FARMER BROS. CO.

2009 ANNUAL REPORT

THE FARMER BROTHERS FAMILY OF COFFEE & TEA BRANDS

Financial Highlights

(In thousands, except per share data)

For the fiscal years ended June 30,	2009(a)	2008	2007(b)	2006	2005
Net sales	$ 341,724	$ 266,485	$ 216,259	$ 207,453	$ 198,420
(Loss) income from operations	$ (15,203)	$ (10,644)	$ (4,076)	$ (2,965)	$ (6,583)
Net (loss) income	$ (33,270)	$ (7,924)	$ 6,815	$ 4,756	$ (5,427)
(Loss) income from operations per common share	$ (1.08)	$ (0.75)	$ (0.29)	$ (0.21)	$ (0.48)
Net (loss) income per common share	$ (2.29)	$ (0.55)	$ 0.48	$ 0.34	$ (0.40)
Cash dividends declared per common share	$ 0.46	$ 0.46	$ 0.44	$ 0.42	$ 0.40
Current assets	$ 186,546	$ 217,750	$ 239,362	$ 246,808	$ 245,219
Current liabilities	$ 76,457	$ 28,909	$ 27,096	$ 16,578	$ 20,693
Long-term obligations	$ 344	$ —	$ —	$ —	$ —
Working capital	$ 110,089	$ 188,841	$ 212,266	$ 230,230	$ 224,526
Capital expenditures	$ 38,901	$ 24,852	$ 12,485	$ 12,840	$ 8,832
Acquisition of businesses, net	$ 48,287	$ —	$ 23,167	$ —	$ —
Total assets	$ 330,017	$ 312,984	$ 337,609	$ 317,237	$ 314,923
Total liabilities	$ 133,528	$ 46,529	$ 71,393	$ 48,014	$ 50,037
Total stockholders' equity	$ 196,489	$ 266,455	$ 266,216	$ 269,223	$ 264,886

(a) Includes the results of operations of the DSD Coffee Business since March 1, 2009.

(b) Includes the results of operations of Coffee Bean Holding Co., Inc. since April 27, 2007.

FARMER BROS. CO.

20333 South Normandie Avenue
Torrance, California 90502

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 10, 2009

TO THE STOCKHOLDERS OF FARMER BROS. CO.:

NOTICE IS HEREBY GIVEN that the 2009 Annual Meeting of Stockholders (the "Annual Meeting") of Farmer Bros. Co., a Delaware corporation (the "Company" or "Farmer Bros."), will be held at the principal office of the Company located at 20333 South Normandie Avenue, Torrance, California 90502 on Thursday, December 10, 2009, at 10:00 a.m., Pacific Standard Time, for the following purposes:

1. To elect two Class III directors to the Board of Directors of the Company for a three-year term of office expiring at the 2012 Annual Meeting of Stockholders;
2. To ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2010; and
3. To transact such other business as may properly come before the Annual Meeting or any continuation, postponement or adjournment thereof.

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

The Board of Directors has fixed the close of business on October 22, 2009 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and at any continuation, postponement or adjournment thereof.

By Order of the Board of Directors

John M. Anglin

John M. Anglin
Secretary

Torrance, California
October 28, 2009

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON DECEMBER 10, 2009

This Proxy Statement and the Company's 2009 Annual Report on Form 10-K, as amended, are available at:
http://proxy.farmerbros.com.

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

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

PROXY STATEMENT

TABLE OF CONTENTS

FARMER BROS. CO.
20333 South Normandie Avenue
Torrance, California 90502

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

General

The enclosed proxy is solicited on behalf of the Board of Directors (the "Board of Directors" or the "Board") of Farmer Bros. Co., a Delaware corporation (the "Company" or "Farmer Bros."), for use at the 2009 Annual Meeting of Stockholders (the "Annual Meeting") to be held on Thursday, December 10, 2009, at 10:00 a.m., Pacific Standard Time, or at any continuation, postponement or adjournment thereof, for the purposes discussed in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders, and any business properly brought before the Annual Meeting. Proxies are solicited to give all stockholders of record an opportunity to vote on matters properly presented at the Annual Meeting. The approximate date on which this Proxy Statement, the accompanying proxy card and Annual Report to Stockholders (which is not part of the Company's soliciting materials) are being mailed to the Company's stockholders is October 30, 2009. The Annual Meeting will be held at the principal office of the Company located at 20333 South Normandie Avenue, Torrance, California 90502. If you plan to attend the Annual Meeting in person, you can obtain directions to the Company's principal office at *http://proxy.farmerbros.com*.

In this proxy statement, when we refer to our fiscal year, we mean the twelve-month period ending June 30 of the stated year (for example, fiscal 2009 is July 1, 2008 through June 30, 2009), unless specifically stated otherwise.

Solicitation of Proxies

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

What Am I Voting On?

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

- The election of two Class III directors to serve on our Board for a three-year term of office expiring at the 2012 Annual Meeting of Stockholders; and
- The ratification of the selection of Ernst & Young LLP ("EY") as our independent registered public accounting firm for the fiscal year ending June 30, 2010.

Who Can Vote?

You are entitled to vote if you are a stockholder of record of Common Stock as of the close of business on October 22, 2009. Your shares may be voted at the Annual Meeting only if you are present in person or represented by a valid proxy.

Shares Outstanding and Quorum

At the close of business on October 22, 2009, 16,123,580 shares of Common Stock were outstanding and entitled to vote at the Annual Meeting. The Company has no other class of securities outstanding. A majority of the outstanding shares of Common Stock, present in person or represented by proxy, will constitute a quorum at the Annual Meeting, which is required in order to hold the Annual Meeting and conduct business. Your shares are counted as present at the Annual Meeting if you: (i) are present in person at the Annual Meeting; or (ii) have properly submitted a proxy card by mail. If you submit your proxy but abstain from voting on one or more matters, your shares will be counted as present at the Annual Meeting for the purpose of determining a quorum. Your shares also will be counted as present at the Annual Meeting for the purpose of calculating the vote on the particular matter with respect to which you abstained from voting. If your shares are held in "street name," your shares are counted as present for purposes of determining a quorum if your broker, bank or other nominee submits a proxy covering your shares. Your broker, bank or other nominee is entitled to submit a proxy covering your shares, even in certain circumstances where you have not instructed your broker, bank or other nominee on how to vote on such matter.

Voting of Shares

Stockholders of record as of the close of business on October 22, 2009 are entitled to one vote for each share of Common Stock held on all matters to be voted upon at the Annual Meeting. There is no cumulative voting in the election of our directors. You may vote by attending the Annual Meeting and voting in person. You may also vote by completing and mailing the enclosed proxy card or the form forwarded by your bank, broker or other nominee. If your shares are held by a bank, broker or other nominee, please refer to the instructions they provide for voting your shares. Participants in the Farmer Bros. Co. Employee Stock Ownership Plan (the "ESOP") should follow the instructions provided by the ESOP trustee, GreatBanc Trust Company. All shares entitled to vote and represented by properly executed proxies received before the polls are closed at the Annual Meeting, and not revoked or superseded, will be voted at the Annual Meeting in accordance with the instructions indicated on those proxies.

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

Voting by ESOP Participants

The ESOP owns approximately 18.4% of the outstanding Common Stock. Full time employees of Farmer Bros. and its subsidiaries participate in the ESOP. Each ESOP participant has the right to direct the ESOP trustee on how to vote the shares of Common Stock allocated to his or her account under the ESOP. If an ESOP participant properly executes the proxy distributed by the ESOP trustee, the ESOP trustee will vote the shares represented by that proxy at the Annual Meeting. Shares of Common Stock represented by properly executed proxies will be voted by the ESOP trustee in accordance with the stockholder's instructions. The ESOP trustee will vote all of the unallocated ESOP shares (i.e., shares of Common Stock held in the ESOP, but not allocated to any participant's account) and allocated shares which ESOP participants have failed to vote in the same proportion as the voted allocated shares with respect to such issue. If other matters are presented for a vote at the Annual

Meeting, the shares for which proxies have been received will be voted in accordance with the discretion of the proxies.

Counting of Votes

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker "non-votes." Shares held by persons attending the Annual Meeting but not voting, shares represented by proxies that reflect abstentions as to one or more proposals and broker non-votes will be counted as present for purposes of determining a quorum. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner has not received instructions from the beneficial owner and does not have discretionary authority to vote the shares. If you hold your shares in street name and do not provide voting instructions to your bank, broker or other nominee, your shares will be considered to be broker non-votes and will not be voted on any proposal on which your bank, broker or other nominee does not have discretionary authority to vote. Shares that constitute broker non-votes will be counted as present at the Annual Meeting for purposes of determining a quorum, but will not be considered entitled to vote on the proposal in question. Brokers generally have discretionary authority to vote on the election of directors to serve on our Board, and the ratification of the selection of EY as our independent registered public accounting firm.

Directors are elected by a plurality of the votes cast, so abstentions will not be counted in determining which nominees received the largest number of votes cast. Because brokers have discretionary authority to vote on the election of directors, we do not expect any broker non-votes in connection with the election of directors. The two nominees for election to the Board at the Annual Meeting who receive the largest number of properly cast "for" votes will be elected as directors.

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

If You Receive More Than One Proxy Card

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

Proxy Card and Revocation of Proxy

You may vote by completing and mailing the enclosed proxy card. If you sign the proxy card but do not specify how you want your shares to be voted, your shares will be voted by the proxy holders named in the enclosed proxy: (i) in favor of the election of all of the director nominees; and (ii) in favor of ratification of the selection of EY as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2010. In their discretion, the proxy holders named in the enclosed proxy are authorized to vote on any other matters that may properly come before the Annual Meeting and at any continuation, postponement or adjournment thereof. The Board of Directors knows of no other items of business that will be presented for consideration at the Annual Meeting other than those described in this Proxy Statement. In addition, no stockholder proposal or nomination was received on a timely basis, so no such matters may be brought to a vote at the Annual Meeting.

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

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

Interest of Certain Persons in Matters to be Acted Upon

No director, nominee for election as director, or executive officer of the Company has any substantial interest, direct or indirect, in any matter to be acted upon at the Annual Meeting other than Item 1, Election of Directors. Directors and executive officers have indicated that they intend to vote for all director nominees as listed in Item 1.

Board Recommendations

The Board recommends that you vote your shares as follows:

- FOR the election of two Class III directors to serve on our Board for a three-year term of office expiring at the 2012 Annual Meeting of Stockholders; and
- FOR the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2010.

ITEM 1
ELECTION OF DIRECTORS

Under the Company's Certificate of Incorporation and Amended and Restated Bylaws (the "Bylaws"), the Board of Directors is divided into three classes, each class consisting, as nearly as possible, of one-third of the total number of directors, with members of each class serving for a three-year term. Each year only one class of directors is subject to a stockholder vote. Class I consists of three directors, continuing in office until the 2010 Annual Meeting of Stockholders. Class II consists of two directors, continuing in office until the 2011 Annual Meeting of Stockholders. Class III presently consists of two directors whose term of office expires at this year's Annual Meeting and whose successors will be elected at the Annual Meeting to serve until the 2012 Annual Meeting of Stockholders.

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

Based on the recommendation of the Nominating Committee, the Board has nominated Jeanne Farmer Grossman and John H. Merrell for election to the Board as Class III directors. If elected at the Annual Meeting, each would serve until the 2012 Annual Meeting of Stockholders and until his or her successor is elected and qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office. No nominations were made by stockholders. All of the present directors were elected to their current terms by the stockholders. Jeanne Farmer Grossman is the sister of Carol Farmer Waite, a current director of the Company, and the sister of the late Roy E. Farmer and daughter of the late Roy F. Farmer. Ms. Waite intends to serve out the remainder of her term as a Class III director through the Annual Meeting. Ms. Grossman has been nominated for election to the seat currently held by Carol Farmer Waite. If Ms. Grossman is elected at the Annual Meeting, the Board intends to appoint her to the Nominating Committee.

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

The election of the Company's directors requires a plurality of the votes cast, so abstentions will not be counted in determining which nominees received the largest number of votes cast. Because brokers have discretionary authority to vote on the election of directors, we do not expect any broker non-votes in connection with the election of directors. The two nominees for election to the Board at the Annual Meeting who receive the largest number of properly cast "for" votes will be elected as directors.

Set forth below is biographical information for each nominee and for each person whose term of office as a director will continue after the Annual Meeting. Other than as described above with respect to Ms. Grossman and Ms. Waite, there are no family relationships among any directors of the Company, or among any directors and executive officers of the Company. Other than as disclosed in the tables below, none of the directors is a director of any other publicly-held company.

Class III Nominees for Election to a Three-Year Term Expiring at the 2012 Annual Meeting of Stockholders

Name	Age	Director Since	Audit	Compensation	Nominating	Principal Occupation for the Last Five Years
John H. Merrell	65	2001	Chair	X	X	Retired. Partner in the Accounting Firm of Hutchinson and Bloodgood LLP, Glendale, California, from 1979 to 2008. CPA.
Jeanne Farmer Grossman . . .	59	—			—	Homemaker. Retired school teacher.

THE BOARD RECOMMENDS A VOTE "FOR" EACH OF THE TWO NAMED NOMINEES.

Class I Directors Continuing in Office Until the 2010 Annual Meeting of Stockholders

Name	Age	Director Since	Audit	Compensation	Nominating	Principal Occupation for the Last Five Years
Roger M. Laverty III	62	2007				Chief Executive Officer since December 6, 2007; President since July 24, 2006; Chief Operating Officer from July 24, 2006 to December 6, 2007. Previously President and Chief Executive Officer of Diedrich Coffee, Inc., a specialty coffee roaster, wholesaler and retailer, from 2003 to December 2005.
Martin A. Lynch	72	2007	X		X	President of Claremorris Consulting, a privately owned consulting company, from 2002 to present. Executive Vice President and Chief Financial Officer of Diedrich Coffee, Inc. from 2003 to 2005.
James J. McGarry	56	2007		X	X	Partner in the Law Offices of McGarry & Laufenberg, El Segundo, California, specializing in business, tort and contract litigation, from 1995 to present. Licensed attorney since 1980.

