013	$ 421
Plan assets by category						
Equity securities	65%	70%	65%	70%	68%	70%
Debt securities	30%	24%	30%	24%	26%	24%
Real estate	5%	6%	5%	6%	6%	6%
Total	100%	100%	100%	100%	100%	100%

As of June 30, 2012, fair values of plan assets were as follows:

(In thousands)	Total	Level 1	Level 2	Level 3
Farmer Bros. Plan	$ 82,110	$ —	$ 78,006	$ 4,104
Brewmatic Plan	$ 2,718	$ —	$ 2,582	$ 136
Hourly Employees’ Plan	$ 1,013	$ —	$ 947	$ 66

As of June 30, 2011, fair values of plan assets were as follows:

(In thousands)	Total	Level 1	Level 2	Level 3
Farmer Bros. Plan	$ 80,447	$ —	$ 75,736	$ 4,711
Brewmatic Plan	$ 2,871	$ —	$ 2,704	$ 167
Hourly Employees’ Plan	$ 421	$ —	$ 396	$ 25

As of June 30, 2012 and 2011, approximately 95.0% and 94.0%, respectively, of the assets in each of the Farmer Bros. Plan, the Brewmatic Plan and the Hourly Employees’ Plan were invested in pooled separate accounts which did not have publicly quoted prices. The pooled separate accounts invest in publicly traded mutual funds. The fair values of the mutual funds were publicly quoted pricing input (Level 1) and were used to determine the net asset value of the pooled separate accounts. Therefore, these assets have Level 2 pricing inputs.

As of June 30, 2012 and 2011, approximately 5.0% and 6.0% respectively, of the assets in each of the Farmer Bros. Plan, the Brewmatic Plan and the Hourly Employees’ Plan were invested in commercial real estate and include mortgage loans which are backed by the associated properties. These underlying real estate investments have unobservable Level 3 pricing inputs. The fair value of the underlying real estate is estimated using discounted cash flow valuation models that utilize public real estate market data inputs such as transaction prices, market rents, vacancy levels, leasing absorption, market capitalization rates and discount rates. In addition, each property is appraised annually by an independent appraiser. The amounts and types of investments within plan assets did not change significantly from June 30, 2011.

The following is a reconciliation of asset balances with Level 3 input pricing:

As of June 30, 2012	Beginning Balance	Total Gains	Settlements	Ending Balance	Unrealized Gains
			(In thousands)		
Farmer Bros. Plan	$ 4,711	$ 561	$ (1,168)	$ 4,104	$ 561
Brewmatic Plan	$ 167	$ 19	$ (50)	$ 136	$ 19
Hourly Employees’ Plan	$ 25	$ 5	$ 36	$ 66	$ 5

As of June 30, 2011	Beginning Balance	Total Gains	Settlements	Ending Balance	Unrealized Gains
			(In thousands)		
Farmer Bros. Plan	$ 3,147	$ 652	$ 912	$ 4,711	$ 652
Brewmatic Plan	$ 132	$ 28	$ 7	$ 167	$ 28
Hourly Employees’ Plan	$ —	$ —	$ 25	$ 25	$ —

Target Plan Asset Allocation for Farmer Bros. Plan and Brewmatic Plan

	Fiscal 2013
U.S. large cap equity securities	35.8%
U.S. small cap equity securities	9.2%
International equity securities	15.0%

Debt securities	30.0%
Real estate	10.0%
Total	100.0%

Estimated Amounts in OCI Expected To Be Recognized

In fiscal 2013, the Company expects to recognize $0.6 million as a component of net periodic benefit cost for the Farmer Bros. Plan, $0.2 million for the Brewmatic Plan, and $0.4 million for the Hourly Employees' Plan.

Estimated Future Contributions and Refunds

In fiscal 2013, the Company expects to contribute $3.9 million to the Farmer Bros. Plan, $0.4 million to the Brewmatic Plan, and $0.1 million to the Hourly Employees' Plan. The Company is not aware of any refunds expected from postretirement plans.

Estimated Future Benefit Payments

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

Estimated future benefit payments

Year ending	Farmer Bros. Plan	Brewmatic Plan	Hourly Employees' Plan
		(In thousands)	
June 30, 2013	$ 5,700	$ 300	$ 17
June 30, 2014	$ 5,840	$ 290	$ 31
June 30, 2015	$ 6,010	$ 290	$ 45
June 30, 2016	$ 6,200	$ 290	$ 61
June 30, 2017	$ 6,460	$ 280	$ 78
June 30, 2018 to June 30, 2022	$ 36,230	$ 1,420	$ 680

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

Multiemployer Pension Plans

The Company participates in a multiemployer defined benefit pension plan, the Western Conference of Teamsters Pension Plan ("WCTPP"), that is union sponsored and collectively bargained for the benefit of certain employees subject to collective bargaining agreements. The Company makes contributions to WCTPP generally based on the number of hours worked by the participants in accordance with the provisions of negotiated labor contracts.

The risks of participating in multiemployer pension plans are different from single-employer plans in that: (i) assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (iii) if the Company stops participating in the multiemployer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in WCTPP is outlined in the table below. The Pension Protection Act ("PPA") Zone Status available in the Company's fiscal year 2012 and fiscal year 2011 is for the plan's year ended December 31, 2010 and December 31, 2009, respectively. The zone status is based on information obtained from WCTPP and is certified by WCTPP's actuary. Among other factors, plans in the green zone are generally more than 80% funded. Based on WCTPP's annual report on Form 5500, WCTPP was 90.3% and 93.4% funded for its plan year beginning January 1, 2012 and 2011, respectively. The "FIP/RP Status Pending/Implemented" column indicates if a funding improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

Pension Plan	Employer Identification Number	Pension Plan Number	PPA Zone Status July 1, 2012	PPA Zone Status July 1, 2011	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
Western Conference of Teamsters Pension Plan	91-6145047	001	Green	Green	No	No	January 2014 to August 2014

Based upon the most recent information available from the trustees managing WCTPP, the Company's share of the unfunded vested benefit liability for the plan was estimated to be approximately $7.7 million if the withdrawal had occurred in calendar year 2011. These estimates were calculated by the trustees managing WCTPP. Although the Company believes the most recent plan data available from WCTPP was used in computing this 2011 estimate, the actual withdrawal liability amount is subject to change based on, among other things, the plan's investment returns and benefit levels, interest rates, financial difficulty of other participating employers in the plan such as bankruptcy, and continued participation by the Company and other employers in the plan, each of which could impact the ultimate withdrawal liability.

If withdrawal liability were to be triggered, the withdrawal liability assessment can be paid in a lump sum or on a monthly basis. The amount of the monthly payment is determined as follows: Average number of hours reported to the pension plan trust during the three consecutive years with highest number of hours in the 10-year period prior to the withdrawal is multiplied by the highest hourly contribution rate during the 10-year period to determine the amount of withdrawal liability that has to be paid annually. The annual amount is divided by 12 to arrive at the monthly payment due. If monthly payments are elected, interest is assessed on the unpaid balance after 12 months at the rate of 7% per annum.

Effective October 2011, the Company withdrew from the defined benefit pension plan, United Teamsters Pension Fund, and replaced it with the defined contribution pension plan, "United Teamsters Annuity Fund" ("Annuity Fund"), for its employees covered by a certain collective bargaining agreement with a term expiring in 2014. The Company incurred no withdrawal liabilities related to the withdrawal from the United Teamsters Pension Fund. The Company's contributions to the Annuity Fund are based on the number of compensable hours worked by the Company's employees who participate in the Annuity Fund.

In fiscal 2012, the Company withdrew from the Labor Management Pension Fund and recorded a charge of $4.3 million associated with withdrawal from this plan, representing the present value of the estimated withdrawal liability expected to be paid in quarterly installments of $0.1 million over 80 quarters. Installment payments will commence once the final determination of the amount of withdrawal liability is established, which determination may take up to 24 months from the date of withdrawal from the pension plan. Upon withdrawal, the employees covered under this multiemployer pension plan were included in the Company's 401(k) plan (the "401(k) Plan"). The $4.3 million estimated withdrawal charge is included in the Company's consolidated statement of operations for the fiscal year ended June 30, 2012 as "Pension withdrawal expense" and in current and long-term liabilities on the Company's balance sheet at June 30, 2012. In the fourth quarter ended June 30, 2012, the Company paid a final settlement of $0.3 million towards withdrawal from the Central States Pension Fund that was part of the DSD Coffee Business acquisition and recorded the charge as "Pension withdrawal expense."

Future collective bargaining negotiations may result in the Company withdrawing from the remaining multiemployer pension plans in which it participates and, if successful, the Company may incur a withdrawal liability, the amount of which could be material to the Company's results of operations and cash flows.

Company contributions to the multiemployer pension plans:

(In thousands)		WCTPP(1)(2)(3)		All other Plans(4)
Fiscal Year Ended:				
June 30, 2012	$	3,048	$	113
June 30, 2011	$	2,929	$	254
June 30, 2010	$	2,820	$	282

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(1) Individually significant plan.
(2) Less than 5% of total contribution to WCTPP based on WCTPP's most recent annual report on Form 5500 for the calendar year ended December 31, 2010.
(3) The Company guarantees that one hundred seventy-three (173) hours will be contributed upon for all employees who are compensated for all available straight time hours for each calendar month. An additional 6.5% of the basic contribution must be paid for PEER or the Program for Enhanced Early Retirement.
(4) Includes plans that are not individually significant.

For the fiscal year ending June 30, 2013, the Company expects to make $3.2 million in contributions to multiemployer pension plans.

Multiemployer Plans Other Than Pension Plans

The Company participates in nine defined contribution multiemployer plans other than pension plans that provide medical, vision and dental healthcare and disability benefits for certain retirees subject to collective bargaining agreements who meet the eligibility rules in effect when they retire and/or qualified members of their families. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, and provide that participating employers make monthly contributions to the plans in an amount as specified in the collective bargaining agreements. Also, the plans provide that retired participants make self-payments to the plans, the amounts of which are fixed from time to time by the boards of trustees of the plans. The Company's participation in these plans is governed by the collective bargaining agreements which expire on or before September 2014. The Company's contributions in the fiscal years ended June 30, 2012, 2011 and 2010 were $5.8 million, $5.4 million and $4.8 million, respectively. The Company expects to contribute $6.4 million towards multiemployer plans other than pension plans in fiscal 2013.

401(k) Plan

The Company's 401(k) Plan is available to all eligible employees who have worked more than 1,000 hours during a calendar year and were employed at the end of the calendar year. Participants in the 401(k) Plan may choose to contribute 1% to 15% of their annual pay subject to the maximum contribution allowed by the Internal Revenue Service. The Company's matching contribution is discretionary based on approval by the Company's Board of Directors. For the calendar years 2011 and 2012, the Company's Board of Directors approved a Company matching contribution of 50.0% of an employee's annual contribution to the 401(k) Plan, up to 6.0% of the employee's eligible income. The matching contributions (and any earnings thereon) vest at the rate of 20.0% for each of the participant's first 5 years of vesting service, so that a participant is fully vested in his or her matching contribution account after 5 years of vesting service. A participant is automatically vested in the event of death, disability or attainment of age 65 while employed by the Company. Employees are 100% vested in their contributions. For employees subject to a collective bargaining agreement, the match is only available if so provided in the labor agreement.

The Company recorded matching contributions of $1.4 million and $0.1 million in operating expenses for the fiscal years ended June 30, 2012 and June 30, 2011. No contributions were recorded in the Company's consolidated financial statements for the fiscal year ended June 30, 2010.

Postretirement Benefits

The Company sponsors an unfunded postretirement medical, dental and vision plan that covers qualified non-union retirees and certain qualified union retirees. Under this postretirement 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, but subject to a maximum monthly Company contribution.

The following table shows the components of net periodic postretirement benefit cost for the fiscal years ended June 30, 2012 and 2011. Postretirement cost (income) for fiscal 2012 was based on employee census information as of July 1, 2011 and asset information as of June 30, 2012.

	June 30,			
	2012		2011	
Components of Net Periodic Postretirement Benefit Cost	(In thousands)			
Service cost	$	1,634	$	1,564
Interest cost		1,319		1,205
Expected return on plan assets		—		—
Amortization of net gain		(794)		(802)
Amortization of unrecognized transition (asset) obligation		—		—

Amortization of prior service cost (credit)	(230)	(230)
Net periodic benefit cost	$ 1,929	$ 1,737

The difference between the assets and the Accumulated Postretirement Benefit Obligation (APBO) at the adoption of ASC 715-60, "Defined Benefit Plans-Other Postretirement," was established as a transition (asset) obligation and is amortized over the average expected future service for active employees as measured at the date of adoption. Any plan amendments that retroactively increase benefits create prior service cost. The increase in the APBO due to any plan amendment is established as a base and amortized over the average remaining years of service to the full eligibility date of active participants who are not yet fully eligible for benefits at the plan amendment date. Gains and losses due to experience different than that assumed or from changes in actuarial assumptions are not immediately recognized. The tables below show the remaining bases for the transition (asset) obligation, prior service cost (credit), and the calculation of the amortizable gain or loss.

Amortization Schedule

Transition (Asset) Obligation: The transition (asset) obligations have been fully amortized.

Prior Service Cost (Credit) (dollars in thousands):

Date Established	Balance at July 1, 2011	Annual Amortization	Years Remaining	Curtailment	Balance at June 30, 2012
January 1, 2008	$ (1,884)	$ 230	8.20	—	$ (1,654)

Amortization of Net (Gain) Loss (dollars in thousands):	
Net (gain) loss as of July 1, 2011	$ (12,086)
Asset (gains) losses not yet recognized in market related value of assets	—
Net (gain) loss subject to amortization	$ (12,086)
Corridor (10% of greater of APBO or assets)	2,473
Net (gain) loss in excess of corridor	$ (9,613)
Amortization years	12.11
Amortization of net (gain) loss for the year	$ (794)

The following tables provide a reconciliation of the benefit obligation and plan assets:

	Year Ended June 30,	
	2012	2011
Change in Benefit Obligation	(In thousands)	
Projected benefit obligation at beginning of year	$ 24,733	$ 23,261
Service cost	1,634	1,564
Interest cost	1,319	1,205
Participant contributions	665	1,103
Losses (gains)	8,953	(378)
Benefits paid	(1,384)	(2,022)
Projected benefit obligation at end of year	$ 35,920	$ 24,733

	Year Ended June 30,	
	2012	2011
Change in Plan Assets	(In thousands)	
Fair value of plan assets at beginning of year	$ —	$ —
Actual return on assets	—	—
Employer contributions	719	919
Participant contributions	665	1,103
Benefits paid	(1,384)	(2,022)
Fair value of plan assets at end of year	$ —	$ —
Funded status of plan	$ (35,920)	$ (24,733)

	As of June 30,	
	2012	2011
Amounts Recognized in the Balance Sheet Consist of:	(In thousands)	
Noncurrent assets	$ —	$ —
Current liabilities	1,363	1,148
Noncurrent liabilities	34,557	23,585
Total	$ 35,920	$ 24,733

	Year Ended June 30,	
	2012	2011

Amounts Recognized in Accumulated OCI Consist of:	(In thousands)	
Net gain	$ (2,338)	$ (12,086)
Transition obligation	—	—
Prior service credit	(1,654)	(1,884)
Total accumulated OCI	$ (3,992)	$ (13,970)

	Year Ended June 30,	
	2012	2011
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI	(In thousands)	
Unrecognized actuarial loss (gain)	$ 8,953	$ (379)
Unrecognized transition (asset) obligation	—	—
Unrecognized prior service cost	—	—
Amortization of net loss	794	802
Amortization of prior service cost	230	230
Total recognized in OCI	9,977	653
Net periodic benefit cost	1,929	1,737
Total recognized in OCI and net periodic benefit cost	$ 11,906	$ 2,390

The estimated net gain and prior service cost credit that will be amortized from accumulated OCI into net periodic benefit cost in fiscal 2013 are $0.8 million and $0.2 million, respectively.

Estimated Future Benefit Payments (in thousands)	
Fiscal 2013	$ 1,363
Fiscal 2014	$ 1,450
Fiscal 2015	$ 1,846
Fiscal 2016	$ 2,106
Fiscal 2017	$ 2,362
Fiscal 2018-2022	$ 15,559

Expected Contributions (in thousands)	
Fiscal 2013	$ 1,363

Sensitivity in Fiscal 2012 Results

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percentage point change in assumed health care cost trend rates would have the following effects in fiscal 2012 (in thousands):

	1-Percentage Point	
	Increase	Decrease
Effect on total of service and interest cost components	$ 81	$ (89)
Effect on accumulated postretirement benefit obligation	$ 1,816	$ (1,854)

Note 8. Bank Loan

On September 12, 2011, the Company entered into an Amended and Restated Loan and Security Agreement (the “Loan Agreement”) among the Company and Coffee Bean International, Inc. (“CBI”), as Borrowers, certain of the Company’s other subsidiaries, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association (“Wells Fargo”), as Agent.

The Loan Agreement provides for a senior secured revolving credit facility of up to $85.0 million, with a letter of credit sublimit of $20.0 million. The revolving credit facility provides for advances of 85% of eligible accounts receivable and 75% of eligible inventory (subject to a $60.0 million inventory loan limit), as defined. The Loan Agreement provides for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.0% to Adjusted Eurodollar Rate + 2.5%. The Loan Agreement has an amendment fee of 0.375% and an unused line fee of 0.25%. Outstanding obligations under the Loan Agreement are collateralized by all of the Borrowers’ assets, including the Company’s preferred stock portfolio. The Loan Agreement expires on March 2, 2015.

The Loan Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including those relating to reporting requirements, maintenance of records, properties and corporate existence, compliance with laws, incurrence of other indebtedness and liens, limitations on certain payments, including the payment of dividends and capital expenditures, and transactions and extraordinary corporate events. The Loan Agreement allows the Company to pay dividends, subject to certain liquidity requirements. The Loan Agreement also contains financial covenants requiring the Borrowers to maintain minimum Excess Availability and Total Liquidity levels. The Loan Agreement allows the Lender to establish reserve requirements, which may reduce the amount of credit otherwise available to the Company, to reflect events, conditions, or risks that would have a reasonable likelihood of adversely affecting the Lender’s collateral or the Company’s assets, including the Company’s green coffee inventory.

On January 9, 2012, the Loan Agreement was amended (“Amendment No. 1”) in connection with JPMorgan Chase Bank, N.A. (“JPMorgan Chase”), becoming an additional Lender thereunder. Pursuant to Amendment No. 1, Wells Fargo will provide a commitment of $60.0 million and JPMorgan Chase will provide a commitment of $25.0 million.

On June 30, 2012, the Company was eligible to borrow up to a total of $72.6 million under the credit facility. As of June 30, 2012, the Company had outstanding borrowings of $29.1 million, excluding loan extension fees of $0.2 million, utilized $11.9 million of its letters of credit sublimit, and had excess availability under the credit facility of $31.4 million. Due to the short-term nature of the credit facility and the variable interest rate, fair value of the balance outstanding approximates carrying value. As of June 30, 2012, the interest rate on the Company’s outstanding borrowings under the credit facility was 3.5%. As of June 30, 2012, the Company was in compliance with all restrictive covenants under the credit facility. There can be no assurance that the Lender will issue a waiver or grant an amendment to the covenants in future periods, if the Company required one.

Note 9. Employee Stock Ownership Plan

The Company’s ESOP was established in 2000. The plan is a leveraged ESOP in which the Company is the lender. The loans will be repaid from the Company’s discretionary plan contributions over the original 15 year terms with a variable rate of interest. The annual interest rate was 1.66% at June 30, 2012, which is updated on a quarterly basis.

	As of and for the years ended June 30,		
	2012	2011	2010
Loan amount (in thousands)	$ 25,637	$ 30,437	$ 35,238
Shares purchased	—	—	—

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

In fiscal 2011 and 2010, the Company used $1.3 million and $0.7 million, respectively, of the dividends on ESOP shares to pay down the loans, and allocated to the ESOP participants shares equivalent to the fair market value of the dividends they would have received. No dividends were paid in fiscal 2012. In fiscal 2011, the Company issued 1,040 shares of common stock to the ESOP to compensate for a shortfall in unallocated, uncommitted shares.

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

During the fiscal years ended June 30, 2012, 2011 and 2010, the Company charged $1.5 million, $2.6 million and $3.7 million to compensation expense related to the ESOP. The difference between cost and fair market value of committed to be released shares, which was $0.1 million, $(1.4) million and $(0.2) million for the fiscal years ended June 30, 2012, 2011 and 2010, respectively, is recorded as additional paid-in capital.

	June 30,	
	2012	2011
Allocated shares	1,763,742	1,533,578
Committed to be released shares	185,538	186,582
Unallocated shares	911,599	1,097,136
Total ESOP shares	2,860,879	2,817,296
	(In thousands)	
Fair value of ESOP shares	$ 22,773	$ 28,567

Note 10. Share-based Compensation

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

The Company measures and recognizes compensation expense for all share-based payment awards made under the Omnibus Plan based on estimated fair values.

Stock Options

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 statements of operations.

Share-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Compensation expense recognized for all stock option awards granted is recognized using the straight-line method over the vesting period. The options generally vest ratably over a period of 3 years, however, fiscal 2012 grants included nonqualified stock option awards to executive officers with different vesting periods, in each case, subject to certain events of acceleration as provided in the applicable employment agreement or award agreement with the executive officer.

The share-based compensation expense recognized in the Company's consolidated statement of operations for the fiscal years ended June 30, 2012, 2011 and 2010 is based on awards ultimately expected to vest. Currently, management estimates an annual forfeiture rate of 6.5% based on actual forfeiture experience from the inception of the Omnibus Plan. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

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

The following are the weighted average assumptions used in the Black-Scholes valuation model:

	Year Ended June 30,		
	2012	2011	2010
Average fair value of options	$ 4.42	$ 7.05	$ 6.09
Forfeiture rate	6.5%	6.5%	6.5%
Risk-free interest rate	1.1%	2.7%	2.6%
Dividend yield	—%	1.3%	2.5%
Average expected life	6 years	6 years	6 years
Expected stock price volatility	52.5%	54.7%	41.2%

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

The following table summarizes stock option activity for the three most recent fiscal years:

Outstanding Stock Options	Number of Stock Options	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (Dollars in thousands)
Outstanding at June 30, 2009	239,000	22.22	6.41	6.1	60
Granted	220,789	18.25	6.09	—	—
Cancelled/Forfeited	(54,846)	21.65	6.87	—	—
Outstanding at June 30, 2010	404,943	20.17	6.25	5.8	—
Granted	327,656	14.95	7.05	—	—
Cancelled/Forfeited	(234,789)	19.21	6.97	—	—
Outstanding at June 30, 2011	497,810	17.19	6.44	5.7	61
Granted	356,834	8.90	4.42	—	—
Cancelled/Forfeited	(187,409)	16.89	5.06	—	—
Outstanding at June 30, 2012	667,235	12.84	4.78	4.8	143
Vested and exercisable, June 30, 2012	323,996	15.04	5.39	3.1	—
Vested and expected to vest, June 30, 2012	641,455	12.84	4.80	3.1	128

The aggregate intrinsic values in the table above represent the total pretax intrinsic value, based on the Company's closing stock price of $7.96 at June 29, 2012, $10.14 at June 30, 2011 and $15.09 at June 30, 2010, representing the last trading day of the respective years, which would have been received

by award holders had all award holders exercised their awards that were in-the-money as of those dates. Total fair value of options vested during fiscal 2012, 2011 and 2010 was $1.2 million,
$0.7 million and $0.4 million, respectively.

Nonvested Stock Options	Number of Stock Options	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)
Outstanding at June 30, 2009	198,510	22.13	6.46	2.1
Granted	220,789	18.25	6.09	—
Vested	(68,990)	22.20	6.43	—
Cancelled/Forfeited	(49,515)	21.21	6.35	—
Outstanding at June 30, 2010	300,794	19.42	6.22	2.1
Granted	327,656	14.95	7.05	—
Vested	(105,458)	20.29	6.30	—
Cancelled/Forfeited	(200,123)	18.74	7.09	—
Outstanding at June 30, 2011	322,869	15.02	6.50	1.7
Granted	356,834	8.90	4.42	—
Vested	(243,518)	13.00	5.85	—
Cancelled/Forfeited	(92,946)	12.54	5.80	—
Outstanding at June 30, 2012	343,239	10.76	4.20	6.3

As of June 30, 2012, 2011 and 2010, there was approximately $1.3 million, $1.5 million, and $1.4 million, respectively, of unrecognized compensation cost related to stock options. Compensation expense recognized in general and administrative expenses was $1.2 million, $0.7 million and $0.6 million for fiscal 2012, 2011 and 2010, respectively.

Restricted Stock

During each of fiscal 2012, 2011 and 2010 the Company granted a total of 142,070 shares, 63,979 shares and 48,722 shares of restricted stock, respectively, with a weighted average grant date fair value of $7.70, $16.67 and $18.31 per share, respectively, to eligible employees, officers and directors under the Omnibus Plan. Shares of restricted stock generally vest at the end of three years for eligible employees and officers who are employees. The fiscal 2012 grants included awards to executive officers with different vesting periods, in each case, subject to accelerated vesting as provided in the applicable employment agreement or award agreement with the executive officer.

Shares of restricted stock generally vest ratably over a period of three years for directors and officers who are not employees. Compensation expense is recognized on a straight-line basis over the service period based on the estimated fair value of the restricted stock. Compensation expense recognized in general and administrative expense was $0.6 million, $0.5 million and $0.4 million, for the fiscal years ended June 30, 2012, 2011 and 2010, respectively. As of June 30, 2012, 2011 and 2010, there was approximately $1.3 million, $0.9 million and $0.9 million, respectively, of unrecognized compensation cost related to restricted stock.