Class II Directors Continuing in Office Until the 2011 Annual Meeting of Stockholders

Name	Age	Director Since	Audit	Compensation	Nominating	Principal Occupation for the Last Five Years
Guenter W. Berger	72	1980				Chairman of the Board. Retired Chief Executive Officer from August 11, 2005 to December 6, 2007; President from August 11, 2005 through July 23, 2006; Interim President and Chief Executive Officer from January 9, 2005 through August 10, 2005; Vice President, Production prior to January 9, 2005.
Thomas A. Maloof	57	2003	X	Chair	X	Independent Consultant since June 2005. Chief Financial Officer of Hospitality Marketing Concepts, LLC, Irvine, California, a provider of loyalty membership programs for the hospitality and leisure industries, from 2001 through June 2005. Director and chairman of the audit committee of PC Mall, Inc., a direct marketing company, and director, chairman of the audit committee, and member of the compensation and nomination and corporate governance committees of The Ensign Group, Inc., an operator of skilled nursing facilities, both of which are listed on the NASDAQ Global Market.

ITEM 2
RATIFICATION OF SELECTION
OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected Ernst & Young LLP ("EY") as the independent registered public accounting firm for the Company and its subsidiaries for the fiscal year ending June 30, 2010, and has further directed that management submit this selection for ratification by the stockholders at the Annual Meeting. EY served as the Company's independent registered public accounting firm in fiscal 2009. A representative of EY is expected to be present at the Annual Meeting and will have the opportunity to make a statement and respond to appropriate questions.

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

THE BOARD RECOMMENDS A VOTE "FOR" RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of October 22, 2009, by all persons (including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) known by the Company to be the beneficial owner of more than five percent (5%) of the Common Stock as of such date:

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percent of Class(3)
Farmer Group	6,400,722 shares(4)	39.7%
Employee Stock Ownership Plan	2,964,512 shares(5)	18.4%
Franklin Mutual Advisers, LLC	2,093,533 shares(6)	13.0%

(1) The address for Franklin Mutual Advisers, LLC ("Franklin") is 101 John F. Kennedy Parkway, Short Hills, New Jersey 07078. The address for all other beneficial owners is c/o Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502.

(2) For purposes of this table, "beneficial ownership" is determined in accordance with Rule 13d-3 under the Exchange Act. A person is deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Information in this table regarding beneficial owners of more than five percent (5%) of the Common Stock is based on information provided by them or obtained from filings under the Exchange Act. Unless otherwise indicated in the footnotes, each of the beneficial owners of more than five percent (5%) of the Common Stock has sole voting and/or investment power with respect to such shares.

(3) The "Percent of Class" reported in this column has been calculated based upon the number of shares of Common Stock outstanding as of October 22, 2009 and may differ from the "Percent of Class" reported in statements of beneficial ownership filed with the SEC.

(4) For purposes of Section 13 of the Exchange Act, Carol Farmer Waite, Richard F. Farmer, Jeanne Farmer Grossman, Trust A created under the Roy E. Farmer Trust dated October 11, 1957 ("Trust A") and Farmer Equities, LP, a California limited partnership ("Farmer Equities"), comprise a group (the "Farmer Group"). The Farmer Group is deemed to be the beneficial owner of all shares beneficially owned by its members with shared power to vote and dispose of such shares. Each member of the Farmer Group is the beneficial owner of the following shares (in accordance with the beneficial ownership regulations, in certain cases the same shares of Common Stock are shown as beneficially owned by more than one individual or entity):

Name of Beneficial Owner	Total Shares Beneficially Owned	Percent of Class	Shares Disclaimed	Sole Voting and Investment Power	Shared Voting and Investment Power
Carol Farmer Waite	6,320,938 shares*	39.2%	14,474 shares	22,720 shares*	6,312,692 shares
Richard F. Farmer	6,294,419 shares	39.0%	39,891 shares	21,820 shares	6,312,490 shares
Jeanne Farmer Grossman	4,130,952 shares	25.6%	6,030 shares	9,550 shares	4,127,432 shares
Trust A	1,463,640 shares	9.1%	—	1,463,640 shares	—
Farmer Equities	2,617,530 shares	16.2%	—	2,617,530 shares	—

* Includes 900 shares of restricted stock awarded under the Farmer Bros. Co. 2007 Omnibus Plan (the "Omnibus Plan") to Ms. Waite, a non-employee director, as described below under the heading "Director Compensation." Excludes 1,800 shares of restricted stock previously granted to Ms. Waite as director compensation, which will be forfeited upon her discontinuing to serve as a director beyond the Annual Meeting.

(5) Includes 1,488,725 allocated shares and 1,475,788 shares as yet unallocated to plan participants. The ESOP trustee votes the shares held by the ESOP that are allocated to participant accounts as directed by the participants or beneficiaries of the ESOP. Under the terms of the ESOP, unallocated shares and allocated shares which ESOP participants have failed to vote will be voted proportionately to the vote of allocated shares by ESOP participants. The present members of the ESOP Administrative Committee are Roger M. Laverty III, Martin A. Lynch and John H. Merrell. Each member of the ESOP Administrative Committee disclaims beneficial ownership of the securities held by the ESOP except for those, if any, that have been allocated to the member as a participant in the ESOP.

(6) Franklin is reported to have sole voting and investment power over 2,093,533 shares pursuant to certain investment advisory contracts with one or more of Franklin's clients, which advisory clients are the record owners of the 2,093,533 shares.

Security Ownership of Directors and Executive Officers

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of October 22, 2009, by: (i) each director and nominee; (ii) the Company's Chief Executive Officer, Chief Financial Officer, each of its three most highly compensated executive officers (other than the Chief Executive Officer and Chief Financial Officer) who were serving as executive officers at the end of fiscal 2009, and one additional individual for whom disclosure would have been provided but for the fact that he was not serving as an executive officer of the Company at the end of fiscal 2009 (collectively, the "Named Executive Officers"); and (iii) all directors and executive officers of the Company as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)	Percent of Class
Guenter W. Berger	15,384(3)	*
Hortensia R. Gómez	4,743(4)	*
Jeanne Farmer Grossman	4,130,952(5)	25.6%
Michael J. King	9,801(6)	*
Roger M. Laverty III	41,740(7)	*
Martin A. Lynch.	2,700(8)	*
Thomas A. Maloof	4,700(9)	*
James J. McGarry	2,700(8)	*
John H. Merrell	4,200(10)	*
Heidi L. Modaro	700	*
John E. Simmons	19,867(11)	*
Carol Farmer Waite	6,320,938(12)	39.2%
Drew H. Webb	9,807(13)	*
All directors and executive officers as a group (13 persons)	6,439,980	39.9%

* Less than 1%

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

(2) Includes (i) shares of restricted stock which have not yet vested awarded under the Omnibus Plan over which the individuals shown have voting power but no investment power, and (ii) shares which the individuals shown have the right to acquire upon the exercise of vested options as of October 22, 2009 or within 60 days thereafter as set forth in the table below. Such shares are deemed to be outstanding in calculating the percentage ownership of such individual (and the group), but are not deemed to be outstanding as to any other person.

Name	Vested Options (#)	Right to Acquire Under Vested Options Within 60 Days (#)	Restricted Stock (#)
Guenter W. Berger . . .	—	—	2,267
Hortensia R. Gómez .	1,000	1,000	600
Jeanne Farmer Grossman	—	—	—
Michael J. King(a) . . .	3,000	—	—
Roger M. Laverty III .	13,333	13,333	13,200
Martin A. Lynch	—	—	2,267
Thomas A. Maloof . . .	—	—	2,267
James J. McGarry . . .	—	—	2,267
John H. Merrell	—	—	2,267
Heidi L. Modaro	—	—	700
John E. Simmons	3,000	3,000	3,000
Carol Farmer Waite(b)	—	—	467
Drew H. Webb	3,000	3,000	3,000
Other Executive Officers	—	—	2,700

(a) Excludes 1,500 shares of restricted stock and 15,000 shares exercisable upon the vesting of options previously granted to Mr. King which were forfeited upon Mr. King's retirement as an executive officer of the Company on March 2, 2009.

(b) The Board intends to accelerate the vesting of these shares by one day due to the fact that the Annual Meeting is being held on December 10, 2009 and the shares would have vested on December 11, 2009. Excludes 1,800 shares of restricted stock previously granted to Ms. Waite as director compensation, which will be forfeited upon her discontinuing to serve as a director beyond the Annual Meeting.

(3) Includes 433 shares owned outright, 6,060 shares held in trust with voting and investment power shared by Mr. Berger and his wife, and 6,624 shares previously allocated to Mr. Berger under the ESOP which have been distributed to Mr. Berger and are now owned outright.

(4) Includes 129 shares held in a trust over which Ms. Gómez has sole voting and investment power and 2,014 shares beneficially owned by Ms. Gómez through the ESOP, rounded to the nearest whole share.

(5) Includes shares held in Farmer Equities and various family trusts of which Ms. Grossman (or a trust of which she is the sole trustee) is a general partner or the sole trustee, co-trustee, beneficiary and/or settlor. Ms. Grossman is the indirect beneficial owner of: (i) 9,550 shares of Common Stock as a successor trustee of a family trust for the benefit of her daughter over which she has sole voting and dispositive power; (ii) 2,617,530 shares of Common Stock as sole trustee of the Jeanne F. Grossman Trust, dated August 22, 1997, which is a general partner of Farmer Equities, and over which she has shared voting and dispositive power with trusts for the benefit of Carol Farmer Waite and Richard F. Farmer; and (iii) 1,509,902 shares of Common Stock as

successor co-trustee of various family trusts, for the benefit of herself and family members, and over which she has shared voting and dispositive power with Carol Farmer Waite and/or Richard F. Farmer. Ms. Grossman disclaims beneficial ownership of 6,030 shares held in a trust for the benefit of her nephew.

(6) Includes 6,801 shares beneficially owned by Mr. King through the ESOP, rounded to the nearest whole share.

(7) Includes 1,874 shares beneficially owned by Mr. Laverty through the ESOP, rounded to the nearest whole share.

(8) Includes 433 shares owned outright.

(9) Includes 433 shares owned outright and 2,000 shares beneficially owned by Mr. Maloof through an IRA.

(10) Includes 1,500 shares held in a revocable living trust with voting and investment power shared by Mr. Merrell and his wife.

(11) Includes 3,720 shares owned outright and 7,147 shares beneficially owned by Mr. Simmons through the ESOP, rounded to the nearest whole share.

(12) Includes shares held in Farmer Equities and various family trusts of which Ms. Waite (or a trust of which she is the sole trustee) is a general partner or the sole trustee, co-trustee, beneficiary and/or settlor. In addition to the shares of restricted stock shown in footnote (2), Ms. Waite is the indirect beneficial owner of: (i) 21,820 shares of Common Stock held in a revocable living trust of which she is the sole trustee, beneficiary and settlor (the "Waite Trust"), and over which she has sole voting and dispositive power; (ii) 2,617,530 shares of Common Stock as sole trustee of the Waite Trust which is a general partner of Farmer Equities, and over which she has shared voting and dispositive power with trusts for the benefit of Jeanne Farmer Grossman and Richard F. Farmer; and (iii) 3,695,162 shares of Common Stock as successor co-trustee of various family trusts, for the benefit of herself and family members, and over which she has shared voting and dispositive power with Jeanne Farmer Grossman and/or Richard F. Farmer. Ms. Waite disclaims beneficial ownership of 14,474 shares held in a trust for the benefit of her nephews.

(13) Includes 807 shares beneficially owned by Mr. Webb through the ESOP, rounded to the nearest whole share.

CORPORATE GOVERNANCE

Board Independence

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

In making its independence determinations, the Board reviewed transactions and relationships between each director and nominee, or any member of his or her immediate family, and us or one of our subsidiaries based on information provided by the director, our records and publicly available information. The Board determined that the following directors and nominees are independent under the NASDAQ listing standards and the requirements of the SEC (the relationships and transactions reviewed by the Board in making such determinations are set forth in the footnotes below):

Director	Status
Jeanne Farmer Grossman	Independent(1)
Martin A. Lynch	Independent(2)
Thomas A. Maloof	Independent
James J. McGarry	Independent(3)
John H. Merrell	Independent(2)
Carol Farmer Waite	Independent(4)

(1) Ms. Grossman is the sister of Carol Farmer Waite, a current director, and the sister of the late Roy E. Farmer and daughter of the late Roy F. Farmer, both of whom were executive officers of the Company more than three years ago. The Board considered these relationships and determined that such relationships do not interfere with Ms. Grossman's exercise of independent judgment in carrying out her responsibilities as a director should she be elected.

(2) The Board considered the membership of Messrs. Lynch and Merrell on the Company's ESOP Administrative Committee, and determined that such relationship does not interfere with their exercise of independent judgment in carrying out their responsibilities as directors.

(3) Mr. McGarry is a partner in the law firm of McGarry & Laufenberg. During the last three fiscal years, McGarry & Laufenberg billed legal fees and costs to Liberty Mutual Insurance Company, the Company's insurance carrier, in connection with various matters relating to the Company. All such legal fees and costs were paid directly by Liberty Mutual. The foregoing amounts did not exceed the greater of 5% of McGarry & Laufenberg's gross revenues or $200,000 during the applicable fiscal year. The Board considered these relationships and transactions and determined that such relationships and transactions do not interfere with Mr. McGarry's exercise of independent judgment in carrying out his responsibilities as a director.

(4) Ms. Waite is the sister of the late Roy E. Farmer and the daughter of the late Roy F. Farmer, both of whom were executive officers of the Company more than three years ago. Ms. Waite's son is a non-executive employee of the Company acting as Director of Green Coffee. Mr. Waite's fiscal 2009 compensation was less than the threshold amount that would require disclosure as a related person transaction, however Mr. Waite's proposed fiscal 2010 compensation is expected to exceed such amount and is described below under the heading "Certain Relationships and Related Person Transactions." The Board considered these relationships and transactions and determined that such relationships and transactions do not interfere with Ms. Waite's exercise of independent judgment in carrying out her responsibilities as a director. Ms. Waite intends to serve out the remainder of her term as a Class III director through the Annual Meeting.

Board Meetings and Attendance

The Board held seven meetings during fiscal 2009, including four regularly scheduled and three special meetings. During fiscal 2009, each director attended at least 75% of the total number of meetings of the Board of Directors (held during the period for which he or she served as a director) and committees of the Board on which he or she served (during the periods that he or she served). Although it is customary for all Board members to attend, the Company has no formal policy in place with regard to Board members' attendance at the Company's annual meeting of stockholders. All directors who were then serving were present at the 2008 Annual Meeting of Stockholders held on December 11, 2008.

The independent members of the Board met in executive session without management three times in fiscal 2009. Each independent director attended at least 75% of the total number of executive sessions (held during the period for which he or she served as a director) during fiscal 2009.

Charters; Code of Conduct and Ethics

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

Board Committees

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

Audit Committee

The Audit Committee is a standing committee of the Board established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee's principal purposes are to oversee the accounting and financial reporting processes of the Company and the audit of the Company's financial statements. The Committee's responsibilities include assisting the Board in overseeing: (i) the integrity of the Company's financial statements; (ii) the independent auditor's qualifications and independence; (iii) the performance of the Company's independent auditor; (iv) the Company's compliance with legal and regulatory requirements in connection with related person transactions; and (v) the Company's system of disclosure controls and system of internal financial, accounting and legal compliance controls. The Audit Committee carries out its responsibilities in accordance with the terms of its charter.

During fiscal 2009, the Audit Committee met five times. John H. Merrell serves as Chairman, and Martin A. Lynch and Thomas A. Maloof serve as members of the Audit Committee. All members of the Audit Committee meet the NASDAQ composition requirements, including the requirements regarding financial literacy and financial sophistication, and the Board has determined that each member is independent under the NASDAQ listing standards and the rules of the SEC regarding audit committee membership. The Board has determined that at least one member of the Audit Committee is an "audit committee financial expert" as defined in Item 407(d) of Regulation S-K under the Exchange Act. That person is John H. Merrell, the Audit Committee Chairman.

Compensation Committee

Overview

The Compensation Committee is a standing committee of the Board. The Compensation Committee's principal purposes are to discharge the Board's responsibilities related to compensation of the Company's executive officers and administer the Company's incentive compensation plan for executive officers and the Company's equity compensation plan. The Compensation Committee also is responsible for evaluating and making recommendations to the Board regarding director compensation.

During fiscal 2009, the Compensation Committee met six times. Thomas A. Maloof serves as Chairman, and James J. McGarry and John H. Merrell serve as members of the Compensation Committee. The Board has determined that all Compensation Committee members are independent under the NASDAQ listing standards and the requirements of the SEC.

Executive Compensation

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

- Cash compensation for our executive officers is generally determined annually in the first quarter of the fiscal year, with any adjustments to base compensation retroactive to the beginning of the applicable fiscal year. Equity compensation is generally determined on the date of the annual meeting of stockholders.
- In making determinations regarding executive officer compensation, the Compensation Committee considers competitive market data among several other factors such as Company performance, individual executive performance, tenure, the importance of the role at the Company and pay levels among the Company's executives, as well as input and recommendations of the Chief Executive Officer with respect to compensation for those executive officers reporting directly to him. The Compensation Committee has typically followed these recommendations. In the case of the Chief Executive Officer, the Compensation Committee may also solicit input from the other disinterested Board members.
- In 2009, the Compensation Committee retained Mercer to update its study conducted in 2007 with respect to the Company's compensation levels and mix relative to market benchmarks. The updated study in 2009 was based on a revised peer group and updated survey information reflecting the increase in size and scope of the Company's operations following the acquisition of the DSD coffee business from Sara Lee Corporation (the "DSD Acquisition"). Mercer reported directly to the Compensation Committee. Management interacted with the consultant to provide information or the perspective of management as requested by the consultant or Compensation Committee, and coordinated payment to the consultant out of the Board of Directors' budget.
- The Compensation Committee believes that target total direct compensation (base compensation and annual and long-term incentive compensation) for Named Executive Officers should be established by reference to compensation levels for comparable positions in the Company's peer group and in published compensation surveys. Base compensation for Named Executive Officers is approved by the Compensation Committee or, upon recommendation of the Compensation Committee, submitted to the disinterested members of the Board for approval.
- With respect to incentive compensation for our executive officers under the Farmer Bros. Co. 2005 Incentive Compensation Plan (the "Incentive Plan"), generally during the first quarter of each fiscal year, the Compensation Committee evaluates the executive officer's performance in light of the goals and objectives established for the prior year and determines the level of incentive compensation to be awarded to each executive officer. As part of the evaluation process, the Compensation Committee solicits comments from the Chief Executive Officer with respect to achievement of individual goals by those executive officers reporting to him. In the case of the Chief Executive Officer, the Compensation Committee may also solicit input from the other disinterested Board members. Additionally, the executive officers have an opportunity to provide input regarding their contributions to the Company's success and achievement of

individual goals for the period being assessed. Incentive compensation for Named Executive Officers is approved by the Compensation Committee or, upon recommendation of the Compensation Committee, submitted to the disinterested members of the Board for approval. Following determination of incentive compensation awards for the prior fiscal year, the Compensation Committee establishes individual and corporate goals and objectives for each executive officer for the current fiscal year. Notwithstanding the foregoing, in light of the then pending DSD Acquisition, the Compensation Committee determined not to establish bonus targets under the Incentive Plan for fiscal 2009 during the first quarter of fiscal 2009. Instead, upon completion of the DSD Acquisition, the Compensation Committee determined that it was advisable to award discretionary bonuses to certain of the Company's executive officers outside the Incentive Plan for fiscal 2009 as further described in the "Compensation Discussion and Analysis" below.

- The Compensation Committee has authority to delegate any of the functions described above to a subcommittee of its members. No delegation of this authority was made in fiscal 2009.
- The Compensation Committee holds executive sessions (with no members of management present) at each of its regular meetings.
- The Compensation Committee has the authority to make equity-based grants under the Omnibus Plan to eligible individuals for purposes of compensation, retention, promotion and commencement of employment. Proposed equity awards to all executive officers are discussed and presented to the entire Board prior to award by the Compensation Committee.

Director Compensation

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

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

- The Compensation Committee has authority to evaluate and make recommendations to the Board regarding director compensation. The Compensation Committee conducts this evaluation periodically by reviewing our director compensation practices against the practices of an appropriate peer group and market survey information. Based on this evaluation, the Compensation Committee may determine to make recommendations to the Board regarding possible changes. The Compensation Committee has the authority to delegate any of these functions to a subcommittee of its members. No delegation of this authority was made in fiscal 2009.
- The Compensation Committee has the authority to retain consultants to advise on director compensation matters. In 2007, the Compensation Committee retained Mercer to evaluate the Company's director compensation levels relative to market benchmarks. No compensation consultants were engaged to provide advice regarding director compensation in 2008 or 2009. No executive officer has any role in determining or recommending the form or amount of director compensation.
- The full Board serves as administrator under the Omnibus Plan with respect to equity awards made to non-employee directors.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised of Thomas A. Maloof, James J. McGarry and John H. Merrell. No member of the Compensation Committee is an officer or former officer of the Company, was an employee of the Company during fiscal 2009, or has any relationship requiring disclosure by the Company as a related person transaction under SEC rules.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on the review and discussions, recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended June 30, 2009.

Compensation Committee
of the Board of Directors

Thomas A. Maloof, Chairman
James J. McGarry
John H. Merrell

Nominating Committee

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

During fiscal 2009, the Nominating Committee met once to nominate directors for election at the 2008 Annual Meeting of Stockholders. Martin A. Lynch, James J. McGarry, Thomas A. Maloof, John H. Merrell and Carol Farmer Waite serve as members of the Nominating Committee. Ms. Waite and Mr. McGarry joined the Nominating Committee on September 30, 2008. If Ms. Grossman is elected at the Annual Meeting, the Board intends to appoint her to the Nominating Committee. The Board has determined that all Nominating Committee members are independent under the NASDAQ listing standards.

The Nominating Committee maintains, with the approval of the Board, guidelines for selecting nominees to serve on the Board and considering stockholder recommendations for nominees. The Nominating Committee believes that its slate of nominees should include: the Chief Executive Officer of the Company; one or more nominees with upper management experience with the Company, in the coffee industry, in a complementary industry or who have desired professional expertise; three nominees who are independent and have the requisite accounting or financial qualifications to serve on the Audit Committee; and at least three nominees who are independent and have executive compensation experience to serve on the Compensation Committee. All nominees should contribute substantially to the Board's oversight responsibilities. Additionally, the Nominating Committee believes that a member of the Farmer family, founding and substantial stockholders of the Company, or their representative should serve on the Board of Directors.

For purposes of identifying nominees for the Board of Directors, the Nominating Committee relies on professional and personal contacts of the Board and senior management. Ms. Grossman was recommended as a Board nominee by Ms. Waite. The Nominating Committee will consider recommendations for director nominees from Company stockholders. Biographical information and contact information for proposed nominees should be sent to Farmer Bros. Co., 20333 South

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

Communication with the Board

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

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes our compensation, strategy, policies, programs and practices for our Named Executive Officers identified in the table below. Our Named Executive Officers consist of our Chief Executive Officer, our Chief Financial Officer, the three next most highly paid executive officers of the Company as determined under SEC rules, and, in the case of fiscal 2009, one additional executive officer who retired and was not serving as an executive officer of the Company at the end of the fiscal year.

Name	Title
Roger M. Laverty III	Chief Executive Officer and President
Drew H. Webb	Executive Vice President and Chief Operating Officer
John E. Simmons	Treasurer and Chief Financial Officer
Heidi L. Modaro	Vice President Sales and Operations, Coffee & Tea
Hortensia R. Gómez	Vice President & Controller
Michael J. King	Vice President, Sales

Compensation Committee

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

Compensation Committee Consultants

The Compensation Committee has the authority to retain the services of outside consultants to assist it in performing its responsibilities. In 2009, the Compensation Committee retained Mercer to update its study conducted in 2007 with respect to the Company's compensation levels and mix relative to market benchmarks. The updated study in 2009 was based on a revised peer group reflecting the increase in size and scope of the Company's operations following the DSD Acquisition. Mercer provided data on the compensation and relative performance of the revised peer group, made presentations on matters affecting compensation, provided opinions on the degree to which the Company's compensation arrangements are consistent with market practices and Company objectives, and recommended compensation program designs. In performing its review, Mercer used data provided by Company employees in addition to its own data, and reviewed the data and discussed the resulting recommendations with management and the Compensation Committee.

Management's Role in Establishing Compensation

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

Peer Group Market Information

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

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

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

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

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

The Compensation Committee used data based on the 2009 Peer Group and the published surveys in evaluating fiscal 2010 executive officer compensation. The 2009 Peer Group is considered appropriate by the Compensation Committee because it represents a meaningful sample of comparable companies in terms of industry, annual revenue and business characteristics following the DSD Acquisition. Mercer combines data from the above peer companies with data from published survey sources to establish the market reference information. The survey data is derived from manufacturing companies with comparable revenue size.

Compensation Philosophy and Objectives

The elements of the Company's executive compensation program and the purpose of each element are outlined below.

Compensation Element	Purpose
Base Salary	Attract and retain top talent and compensate for day-to-day job responsibilities performed at an acceptable level
Incentive Cash Bonus	Reward achievement of annual financial objectives as well as near term strategic objectives that will lead to the future success of the Company's business
Long-Term Incentives	Create a direct alignment with stockholder objectives, provide a focus on long-term value creation and potentially multi-year financial objectives, retain critical talent over extended timeframes, and enable key employees to share in value creation
ESOP Allocation	Enhance ownership interest and alignment with stockholders
Welfare Benefits	Provide competitive welfare benefits generally consistent with those provided to all employees
Perquisites	Provide limited perquisites to facilitate the operation of the Company's business and assist the Company in recruiting and retaining key executives

In structuring compensation, the Compensation Committee strives to balance elements and levels that attract and retain superior talent with forms of compensation that are performance-based and/or aligned with stock performance, and as a result, stockholder interests. A significant percentage of executive officer compensation is expected to be in the form of short and long-term incentives, with the incentives weighted more heavily towards long-term or equity incentive compensation. The weighting towards long-term incentives is intended to better promote alignment with long-term stockholder interests.

Actual total direct compensation for each Named Executive Officer will be determined by the Compensation Committee based on the foregoing philosophy, appropriately adjusted to reflect the performance of the executive over time (as reflected in the participant's goals under the Incentive Plan), as well as the Company's annual performance (as reflected in the financial performance goals established under the Incentive Plan), and the Company's long-term performance (as reflected by stock appreciation for equity-based awards granted under the Omnibus Plan).

The Compensation Committee intends to set target total direct compensation (base salary, annual incentives and long-term incentives) for the Named Executive Officers by reference to median compensation levels for comparable market reference points. Based on the 2009 market study, fiscal 2010 compensation levels for the Company's Named Executive Officers generally remain below these median levels. Over time, the Compensation Committee intends to make adjustments in compensation to achieve the desired competitive positioning.

We believe that our executive officer compensation practices and programs do not encourage our executives to take unnecessary or excessive risks in order to achieve successful levels of performance.