The following tables summarize restricted stock activity:

Outstanding and Nonvested Restricted Stock Awards	Shares Awarded	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2009	48,169	22.19	2.1	1,072
Granted	48,722	18.31	—	892
Exercised/Released	(5,860)	22.18	—	105
Cancelled/Forfeited	(10,823)	21.79	—	235
Outstanding at June 30, 2010	80,208	19.91	2.0	1,210
Granted	63,979	16.67	—	1,066
Exercised/Released	(20,674)	21.52	—	332
Cancelled/Forfeited	(42,826)	19.19	—	497
Outstanding at June 30, 2011	80,687	17.31	2.6	818
Granted	142,070	7.70	—	1,094
Exercised/Released	(27,227)	15.80	—	202
Cancelled/Forfeited	(19,583)	13.92	—	—
Outstanding June 30, 2012	175,947	10.16	1.9	1,401
Expected to vest, June 30, 2012	143,819	10.16	1.9	1,401

Note 11. Other Current Liabilities

Other current liabilities consist of the following:

	June 30, 2012	June 30, 2011
	(In thousands)	
Accrued workers' compensation liabilities	$ 1,244	$ 1,320
Dividends payable	—	9

Postretirement medical liability	1,363	1,148
Accrued pension liabilities	6,364	5,678
Other (including net taxes payable)	1,205	3,727
	$ 10,176	$ 11,882

Note 12. Income Taxes

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

	June 30,		
	2012	2011	2010
	(In thousands)		
Current:			
Federal	$ (385)	$ (4)	$ (3,514)
State	115	324	227
Total current income tax (benefit) expense	(270)	320	(3,287)
Deferred:			
Federal	(63)	(7,867)	629
State	(14)	(1,620)	129
Total deferred income tax (benefit) expense	(77)	(9,487)	758
Income tax benefit	$ (347)	$ (9,167)	$ (2,529)

Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in ASC 740 when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the tax expenses recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from post retirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the year ended June 30, 2011, the Company recorded a tax expense of $9.8 million in OCI related to the gain on postretirement benefits, and recorded a corresponding tax benefit of $9.8 million in continuing operations.

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

	June 30, 2012	June 30, 2011	June 30, 2010
Statutory tax rate	34%	34%	34%
	(In thousands)		
Income tax benefit at statutory rate	$ (10,090)	$ (21,585)	$ (9,004)
State income tax (net of federal tax benefit)	(1,167)	(2,765)	(1,238)
Dividend income exclusion	(85)	(532)	(765)
Valuation allowance	11,794	16,529	8,752
Change in contingency reserve (net)	(561)	(1,308)	7
Research tax credit (net)	(15)	(16)	(66)
Other (net)	(223)	510	(215)
Income tax benefit	$ (347)	$ (9,167)	$ (2,529)

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

	June 30,		
	2012	2011	2010
	(In thousands)		
Deferred tax assets:			
Postretirement benefits	$ 32,481	$ 20,226	$ 27,589
Accrued liabilities	3,958	4,138	4,376
Capital loss carryforward	2,865	2,945	1,971
Net operating loss carryforward	47,114	37,170	17,261
Intangible assets	919	—	—
Other	1,295	4,328	2,464
Total deferred tax assets	88,632	68,807	53,661
Deferred tax liabilities:			
Fixed assets	(4,117)	(7,881)	(5,551)
Intangible assets	—	(1,032)	(4,498)
Other	(794)	(814)	(726)
Total deferred tax liabilities	(4,911)	(9,727)	(10,775)
Valuation allowance	(84,954)	(60,390)	(43,860)
Net deferred tax liability	$ (1,233)	$ (1,310)	$ (974)

The Company has approximately $121.7 million and $132.9 million of federal and state net operating loss carryforwards that will begin to expire in the years ending June 30, 2025 and June 30, 2020, respectively. The Company also has approximately $7.6 million and $6.5 million of federal and state capital loss carryforwards, respectively, that may only be used to offset capital gains that begin expiring in June 30, 2013.

At June 30, 2012, the Company had total deferred tax assets of $88.6 million and net deferred tax assets before valuation allowance of $83.7 million. 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 such 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 as of June 30, 2012. Accordingly, a valuation allowance of $85.0 million has been recorded to offset this deferred tax asset. The valuation allowance increased by $24.6 million, $16.5 million, and $10.6 million in the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

A tabular reconciliation of the total amounts (in absolute values) of unrecognized tax benefits is as follows:

	Year Ended June 30,		
	2012	2011	2010
	(In thousands)		
Unrecognized tax benefits at beginning of year	$ 3,902	$ 5,218	$ 4,382
Increases in tax positions for prior years	—	—	—
(Decreases) increases in tax positions for current year	—	(1,316)	836
Settlements	(691)	—	—
Lapse in statute of limitations	—	—	—
Unrecognized tax benefits at end of year	$ 3,211	$ 3,902	$ 5,218

At June 30, 2012 and 2011, the Company has approximately $3.1 million and $3.6 million, respectively, of unrecognized tax benefits that, if recognized, would affect the effective tax rate, subject to the valuation allowance. The Company believes it is reasonably possible that approximately $41,000 of its total unrecognized tax benefits could be released in the next 12 months.

The Company is currently appealing a decision reached by the Internal Revenue Service regarding its June 30, 2003 through June 30, 2008 tax returns, and in January 2012 the appeals officer gave a preliminary indication that the audit result will be upheld. Additionally, in January 2012, the State of California completed an audit of the Company's June 30, 2006 and June 30, 2007 tax returns, and the Company also reached a Settlement Agreement with the State of California regarding the Company's June 30, 2002 to June 30, 2005 research and development tax credit claims. As a result of these decisions, the Company released $0.7 million of unrecognized tax benefit in the third quarter of fiscal 2012, which resulted in a tax benefit of $0.7 million excluding interest and penalties.

The Company files income tax returns in the U.S. and in various state jurisdictions with varying statutes of limitations. The Company is no longer subject to U.S. income tax examinations for the fiscal years prior to June 30, 2003.

The Company’s policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. As of June 30, 2012 and 2011, the Company recorded $10,000 and $47,000, respectively, in accrued interest and penalties associated with uncertain tax positions. Additionally, the Company recorded income (expense) of $37,000, $(12,000), and $(10,000) related to interest and penalties on uncertain tax positions in the years ended June 30, 2012, 2011 and 2010, respectively.

Note 13. Earnings (Loss) Per Common Share

	Year ended June 30,		
	2012	2011	2010
	(In thousands, except share and per share amounts)		
Net loss attributable to common stockholders—basic	$ (28,996)	$ (53,897)	$ (23,847)
Net loss attributable to nonvested restricted stockholders	(333)	(420)	(106)
Total net loss	$ (29,329)	$ (54,317)	$ (23,953)
Weighted average shares outstanding—basic	15,492,314	15,066,663	14,866,306
Effect of dilutive securities:			
Shares issuable under stock options	—	—	—
Weighted average shares outstanding—diluted	15,492,314	15,066,663	14,866,306
Net loss per common share—basic and diluted	$ (1.89)	$ (3.61)	$ (1.61)

Note 14. Commitments and Contingencies

With the acquisition of the DSD Coffee Business in the fiscal year ended June 30, 2009, the Company assumed some of the operating lease obligations associated with the acquired vehicles. The Company also refinanced some of the existing leases and entered into new capital leases for certain vehicles. The terms of the capital leases vary from 12 months to 84 months with varying expiration dates through 2019.

The Company is also obligated under operating leases for branch warehouses. Some operating leases have renewal options that allow the Company, as lessee, to extend the leases. The Company has one operating lease with a term greater than five years that expires in 2018 and has a ten year renewal option, and operating leases for computer hardware with terms that do not exceed five years. Rent expense for the fiscal years ended June 30, 2012, 2011 and 2010 was $4.5 million, $6.3 million and $6.6 million, respectively.

In May 2011, the Company did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers. As a result, the Company was required to post a $5.9 million letter of credit as a security deposit to the State of California Department of Industrial Relations Self-Insurance Plans. As of June 30, 2012, this letter of credit continues to serve as a security deposit.

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

	Contractual Obligations			
Year Ended June 30,	Capital Lease Obligations	Operating Lease Obligations	Pension Plan Obligations	Postretirement Benefits Other Than Pensions
2013	$ 4,523	$ 3,979	$ 6,364	$ 1,363
2014	3,790	3,382	6,508	1,450
2015	3,742	2,757	6,692	1,846
2016	3,425	1,950	6,898	2,106
2017	1,501	1,341	7,165	2,362
Thereafter	958	2,047	40,943	15,559
		$ 15,456	$ 74,570	$ 24,686
Total minimum lease payments	$ 17,939			
Less: imputed interest (0.82% to 10.7%)	(2,072)			
Present value of future minimum lease payments	$ 15,867			
Less: current portion	3,737			
Long-term capital lease obligations	$ 12,130			

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

Note 15. Quarterly Financial Data (Unaudited)

	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
	(In thousands, except per share data)			
Net sales	$ 121,197	$ 131,770	$ 121,527	$ 120,948
Gross profit	$ 39,685	$ 44,541	$ 43,147	$ 45,451
Loss from operations	$ (4,630)	$ (5,649)	$ (4,107)	$ (10,481)
Net loss	$ (7,584)	$ (4,110)	$ (5,501)	$ (12,134)
Net loss per common share	$ (0.50)	$ (0.27)	$ (0.35)	$ (0.77)

	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011
	(In thousands, except per share data)			
Net sales	$ 108,743	$ 119,227	$ 116,732	$ 119,243
Gross profit	$ 43,945	$ 45,016	$ 41,861	$ 26,352
Loss from operations	$ (12,019)	$ (10,543)	$ (14,463)	$ (31,397)
Net loss	$ (9,873)	$ (8,912)	$ (13,196)	$ (22,336)
Net loss per common share	$ (0.66)	$ (0.59)	$ (0.87)	$ (1.47)

During the fourth quarter and for the fiscal year ended June 30, 2012, the Company recorded $5.1 million in impairment loss on goodwill and $0.5 million in impairment loss on its indefinite-lived intangible assets related to CBI (see Note 6). During the fourth quarter and for the fiscal year ended June 30, 2011, the Company recorded an impairment loss of $7.8 million on definite-lived intangible assets that the Company acquired or entered into during the DSD Coffee Business acquisition. During the fourth quarter of fiscal 2011, the Company also recorded $9.2 million in income tax benefit (see Note 12).

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

As of June 30, 2012, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) promulgated under the Exchange Act. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2012, our disclosure controls and procedures were effective.

Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). With the participation of the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of June 30, 2012.

Ernst & Young LLP, an independent registered public accounting firm, issued an attestation report on the Company's internal control over financial reporting as of June 30, 2012, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended June 30, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

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

We have audited Farmer Bros. Co. and Subsidiaries' internal control over financial reporting as of June 30, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Farmer Bros. Co. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Farmer Bros. Co. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Farmer Bros. Co. and Subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2012 of Farmer Bros. Co. and Subsidiaries and our report dated September 7, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
September 7, 2012

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be set forth in the Proxy Statement or Form 10-K/A and is incorporated in this report by reference.

To the Company’s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended June 30, 2012, its officers, directors and ten percent shareholders complied with all applicable Section 16(a) filing requirements, with the exception of those filings listed in the Company's Proxy Statement expected to be dated and filed with the SEC not later than 120 days after the conclusion of the Company's fiscal year ended June 30, 2012.

Item 11. Executive Compensation

The information required by this item will be set forth in the Proxy Statement or Form 10-K/A and is incorporated in this report by reference.

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

The information required by this item will be set forth in the Proxy Statement or Form 10-K/A and is incorporated in this report by reference.

Equity Compensation Plan Information

Information about our equity compensation plans at June 30, 2012 that were either approved or not approved by our stockholders was as follows:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance(2)
Equity compensation plans approved by stockholders(1)	667,235	$ 12.84	100,026
Equity compensation plans not approved by stockholders	—	$ —	—
Total	667,235	$ 12.84	100,026

(1) Includes the Omnibus Plan.

(2) Shares available for future issuance under the Omnibus Plan may be awarded in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance-based awards, stock payments, or other incentives payable in shares of stock, or any combination thereof. Shares covered by an award will be counted as used at the time the award is granted to a participant. If any award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares are issued under the Omnibus Plan to a participant and are thereafter reacquired by the Company, the shares subject to such awards and the reacquired shares will again be available for issuance under the Omnibus Plan. In addition to the shares that are actually issued to a participant, the following items will be counted against the total number of shares available for issuance under the Omnibus Plan: (i) shares subject to an award that are not delivered to a participant because the award is exercised through a reduction of shares subject to the award (i.e., “net exercised”); (ii) shares subject to an award that are not delivered to a participant because such shares are withheld in satisfaction of the withholding of taxes incurred in connection with the exercise of or issuance of shares under certain types of awards; and (iii) shares that are tendered to the Company to pay the exercise price of any stock award. The following items will not be counted against the total number of shares available for issuance under the Omnibus Plan: (A) the payment in cash of dividends or dividend equivalents; and (B) any award that is settled in cash rather than by issuance of stock.

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

The information required by this item will be set forth in the Proxy Statement or Form 10-K/A and is incorporated in this report by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item will be set forth in the Proxy Statement or Form 10-K/A and is incorporated in this report by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Financial Statements included in Part II, Item 8 of this report:

Consolidated Balance Sheets as of June 30, 2012 and 2011

Consolidated Statements of Operations for the Years Ended June 30, 2012, 2011 and 2010

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended June 30, 2012, 2011 and 2010

Consolidated Statements of Cash Flows for the Years Ended June 30, 2012, 2011 and 2010

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2012, 2011 and 2010

Notes to Consolidated Financial Statements

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

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

(b) Exhibits: See Exhibit Index.

SIGNATURES

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

FARMER BROS. CO.

By: /S/ MICHAEL H. KEOWN

Michael H. Keown
President and Chief Executive Officer
(chief executive officer)
Date: September 7, 2012

By: /S/ JEFFREY A. WAHBA

Jeffrey A. Wahba
Treasurer and Chief Financial Officer
(principal financial and accounting officer)
Date: September 7, 2012

By: /S/ HORTENSIA R. GÓMEZ

Hortensia R. Gómez
Vice President and Controller
(controller)
Date: September 7, 2012

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

/S/ GUENTER W. BERGER **Guenter W. Berger**	Chairman of the Board and Director	September 7, 2012
/S/ HAMIDEH ASSADI **Hamideh Assadi**	Director	September 7, 2012
Jeanne Farmer Grossman	Director	
/S/ MARTIN A. LYNCH **Martin A. Lynch**	Director	September 7, 2012
/S/ JAMES J. MCGARRY **James J. McGarry**	Director	September 7, 2012
/S/ JOHN H. MERRELL **John H. Merrell**	Director	September 7, 2012
/S/ MICHAEL H. KEOWN **Michael H. Keown**	Director	September 7, 2012

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 April 25, 2011 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	Amended and Restated Loan and Security Agreement, dated September 12, 2011, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the SEC on September 12, 2011 and incorporated herein by reference).
10.2	Amendment No. 1 to Amended and Restated Loan and Security Agreement, effective January 9, 2012, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2011 filed with the SEC on February 8, 2012 and incorporated herein by reference).
10.3	Farmer Bros. Co. Pension Plan for Salaried Employees (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007 filed with the SEC on September 13, 2007 and incorporated herein by reference).*
10.4	Amendment No. 1 to Farmer Bros. Co. Retirement Plan effective June 30, 2011 (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the SEC on September 12, 2011 and incorporated herein by reference).*
10.5	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).*
10.6	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 as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).*
10.7	Action of the Administrative Committee of the Farmer Bros. Co. qualified Employee Retirement Plans amending the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 2012 (filed herewith).
10.8	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 as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).

10.9	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 as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).
10.10	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 as Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).
10.11	Separation Agreement, dated as of April 1, 2011, 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 April 6, 2011 and incorporated herein by reference).*
10.12	Employment Agreement, dated March 9, 2012, by and between Farmer Bros. Co. and Michael H. Keown (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 13, 2012 and incorporated herein by reference).*
10.13	Amended and Restated Employment Agreement, effective as of April 19, 2011, 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 May 23, 2011 and incorporated herein by reference).*
10.14	Amendment No. 1 to Amended and Restated Employment Agreement, dated as of August 30, 2011, 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 September 2, 2011 and incorporated herein by reference).*
10.15	Second Amended and Restated Employment Agreement, effective as of February 13, 2012, 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 February 17, 2012 and incorporated herein by reference).*
10.16	Letter Agreement, effective as of April 19, 2011, by and between Farmer Bros. Co. and Mark A. Harding (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on May 23, 2011 and incorporated herein by reference).*
10.17	Employment Agreement, dated as of April 4, 2012, by and between Farmer Bros. Co. and Thomas W. Mortensen (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on April 10, 2012 and incorporated herein by reference).*
10.18	Employment Agreement, effective as of April 19, 2011, by and between Farmer Bros. Co. and Patrick G. Criteser (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 23, 2011 and incorporated herein by reference).*
10.19	Amended and Restated Employment Agreement, effective as of February 13, 2012, by and between Farmer Bros. Co. and Patrick G. Criteser (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 17, 2012 and incorporated herein by reference).*
10.20	Employment Agreement, dated as of December 1, 2010, by and between Farmer Bros. Co. and Larry B. Garrett (filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the SEC on September 12, 2011 and incorporated herein by reference).*
10.21	Resignation Agreement, dated as of July 20, 2012, by and between Farmer Bros. Co. and Larry B. Garrett (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on July 24, 2012 and incorporated herein by reference).*

10.22	2007 Omnibus Plan (filed herewith).*
10.23	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).*
10.24	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).*
10.25	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).*
10.26	Form of Target Award Notification Letter (Fiscal 2012) 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 21, 2011 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 Change in Control Severance Agreement for Executive Officers of the Company (with schedule of executive officers attached) (filed as Exhibit 10.3 to the Company’s Current Report on Form 8-K/A filed with the SEC on April 10, 2012 and incorporated herein by reference).*
10.29	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 schedule of indemnitees attached) (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K/A filed with the SEC on April 10, 2012 and incorporated herein by reference).*
14.1	Farmer Bros. Co. Code of Conduct and Ethics adopted on August 26, 2010 (filed as Exhibit 14.1 to the Company’s Current Report on Form 8-K filed with the SEC on September 1, 2010 and incorporated herein by reference).
21.1	List of all Subsidiaries of Farmer Bros. Co. (filed herewith).
23.1	Consent of Independent Registered Accounting Firm (filed herewith).
31.1	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Principal Financial 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).
99.1	Properties List (filed herewith).

99.2	Amended and Restated Audit Committee Charter (filed herewith).
99.3	Amended and Restated Compensation Committee Charter (filed herewith).
101	The following financial statements from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Stockholders' Equity, and (vi) Notes to Consolidated Financial Statements (furnished herewith).

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* Management contract or compensatory plan or arrangement.

Exhibit 10.7

ACTION OF THE
ADMINISTRATIVE COMMITTEE OF THE FARMER BROS. CO.
QUALIFIED EMPLOYEE RETIREMENT PLANS

Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan

The undersigned members of the Administrative Committee, having the authority to act on the matter set forth below, hereby approve the following:

WHEREAS, Section 12.01 of the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan (the "Plan") permits amendments to the Plan from time to time.

WHEREAS, this Committee deems it appropriate to amend the Plan in certain respects as set forth below.

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended effective as of January 1, 2012, as follows:

1. Section 1.11 is amended by changing the portion of the first sentence that precedes the comma to read as follows: "Compensation" means wages as defined under Section 3401(a) of the Code (for purposes of income tax withholding at the source) paid to a Member while he or she is an Eligible Employee, …."

2. Section 2.03 is amended in its entirety to read as follows: "Notwithstanding any provision of the Plan to the contrary, a Member who transfers employment from the Employer to an Affiliate that is not participating in the Plan shall continue to be a Member for the Plan Year in which such transfer occurs but shall only be eligible to receive allocations of Employer Contributions with respect to Compensation."

BE IT FURTHER RESOLVED, that the appropriate officers of the Company, and the individuals who have been properly delegated authority for the administration of the Plan, are hereby authorized to do such other things as may be necessary or advisable to give effect to the foregoing resolution.

Dated: August 8, 2012

/s/ Pat Quiggle	/s/ Hortensia Gomez
Title: Vice President of Human Resources	Title: Vice President, Controller
/s/ Jeffrey A. Wahba	____________________________________
Title: CFO	Title: ________________________________

FARMER BROS. CO.
2007 OMNIBUS PLAN

ARTICLE 1
PURPOSE

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

ARTICLE 2
DEFINITIONS AND CONSTRUCTION

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

2.1 "***Administrator***" means the entity that conducts the general administration of the Plan as provided herein. With reference to the administration of the Plan with respect to Awards granted to Independent Directors, the term "***Administrator***" shall refer to the Board. With reference to the administration of the Plan with respect to any other Award, the term "***Administrator***" shall refer to the Committee unless the Board has assumed the authority for administration of the Plan generally as provided in Section 13.1. With reference to the duties of the Committee under the Plan which have been delegated to one or more persons pursuant to Section 13.5, the term "***Administrator***" shall refer to such person(s) unless the Committee or the Board has revoked such delegation.

2.2 "***Award***" means an Option, a Restricted Stock award, a Stock Appreciation Right award, a Dividend Equivalents award, a Stock Payment award, a Restricted Stock Unit award, a Performance-Based Award, a Dividend Equivalent award, a cash-based award or other incentive payable in cash or in shares of Stock granted to a Participant pursuant to the Plan.

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

2.4 "***Board***" means the Board of Directors of the Company.

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

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

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

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

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

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

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

2.8 "***Committee***" means the committee of the Board described in Article 13.

2.9 "***Consultant***" means any consultant or adviser if:

(a) The consultant or adviser renders bona fide services to the Company or any Parent or Subsidiary;

(b) The services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and

(c) The consultant or adviser is a person who has contracted directly with the Company or any Parent or Subsidiary to render such services.

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

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

2.12 “***Dividend Equivalents***” means a right granted to a Participant pursuant to Article 8 to receive the equivalent value (in cash or Stock) of dividends paid on Stock.

2.13 “***Effective Date***” shall mean August 23, 2007.

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

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

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

2.17 “***Expiration Date***” has the meaning set forth in Section 14.3.

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

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

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

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

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

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

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

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

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

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

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

2.26 "***Performance-Based Award***" means an Award granted to selected Covered Employees pursuant to Articles 6 and 8, but which is subject to the terms and conditions set forth in Article 9.

2.27 "***Performance Criteria***" means the criteria, either individually, alternatively or in any combination, that the Administrator selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria that will be used to establish Performance Goals are limited to the following: net earnings (either before or after interest, taxes, depreciation and amortization), sales or revenue, income or net income (either before or after taxes), operating income or net operating income, operating profit or net operating profit, cash flow (including, but not limited to, operating cash flow and free cash flow), economic profit (including economic profit margin), return on assets, return on capital, return on investment, return on operating revenue, return on equity or average stockholders' equity, total stockholder return, growth in sales or return on sales, gross, operating or net profit margin, working capital, earnings per share, growth in earnings or earnings per share, price per share of Stock, market share, overhead or other expense reduction, growth in stockholder value relative to various indices, and strategic plan development and implementation, any of which may be used to measure the performance of the Company as a whole or with respect to any business unit, Subsidiary or business segment of the Company, either individually, alternatively or in any combination, and may be measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous period results or to a designated comparison group, in each case as specified by the Administrator in the Award. The Administrator shall, within the time prescribed by Section 162(m) of the Code, define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period for such Participant.

2.28 "***Performance Goals***" means, for a Performance Period, the goals established in writing by the Administrator for the Performance Period based upon the Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a Subsidiary, division or other operational unit, or an individual. The Administrator, in its discretion, may, within the time prescribed by

Section 162(m) of the Code, adjust or modify the calculation of Performance Goals for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants (i) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event, or development, or (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

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

2.30 "***Plan***" means this Farmer Bros. Co. 2007 Omnibus Plan, as it may be amended from time to time.

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

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

2.33 "***Restricted Stock Unit***" means a right to receive a share of Stock during specified time periods granted pursuant to Section 8.3.

2.34 "***Securities Act***" means the Securities Act of 1933, as amended from time to time.

2.35 "***Section 409A Award***" has the meaning set forth in Section 10.1.

2.36 “***Stock***” means the common stock of the Company and such other securities of the Company that may be substituted for Stock pursuant to Article 12.

2.37 “***Stock Appreciation Right***” or “***SAR***” means a right granted pursuant to Article 7 to receive a payment equal to the excess of the Fair Market Value of a specified number of shares of Stock on the date the SAR is exercised over the Fair Market Value of such number of shares of Stock on the date the SAR was granted as set forth in the applicable Award Agreement.

2.38 “***Stock Payment***” means (a) a payment in the form of shares of Stock, or (b) an option or other right to purchase shares of Stock, as part of any bonus, deferred compensation or other arrangement, made in lieu of all or any portion of the compensation, granted pursuant to Section 8.2.

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

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

2.41 “***Termination of Consultancy***” means the time when the engagement of a Participant as a Consultant to the Company or a Parent or Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, by resignation, discharge, death or retirement, but excluding terminations where there is a simultaneous commencement of employment with the Company or any Parent or Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a Termination of Consultancy resulted from a discharge for good cause, and all questions of whether a particular leave of absence constitutes a Termination of Consultancy. Notwithstanding any other provision of the Plan, the Company or any Parent or Subsidiary has an absolute and unrestricted right to terminate a Consultant’s service at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in writing.

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

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

ARTICLE 3
SHARES SUBJECT TO THE PLAN

3.1 Number of Shares

(a) Subject to Article 12 and Section 3.1(b), the aggregate number of shares of Stock which may be issued or transferred pursuant to Awards under the Plan shall be 1,000,000 shares.

(b) Shares of Stock covered by an Award shall be counted as used at the time the Award is granted to a Participant. If any Award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares of Stock are issued under the Plan to a Participant and are thereafter reacquired by the Company, the shares subject to such Awards and the reacquired shares shall again be available for issuance under the Plan. In addition to the shares of Stock that are actually issued to a Participant, the following items shall be counted against the total number of shares available for issuance under the Plan: (i) shares of Stock subject to an Award that are not delivered to a Participant because the Award is exercised through a reduction of shares of Stock subject to the Award (i.e., “net exercised”) (including an appreciation distribution in respect of a Stock Appreciation Right that is paid in shares of Stock); (ii) shares of Stock subject to an Award that are not delivered to a Participant because such shares are withheld in satisfaction of the withholding of taxes incurred in connection with the exercise of an Option or Stock Appreciation Right, or the issuance of shares under a Restricted Stock Award or Restricted Stock Unit Award or other Award; and (iii) shares that are tendered to the Company (either by actual delivery or attestation) to pay the exercise price of any stock Award. The following items shall not be counted against the total number of shares available for issuance under the Plan: (A) the payment in cash of dividends or Dividend Equivalents; and (B) any Award that is settled in cash rather than by issuance of Stock. All shares issued under the Plan may be either authorized and unissued shares or issued shares reacquired by the Company or shares held in trust for issuance under the Plan.