Base Salary

Fiscal 2009

Consistent with the compensation philosophy and objectives described above, the Compensation Committee set fiscal 2009 base salaries for the Company's executive officers, as follows:

Name	Title	Base Salary
Roger M. Laverty III	Chief Executive Officer and President	$390,000
Drew H. Webb	Executive Vice President and Chief Operating Officer	$314,000
John E. Simmons	Treasurer and Chief Financial Officer	$299,000
Heidi L. Modaro	Vice President Sales and Operations, Coffee & Tea	$250,000
Hortensia R. Gómez	Vice President & Controller	$180,000
Michael J. King	Vice President, Sales	$299,000

Base salaries for Messrs. Laverty, Webb, Simmons and King reflected a 4% cost of living adjustment over fiscal 2008 salary levels, prorated, in the case of Mr. Webb, based on his tenure with the Company. Mr. King retired from the Company on March 2, 2009 and continued to consult on special projects pursuant to the terms of a Consulting Agreement described below under the heading "Executive Compensation—Employment Agreements and Arrangements." His annual base salary was prorated through the effective date of his retirement.

Effective March 1, 2009, the Company hired Heidi L. Modaro as Vice President Sales and Operations, Coffee & Tea. Prior to joining the Company, Ms. Modaro was VP of Sales and Operations of Sara Lee Corporation's North America Coffee and Tea DSD division. Pursuant to her Employment Agreement described below under the heading "Executive Compensation—Employment Agreements and Arrangements," Ms. Modaro's fiscal 2009 annual base salary was $250,000, prorated from her start date. Additionally, during fiscal 2009, the Company promoted Hortensia R. Gómez to the position of Vice President & Controller. In connection with her promotion, Ms. Gómez's annual base salary for fiscal 2009 was set at $180,000 effective as of March 17, 2009.

Fiscal 2010

Based on the benchmarking comparisons provided by Mercer in their 2009 study, the Compensation Committee set fiscal 2010 base salaries for the Company's executive officers, as follows:

Name	Title	Base Salary
Roger M. Laverty III	Chief Executive Officer and President	$425,000
Drew H. Webb	Executive Vice President and Chief Operating Officer	$314,000
John E. Simmons	Treasurer and Chief Financial Officer	$299,000
Heidi L. Modaro	Vice President Sales and Operations, Coffee & Tea	$250,000
Hortensia R. Gómez	Vice President & Controller	$180,000

Based on Mercer's 2009 study, executive officer base salaries were near the 2009 Peer Group median, with the exception of the Chief Executive Officer's base salary, which was below the 25th percentile. As a result, the Compensation Committee increased Mr. Laverty's base salary by $35,000, or approximately 9%. The purpose of the salary adjustment was to recognize Mr. Laverty's increased responsibilities since the DSD Acquisition, his continuing performance as CEO, and the significant gap between Mr. Laverty's base salary and the 2009 market reference median.

Incentive Cash Bonus

Under the Incentive Plan, at the beginning of each fiscal year, the Compensation Committee, as administrator, determines who will participate in the Incentive Plan, establishes a target bonus for each participant, and establishes both Company financial performance criteria and individual participant goals for the ensuing year. At year-end, bonuses are awarded based on the level of achievement of Company financial performance criteria and a participant's original goals. The Compensation Committee has discretion to increase, decrease or entirely eliminate the bonus amount derived from the Incentive Plan's formula. The maximum amount that can be awarded under the Incentive Plan is within the discretion of the Compensation Committee. The Company has a clawback policy that requires the Board to consider recapturing past bonuses and other incentive and equity compensation awarded to executive officers, including our Named Executive Officers, if it is subsequently determined that the amounts of such compensation were determined based on financial results that are later restated.

Fiscal 2009 Bonuses

In light of the then pending DSD Acquisition, the Compensation Committee determined not to establish bonus targets under the Incentive Plan for fiscal 2009 during the first quarter of fiscal 2009. Instead, upon completion of the DSD Acquisition, the Compensation Committee determined that it was advisable to award discretionary bonuses to the Company's executive officers outside the Incentive Plan for fiscal 2009 in recognition of their efforts in the successful consummation of the DSD Acquisition and related integration efforts, and their respective contributions to the Company's fiscal 2009 organic growth after taking into account certain non-recurring expenses associated with the DSD Acquisition and the relocation of the Company's specialty coffee operations to a new facility in Portland, Oregon.

Based on the foregoing, the Compensation Committee awarded discretionary fiscal 2009 bonuses, as follows:

Name	Title	Bonus	Percent of Fiscal 2009 Actual Salary
Roger M. Laverty III	Chief Executive Officer and President	$234,000	60%
Drew H. Webb	Executive Vice President and Chief Operating Officer	$140,000	45%
John E. Simmons	Treasurer and Chief Financial Officer	$135,000	45%
Heidi L. Modaro	Vice President Sales and Operations, Coffee & Tea	$ 30,000	39%
Hortensia R. Gómez	Vice President & Controller	$ 40,000	24%

Due to his retirement in fiscal 2009, Mr. King did not receive a bonus.

Total executive officer bonus awards paid by the Company for fiscal 2009 were $579,000 for five persons, as compared to $433,000 for fiscal 2008 for four persons.

Fiscal 2010 Target Bonuses

In their 2009 study, Mercer concluded that the Named Executive Officers' target incentive compensation awards, as a percentage of base salary, were below the median of the market reference information described above. Additionally, when target bonuses are combined with fiscal 2009 base salaries, the total cash compensation is below the 2009 market reference points for all of the Company's Named Executive Officers. Based on the increased responsibility since the DSD Acquisition and the Compensation Committee's desire to achieve a median market positioning over time, the Compensation Committee established target incentive compensation awards as a percentage of base salary as indicated in the table below. The target incentive percentages result in target bonus dollar amounts, which are also summarized in the table below.

Name	Title	Target Bonus	Percent of Fiscal 2010 Base Salary
Roger M. Laverty III	Chief Executive Officer and President	$318,750	75%
Drew H. Webb	Executive Vice President and Chief Operating Officer	$172,700	55%
John E. Simmons	Treasurer and Chief Financial Officer	$164,450	55%
Heidi L. Modaro	Vice President Sales and Operations, Coffee & Tea	$112,500	45%
Hortensia R. Gómez	Vice President & Controller	$ 45,000	25%

When combined with fiscal 2010 base salaries, the foregoing target awards result in total cash compensation generally between the 25th percentile and median of the 2009 market reference information for the Named Executive Officers, with the exception of Mr. Laverty, whose total cash compensation remains below the 25th percentile of the 2009 Peer Group. It is the Compensation Committee's intent to achieve median target cash compensation positioning over time, however the Compensation Committee took other factors into consideration in establishing the current pay levels, including the amount of the increase in target cash compensation over the prior year, the performance of the executive, the performance of the Company, and the pay levels among the senior executive team. The corporate and individual target levels for fiscal 2010 are expected to be established during the second quarter of fiscal 2010. The Compensation Committee believes that the target levels of corporate and individual performance in any given year should not be easily achievable, and typically would not be achieved all of the time.

Long-Term Incentives

On December 6, 2007 at the 2007 Annual Meeting of Stockholders, the stockholders of the Company approved the Omnibus Plan. The Omnibus Plan provides for the grant or issuance of long-term incentive awards including stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance-based awards, stock payments, cash-based awards or other incentives payable in cash or shares of stock, or any combination thereof. Each award is set forth in a separate agreement with the person receiving the award and indicates the type, terms and conditions of the award. The total number of shares available for issuance under the Omnibus Plan is 1,000,000, and no individual may be granted awards representing more than 250,000 shares in any calendar year, in each case, subject to adjustment as provided in the Omnibus Plan.

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

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

Based on Mercer's recommendations, the Company generally expects to make annual long-term incentive awards under the Omnibus Plan to the Named Executive Officers consisting of stock options and restricted stock, with the number of shares underlying the stock options and shares of restricted stock determined based on the closing price of the Common Stock on the date of grant. Stock options are rights to purchase Common Stock at a pre-determined price (the closing price of the Common Stock on the date of grant), after the stock options have vested. Stock options are designed to create incentives for executives by providing them with an opportunity to share, along with stockholders, in the long-term performance of the Common Stock. The stock options are expected to have a seven-year term and generally vest ratably over three to five years. The Compensation Committee believes a seven-year option term provides a reasonable time frame within which the executive's contributions to corporate performance can align with stock appreciation. In addition, as compared with a ten-year option term typical at other companies, a seven-year option term allows the Company to more effectively manage the number of unexercised options that are outstanding. Restricted stock are shares that are subject to certain forfeiture restrictions. Restricted stock is designed as a retention device and to directly align the interests of the recipient and the Company's stockholders. The restricted stock is expected generally to vest at the end of three to five years, and will be priced at the closing price of the Common Stock on the date of grant.

In making long-term incentive awards, the general intent is to have a majority of the award be performance based and a minority of the award be retention based. In the case of awards made to Named Executive Officers during fiscal 2008 and 2009, generally two-thirds of the value of each award consisted of stock options and one-third of the value of each award consisted of restricted stock. The Compensation Committee considers options to be an appropriate performance based vehicle given that the stock options have no value unless the stock increases above the price on the date of grant and that in general the Company's stock price should be a good measure of the Company's strategic and financial success.

On December 11, 2008, the Compensation Committee, in accordance with the provisions of the Omnibus Plan, made the following grants of non-qualified stock options and restricted stock:

Name	Title	Shares of Common Stock Issuable Upon Exercise of Options	Shares of Restricted Stock
Roger M. Laverty III	Chief Executive Officer and President	40,000	6,600
Drew H. Webb	Executive Vice President and Chief Operating Officer	9,000	1,500
John E. Simmons	Treasurer and Chief Financial Officer	9,000	1,500
Hortensia R. Gómez	Vice President & Controller	3,000	300
Michael J. King	Vice President, Sales	9,000	1,500

The stock options have an exercise price equal to $21.76 per share, which was the closing price of the Common Stock as reported on NASDAQ on the date of grant. The stock options have a seven-year term expiring on December 11, 2015 and vest in one-third increments on each anniversary of the date of grant. The shares of restricted stock vest on December 11, 2011. In connection with his retirement on March 2, 2009, Mr. King forfeited a total of 1,500 shares of restricted stock and 15,000 shares exercisable upon the vesting of options, including the shares and options shown in the table above.

On May 28, 2009, the Compensation Committee granted stock options exercisable for 7,000 shares of Common Stock and 700 shares of restricted stock to Heidi L. Modaro in connection with her initial hire. The stock options have an exercise price equal to $22.07 per share, which was the closing price of the Common Stock as reported on NASDAQ on the date of grant. The stock options have a seven-year term expiring on May 28, 2016 and vest in one-third increments on each anniversary of the date of grant. The shares of restricted stock vest on May 28, 2012.

PROXY STATEMENT

ESOP Allocation

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

Company contributions to the ESOP may be in the form of Common Stock or cash. Alternatively, the ESOP can borrow money from the Company or an outside lender and use the proceeds to purchase Common Stock. Shares acquired with loan proceeds are held in a suspense account and are released from the suspense account as the loan is repaid. The loan is repaid from the Company's annual contribution to the ESOP. The shares of Common Stock that are released are then allocated to participants' accounts in the same manner as if they had been contributed to the ESOP by the Company. The allocation of ESOP assets is determined by a formula based on participant compensation during the calendar year. The ESOP is intended to satisfy applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the Employee Retirement and Income Security Act of 1974. As of October 22, 2009, the ESOP owned of record 2,964,512 shares of Common Stock, including 1,488,725 allocated shares and 1,475,788 shares as yet unallocated to plan participants. An unaffiliated bank is trustee of the ESOP. The present members of the ESOP Administrative Committee are Roger M. Laverty III, Martin A. Lynch and John H. Merrell.

The Named Executive Officers participate in the ESOP in the same manner as all other participants. In calendar 2009, the Company's Named Executive Officers received the following ESOP allocations based on compensation earned during calendar 2008:

Name	Title	ESOP Allocation (# of shares)
Roger M. Laverty III	Chief Executive Officer and President	828
Drew H. Webb	Executive Vice President and Chief Operating Officer	807
John E. Simmons	Treasurer and Chief Financial Officer	933
Heidi L. Modaro	Vice President Sales and Operations, Coffee & Tea	—
Hortensia R. Gómez	Vice President & Controller	627
Michael J. King	Vice President, Sales	926

Welfare Benefits

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

Perquisites

Perquisites are limited at the Company; however we believe that offering our Named Executive Officers certain perquisites facilitates the operation of our business, allows Named Executive Officers to better focus their time, attention and capabilities on our business, and assists the Company in recruiting and retaining key executives. We also believe that the perquisites offered to our Named Executive Officers are generally consistent with practices among companies in our relevant industry.

The perquisites available only to employee executive officers are: (i) benefits under an executive life insurance plan; (ii) in the case of certain employee executive officers, use of a Company-owned automobile; and (iii) in the case of one executive officer, tuition reimbursement benefits, coaching and payment of disability premiums. Term life insurance premiums paid by the Company under the Company's executive life insurance plan are shown in the Summary Compensation Table below under the heading "All Other Compensation." During fiscal 2009, we provided Messrs. Laverty, Webb and King with automobiles owned by the Company and paid the associated maintenance and operating costs. The aggregate incremental cost associated with personal use of these automobiles is shown in the Summary Compensation Table below under the heading "All Other Compensation." Additionally, during fiscal 2009, we paid Mr. Webb $46,706 in temporary housing assistance shown in the Summary Compensation Table below under the heading "All Other Compensation." Pursuant to the terms of her Employment Agreement, Ms. Modaro received a signing bonus of $50,000 shown in the Summary Compensation Table below under the heading "All Other Compensation."

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

Change in Control and Termination Arrangements

Change in Control Severance Agreements; Employment Agreements

As part of its compensation program the Company has entered into agreements with each of its Named Executive Officers (other than Ms. Gómez) pursuant to which they will be entitled to receive severance benefits upon the occurrence of certain enumerated events in connection with a change in control or threatened change in control. The events that trigger payment are generally those related to (i) termination of employment other than for cause, disability or death, or (ii) resignation for good reason. The Company believes that this structure will help: (i) assure the executives' full attention and dedication to the Company, free from distractions caused by personal uncertainties and risks related to a pending or threatened change in control, (ii) assure the executives' objectivity for stockholders' interests, (iii) assure the executives of fair treatment in case of involuntary termination following a change in control or in connection with a threatened change in control, and (iv) attract and retain key talent during uncertain times. A more detailed description of the severance benefits to which the Named Executive Officers are entitled in connection with a change in control or threatened change in control is set forth below under the heading "Executive Compensation—Change in Control and Termination Arrangements." Upon his retirement on March 2, 2009, the Change in Control Severance Agreement with Mr. King was automatically terminated.

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

Equity Awards

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

Policies Relating to Our Common Stock

Stock Ownership Guidelines

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

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

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

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

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

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

Insider Trading Policy

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

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

Section 162(m) of the Code places a $1 million limit on the amount of compensation the Company may deduct for tax purposes in any year with respect to each of the Named Executive Officers, except that performance-based compensation that meets applicable requirements is excluded from the $1 million limit. The Company's executive compensation program is designed to maximize the deductibility of compensation. However, when warranted due to competitive or other factors, the Compensation Committee may decide in certain circumstances to exceed the deductibility limit under Section 162(m) or to otherwise pay non-deductible compensation. There were no such circumstances in fiscal 2009.

Section 409A of the Internal Revenue Code

Section 409A of the Code requires programs that allow executives to defer a portion of their current income to meet certain requirements regarding risk of forfeiture and election and distribution timing (among other considerations). Section 409A of the Code requires that "nonqualified deferred compensation" be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of deferral elections, timing of payments and certain other matters. Failure to satisfy these requirements can expose employees and other service providers to accelerated income tax liabilities and penalty taxes and interest on their vested compensation under such plans. Accordingly, as a general matter, it is our intention to design and administer our compensation and benefit plans and arrangements for all of our employees and other service providers, including the Named Executive Officers, so that they are either exempt from, or satisfy the requirements of, Section 409A of the Code. With respect to our compensation and benefit plans that are subject to Section 409A of the Code, in accordance with Section 409A of the Code and regulatory guidance issued by the Internal Revenue Service, we are currently operating such plans in compliance with Section 409A of the Code based upon our good faith, reasonable interpretation of the statute and the Internal Revenue Service's regulatory guidance. Pursuant to that regulatory guidance, we have amended our plans and arrangements to either make them exempt from or have them comply with Section 409A.

Accounting Standards

Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("FAS 123(R)"), requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of stock options and restricted stock under the Omnibus Plan are accounted for under FAS 123(R). The Compensation Committee regularly considers the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity award program. As accounting standards change, the Company may revise certain programs to appropriately align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives.

EXECUTIVE OFFICERS

Name	Age	Position Last Five Years
Roger M. Laverty III	62	Chief Executive Officer since December 6, 2007; President since July 24, 2006; Chief Operating Officer from July 24, 2006 to December 6, 2007. Previously President and Chief Executive Officer of Diedrich Coffee, Inc., a specialty coffee roaster, wholesaler and retailer, from 2003 to December 2005.
John E. Simmons	58	Treasurer and Chief Financial Officer.
Drew H. Webb	62	Executive Vice President and Chief Operating Officer since March 3, 2008. Consultant to the Company from January 3, 2008 through March 2, 2008. Previously a principal and Chief Executive Officer of DH Webb & Company, an M&A strategic advisory firm, from 1999 to 2008.
Heidi L. Modaro	42	Vice President Sales and Operations, Coffee & Tea since March 1, 2009. Previously VP of Sales & Operations of Sara Lee Corporation's North America Coffee and Tea DSD division from August 2006 through February 28, 2009; VP of Sales of Sara Lee Corporation's Coffee & Tea Direct division from August 2005 to August 2006; and Sr. Director of Sales of New England Ice Cream Corp., a privately-held food company, from April 2001 to March 2005.
Hortensia R. Gómez	52	Vice President since March 17, 2009. Controller since January 2006. Previously Chief Financial Officer of Barco Uniforms, Inc., a professional apparel company, from 1992 to 2005.
Michael J. King	64	Vice President, Sales from August 2004 through March 1, 2009; National Sales Manager from July 1994 through July 2004. Retired on March 2, 2009.
John M. Anglin(1)	62	Secretary since 2003 and Partner in the law firm of Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP, Pasadena, California since 2002. Previously Partner in the law firm of Walker, Wright, Tyler and Ward, LLP, Los Angeles, California.

(1) Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP ("AFRCT") provided legal services to the Company in fiscal 2009 as discussed below under the heading "Certain Relationships and Related Person Transactions." We expect to continue to engage AFRCT to perform legal services in fiscal 2010.

All officers are elected annually by the Board of Directors and serve at the pleasure of the Board. There are no family relationships between any director or executive officer of the Company, other than Ms. Waite and Ms. Grossman, who are sisters.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth summary information concerning compensation awarded to, paid to, or earned by each of our Named Executive Officers for all services rendered in all capacities to the Company and its subsidiaries in fiscal 2009. Compensation for fiscal 2007 and fiscal 2008 is included for all Named Executive Officers with the exception of Mr. Webb and Ms. Modaro who joined the Company in fiscal 2008 and fiscal 2009, respectively, and Ms. Gómez, who became an executive officer during fiscal 2009. For a complete understanding of the table, please read the footnotes and narrative disclosures that follow the table.

SUMMARY COMPENSATION TABLE

A Name and Principal Position	B Fiscal Year	C Salary ($)	D Bonus ($)	E Stock Awards ($)	F Option Awards ($)	G Non-Equity Incentive Plan Compensation ($)	H Change in Pension Value ($)	I All Other Compensation ($)	J Total ($)
Roger M. Laverty III(1)	2009	389,654	234,000	76,302	130,648	—	27,445	32,969	891,018
CEO and President	2008	350,038	—	18,044	29,678	175,000	22,229	33,419	628,408
	2007	320,000	—	—	—	155,000	0	21,479	496,479
John E. Simmons(2)	2009	298,103	135,000	17,341	29,396	—	163,796	44,712	688,348
Treasurer and CFO	2008	287,375	—	4,101	6,678	100,000	31,983	41,390	471,527
	2007	287,375	—	—	—	100,000	102,997	42,719	533,091
Drew H. Webb(3)	2009	313,909	140,000	17,046	29,396	—	7,582	67,792	575,725
Executive VP and COO	2008	143,613	58,000	3,635	5,698	—	—	23,703	234,649
Heidi L. Modaro(4) Vice President Sales and Operations, Coffee & Tea	2009	76,923	30,000	466	1,409	—	3,991	51,300	164,089
Hortensia R. Gómez(5) Vice President & Controller	2009	166,465	40,000	3,468	9,799	—	17,045	16,265	253,042
Michael J. King(6)	2009	228,579	—	—	12,274	—	167,885	172,953	581,691
Vice President, Sales	2008	287,375	—	4,101	6,678	100,000	91,384	58,104	547,642
	2007	287,375	—	—	—	80,000	131,121	50,531	549,027

(1) Mr. Laverty was promoted to Chief Executive Officer on December 6, 2007. The amounts shown in the table for fiscal 2008 reflect Mr. Laverty's compensation in all capacities for the full fiscal year. The amount reported in column I for fiscal 2009 includes life insurance premiums, dividends paid on restricted stock awards and an ESOP allocation ($18,947). The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2009 and have been excluded from the table for fiscal 2009.

(2) The amount reported in column I for fiscal 2009 includes life insurance premiums, dividends paid on restricted stock awards, an ESOP allocation ($21,349), and sick days paid over the maximum accumulation amount ($16,100). The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2009 and have been excluded from the table for fiscal 2009.

(3) The amount reported in column C for fiscal 2008 includes $48,229 in consulting fees and expenses paid to Mr. Webb from January 3, 2008 to March 3, 2008, when he was hired as Executive Vice President and Chief Operating Officer of the Company. The amount reported in column I for fiscal 2009 includes dividends paid on restricted stock awards, an ESOP allocation ($18,461), and perquisites and other personal benefits in the amount of $48,123, consisting of personal use of a Company-owned automobile calculated based on the aggregate incremental cost to the Company and temporary housing assistance ($46,706). The cost for personal use of a Company-owned automobile is calculated by allocating the costs of operating the car between personal and business use. The cost of operating the car is allocated to personal use on the basis of miles driven for personal use to total miles driven.

(4) Effective March 1, 2009, the Company hired Ms. Modaro as Vice President Sales and Operations, Coffee & Tea. The amount reported in column C represents Ms. Modaro's prorated annual base salary from March 1, 2009 through June 30, 2009. The amount reported in column I for fiscal 2009 includes short-term and long-term disability premiums paid on behalf of Ms. Modaro and a signing bonus of $50,000 payable pursuant to the terms of her Employment Agreement.

(5) Ms. Gómez was promoted to Vice President & Controller on March 17, 2009. Prior to her promotion, Ms. Gómez was Controller of the Company. The amounts shown in the table for fiscal 2009 reflect Ms. Gómez's compensation in all capacities for the full fiscal year. The amount reported in column I for fiscal 2009 includes life insurance premiums, dividends paid on restricted stock awards and an ESOP allocation ($14,355). The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2009 and have been excluded from the table for fiscal 2009.

(6) Mr. King retired as Vice President, Sales effective as of March 2, 2009. Following his retirement, he has continued to serve as a consultant to the Company on special projects pursuant to the terms of a Consulting Agreement with the Company described below under the heading "—Employment Agreements and Arrangements." Mr. King did not receive a bonus in fiscal 2009. Amounts shown in the table reflect Mr. King's compensation for the full fiscal year. The amount reported in column I for fiscal 2009 includes life insurance premiums, dividends paid on restricted stock awards, an ESOP allocation ($21,191), sick days paid over the maximum accumulation amount and accrued vacation ($80,089), consulting fees paid to Mr. King following his retirement on March 2, 2009 pursuant to the terms of his Consulting Agreement ($40,000), and perquisites and other personal benefits in the amount of $22,021, consisting of personal use of a Company-owned automobile calculated based on the aggregate incremental cost to the Company, life insurance economic benefit and a retirement package consisting of a car and vacation ($19,848).

Salary (Column C)

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

Bonus (Column D)

The amounts reported in column D for fiscal 2009 reflect non-recurring bonuses paid to the Company's executive officers. In light of the then pending DSD Acquisition, the Compensation Committee determined not to establish bonus targets under the Incentive Plan for fiscal 2009 during the first quarter of fiscal 2009. Instead, upon completion of the DSD Acquisition, the Compensation Committee determined that it was advisable to award discretionary bonuses to the Company's executive officers outside the Incentive Plan for fiscal 2009 in recognition of their efforts in the successful consummation of the DSD Acquisition and related integration efforts, and their respective contributions to the Company's fiscal 2009 organic growth after taking into account certain non-recurring expenses associated with the DSD Acquisition and the relocation of the Company's specialty coffee operations to a new facility in Portland, Oregon. In addition to the foregoing executive officer bonuses, Ms. Modaro also received a discretionary bonus of $30,000 for fiscal 2009 in lieu of any bonus under the Incentive Plan.

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

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

All non-equity incentive plan compensation paid to the other Named Executive Officers under the Incentive Plan in fiscal 2008 and fiscal 2007 is shown in column G.

Total executive officer bonus awards paid by the Company for fiscal 2009 were $579,000 for five persons, as compared to $433,000 for fiscal 2008 for four persons.

Stock Awards (Column E)

The amounts reported in column E represent compensation expense for restricted stock grants recognized by us under FAS 123(R) for fiscal 2009 and fiscal 2008. Prior to fiscal 2008, the Company did not have an equity-based compensation plan. A discussion of the assumptions used in calculating the amounts in this column for fiscal 2009 may be found in Note 11 to our audited consolidated financial statements for the fiscal year ended June 30, 2009 included in our Annual Report on Form 10-K, as amended, filed with the SEC on September 15, 2009. A discussion of the assumptions used in calculating the amounts in this column for fiscal 2008 may be found in Note 7 to our audited consolidated financial statements for the fiscal year ended June 30, 2008 included in our Annual Report on Form 10-K filed with the SEC on September 15, 2008.

Option Awards (Column F)

The amounts reported in column F represent compensation expense for stock option grants recognized by us under FAS 123(R) for fiscal 2009 and fiscal 2008. Prior to fiscal 2008, the Company did not have an equity-based compensation plan. Compensation expense recognized by us in fiscal 2009 and fiscal 2008 is based on the grant date fair values of the stock option grants calculated using a Black-Scholes option valuation model. A discussion of the assumptions used in calculating the amounts in this column for fiscal 2009 may be found in Note 11 to our audited consolidated financial statements for the fiscal year ended June 30, 2009 included in our Annual Report on Form 10-K, as amended, filed with the SEC on September 15, 2009. A discussion of the assumptions used in calculating the amounts in this column for fiscal 2008 may be found in Note 7 to our audited consolidated financial statements for the fiscal year ended June 30, 2008 included in our Annual Report on Form 10-K filed with the SEC on September 15, 2008.

Non-Equity Incentive Plan Compensation (Column G)

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

Change in Pension Value (Column H)

The amounts representing the change in pension value reported in column H were generated by the combination of increases in the accrued pension benefit and change in conversion of that benefit to a present value. Accrued pension benefits for each of the Named Executive Officers were calculated based on the final average pay times years of service as of the end of the fiscal year. Accrued benefits as of the end of each fiscal year increased over accrued benefits as of the end of the prior fiscal year because an additional year of service was included and because the averages of the most recent five years of pay were greater than the averages as of one year earlier. The conversion to a present value produced a further increase because normal retirement age, the assumed commencement of benefits, was one year closer. The present value conversion can also cause an increase or decrease in value due to changes in actuarial assumptions. The discount rate used to calculate present values decreased from 6.8% as of the end of fiscal 2008 to 6.25% as of the end of fiscal 2009, producing an increase in the present value. The discount rate used to calculate present values increased from 6.00% as of the end of fiscal 2007 to 6.80% as of the end of fiscal 2008, producing a decrease in the present value. The discount rate used to calculate present values decreased from 6.25% as of the end of fiscal 2006 to 6.00% as of the end of fiscal 2007, producing an increase in the present value. No other actuarial assumptions changed between the end of fiscal 2006 and the end of fiscal 2009.