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

(d) Notwithstanding the provisions of this Section 3.1, (i) no shares of Stock may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an Incentive Stock Option under Section 422 of the Code; and (ii) the maximum number of shares that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate share number stated in Section 3.1(a), subject to adjustment as provided in Article 12; and provided, further, that for purposes of Section 3.3, any such shares shall be counted in accordance with the requirements of Section 162(m) of the Code.

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

3.3 Limitation on Number of Shares Subject to Awards. Notwithstanding any provision in the Plan to the contrary, and subject to Article 12, the maximum number of shares of Stock with respect to one or more Awards that may be granted to any one Participant during any calendar year shall be 250,000.

ARTICLE 4
ELIGIBILITY AND PARTICIPATION

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

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

4.3 Foreign Participants. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Parents or Subsidiaries operate or have Eligible Individuals, the Administrator, in its sole discretion, shall have the power and authority to: (i) determine which Parents or Subsidiaries shall be covered by the Plan; (ii) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with applicable foreign laws; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to this Plan as appendices); *provided*, *however*, that no such subplans and/or modifications shall increase the share limitations contained in Sections 3.1 and 3.3 of the Plan; and (v) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law or governing statute or any other applicable law.

ARTICLE 5
STOCK OPTIONS

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

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

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

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

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

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

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

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

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

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

5.3 Substitution of Stock Appreciation Rights. The Administrator may provide in the Award Agreement evidencing the grant of an Option that the Administrator, in its sole discretion, shall have to right to substitute a Stock Appreciation Right for such Option at any time prior to or upon exercise of such Option; *provided* that such Stock Appreciation Right shall be exercisable with respect to the same number of shares of Stock for which such substituted Option would have been exercisable.

ARTICLE 6
RESTRICTED STOCK AWARDS

6.1 Grant of Restricted Stock. The Administrator is authorized to make Awards of Restricted Stock to any Eligible Individual selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator. All Awards of Restricted Stock shall be evidenced by an Award Agreement. In no event shall an Award of Restricted Stock payable in shares vest sooner than one year after the date of grant. Notwithstanding the foregoing, the Administrator may accelerate vesting of any Award in the event of a Participant's Termination of Employment, Termination of Directorship or Termination of Consultancy or a Change in Control.

6.2 Issuance and Restrictions. Restricted Stock shall be subject to such repurchase restrictions, forfeiture restrictions, restrictions on transferability and other restrictions as the Administrator may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances or installments or otherwise as the Administrator determines at the time of the grant of the Award or thereafter. Alternatively, these restrictions may lapse pursuant to the satisfaction of one or more Performance Goals or other specific performance goals as the Administrator determines to be appropriate at the time of the grant of the Award or thereafter, in each case on a specified date or dates or over any period or periods determined by the Administrator.

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

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

ARTICLE 7
STOCK APPRECIATION RIGHTS

7.1 Grant of Stock Appreciation Rights. A Stock Appreciation Right may be granted to any Eligible Individual selected by the Administrator. A Stock Appreciation Right shall be subject to such terms and conditions not inconsistent with the Plan as the Administrator shall impose and shall be evidenced by an Award Agreement.

7.2 Terms of Stock Appreciation Rights

(a) A Stock Appreciation Right shall have a term set by the Administrator. A Stock Appreciation Right shall be exercisable in such installments as the Administrator may determine. A Stock Appreciation Right shall cover such number of shares of Stock as the Administrator may determine. The exercise price per share of Stock subject to each Stock Appreciation Right shall be set by the Administrator.

(b) A Stock Appreciation Right shall entitle the Participant (or other person entitled to exercise the Stock Appreciation Right pursuant to the Plan) to exercise all or a specified portion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying (i) the amount (if any) by which the Fair Market Value of a share of Stock on the date of exercise of the Stock Appreciation Right exceeds the exercise price per share of the Stock Appreciation Right, by (ii) the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised, subject to any limitations the Administrator may impose.

7.3 Payment and Limitations on Exercise

(a) Subject to Sections 7.3(b) and (c), payment of the amounts determined under Sections 7.2(b) above shall be in cash, in Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Administrator.

(b) To the extent payment for a Stock Appreciation Right is to be made in cash, the Award Agreement shall, to the extent necessary to comply with the requirements of Section 409A of the Code, specify the date of payment, which may be different than the date of exercise of the Stock Appreciation Right. If the date of payment for a Stock Appreciation Right is later than the date of exercise, the Award Agreement may specify that the Participant be entitled to earnings on such amount until paid.

(c) To the extent any payment under Section 7.2(b) is effected in Stock, it shall be made subject to satisfaction of all provisions of Article 5 above pertaining to Options.

ARTICLE 8
OTHER TYPES OF AWARDS

8.1 Dividend Equivalents

(a) Any Eligible Individual selected by the Administrator may be granted Dividend Equivalents based on the dividends on the shares of Stock that are subject to any Award, to be credited as of dividend payment dates, during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Administrator. Such Dividend Equivalents shall be converted to cash or additional shares of Stock by such formula and at such time and subject to such limitations as may be determined by the Administrator.

(b) Dividend Equivalents granted with respect to Options or SARs that are intended to be Qualified Performance-Based Compensation shall be payable, with respect to pre-exercise periods, regardless of whether such Option or SAR is subsequently exercised.

8.2 Stock Payments. Any Eligible Individual selected by the Administrator may receive Stock Payments in the manner determined from time to time by the Administrator; *provided*, that unless otherwise determined by the Administrator such Stock Payments shall be made in lieu of base salary, bonus, or other cash compensation otherwise payable to such Eligible Individual. The number of shares shall be determined by the Administrator and may be based upon the Performance Goals or other specific performance goals determined appropriate by the Administrator.

8.3 Restricted Stock Units. The Administrator is authorized to make Awards of Restricted Stock Units to any Eligible Individual selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator. At the time of grant, the Administrator shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. Alternatively, Restricted Stock Units may become fully vested and nonforfeitable pursuant to the satisfaction of one or more Performance Goals or other specific performance goals as the Administrator determines to be appropriate at the time of the grant of the Restricted Stock Units or thereafter, in each case on a specified date or dates or over any period or periods determined by the Administrator. At the time of grant, the Administrator shall specify the maturity date applicable to each grant of Restricted Stock Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the Eligible Individual to whom the Award is granted. On the maturity date, the Company shall transfer to the Participant one unrestricted, fully transferable share of Stock for each Restricted Stock Unit that is vested and scheduled to be distributed on such date and not previously forfeited. The Administrator shall specify the purchase price, if any, to be paid by the Participant to the Company for such shares of Stock. In no event shall an Award of Restricted Stock Units payable in shares vest sooner than one year after the date of grant. Notwithstanding the foregoing, the Administrator may accelerate vesting of any Award in the event of a Participant's Termination of Employment, Termination of Directorship or Termination of Consultancy or a Change in Control.

8.4 Term. Except as otherwise provided herein, the term of any Award of Dividend Equivalents, Stock Payments or Restricted Stock Units shall be set by the Administrator in its discretion.

8.5 Exercise or Purchase Price. The Administrator may establish the exercise or purchase price, if any, of any Award of Stock Payments or Restricted Stock Units; *provided*, *however*, that such price shall not be less than the par value of a share of Stock on the date of grant, unless otherwise permitted by applicable state law.

8.6 Form of Payment. Payments with respect to any Awards granted under Sections 8.1, 8.2 or 8.3 shall be made in cash, in Stock or a combination of both, as determined by the Administrator.

8.7 Award Agreement. All Awards under this Article 8 shall be subject to such additional terms and conditions as determined by the Administrator and shall be evidenced by a written Award Agreement.

8.8 Other Stock or Cash-Based Awards. Subject to the terms of the Plan, the Administrator may grant other incentives payable in cash or in shares of Stock under the Plan as it determines to be in the best interests of the Company and subject to such other terms and conditions as it deems appropriate. The Administrator may grant such other Awards and designate the Participants to whom such Awards are to be awarded and determine the number of shares of Stock or the amount of cash payment subject to such Awards and the terms and conditions of each such Award. Such other Awards may, subject to the provisions of the Plan, entitle the Participant to a payment in cash or Stock only upon the attainment of performance goals and other terms and conditions specified by the Administrator. Notwithstanding the satisfaction of any performance goals, the amount to be paid under such other Award may be adjusted on the basis of such further consideration as the Administrator shall determine, in its sole discretion. However, the Administrator may not, in any event, increase the amount earned under such other Awards upon satisfaction of any performance goal by any Covered Employee.

ARTICLE 9
PERFORMANCE-BASED AWARDS

9.1 Purpose. The purpose of this Article 9 is to provide the Administrator the ability to qualify Awards other than Options and SARs and that are granted pursuant to Articles 6 and 8 as Qualified Performance-Based Compensation. If the Administrator, in its discretion, decides to grant a Performance-Based Award to a Covered Employee, the provisions of this Article 9 shall control over any contrary provision contained in Articles 6 or 8; *provided*, *however*, that the Administrator may in its discretion grant Awards to Covered Employees that are based on Performance Criteria or Performance Goals but that do not satisfy the requirements of this Article 9.

9.2 Applicability. This Article 9 shall apply only to those Covered Employees selected by the Administrator to receive Performance-Based Awards. The designation of a Covered Employee as a Participant for a Performance Period shall not in any manner entitle the Participant to receive an Award for the period. Moreover, designation of a Covered Employee as a Participant for a particular Performance Period shall not require designation of such Covered Employee as a Participant in any subsequent Performance Period and designation of one Covered Employee as a Participant shall not require designation of any other Covered Employees as a Participant in such period or in any other period.

9.3 Procedures with Respect to Performance-Based Awards. To the extent necessary to comply with the Qualified Performance-Based Compensation requirements of Section 162(m)(4)(C) of the Code, with respect to any Award granted under Articles 6 and 8 which may be granted to one or more Covered Employees, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Administrator shall, in writing, (a) designate one or more Covered Employees, (b) select the Performance Criteria applicable to the Performance Period, (c) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (d) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Covered Employee for such Performance Period. Following the completion of each Performance Period, the Administrator shall certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned by a Covered Employee, the Administrator shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Administrator may deem relevant to the assessment of individual or corporate performance for the Performance Period.

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

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

ARTICLE 10
COMPLIANCE WITH SECTION 409A OF THE CODE

10.1 Awards subject to Code Section 409A. Any Award that constitutes, or provides for, a deferral of compensation subject to Section 409A of the Code (a "***Section 409A Award***") shall satisfy the requirements of Section 409A of the Code and this Article 10, to the extent applicable. The Award Agreement with respect to a Section 409A Award shall incorporate the terms and conditions required by Section 409A of the Code and this Article 10.

10.2 Distributions under a Section 409A Award.

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

(i) the Participant's separation from service, as determined by the Secretary of the Treasury;

(ii) the date the Participant becomes disabled;

(iii) the Participant's death;

(iv) a specified time (or pursuant to a fixed schedule) specified under the Award Agreement at the date of the deferral of such compensation;

(v) to the extent provided by the Secretary of the Treasury, a change in the ownership or effective control of the Company or a Parent or Subsidiary, or in the ownership of a substantial portion of the assets of the Company or a Parent or Subsidiary; or

(vi) the occurrence of an unforeseeable emergency with respect to the Participant.

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

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

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

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

10.4 Elections under Section 409A Awards

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

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

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

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

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

(ii) in the case such subsequent election relates to a distribution or payment not described in Section 10.2(a)(ii), (iii) or (vi), the first payment with respect to such election may be deferred for a period of not less than five years from the date such distribution or payment otherwise would have been made, and

(iii) in the case such subsequent election relates to a distribution or payment described in Section 10.2(a)(iv), such election may not be made less than twelve months prior to the date of the first scheduled distribution or payment under Section 10.2(a)(iv).

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

ARTICLE 11
PROVISIONS APPLICABLE TO AWARDS

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

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

11.3 Limits on Transfer

(a) Except as otherwise provided by the Administrator pursuant to Section 11.3(b), no right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Parent or Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Parent or Subsidiary. Except as otherwise provided by the Administrator pursuant to Section 11.3(b), no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution, unless and until such Award has been exercised, or the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed.

(b) Notwithstanding Section 11.3(a), the Administrator, in its sole discretion, may permit an Award (other than an Incentive Stock Option) to be transferred to, exercised by and paid to any one or more Permitted Transferees (as defined below), subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than by will or the laws of descent and distribution; (ii) any Award which is transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Participant (other than the ability to further transfer the Award); and (iii) the Participant and the Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under applicable federal and state securities laws and (C) evidence the transfer. For purposes of this Section 11.3(b), "***Permitted Transferee***" shall mean, with respect to a Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests, or any other transferee specifically approved by the Administrator.