All Other Compensation (Column I)

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

Total Compensation (Column J)

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

Grants of Plan-Based Awards

The following table sets forth summary information regarding all grants of plan-based awards made to our Named Executive Officers for fiscal 2009.

GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards ($/Sh)(4)	Grant Date Fair Value of Stock and Option Awards ($)(5)
Roger M. Laverty III								
Annual Cash Incentive Bonus	—	—	—	—	—	—	—	—
Time Based	12/11/08	—	—	—	6,600	40,000	21.76	410,816
John E. Simmons								
Annual Cash Incentive Bonus	—	—	—	—	—	—	—	—
Time Based	12/11/08	—	—	—	1,500	9,000	21.76	92,760
Drew H. Webb								
Annual Cash Incentive Bonus	—	—	—	—	—	—	—	—
Time Based	12/11/08	—	—	—	1,500	9,000	21.76	92,760
Heidi L. Modaro								
Annual Cash Incentive Bonus	—	—	—	—	—	—	—	—
Time Based	5/28/09	—	—	—	700	7,000	22.07	62,209
Hortensia R. Gómez								
Annual Cash Incentive Bonus	—	—	—	—	—	—	—	—
Time Based	12/11/08	—	—	—	300	3,000	21.76	26,568
Michael J. King								
Annual Cash Incentive Bonus	—	—	—	—	—	—	—	—
Time Based	12/11/08	—	—	—	1,500	9,000	21.76	92,760

(1) In light of the then pending DSD Acquisition, the Compensation Committee determined not to establish bonus targets under the Incentive Plan for fiscal 2009 during the first quarter of fiscal 2009 and awarded discretionary bonuses to the Company's executive officers as described above under the heading "—Summary Compensation Table—Bonus."

(2) Restricted stock for the Named Executive Officers vests in whole on the third anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan.

(3) Stock options vest in one-third (⅓) increments on each anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan.

(4) Exercise price of option awards are equal to the closing market price on the date of grant.

(5) Reflects the grant date fair value of restricted stock and stock option awards as calculated in accordance with FAS 123(R). A discussion of the assumptions used in calculating the fair value of the stock option awards in fiscal 2009 may be found in Note 11 to our audited consolidated financial statements for the fiscal year ended June 30, 2009 included in our Annual Report on Form 10-K, as amended, filed with the SEC on September 15, 2009.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth summary information regarding the outstanding equity awards at June 30, 2009 granted to each of our Named Executive Officers.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested ($) (3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Roger M. Laverty III	0	40,000	—	21.76	12/11/15	6,600	151,008	—	—
	13,333	26,667	—	22.70	2/20/15	6,600	151,008	—	—
John E. Simmons	0	9,000	—	21.76	12/11/15	1,500	34,320	—	—
	3,000	6,000	—	22.70	2/20/15	1,500	34,320	—	—
Drew H. Webb	0	9,000	—	21.76	12/11/15	1,500	34,320	—	—
	3,000	6,000	—	22.11	3/3/15	1,500	34,320	—	—
Heidi L. Modaro	0	7,000	—	22.07	5/28/16	700	16,016	—	—
Hortensia R. Gómez	0	3,000	—	21.76	12/11/15	300	6,864	—	—
	1,000	2,000	—	22.70	2/20/15	300	6,864	—	—
Michael J. King	3,000	—	—	22.70	3/02/10	—	—	—	—

(1) Stock options vest in one-third (⅓) increments on each anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan.

(2) Restricted stock for the Named Executive Officers vests in whole on the third anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan.

(3) The market value was calculated by multiplying the closing price of our Common Stock on June 30, 2009 ($22.88) by the number of shares of unvested restricted stock.

Option Exercises and Stock Vested

No stock options were exercised by our Named Executive Officers and no shares of restricted stock held by our Named Executive Officers vested in fiscal 2009.

Employment Agreements and Arrangements

Laverty Employment Agreement

The Company has entered into an Employment Agreement, as amended by Amendment Nos. 1 and 2 thereto, with Roger M. Laverty III (the "Laverty Employment Agreement"). The Laverty Employment Agreement provides that Mr. Laverty will serve as Chief Executive Officer and President of the Company, with the powers, general duties and responsibilities typically vested in a chief executive officer. Mr. Laverty's annual base salary is subject to annual review and may be adjusted upward or downward by the Company from time to time but may not be reduced below $320,000 per annum. Mr. Laverty is entitled to participate in the Incentive Plan (or any successor plan), with the amount of any target award thereunder to be set by the Compensation Committee. Mr. Laverty is entitled to use of a Company car or an equivalent car allowance, paid vacation of twenty-five (25) days per year, group health insurance, life insurance, key person life insurance, business travel insurance, qualified retirement plan, 401(k) plan, employee stock ownership plan, cell phone, Company credit card, and business expense reimbursement. Mr. Laverty is entitled to participate in the Omnibus Plan in accordance with the provisions thereof. Mr. Laverty's employment may be terminated by the Company at any time with or without Cause (as defined in the Laverty Employment Agreement). Mr. Laverty's employment also will terminate upon his resignation, with or without Good Reason (as defined in the Laverty Employment Agreement), death or permanent incapacity. Upon certain events of termination, Mr. Laverty is entitled to the benefits described below under the heading "—Change in Control and Termination Arrangements."

Webb Employment Agreement

The Company has entered into an Employment Agreement with Drew H. Webb, as amended by Amendment No. 1 thereto (the "Webb Employment Agreement"). The Webb Employment Agreement provides that Mr. Webb will serve as Executive Vice President and Chief Operating Officer of the Company, with oversight responsibility for the day-to-day operations of the Company. Mr. Webb's annual base salary is subject to annual review, and may be adjusted upward or downward by the Company from time to time but may not be reduced below $310,000 per annum. Mr. Webb is entitled to participate in the Incentive Plan (or any successor plan), with a target award equal to fifty percent (50%) of his annual base salary. Mr. Webb is entitled to all benefits and perquisites provided by the Company to its executive officers, including use of a Company car, paid vacation of twenty (20) days per year, group health insurance, life insurance, key person life insurance, business travel insurance, qualified retirement plan, 401(k) plan, employee stock ownership plan, cell phone, Company credit card, and business expense reimbursement. Mr. Webb is entitled to participate in the Omnibus Plan in accordance with the provisions thereof. Mr. Webb's employment may be terminated by the Company at any time with or without Cause (as defined in the Webb Employment Agreement). Mr. Webb's employment also will terminate upon his resignation, with or without Good Reason (as defined in the Webb Employment Agreement), death or permanent incapacity. Upon certain events of termination, Mr. Webb is entitled to the benefits described below under the heading "—Change in Control and Termination Arrangements."

Modaro Employment Agreement

The Company has entered into an Employment Agreement with Heidi L. Modaro (the "Modaro Employment Agreement" and, together with the Laverty Employment Agreement and the Webb Employment Agreement, the "Employment Agreements"). The Modaro Employment Agreement provides that Ms. Modaro will serve as Vice President Sales and Operations, Coffee & Tea of the Company, with oversight responsibility for the Company's direct store delivery sales and operations. Ms. Modaro's annual base salary is subject to annual review, and may be adjusted upward or downward by the Company from time to time but may not be reduced below $250,000 per annum. Ms. Modaro is entitled to participate in the Incentive Plan (or any successor plan), with a target award equal to forty percent (40%) of her annual base salary, with the bonus for fiscal 2009 to be based on a full year and not prorated from her start date. If Ms. Modaro is employed by the Company on March 1, 2011, the Company will pay her a retention bonus of $200,000. If Ms. Modaro's employment is terminated prior to such date by reason of her death or permanent incapacity, by the Company without Cause or by Ms. Modaro with Good Reason (as such terms are defined in the Modaro Employment Agreement), the Company will pay her $200,000 upon termination, subject to receipt of a required release. Ms. Modaro is entitled to all benefits and perquisites provided by the Company to its senior executives, including use of a Company car, paid vacation of twenty (20) days per year, group health insurance, life insurance, business travel insurance, qualified retirement plan, 401(k) plan, employee stock ownership plan, cell phone, Company credit card, and business expense reimbursement. Additionally, Ms. Modaro is entitled to certain tuition reimbursement benefits and coaching equivalent to what was provided to Ms. Modaro by her previous employer. Ms. Modaro is entitled to participate in the Omnibus Plan in accordance with the provisions thereof. Ms. Modaro's employment may be terminated by the Company at any time with or without Cause. Ms. Modaro's employment also will terminate upon her resignation, with or without Good Reason, death or permanent incapacity. Upon certain events of termination, Ms. Modaro is entitled to the benefits described below under the heading "—Change in Control and Termination Arrangements."

King Consulting Agreement

The Company has entered into a Consulting Agreement with Michael J. King (the "King Consulting Agreement") effective upon his retirement from the Company as Vice President, Sales on March 2, 2009. Under the King Consulting Agreement, Mr. King has agreed to act as an independent consultant to the Company concerning its sales, marketing and product development activities as requested by the Company from time to time for a term of three (3) years. As compensation for such services, Mr. King will receive an annual fee payable quarterly in arrears of $120,000 for the first year and $75,000 for each of the second and third years. Payment is due whether or not Mr. King is actually called on by the Company to perform consulting services. During the term of the King Consulting Agreement and for a period of two years thereafter, Mr. King is subject to a non-solicitation covenant with respect to Company customers and employees. If Mr. King dies or is rendered unable to perform the services required under the King Consulting Agreement, the Company will continue to make payments to him, if living and not judicially declared incompetent, otherwise to his spouse.

Pension Benefits

The following table provides information as of the end of fiscal 2009 with respect to the Farmer Bros. Co. Retirement Plan (the "Retirement Plan"), a contributory defined benefit plan offered to non-union Company employees, for each of the Named Executive Officers. For a complete understanding of the table, please read the narrative disclosures that follow the table.

PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Roger M. Laverty III	Retirement Plan	1.92	49,674	0
John E. Simmons	Retirement Plan	27.92	886,686	0
Drew H. Webb	Retirement Plan	0.24	6,358	0
Heidi L. Modaro	Retirement Plan	0.33	3,991	0
Hortensia R. Gómez	Retirement Plan	2.42	26,528	0
Michael J. King	Retirement Plan	34.67	1,304,135	0

Annuity benefits payable monthly under the Retirement Plan are calculated as 1.50% of average compensation multiplied by the number of years of credited service, but not less than $60 per month for the first 20 years of credited service plus $80 per month for each year of credited service in excess of 20 years. For this formula, average compensation is defined as the monthly average of total pay received for the 60 consecutive months out of the 120 latest months before the retirement date which gives the highest average. The formula above produces the amount payable as a monthly annuity for the life of the Named Executive Officer beginning as early as age 62. Benefits can begin as early as age 55 upon retirement, but are subject to a 4% per year reduction for the number of years before age 62 when benefits began. Benefits under a predecessor plan are included in the figures shown in the table above for Messrs. Simmons and King. Maximum annual combined benefits under both plans generally cannot exceed the lesser of $180,000 or the average of the employee's highest three years of compensation.

While a present value is shown in the table, benefits are not available as a lump sum and must be taken in the form of an annuity. Present values were calculated using the same actuarial assumptions applied in the calculation of pension liabilities reported in the Company's 2009 Annual Report on Form 10-K, as amended (discount rate of 6.25%, mortality according to the 2009 IRS Prescribed Mortality Static Annuitant/Non-annuitant male and female).

Change in Control and Termination Arrangements

Change in Control Agreements

The Company has entered into a Change in Control Severance Agreement ("Severance Agreement") with each of the Named Executive Officers (other than Ms. Gómez) which provides certain severance benefits to such persons in the event of a Change in Control (as generally defined below). Each Severance Agreement expires at the close of business on December 31, 2009, subject to automatic one year extensions unless the Company or such executive officer notified the other no later than September 30, 2009 that the term would not be extended. Neither the Company nor any executive officer notified the other that the term would not be extended, so the term of each Severance Agreement has been extended to December 31, 2010, subject to possible further extensions. Notwithstanding the foregoing, if prior to a Change in Control, an executive officer ceases to be an employee of the Company, his or her Severance Agreement will be deemed to have expired. The Severance Agreement with Mr. King expired upon his retirement on March 2, 2009.

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

Each Severance Agreement provides that while such executive officer is receiving compensation and benefits thereunder, such executive officer will not in any manner attempt to induce or assist others to attempt to induce any officer, employee, customer or client of the Company to terminate its association with the Company, nor do anything directly or indirectly to interfere with the relationship between the Company and any such persons or concerns. In the event such executive officer breaches this provision, all compensation and benefits under the Severance Agreement will immediately cease.

Employment Agreements

Under the Employment Agreements with Messrs. Laverty and Webb and Ms. Modaro, upon termination for any reason, the Company will pay such officer his or her accrued base salary and accrued but unused vacation. In addition, if such termination occurs at the election of the Company without Cause (as defined in the Employment Agreements) or by such officer's resignation with Good Reason (as defined in the Employment Agreements), such officer will be entitled to certain payments and benefits shown in the tables below. Receipt of any severance amounts under any Employment

Agreement is conditioned upon execution of a general release of claims against the Company. Notwithstanding the foregoing, if the officer becomes eligible for severance benefits under the Severance Agreement described above, the benefits provided under that agreement will be in lieu of, and not in addition to, the severance benefits under his or her Employment Agreement.