11.4 Beneficiaries. Notwithstanding Section 11.3, a Participant may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Administrator.

11.5 Stock Certificates; Book-Entry Procedures

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

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

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

ARTICLE 12
CHANGES IN CAPITAL STRUCTURE

12.1 Adjustments

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

(b) In the event of any transaction or event described in Section 12.1(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate (including without limitation any Change in Control), or of changes in applicable laws, regulations or accounting principles, and whenever the Administrator determines that such action is appropriate in order to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles, the Administrator, in its sole discretion and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant’s request, is hereby authorized to take any one or more of the following actions:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been received upon the exercise of such Award or realization of the Participant’s rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 12.1(b) the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant’s rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion;

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

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

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

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

12.2 Acceleration Upon a Change in Control. Notwithstanding Section 12.1(b), and except as may otherwise be provided in any applicable Award Agreement or other written agreement entered into between the Company and a Participant, if a Change in Control occurs and a Participant's Awards are not continued, converted, assumed, or replaced by (i) the Company or a Parent or Subsidiary of the Company, or (ii) a Successor Entity, such Awards shall become fully exercisable and/or payable, as applicable, and all forfeiture, repurchase and other restrictions on such Awards shall lapse immediately prior to such Change in Control. Subject to the foregoing, the Administrator shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, dissolution or change in control of the Company, as defined by the Administrator, to take such further action as it determines to be necessary or advisable with respect to Awards. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the Administrator may take such actions with respect to all Participants, to certain categories of Participants or only to individual Participants. The Administrator may take such action before or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or change in control that is the reason for such action.

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

ARTICLE 13
ADMINISTRATION

13.1 Administrator. The Administrator of the Plan shall be the Compensation Committee of the Board (or another committee or a subcommittee of the Board to which the Board delegates administration of the Plan) (such committee, the "***Committee***"), which Committee shall consist solely of two or more members of the Board each of whom is both an "outside director," within the meaning of Section 162(m) of the Code, a Non-Employee Director and an "independent director" under the rules of the Nasdaq Stock Market. Notwithstanding the foregoing: (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to all Awards granted to Independent Directors, and for purposes of such Awards the term "***Administrator***" as used in this Plan shall be deemed to refer to the Board, and (b) the Committee may delegate its authority hereunder to the extent permitted by Section 13.5. Appointment of Committee members shall be effective upon acceptance of appointment. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Administrator under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may only be filled by the Board.

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

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

(a) Designate Participants to receive Awards;

(b) Determine the type or types of Awards to be granted to each Participant;

(c) Determine the number of Awards to be granted and the number of shares of Stock to which an Award will relate;

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

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

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

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

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

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

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

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

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

13.5 Delegation of Authority. To the extent permitted by applicable law, the Committee may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards to Participants other than (a) senior executives of the Company who are subject to Section 16 of the Exchange Act, (b) Covered Employees, or (c) officers of the Company (or members of the Board) to whom authority to grant or amend Awards has been delegated hereunder. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation, and the Committee may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 13.5 shall serve in such capacity at the pleasure of the Committee.

ARTICLE 14
EFFECTIVE AND EXPIRATION DATES

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

14.2 Approval of Plan by Stockholders. The Plan will be submitted for the approval of the Company's stockholders within twelve (12) months after the date of the Board's initial adoption of the Plan. Awards may be granted or awarded prior to such stockholder approval, *provided*, that such Awards shall not be exercisable nor shall such Awards vest prior to the time when the Plan is approved by the stockholders, and *provided further*, that if such approval has not been obtained at the end of said twelve-month period, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void. In addition, if the Board determines that Awards other than Options or Stock Appreciation Rights which may be granted to Section 162(m) Participants should continue to be eligible to qualify as performance-based compensation under Section 162(m)(4)(C) of the Code, the Performance Criteria must be disclosed to and approved by the Company's stockholders no later than the first stockholder meeting that occurs in the fifth year following the year in which the Company's stockholders previously approved the Plan, as amended and restated to include the Performance Criteria.

14.3 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the earlier of the tenth anniversary of (i) the date this Plan is approved by the Board or (ii) the date this Plan is approved by the Company's stockholders (the "***Expiration Date***"). Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 15
AMENDMENT, MODIFICATION, AND TERMINATION

15.1 Amendment, Modification, And Termination. The Board may terminate, amend or modify the Plan at any time and from time to time; *provided*, *however*, that (a) to the extent necessary to comply with any applicable law, regulation, or stock exchange rule, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) stockholder approval is required for any amendment to the Plan that increases the number of shares available under the Plan (other than any adjustment as provided by Article 12). Notwithstanding any provision in this Plan to the contrary, absent approval of the stockholders of the Company, no Option may be amended to reduce the per share exercise price of the shares subject to such Option below the per share exercise price as of the date the Option is granted and, except as permitted by Article 12, no Option may be granted in exchange for, or in connection with, the cancellation or surrender of an Option having a higher per share exercise price.

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

ARTICLE 16
GENERAL PROVISIONS

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

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

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

16.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company or any Parent or Subsidiary to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employ or service of the Company or any Parent or Subsidiary.

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

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

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

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

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

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

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

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

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

EXHIBIT 21.1

SUBSIDIARIES OF FARMER BROS. CO.

Farmer Bros. Co., a Delaware corporation

FBC Finance Co., a California corporation

Coffee Bean Holding Co., Inc., a Delaware corporation

Sierra Herb (inactive), a California corporation

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-157169) pertaining to the Farmer Bros. Co. 2007 Omnibus Plan of our reports dated September 7, 2012, with respect to the consolidated financial statements of Farmer Bros. Co. and the effectiveness of internal control over financial reporting of Farmer Bros. Co., included in its Annual Report (Form 10-K) for the year ended June 30, 2012.

/S/ ERNST & YOUNG LLP

Los Angeles, California
September 7, 2012

EXHIBIT 31.1

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

I, Michael H. Keown certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: September 7, 2012

/s/ MICHAEL H. KEOWN

Michael H. Keown
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 Annual Report on Form 10-K of Farmer Bros. Co.;

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

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

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

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

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

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

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

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

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

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

Date: September 7, 2012

/S/ JEFFREY A. WAHBA

Jeffrey A. Wahba
Treasurer and Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT 32.1

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

In connection with the Annual Report of Farmer Bros. Co. (the "Company") on Form 10-K for the fiscal year ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael H. Keown, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: September 7, 2012

/s/ MICHAEL H. KEOWN

Michael H. Keown
President and Chief Executive Officer
(principal executive officer)

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

EXHIBIT 32.2

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

In connection with the Annual Report of Farmer Bros. Co. (the “Company”) on Form 10-K for the fiscal year ended June 30, 2012 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 operation of the Company.

Dated: September 7, 2012

/s/ JEFFREY A. WAHBA

Jeffrey A. Wahba
Treasurer and Chief Financial Officer
(principal accounting and financial officer)

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

Exhibit 99.1

Farmer Bros Co.

Properties

Executive Offices

20333 South Normandie Avenue, Torrance, California*
120 W. Whitehall Avenue, Northlake, Illinois
9120 N.E. Alderwood Rd., Portland, Oregon

Plants

20333 South Normandie Avenue, Torrance, California*
9120 N.E. Alderwood Rd., Portland, Oregon
235 N Norwood Ave., Houston, Texas*

Distribution Centers

20333 South Normandie Avenue, Torrance, California*
120 W. Whitehall Ave., Northlake, Illinois
75 State Street, Moonachie, New Jersey
13131Broadway Ext., Oklahoma City, Oklahoma*
235 N Norwood Ave., Houston, Texas*
9120 N.E. Alderwood Rd., Portland, Oregon

Branch Warehouses

Arizona	*Arizona*	*Arizona*
FLAGSTAFF*	LAKE HAVASU*	PHOENIX*
2385 N. Walgreen Street	1105 Aviation Dr.	1060 W. Alameda Dr.
		Tempe
Arizona	*Arizona*	*Arkansas*
TUCSON*	YUMA	SPRINGDALE
3818 South Evans Blvd.	3914 E. 41ST Place Ste 4	543 Madison
		Springdale
Arkansas	*California*	*California*
LITTLE ROCK	BAKERSFIELD*	BISHOP*
7630 Hardin Drive	8802 Swigert Ct.	324 E. Clarke Street
North Little Rock		

California	*California*	*California*
CASTROVILLE*	CHICO*	RIALTO*
11460 Commercial Parkway	480 Ryan Ave., Ste 100	2751 S. Lilac Ave.
California	*California*	*California*
EUREKA	FRESNO*	LANCASTER*
417 W. Wabash Ave.	4576 N. Bendel	42138 7th Street West
California	*California*	*California*
LOS ANGELES SF VALLEY*	OAKLAND*	PALM SPRINGS*
9373 Remick Ave. Arleta	9845 Kitty Lane	72205 Corporate Way Thousand Palms
California	*California*	*California*
SACRAMENTO*	SAN DIEGO*	SAN JOSE*
2450 Boatman Ave.	7855 Ostrow St., B	1462 Seareel Pl.
California	*California*	*California*
SAN LUIS OBISPO	SANTA ANA*	SANTA FE SPRINGS*
3450 Broad St.	3921 W. Segerstrom Ave.	9901 Bell Ranch Road
California	*California*	*California*
SANTA ROSA*	STOCKTON*	TORRANCE*
470 E. Todd Rd.	4243 Arch Road	20333 S. Normandie Ave.
California	*California*	*Colorado*
VENTURA*	VICTORVILLE*	COLORADO SPRINGS
1350 Stellar Dr. Oxnard	17190 Yuma St.	6150 Stadia Court.
Colorado	*Colorado*	*Colorado*
DENVER*	FORT COLLINS*	GRAND JUNCTION*
5595 Joliet Street	4500 Innovation Drive	2848 Chipeta Ave., #B
Connecticut	*Florida*	*Florida*
WATERBURY	MEDLEY	ORLANDO
54 Great Halls Rd. Naugatuck	9314 NW 102 St.	7100 TPC Dr. Ste 650

Florida	*Georgia*	*Idaho*
TAMPA 4717 Oak Fair Blvd.	ATLANTA 1400 Northbrook Parkway 300-370 Suwanee	BOISE 7235 Bethel Street
Idaho	*Idaho*	*Illinois*
IDAHO FALLS* 805 S. Saturn Ave.	TWIN FALLS 258 6th Ave. W	MOLINE 2950 38th Avenue
Illinois	*Illinois*	*Indiana*
NORTHLAKE 100 W. Whitehall Av.	SPRINGFIELD 3430 Constitution Dr. #122	EVANSVILLE 1905 N. Kentucky Ave.
Indiana	*Indiana*	*Iowa*
INDIANAPOLIS* 1417 Southeastern Ave.	MERRILLVILLE 1503 E. 91st Dr.	DES MOINES 1662 N.E. 55th Ave.
Iowa	*Kansas*	*Louisana*
OMAHA* 3217 Nebraska Ave. Council Bluffs	WICHITA 427 S. Washington	SHREVEPORT 4113 Metro Dr
Maryland	*Massachusetts*	*Michigan*
JESSUP 8268 Preston Ct.	NORTH BILLERICA 18 Esquire Rd.	PLYMOUTH 9260 General Dr.
Michigan	*Michigan*	*Minnesota*
SAGINAW 3691 Fashion Square Bl.	GRAND RAPIDS/WYOMING 3322 Lousma Southeast Ste 503&504	BRAINERD 414 South 7th St.
Minnesota	*Minnesota*	*Missouri*
DULUTH 4314 Enterprise Cr.	ROCHESTER 7700 Air Commerce Drive #104	KANSAS CITY* 9 N.E. Skyline Dr. Lee’s Summit
Missouri	*Missouri*	*Montana*
SPRINGFIELD 540A N.Cederbrook	ST. LOUIS* 12832 Pennridge Dr. Bridgeton	BILLINGS* 2625 Enterprise Ave.
Montana	*Montana*	*Nebraska*
GREAT FALLS* 2600 16th St. N.E. Black Eagle	MISSOULA 2720 Palmer St. Unit E	NORTH PLATTE 601 Sioux Meadow

Nevada	*Nevada*	*Nevada*
CARSON CITY*	ELKO*	LAS VEGAS
3880 Technology Way	460 S. A Street	6630 Arroyo Springs St.
		Ste 300&400
Nevada	New Jersey	*New Jersey*
ST. GEORGE	MOONACHIE	RUNNEMEDE
988 W. Sunset Blvd., 4 & 5	75 State St.	90 Ninth Ave.
New Mexico	*New Mexico*	*New Mexico*
ALBUQUERQUE*	FARMINGTON	ROSWELL*
5911 Office Blvd.	1414 Schofield Lane	710 E. College
New York	*North Dakota*	*North Dakota*
EAST SYRACUSE	BISMARCK	FARGO
6838 Ellicott Dr.	2001 3rd Street SE	710 38th St. N.W.- Unit B,C,D
North Dakota		
GRAND FORKS		
2402 N. 42nd St.		
Ohio	*Ohio*	*Ohio*
CINCINNATI	COLUMBUS	LIMA
4784 Interstate Drive Bldg #2	2543 Westbelt Dr.	1658 W. Breese Rd.
Ohio	*Oklahoma*	*Oklahoma*
CLEVELAND	OKLAHOMA CITY*	TULSA
9090 Bank Road	13131Broadway Ext.	170 S. 123 E. Place
Valley View		
Oregon	*Oregon*	*Oregon*
BEND	EUGENE	MEDFORD
20409 N.W. Cady Way	2495 Unit C Prairie Rd.	777 East Vilas Rd.
		Central Point
Oregon	*Pennsylvania*	*Pennsylvania*
PORTLAND*	CRANBERRY TOWNSHIP	STROUDSBURG
7515 N.E. 33rd Dr.	215 Commerce Park Dr.	201A North 1st St.
South Dakota	*South Dakota*	*Tennessee*
RAPID CITY*	SIOUX FALLS	MEMPHIS*
2030 Creek Dr.	926 W. Cherokee	5753 E. Shelby Dr., Ste 1

Texas	*Texas*	*Texas*
AMARILLO 2100 SE 10th Ave.	AUSTIN* 2004 Lamar Dr., Round Rock	CORPUS CHRISTI 3909 Wow Road
Texas	*Texas*	*Texas*
DALLAS/FT. WORTH* 744 Avenue H East Arlington	EL PASO* 1325 Don Haskins Dr.	HOUSTON* 6300 West by NW Blvd. Ste 400
Texas	*Texas*	*Texas*
HOUSTON 235 N. Norwood Ave.	LUBBOCK 1608 D. N. University	McALLEN* 1312 E. Laurel
Texas	*Texas*	*Texas*
ODESSA 2017 W. 7th	SAN ANTONIO* 4930 Center Park	WICHITA FALLS 1404 Beverly Drive
Texas	*Utah*	*Washington*
SALT LAKE CITY* 2230 So. 2000 West	SEATTLE* 8660 Willows Rd. Redmond	SPOKANE* E. 10915 Montgomery Dr.
Washington	*Washington*	*Washington*
TACOMA 9412 Front Street Lakewood	YAKIMA* 2301 S. 18th Street Union Gap	EAU CLAIRE 124 Race
Wisconsin	*Wisconsin*	*Wisconsin*
LA CROSSE 1236 Clinton St.	LITTLE CHUTE 700 Moasis Dr.	MADISON 4021 Owl Creek Drive
Wisconsin	*Wisconsin*	*Wyoming*
PEWAUKEE W232 N 2960 Roundy Circle W Ste 100	SCHOFIELD 3613 Schofield Ave.	CASPER* 2170 N. Old Salt Creek Hwy.

**owned*

Exhibit 99.2

FARMER BROS. CO.
AMENDED AND RESTATED
AUDIT COMMITTEE CHARTER

(as adopted by the Board of Directors on May 30, 2012)

Purpose

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Farmer Bros. Co. (the “Company”) is established for the principal purposes of overseeing on behalf of the Board the accounting and financial reporting processes of the Company and the audit of its financial statements. The Committee is established to assist the Board in overseeing: (i) the integrity of the Company’s financial statements; (ii) the independent auditor’s qualifications and independence; (iii) the performance of the Company’s independent auditor; (iv) the Company’s compliance with legal and regulatory requirements relating to accounting and financial reporting matters; (v) the Company’s system of disclosure controls and procedures and internal control over financial reporting that management has established; and (vi) the Company’s framework and guidelines with respect to risk assessment and risk management. The Committee shall also provide an open avenue of communication among the independent auditors, financial and other senior management of the Company and the Board.

Organization, Membership and Meetings

1. The Committee shall be comprised of at least three directors who meet the independence, expertise and other qualification standards required by the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the “Exchange Act”), the Securities and Exchange Commission (“SEC”) and Nasdaq. Without limiting the foregoing, no director appointed to the Committee shall be an executive officer or employee of the Company or any of its subsidiaries or other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director. No Committee member shall be an affiliated person of the Company or any of its subsidiaries, or accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries other than in his or her capacity as a member of the Committee, the Board of Directors or other Board committee, or as otherwise permitted by the Nasdaq listing standards and SEC rules. No Committee member shall have participated in the preparation of the financial statements of the Company or any subsidiary of the Company at any time during the past three (3) years. The Committee members shall be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement. At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, or who otherwise qualifies as an “audit committee financial expert” under Item 407(d)(5) of Regulation S-K promulgated under the Exchange Act. The identity of such member

(s) shall be disclosed in periodic filings as required by the SEC.

2. Members of the Committee shall be appointed by the Board. Members of the Committee shall continue to be Committee members until their successors are appointed and qualified or until their earlier retirement, resignation or removal. Any member may be removed, with or without cause, by the approval of a majority of the independent directors then serving on the full Board. The Board may fill any vacancies on the Committee by a majority vote of the directors then in office.

3. The Committee shall meet at least quarterly, with the authority to convene additional meetings, as circumstances require. The Committee may invite members of management, independent auditors, legal counsel or others to attend meetings and to provide relevant information. All non-management directors who are not members of the Committee may attend and observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. The Committee shall meet periodically with management and the independent auditor in separate executive sessions to discuss matters which the Committee members or these groups believe should be discussed privately.

4. The Committee may form and delegate authority to subcommittees when appropriate, or to one or more members of the Committee.

5. The Board shall designate a Committee member as the Chairman of the Committee, or if the Board does not do so, the Committee members shall appoint a Committee member as Chairman by a majority vote of the authorized number of Committee members. The Chairman of the Committee shall preside at all Committee meetings. At all meetings of the Committee, a majority of the members of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of the Committee present at a meeting at which a quorum is in attendance shall be the act of the Committee. Members of the Committee may participate in any meeting by means of a conference telephone or similar communications equipment by means of which persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting. The Committee shall maintain written minutes of its meetings. Minutes of each meeting of the Committee shall be distributed to each member of the Committee and the Board. The Secretary of the Company shall retain the original signed minutes for filing with the corporate records of the Company. Any person present at a meeting may be appointed by the Committee as Secretary to record the minutes. The Committee may adopt additional rules of procedure, but when a matter of procedure is not addressed by Committee rules, the procedure specified by the Company’s Bylaws shall be followed. The Committee may also act by unanimous written consent as the Committee may decide.

6. The Committee shall make itself available to meet with management of the Company to discuss any matters that it or management deems appropriate, and shall be available to the independent auditors during the year for consultation purposes.

Committee Authority and Responsibilities

1. The Committee's role is one of oversight. The Company's management is responsible for the preparation, presentation and integrity of the Company's financial statements as well as the Company's financial reporting process, accounting policies, internal audit function, internal accounting controls and disclosure controls and procedures. The Company's independent auditors are responsible for auditing the Company's annual financial statements in accordance with generally accepted auditing standards ("GAAS"), expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles ("GAAP") and reviewing the Company's quarterly financial statements. While the Committee has certain authority and oversight responsibilities under this Charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations, or to assure the operating effectiveness of internal controls or accounting systems. In the absence of their having reason to believe that such reliance is unwarranted, the Committee members may rely without independent verification on the information provided to them and on the representations made by the Company's management, independent auditors and other professionals and experts, including the Company's internal auditor or others responsible for the internal audit function.

2. Additionally, the Committee recognizes that the Company's management, as well as the Company's independent auditors, have more time, knowledge and more detailed information concerning the Company than do Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the work or independence of the Company's independent auditors. In addition, auditing literature, particularly Statement of Auditing Standards No. 100, defines the term "review" to include a particular set of required procedures to be undertaken by independent auditors. The Committee members are not independent auditors, and the term "review" as applied to the Committee in this Charter is not intended to have that meaning and should not be interpreted to suggest that the Committee members can or should follow the procedures required of auditors performing reviews of financial statements. Furthermore, the Committee's authority and oversight responsibility do not assure that the audits of the Company's financial statements have been carried out in accordance with GAAS.

3. The following functions and responsibilities are set forth as a guide, with the understanding that the Committee has the authority to diverge from this guide as appropriate given the circumstances. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible to best react to changing conditions and circumstances, and that the Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behavior.

Independent Auditor Oversight

1. Be directly and solely responsible for the appointment, dismissal, compensation, retention and oversight of the work of any independent auditor engaged by the Company (including resolution of disagreements between management and the auditor regarding financial reporting) for

the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor shall report directly to the Committee.

2. Meet with the independent auditor prior to commencement of the audit and discuss the planning and staffing of the audit.

3. Approve in advance the engagement of the independent auditor for all audit services and non-audit services (other than the de minimis exceptions permitted by the Exchange Act) and approve the fees and other terms of any such engagement. The term “non-audit services” means any professional services provided to the Company by the independent auditor, other than those provided to the Company in connection with an audit or a review of the financial statements of the Company. The Committee may establish pre-approval policies and procedures for particular services of which it is informed, and may delegate pre-approval authority for non-audit services to the Chairman, subject to such limitations and conditions as the Committee may require. All actions taken by the Chairman pursuant to a grant of pre-approval authority shall be reported to the full Committee at its next meeting. Approval of non-audit services shall be disclosed to investors in periodic reports required by Section 13(a) of the Exchange Act.

4. Obtain and review annually a formal written statement from the independent auditor delineating all relationships between the auditor and the Company, actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor, and take, or recommend that the full Board take, appropriate action to oversee the independence of the auditor. The Committee shall also approve the level of compensation of the auditor and determine, annually, whether such level of services and compensation affects the auditor’s independence.

5. Evaluate annually the qualifications, performance and independence of the auditor and the lead (or coordinating) audit partner (or other audit partner having primary responsibility for the audit). On an annual basis, obtain and review a report from the independent auditors describing (i) the independent auditor’s internal quality-control procedures, and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by such firm, and any steps taken to deal with any such issues. The Committee shall present its conclusions with respect to the independent auditor to the full Board.

6. Take any actions necessary to ensure the rotation, not less frequently than every five years, of the audit partner.

7. Establish policies for the hiring of employees or former employees of the independent auditors.

8. Review with the independent auditor:

   a. Any problems or difficulties encountered by the independent auditor during the course of the audit and management's response, including any restrictions on the scope of the independent auditor's activities or access to requested information and any significant disagreements with management.

b. Any material accounting adjustments noted or proposed by the independent auditor.

c. Any material communications between the audit team and the auditor's national office regarding auditing or accounting issues arising in connection with the preparation of the Company's financial statements.

d. Any material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

e. Any material correcting adjustments that have been identified by the independent auditor which are required to be disclosed in the Company's periodic filings.

f. Any major issue as to the adequacy of the Company's internal controls and specific audit steps adopted in light of significant deficiencies or material weaknesses in internal control over financial reporting.

9. Review and discuss with management and the independent auditors any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with entities of which the Committee is made aware whose accounts are not consolidated in the financial statements of the Company and that may have a material current or future effect on the Company's financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses.

10. The independent auditor shall report promptly to the Committee all material written communications between the independent audit firm and Company management. The Committee shall also review any problems with management and any other matters required to be communicated to the Committee under GAAS or applicable rules of the SEC, Nasdaq, or other regulatory authorities. The independent auditors shall also report on recently issued and adopted accounting standards, the Company's compliance therewith, and the effect of unusual or extraordinary transactions. The independent auditors must discuss their judgments about the quality and content of the Company's accounting principles with the Committee.

Financial Information Oversight

1. Review and discuss with management and the independent auditor, prior to their release to the public:

a. The Company's annual audited financial statements and related footnotes, including any appropriate matters regarding the clarity of the disclosures in such financial statements, accounting principles, practices and any other matters required to be communicated to the Committee by the independent auditors under GAAS.

b. Any certification, report, opinion or review rendered by the independent auditor.

c. The Company's quarterly financial statements.

d. The Company's disclosure in its Annual Report on Form 10-K and Quarterly Reports on Form 10-Q under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

e. Earnings press releases, including the general nature of the information to be disclosed, type of presentations to be made, including any "pro forma" or other financial information that does not comply with GAAP.

2. Review and discuss with management, prior to their release to the public, financial information and earnings guidance provided to analysts and rating agencies, if any.

3. Discuss with management and the independent auditor:

a. The selection, application and disclosure of the critical accounting policies and practices used by the Company, as the same are identified by management or the independent auditor, and any changes thereto and the ramifications of such changes and, if applicable, alternative accounting treatments of financial information within GAAP that have been discussed with management, ramifications of using such alternative disclosures and treatments, and the treatment preferred by the independent auditor.

b. Any significant judgments made in management's preparation of the financial statements, as so identified by management or the independent auditor, and the view of each as to the appropriateness of such judgments.

c. The effect of regulatory and accounting initiatives and improvements identified by management or the independent auditor and the potential impact upon the Company's auditing and accounting principles and practices.

d. Any correspondence with regulators or governmental agencies that raise material issues regarding the Company's financial statements or accounting policies.

e. Any employee complaints that raise material issues regarding the Company's financial statements, accounting policies or internal accounting controls.

4. Report to the Board regarding any audit opinions that contain "going concern" qualifications.

5. Approve all filings with the SEC containing the Company's financial statements,

including but not limited to the Quarterly Reports on Form 10-Q and the Annual Report on Form 10-K.

6. Recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K for filing with the SEC.

7. Cause the independent auditors to conduct an Interim Financial Review in accordance with Statement of Auditing Standards No. 100 of the quarterly financial statements of the Company prior to each filing of the Company's Form 10-Q.

8. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

Internal Controls Oversight

1. Review and discuss annually with management and the independent auditor the adequacy and effectiveness of the Company's internal controls over financial reporting, including computerized information systems controls and security, disclosure controls and procedures, the integrity of its financial reporting processes, and the adequacy of its financial risk management programs and policies, including recommendations for any improvements in these areas.

2. Review annually with the independent auditor the attestation to, and report on, the assessment of controls made by management.

3. Consider whether any changes to the internal controls or disclosure controls processes and procedures are appropriate in light of management's assessment or the independent auditor's report.

4. If the Company has an internal auditor: (i) the internal auditor shall report directly to the Committee; (ii) the Committee shall review the scope and plans of any internal audit recommended by the internal auditor; (iii) the internal auditor shall report directly to the Committee with the results of all internal audits; (iv) the Committee shall review with the internal auditor all recommendations made by the internal auditor as the result of any internal audit; and (v) the Committee shall review with management the implementation of such recommendations by the Company.

5. Review with the principal executive and financial officers of the Company and the independent auditor:

a. All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls.

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

Legal Compliance and Ethics Oversight

1. To the extent required by SEC rules, adopt policies and procedures for the review, approval and ratification of related person transactions. Review all such related person transactions in accordance with such policies and procedures and, upon completion of such review, either approve or disapprove (with referral to the Company's Board) each such related person transaction.

2. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

3. Review the process for communicating the Company's Code of Conduct and Ethics to personnel, and for monitoring compliance therewith.

4. Review with the Company's legal counsel any legal matters that could have a significant impact on the Company's financial statements, compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies, including corporate securities trading policies.

5. Review disclosures made by the Company's principal executive officer and principal financial officer regarding compliance with their certification obligations under the Exchange Act, including the Company's disclosure controls and procedures and internal controls for financial reporting.

6. Obtain from the independent auditors assurance that Section 10A(b) of the Exchange Act, which addresses the discovery and disclosure of any illegal act, has not been implicated.

Other Matters Oversight

1. Discuss with management the Company's significant financial risks or exposures and assess the steps management has taken to monitor and control such risks or exposures. Discuss with management the process by which risk monitoring, assessment and management is undertaken and handled.

2. Prepare the Committee's report required by SEC rules to be included in the Company's annual proxy statement.

3. Regularly report to the Board on the Committee's activities, recommendations and conclusions.

4. Review and reassess this Charter's adequacy at least annually, propose changes to this Charter to the Board for its approval as necessary, and cause this Charter to be published in

accordance with SEC regulations.

5. Review its own performance, at least annually, for purposes of self-evaluation and to encourage the continuing improvement of the Committee in the execution of its responsibilities.

General and Resources

1. Engage and determine funding for independent counsel and other advisors as the Committee deems necessary to carry out its duties. The Company shall also provide funding for ordinary administrative expenses of the Committee that the Committee deems necessary or appropriate in carrying out its duties.

2. In discharging its oversight role, investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and its subsidiaries, and, at its discretion, initiate special investigations, and, if appropriate, hire special legal, accounting or other outside advisors or experts to assist the Committee in fulfilling its duties under this Charter.

3. Perform such other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

Limitation

Nothing in this Charter is intended to alter in any way the standard of conduct that applies to any of the directors of the Company under the Delaware General Corporation Law, as from time to time amended, and this Charter does not impose, nor shall it be interpreted to impose, any duty on any director greater than, or in addition to the duties or standards established by the Delaware General Corporation Law.

Exhibit 99.3

FARMER BROS. CO.
AMENDED AND RESTATED
COMPENSATION COMMITTEE CHARTER
(as adopted by the Board of Directors on August 29, 2012)

Purpose

The Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Farmer Bros. Co. (the "Company") is established for the principal purposes of discharging the Board's responsibilities related to compensation of the Company's executive officers and administering the Company's incentive and equity compensation plans. In doing so, the Committee shall approve the compensation of the Company's executive officers, including the Chief Executive Officer ("CEO"). The Committee shall oversee the preparation of a compensation discussion and analysis ("CD&A") and a related compensation committee report for inclusion in the Company's annual proxy statement and annual report on Form 10-K, in accordance with the rules of the Securities and Exchange Commission ("SEC"). In addition, the Committee shall be responsible for conducting an annual risk evaluation of the Company's compensation practices, policies and programs. This Charter specifies the scope of authority and responsibility of the Committee.

Organization, Membership and Meetings

1. The Committee shall be comprised of at least three (3) directors, all of whom shall (a) meet the independence, expertise and other qualification standards required by the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Exchange Act"), the SEC and Nasdaq, and (b) be a "non-employee director" for purposes of Rule 16b-3 under the Exchange Act. In addition, at least two (2) members of the Committee shall each qualify as an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and only members of the Committee who qualify as outside directors shall participate in discussions regarding awards that are intended to qualify as performance-based compensation within the meaning of Section 162(m).

2. Members of the Committee shall be appointed by the Board. Members of the Committee shall continue to be Committee members until their successors are appointed and qualified or until their earlier retirement, resignation or removal. Any member may be removed, with or without cause, by the approval of a majority of the independent directors then serving on the full Board. The Board may fill any vacancies on the Committee by a majority vote of the directors then in office.

3. The Committee shall meet at least once each year, with the authority to convene additional meetings, as circumstances require. The Committee may invite members of management, legal counsel or others to attend meetings and to provide relevant information.

4. The Committee may form and delegate authority to subcommittees when appropriate, or to one or more members of the Committee. The Committee may delegate to one or more executive officers the authority to make grants of equity-based compensation to eligible individuals who are not executive officers. Any executive officer to whom the Committee grants such authority shall regularly report to the Committee grants so made and the Committee may revoke any delegation of authority at any time.

5. The Board shall designate a Committee member as the Chairman of the Committee, or if the Board does not do so, the Committee members shall appoint a Committee member as Chairman by a majority vote of the authorized number of Committee members. The Chairman of the Committee shall preside at all Committee meetings. At all meetings of the Committee, a majority of the members of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of the Committee present at a meeting at which a quorum is in attendance shall be the act of the Committee. Members of the Committee may participate in any meeting by means of a conference telephone or similar communications equipment by means of which persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting. The Committee shall maintain written minutes of its meetings. Minutes of each meeting of the Committee shall be distributed to each member of the Committee and the Board. The Secretary of the Company shall retain the original signed minutes for filing with the corporate records of the Company. Any person present at a meeting may be appointed by the Committee as Secretary to record the minutes. The Committee may adopt additional rules of procedure, but when a matter of procedure is not addressed by Committee rules, the procedure specified by the Company's Bylaws shall be followed. The Committee may also act by unanimous written consent as the Committee may decide.

6. In discharging its responsibilities, the Committee shall have sole authority to, as it deems appropriate, select, retain and/or replace, as needed, compensation and benefits consultants and other outside advisors to provide independent advice to the Committee. In addition, the Committee shall have free access to Company personnel to provide data and advice in connection with the Committee's review of management compensation practices and policies.

Committee Authority, Responsibilities and Duties

The Committee shall have the following authority, responsibilities and duties:

1. Assess the overall executive compensation structure of the Company, adopt a written statement of compensation philosophy and strategy, select an appropriate peer group, and periodically review executive compensation in relation to this peer group. Determine the forms and amount of executive compensation appropriate to achieve the Committee's strategic objectives, including salary, bonus, incentive or performance-based compensation, equity awards and other benefits. Review the compensation strategy at least annually to assure that it supports the Company's objectives and stockholders' interests and that executive officers are being rewarded in a manner that is consistent with the adopted strategy.

2. At least annually, review and approve corporate goals and objectives relating to the compensation of the Company's CEO and other executive officers under the Company's Incentive Compensation Plan, and evaluate the performance of the CEO and other executive officers in light of those goals and objectives. Based on this evaluation, make and annually review decisions regarding (i) salary; (ii) the extent to which any performance-based bonus award was earned; (iii) the bonus opportunity for the following year; (iv) long-term incentive opportunities for upcoming periods; and (v) any other matter relating to executive officer compensation that the Committee considers appropriate. In determining the CEO's compensation, the Chairman of the Committee shall solicit comments from the other members of the Board and shall lead the Board in an overall review of the CEO's performance in an executive session of non-employee Board members. Final

determinations regarding the performance and compensation of the CEO will be conducted in an executive session of the Committee and be reported by the Chairman of the Committee to the entire Board during an independent session of the Board.

3. Administer the Company’s equity compensation plans (other than the Farmer Bros. Co. Employee Stock Ownership Plan which shall be administered by the ESOP Administrative Committee), including authority to approve grants of restricted stock, stock options, stock purchase rights and similar awards to individuals eligible to receive such grants under the Company’s equity compensation plans, to approve the forms of agreement evidencing such grants, and to interpret and amend such agreements within the terms of the plans.

4. Review at least annually all equity-based compensation plans and arrangements, and the number of shares remaining available for issuance under those plans and arrangements, and make recommendations to the Board regarding the need to amend existing plans or adopt new ones for the purpose of implementing the Committee’s strategy regarding long-term and equity-based compensation.

5. Administer, periodically review and approve significant changes to the Company’s other long- and short-term incentive compensation plans for executive officers.

6. Review at least annually the form and amount of any perquisites paid or made available to the Company’s executive officers and determine the appropriateness of the nature and extent of executive officers’ use of such perquisites.

7. Review and approve the terms on which any compensation earned by or otherwise payable to executive officers may be deferred.

8. Review at least annually the Company’s pension and retirement plans, including any supplemental executive retirement plans, with respect to the implications of those plans for the Committee’s strategy regarding pension and retirement benefits for the Company’s executive officers.

9. Review at least annually any change-of-control or severance arrangements with executive officers and determine or estimate the amounts that would be payable under those arrangements upon the occurrence of each triggering event. The Committee should recommend to the Board any amendments to the Company’s change-of-control or severance arrangements that the Committee deems appropriate.

10. Review and approve all employment agreements proposed to be entered into between the Company and any executive officer and any proposed renewals thereof. Review at least annually any existing employment agreements with executive officers and recommend to the Board any amendments thereto that the Committee deems appropriate.

11. Oversee the preparation of a CD&A and a related compensation committee report for inclusion in the Company’s annual proxy statement and Form 10-K, in accordance with SEC rules. Review and discuss the CD&A with management each year prior to preparing the Committee report and, based on such review and discussion, recommend to the Board whether the CD&A should be included in the Company’s annual proxy statement and Form 10-K.

12. Oversee succession planning for senior management of the Company, including consultation on an ongoing basis with the CEO and the Board to remain abreast of management development activities, including a review of the performance and advancement potential of current and future senior management and succession plans for each.

13. Review and make recommendations to the Board with respect to the compensation of directors. No member of the Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as a director.

14. Recommend policies to the Board regarding minimum retention and ownership levels of Company common stock by executive officers and directors.

15. Annually assess the risks associated with the Company’s compensation practices, policies and programs applicable to employees to determine whether the risks arising from such practices, policies and programs are appropriate or reasonably likely to have a material adverse effect on the Company.

16. Review the description of the Committee’s processes and procedures for the consideration and determination of executive and director compensation to be included in the Company’s annual proxy statement, as well as any disclosure concerning stockholder advisory votes regarding executive compensation.

17. In connection with any stockholder advisory vote on the frequency with which the Company shall hold a stockholder advisory vote on the compensation of the Company’s named executive officers (a “Say on Frequency Vote”) pursuant to Section 14A of the Exchange Act (“Section 14A”), review and recommend to the Board any recommendation related to such Say on Frequency Vote to be provided to the Company’s stockholders.

18. Review and recommend to the Board the frequency with which the Company should submit to the stockholders an advisory vote on the compensation of the Company’s named executive officers pursuant to Section 14A. In making any such recommendation, the Committee shall take into account any prior Say on Frequency Vote.

19. Review the results of any stockholder advisory votes on the compensation of the Company’s named executive officers and consider whether to make any adjustments to the Company’s executive compensation policies and practices.

20. Adopt policies regarding the adjustment or recovery of incentive awards or payments if the performance measures upon which such incentive awards or payments were based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment, consistent with Section 10D of the Exchange Act.

21. Review its own performance, at least annually, for purposes of self-evaluation and to encourage the continuing improvement of the Committee in the execution of its responsibilities.

22. Review and reassess this Charter’s adequacy at least annually, propose changes to this Charter to the Board for its approval as necessary, and cause this Charter to be published in accordance with SEC regulations.

23. Engage, and pay the fees and expenses of consulting firms, independent counsel, advisors and experts deemed necessary, as determined by the Committee, to permit the Committee to perform its duties under this Charter. The fees and expenses of these consulting firms, independent counsel, advisors and experts shall be paid by the Company, and the Company shall provide all other funding necessary for the Committee to perform its functions and responsibilities.

24. Perform such other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

Reporting Responsibilities

The Committee shall report to the Board periodically or as required by the nature of its duties on its activities and shall make recommendations to the Board as the Committee decides are appropriate.