Equity Awards

Under the terms of the stock option and restricted stock awards made in fiscal 2009 and fiscal 2008, in the event of death or disability a prorata portion (determined based on the actual number of service days during the vesting period divided by the total number of days during the vesting period) of any unvested stock options and restricted stock will be deemed to have vested immediately prior to the date of death or disability and, in the case of the restricted stock, will no longer be subject to forfeiture. Additionally, under the Omnibus Plan, the plan administrator has discretionary authority regarding accelerated vesting upon termination other than by reason of death or disability, or in connection with a change in control.

Potential Payments Upon Termination or Change in Control

The following tables describe potential payments and benefits upon termination or a change in control, including under the agreements described above to which the Named Executive Officers (other than Mr. King who retired as Vice President, Sales on March 2, 2009) would be entitled upon termination of employment, change in control of the Company or change in responsibilities. The estimated amount of compensation payable to each Named Executive Officer in each situation is listed in the tables below assuming that the termination and/or change in control of the Company occurred at June 30, 2009. The actual amount of payments and benefits can only be determined at the time of such a termination or change in control and therefore the actual amounts will vary from the estimated amounts in the tables below. Descriptions of how such payments and benefits are determined under the circumstances, material conditions and obligations applicable to the receipt of payments or benefits and other material factors regarding such agreements, as well as other material assumptions that we have made in calculating the estimated compensation, follow these tables. A description of Mr. King's consulting arrangement with the Company following his retirement is set forth above under the heading "—Employment Agreements and Arrangements—King Consulting Agreement."

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

ROGER M. LAVERTY III	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
Base Salary Continuation	—	—	—	$ 780,000	$ 780,000	$390,000
Bonus Payments	$ 188,000	$188,000	—	$ 188,000	$ 188,000	$188,000
Value of accelerated stock options	$ 9,085	$ 9,085	—	—	—	—
Value of accelerated restricted stock	$ 205,957	$205,957	—	—	—	—
Qualified and Non-Qualified Plan	$ 49,674	$ 49,674	$ 49,674	$ 103,863	$ 103,863	$ 49,684
ESOP	$ 42,874	$ 42,874	$ 42,874	$ 61,821	$ 61,821	$ 42,874
Health and Dental Insurance	$ 14,312	$ 42,937	$ 14,312	$ 28,625	$ 28,625	$ 14,312
Outplacement Services	—	—	—	$ 25,000	$ 25,000	—
Life Insurance Proceeds	$ 690,000	—	—	—	—	—
Total Pre-tax Benefit	$1,199,902	$538,527	$106,860	$1,187,309	$1,187,309	$684,870

JOHN E. SIMMONS	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
Base Salary Continuation	—	—	—	$ 598,000	$ 598,000	—
Bonus Payments	—	—	—	$ 111,667	$ 111,667	—
Value of accelerated stock options	$ 2,044	$ 2,044	—	—	—	—
Value of accelerated restricted stock	$ 46,808	$ 46,808	—	—	—	—
Qualified and Non-Qualified Plan	$ 886,686	$ 886,686	$ 886,686	$ 950,199	$ 950,199	$ 886,686
ESOP	$ 163,531	$ 163,531	$ 163,531	$ 184,880	$ 184,880	$ 163,531
Health and Dental Insurance	$ 14,312	$ 114,498	$ 14,312	$ 28,625	$ 28,625	—
Outplacement Services	—	—	—	$ 25,000	$ 25,000	—
Life Insurance Proceeds	$ 549,000	—	—	—	—	—
Total Pre-tax Benefit	$1,662,381	$1,213,567	$1,064,529	$1,898,371	$1,898,371	$1,050,217

PROXY STATEMENT

DREW H. WEBB	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
Base Salary Continuation	—	—	—	$628,000	$628,000	$314,000
Bonus Payments	$140,000	$140,000	—	$140,000	$140,000	$140,000
Value of accelerated stock options	$ 2,603	$ 2,603	—	—	—	—
Value of accelerated restricted stock	$ 47,184	$ 47,184	—	—	—	—
Qualified and Non-Qualified Plan	$ 6,358	$ 6,358	$ 6,358	$ 65,889	$ 65,889	$ 6,358
ESOP	$ 18,461	$ 18,461	$18,461	$ 36,923	$ 36,923	$ 18,461
Health and Dental Insurance	$ 14,312	$ 42,937	$14,312	$ 28,625	$ 28,625	$ 14,312
Outplacement Services	—	—	—	$ 25,000	$ 25,000	—
Life Insurance Proceeds	$314,000	—	—	—	—	—
Total Pre-tax Benefit	$542,918	$257,543	$39,131	$924,437	$924,437	$493,132

HEIDI L. MODARO	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
Base Salary Continuation	—	—	—	$500,000	$500,000	$250,000
Bonus Payments	$100,000	$100,000	—	$100,000	$100,000	$100,000
Value of accelerated stock options	$ 171	$ 171	—	—	—	—
Value of accelerated restricted stock	$ 15,533	$ 15,533	—	—	—	—
Qualified and Non-Qualified Plan	—	—	—	$ 25,142	$ 25,142	—
ESOP	—	—	—	—	—	—
Health and Dental Insurance	—	—	—	—	—	—
Outplacement Services	—	—	—	$ 25,000	$ 25,000	—
Life Insurance Proceeds	$250,000	—	—	—	—	—
Total Pre-tax Benefit	$365,704	$115,704	—	$650,142	$650,142	$350,000

HORTENSIA R. GÓMEZ	Death	Disability	Retirement	Change in Control and Involuntarily Terminated or Resignation for Good Reason within 24 Months of Change in Control	Threatened Change in Control and Involuntarily Terminated or Resignation for Good Reason	Termination Without Cause or Resignation With Good Reason
Base Salary Continuation	—	—	—	—	—	—
Bonus Payments	—	—	—	—	—	—
Value of accelerated stock options	$ 681	$ 681	—	—	—	—
Value of accelerated restricted stock	$ 9,362	$ 9,362	—	—	—	—
Qualified and Non-Qualified Plan	$ 26,528	$ 26,528	$26,528	—	—	$26,528
ESOP	$ 46,083	$ 46,083	$46,083	—	—	$46,083
Health and Dental Insurance	$ 4,823	$ 62,700	$ 4,823	—	—	—
Outplacement Services	—	—	—	—	—	—
Life Insurance Proceeds	$280,000	—	—	—	—	—
Total Pre-tax Benefit	$367,477	$145,354	$77,434	—	—	$72,611

Base Salary Continuation

Severance Agreements

Under each Severance Agreement, if (i) a Change in Control occurs and the executive officer's employment is terminated within the two years following the occurrence of the Change in Control by the Company other than for Cause, Disability (each as defined in the Severance Agreements) or death, or by Resignation for Good Reason (as defined in the Severance Agreements), or (ii) a Threatened Change in Control (as defined in the Severance Agreements) occurs and the executive officer's employment is terminated during the Threatened Change in Control Period (as defined in the Severance Agreements) by the Company other than for Cause, Disability or death, or there is a Resignation for Good Reason by the executive officer (a "Change in Control Event"), such executive officer will be entitled receive his or her base salary, excluding bonuses, at the rate in effect on the date of termination for a period of twenty-four (24) months, such payment to be made in installments in accordance with the Company's standard payroll practices, commencing in the month following the month in which the executive officer's Separation from Service (as defined in the Severance Agreements) occurs, subject to the payment limitations with respect to "specified employees" under Section 409A of the Code.

Employment Agreements

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

Bonus Payments

Severance Agreements

Under each Severance Agreement, if a Change in Control Event occurs, the Named Executive Officer will receive a payment equal to one hundred percent (100%) of the Named Executive Officer's target bonus for the fiscal year in which the date of termination occurs (or, if no target bonus has been assigned as of the date of termination, the average bonus paid to such Named Executive Officer for the last three (3) completed fiscal years or for the number of completed fiscal years such person has been in the employ of the Company if fewer than three (3)), such payment to be made in a lump sum, subject to the payment limitations with respect to "specified employees" under Section 409A of the Code. Because the Company did not assign target bonuses under the Incentive Plan in fiscal 2009 other than in the case of Ms. Modaro pursuant to her Employment Agreement, the amounts shown in the table above are based on the average bonus paid for the last three (3) completed fiscal years or, in the case of Mr. Webb, the number of fiscal years he has been in the employ of the Company.

Employment Agreements

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

Value of Accelerated Stock Options and Restricted Stock

Under the terms of the stock option and restricted stock awards, in the event of death or disability a prorata portion (determined based on the actual number of service days during the vesting period divided by the total number of days during the vesting period) of any unvested stock options and restricted stock will be deemed to have vested immediately prior to the date of death or disability and, in the case of the restricted stock, will no longer be subject to forfeiture. The value of accelerated equity awards shown in the tables above was calculated using the closing price of our Common Stock on June 30, 2009 ($22.88). The value of options is the aggregate spread between $22.88 and the exercise price of the accelerated options, if less than $22.88, while $22.88 is the intrinsic value of the restricted stock grants.

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

Qualified and Non-Qualified Plan; ESOP

Under each Severance Agreement, if a Change in Control Event occurs, subject to eligibility provisions of the plans, the Named Executive Officer will continue to participate in the tax-qualified and non-qualified retirement, savings and employee stock ownership plans of the Company during the twenty-four (24) month period following the Named Executive Officer's date of termination unless he or she commences other employment prior to the end of the twenty-four (24) month period, in which case, such participation will end on the date of his or her new employment. In addition, upon termination of employment for any reason, including death, disability, retirement or other termination, the Named Executive Officer will be entitled to his or her vested benefits under the Retirement Plan and the ESOP. Estimated qualified and non-qualified plan benefits shown in the tables above reflect the present value of the vested accumulated benefits under the Retirement Plan plus, in the case of a Change in Control Event, the annual change in pension value (estimated to be $27,445 per year in the case of Mr. Laverty, $167,885 per year in the case of Mr. Simmons, $7,582 per year in the case of Mr. Webb and $0 per year in the case of Ms. Modaro). Estimated ESOP benefits shown in the tables above reflect the value of vested allocated shares in the ESOP plus, in the case of a Change in Control Event, an annual allocation of ESOP shares to qualified employees (estimated to be $73,112 per year). The estimated value of the ESOP shares is based on the closing price per share of Common Stock on NASDAQ on June 30, 2009 of $22.88 per share.

Health, Dental and Life Insurance

Severance Agreements

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

Employment Agreements

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

Outplacement Services

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

Indemnification

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

DIRECTOR COMPENSATION

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

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

Cash Compensation

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

Equity Compensation

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

Stock Ownership Guidelines

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

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

Director Compensation Table

The following table shows compensation of the non-employee members of the Board for fiscal 2009:

Director(1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
Guenter W. Berger(4)	35,500	5,592	17,011	58,103
Martin A. Lynch(6)(7)	50,500	5,592	1,070	57,162
Thomas A. Maloof(5)(6)(7)(8)	64,752	5,592	1,070	71,414
James J. McGarry(5)	46,000	5,592	1,070	52,662
John H. Merrell(5)(6)(7)(9)	68,500	5,592	1,070	75,162
Carol Farmer Waite(6)	35,500	5,592	1,070	42,162

(1) Mr. Laverty, the Company's Chief Executive Officer and President, is not included in this table as he is an employee of the Company and thus receives no compensation for his service as a director.

(2) Represents the dollar amount recognized for financial statement reporting purposes in accordance with FAS 123(R). Each non-employee director received a grant on December 11, 2008 of 1,400 shares of restricted stock, which generally vest over three years in equal annual installments, with a grant date fair value under FAS 123(R) of $21.76, based on the closing price of our Common Stock on that date of $21.76. The aggregate number of restricted stock awards outstanding at June 30, 2009 for each non-employee director is 2,267, however 1,800 shares of restricted stock previously granted to Ms. Waite as director compensation will be forfeited upon her discontinuing to serve as a director beyond the Annual Meeting.

(3) Includes cash dividends on restricted stock ($1,070).

(4) All Other Compensation for Mr. Berger includes life insurance premiums ($15,941).

(5) Member, Compensation Committee.

(6) Member, Nominating Committee.

(7) Member, Audit Committee.

(8) Compensation Committee Chairman.

(9) Audit Committee Chairman.

Director Indemnification

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

The Indemnification Agreements provide, among other things, that the Company will, to the extent permitted by applicable law, indemnify and hold harmless each indemnitee if, by reason of his or her status as a director, officer, trustee, general partner, managing member, fiduciary, employee or agent of the Company or of any other enterprise which such person is or was serving at the request of the Company, such indemnitee was, is or is threatened to be made, a party to or a participant (as a witness or otherwise) in any threatened, pending or completed proceeding, whether brought in the right of the

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

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Review and Approval of Related Person Transactions

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

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

- the materiality of the related person's interest, including the relationship of the related person to the Company, the importance of the interest to the related person and the amount involved in the transaction;
- whether the terms of the transaction, in the aggregate, are comparable to those that would have been reached by unrelated parties in an arm's length transaction;
- the availability of alternative transactions, including whether there is another person or entity that could accomplish the same purposes as the transaction and, if alternative transactions are available, there must be a clear and articulable reason for the transaction with the related person;
- whether the transaction is proposed to be undertaken in the ordinary course of the Company's business, on the same terms that the Company offers generally in transactions with persons who are not related persons; and
- such additional factors as the Audit Committee determines relevant.

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

Related Person Transactions

In fiscal 2009, the Audit Committee approved and ratified the following related person transactions:

Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP ("AFRCT"), of which John M. Anglin, the Company's Secretary, is a Partner, provides us legal services. During fiscal 2009, we paid AFRCT $1,062,109 for such services, much of which (approximately $627,642) related to the DSD Acquisition and related financing. We expect to continue to engage AFRCT to perform legal services in fiscal 2010.

The son of Carol Farmer Waite, a director of the Company, is a non-executive employee of the Company acting as Director of Green Coffee. Mr. Waite's fiscal 2010 compensation (including salary, bonus, stock based compensation, dividends payable on restricted stock and ESOP allocation) is expected to exceed $120,000.

There are no other transactions since the beginning of fiscal 2009 or currently proposed transactions, in which the Company was or is to be a participant and the amount involved exceeds $120,000, and in which any related person had or will have a direct or indirect material interest.

AUDIT MATTERS

Audit Committee Report

The Audit Committee has reviewed and discussed with management the Company's audited consolidated financial statements as of and for the fiscal year ended June 30, 2009.

The Audit Committee has also discussed with EY the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

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

Based on the reviews and discussions referred to above, the Audit Committee has recommended to the Board that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended June 30, 2009 filed with the SEC.

Audit Committee of the Board of Directors

John H. Merrell, Chairman
Martin A. Lynch
Thomas A. Maloof

Independent Registered Public Accounting Firm

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

The following table sets forth the aggregate fees billed by EY for fiscal 2009 and fiscal 2008 for audit and non-audit services (as well as all "out-of-pocket" costs incurred in connection with these services) and are categorized as Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees. The nature of the services provided in each such category is described following the table.

Type of Fees	2009	2008
Audit Fees	$ 730,000	$521,000
Audit-Related Fees	11,500	33,000
Tax Fees	68,600	35,000
All Other Fees	586,400	140,000
Total Fees	$1,396,500	$729,000

Audit Fees

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

Audit-Related Fees

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

Tax Fees

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

All Other Fees

"All other fees" are fees for any services not included in the first three categories. For fiscal 2009, these fees included fees for strategic projects, including acquisition integration planning.

Pre-Approval of Audit and Non-Audit Services

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

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

In fiscal 2009, there were no fees paid to EY under a de minimis exception to the rules that waive pre-approval for certain non-audit services.

OTHER MATTERS

Annual Report and Form 10-K

The 2009 Annual Report to Stockholders (which includes the Company's Annual Report on Form 10-K, as amended, as filed with the SEC for the fiscal year ended June 30, 2009) accompanies this Proxy Statement. The 2009 Annual Report is neither incorporated by reference in this Proxy Statement nor part of the proxy soliciting material. **Stockholders may obtain, without charge, a copy of the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended June 30, 2009, filed with the SEC, including the financial statements and financial statement schedules thereto, without the accompanying exhibits, by writing to: Farmer Bros. Co., 20333 South Normandie Avenue, Torrance, California 90502, Attention: Chief Financial Officer. The Company's Form 10-K, as amended, is also available online at the Company's website, *www.farmerbros.com*. A list of exhibits is included in the Form 10-K, as amended, and exhibits are available from the Company upon the payment of the Company's reasonable expenses in furnishing them.**

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities (collectively, "Reporting Persons"), to file reports of ownership and changes in ownership with the SEC. Reporting Persons are required by SEC regulations to furnish the Company with copies of all forms they file pursuant to Section 16(a). As a practical matter, the Company assists its directors and executive officers by monitoring transactions and completing and filing Section 16 reports on their behalf. Based solely on the Company's review of the reports filed by Reporting Persons, and written representations from certain Reporting Persons that no other reports were required for those persons, the Company believes that, during the fiscal year ended June 30, 2009, the Reporting Persons met all applicable Section 16(a) filing requirements.

Stockholder Proposals and Nominations

Proposals Pursuant to Rule 14a-8

Pursuant to Rule 14a-8 under the Exchange Act, stockholders may present proper proposals for inclusion in the Company's proxy statement and form of proxy for consideration at the Company's next annual meeting of stockholders. To be eligible for inclusion in the Company's 2010 proxy statement, stockholder proposals must be received by the Company no later than June 30, 2010, and must otherwise comply with Rule 14a-8. While the Board will consider stockholder proposals, the Company reserves the right to omit from the Company's proxy statement stockholder proposals that it is not required to include under the Exchange Act, including Rule 14a-8.

Proposals and Nominations Pursuant to the Company's Bylaws

The Company's Bylaws contain an advance notice provision with respect to matters to be brought at an annual meeting of stockholders, including nominations, and not included in the Company's proxy statement. A stockholder who desires to nominate a director or bring any other business before the stockholders at the 2010 Annual Meeting must notify the Company in writing, must cause such notice to be delivered to or received by the Secretary of the Company no earlier than August 12, 2010, and no later than September 11, 2010, and must comply with the other Bylaw provisions summarized below; provided, however, that in the event that the 2010 Annual Meeting is called for a date that is not within thirty (30) days before or after December 10, 2010, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10^{th}) day following the day on which such notice of the date of the 2010 Annual Meeting was mailed or such public disclosure of the date of the 2010 Annual Meeting was made, whichever first occurs.

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

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

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

Householding of Proxy Materials

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

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

By Order of the Board of Directors

John M. Anglin
Secretary

October 28, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment 1)

(Mark One)

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

For the fiscal year ended June 30, 2009

OR

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

For the transition period from to

Commission file number: 0-1375

FARMER BROS. CO.

(Exact Name of Registrant as Specified in Its Charter)

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

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

Registrant's telephone number, including area code **310-787-5200**
Securities registered pursuant to Section 12(g) of the Act:

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

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

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 31, 2008 was approximately $167 million.

DOCUMENTS INCORPORATED BY REFERENCE

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

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

EXPLANATORY NOTE

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

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

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

TABLE OF CONTENTS

PART I

Item 1. Business

Overview

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

Business Strategy

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

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

Business Operations

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

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

Raw Materials and Supplies

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

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

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

Trademarks and Licenses

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

Seasonality

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

Distribution

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

Customers

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

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

Competition

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

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

Working Capital

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

Foreign Operations

We have no material revenues from foreign operations.

Other

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

Available Information

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

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REDUCTIONS IN CONSUMER DISCRETIONARY SPENDING COULD ADVERSELY AFFECT OUR BUSINESS.

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

CHANGES IN CONSUMER PREFERENCES COULD ADVERSELY AFFECT OUR BUSINESS.

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

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

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

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

OUR SALES AND DISTRIBUTION NETWORK IS COSTLY TO MAINTAIN.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 1.B. Unresolved Staff Comments

None.

Item 2. Properties

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

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

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

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

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

Item 3. Legal Proceedings

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

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

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

PART II

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

Market Information

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

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

Holders

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

Dividends

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

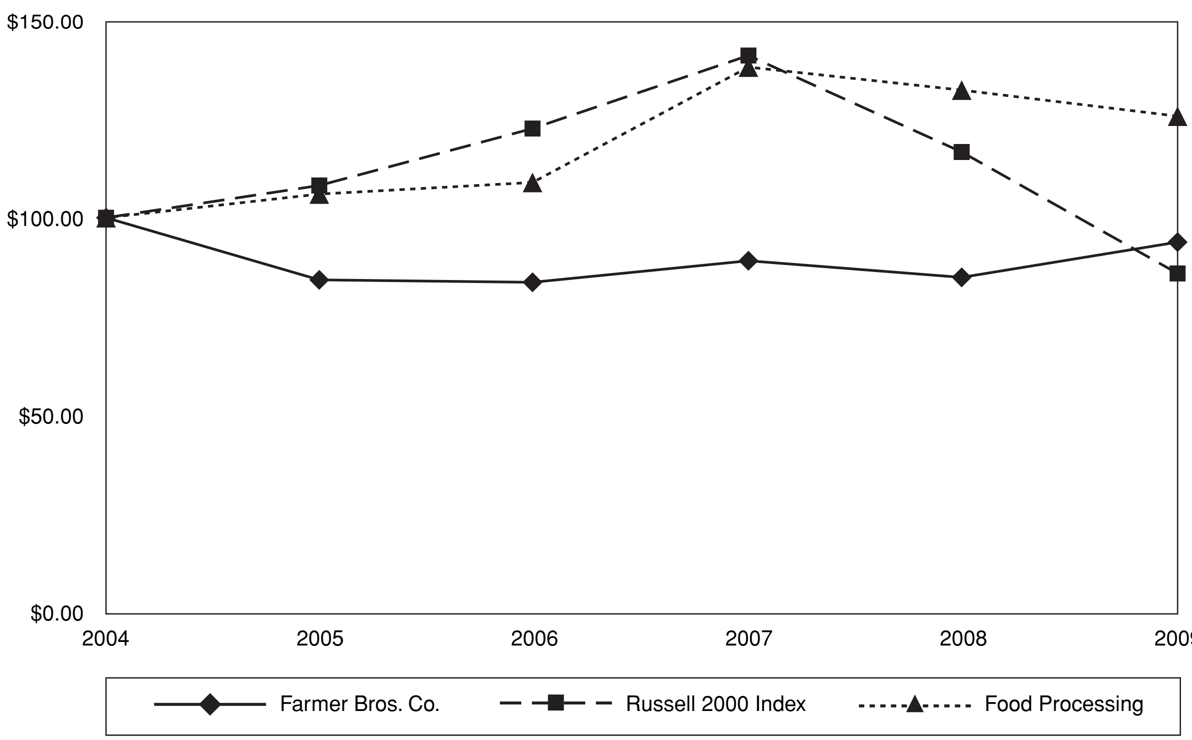
Equity Compensation Plan Information

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

Performance Graph

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

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



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

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

* Cumulative total return assumes reinvestment of dividends.

Source: Value Line, Inc.

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

Item 6. Selected Financial Data

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

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

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

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

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

10-K

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

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

Overview

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

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

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

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

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

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

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

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

Critical Accounting Policies and Estimates

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

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

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

Coffee Brewing Equipment and Service

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

Investments

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

Allowance for Doubtful Accounts

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

Inventories

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

Impairment of Goodwill and Intangible Assets

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

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

Self-Insurance

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

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

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

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

Retirement Plans

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

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

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

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

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

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

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

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

Income Taxes

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

Deferred Tax Asset Valuation Allowance

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

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

Post-Retirement Benefits

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

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

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

Share-Based Compensation

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

Liquidity and Capital Resources

Credit Facility

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

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

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

Liquidity

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

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

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

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

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

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

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

Our working capital is comprised of the following:

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

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

Results of Operations

Fiscal Years Ended June 30, 2009 and 2008

Overview

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

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

Operations

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

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

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

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

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

Total other (expense) income

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

Net Loss

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

Fiscal Years Ended June 30, 2008 and 2007

Overview

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

Operations

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

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

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

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

Total other (expense) income

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

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

Net Loss

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

Contractual Obligations

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

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

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

Commodity Price Risk

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

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

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

Item 8. Financial Statements and Supplementary Data

10-K

Report of Independent Registered Public Accounting Firm

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

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

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

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

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

/s/ Ernst & Young LLP

Los Angeles, California
September 15, 2009

FARMER BROS. CO.

CONSOLIDATED BALANCE SHEETS

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

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

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

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

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

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

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except per share data)

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

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

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

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

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

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

Farmer Bros. Co.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

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

Principles of Consolidation

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

Financial Statement Preparation

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

Cash Equivalents

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

Investments

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

Concentration of Credit Risk

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

Inventories

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

Property, Plant and Equipment

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

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

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

Coffee Brewing Equipment and Service

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

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

Income Taxes

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

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

Revenue Recognition

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

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

Net Income (Loss) Per Common Share

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

Employee Stock Ownership Plan ("ESOP")

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

Impairment of Goodwill and Intangible Assets

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

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

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

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

Shipping and Handling Costs

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

Collective Bargaining Agreements

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

Subsequent Events

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

Reclassifications

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

New Accounting Standards

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

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

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

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

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

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

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

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

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

Note 2. Acquisitions

Acquisition of Coffee Bean International, Inc.

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

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

Fair Value of Assets Acquired

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

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

Acquisition of DSD Coffee Business

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

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

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

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

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

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

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

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

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

Note 3. Investments and Derivative Instruments

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

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

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

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

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

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

Investments at June 30, are as follows:

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

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

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

Note 4. Accounts Receivable, net

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

Allowance for doubtful accounts (In thousands):

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

Note 5. Inventories

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

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

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

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

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

Note 6. Property, Plant and Equipment

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

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

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

Note 7. Goodwill and Intangible Assets

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

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

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

Note 8. Employee Benefit Plans

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

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

Union Pension Plans

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

Company Pension Plans

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

Obligations and Funded Status

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

10-K

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

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

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

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

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

Description of Investment Policy

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

Additional Disclosures

	Farmer Bros. Plan Years ended June 30, 2009	Farmer Bros. Plan Years ended June 30, 2008	Brewmatic Plan Years ended June 30, 2009	Brewmatic Plan Years ended June 30, 2008
	(In thousands)		(In thousands)	
Comparison of obligations to plan assets				
Projected benefit obligation	$96,652	$85,681	$3,476	$3,352
Accumulated benefit obligation	$88,269	$78,112	$3,476	$3,352
Fair value of plan assets at measurement date	$59,266	$84,219	$2,395	$3,540
Plan assets by category				
Equity securities	71%	68%	72%	68%
Debt securities	21%	24%	19%	24%
Real Estate	8%	8%	9%	8%
Total	100%	100%	100%	100%

Target Plan Asset Allocation

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

Estimated Future Contributions and Refunds

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

Estimated Future Benefit Payments

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

Estimated future benefit payments

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

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

Defined Contribution Plans

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

Post-Retirement Benefits

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

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

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

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

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

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

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

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

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

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

10-K

Sensitivity in Fiscal 2009 Results

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

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

Note 9. Bank Loans

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

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

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

Note 10. Employee Stock Ownership Plan

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

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

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

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

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

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

10-K

Note 11. Share-Based Compensation

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

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

Stock Options

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

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

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

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

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

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

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

Outstanding Awards

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

Unvested Awards

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

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

Restricted Stock

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

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

Outstanding Awards

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

Unvested Awards

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

Note 12. Other Current Liabilities

Other current liabilities consist of the following:

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

Note 13. Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 14. Commitments and Contingencies

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

Contractual obligations for future fiscal years are as follows:

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

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

Note 15. Quarterly Financial Data (Unaudited)

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

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

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

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

Management Report on Internal Control Over Financial Reporting

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

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

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

Changes in Internal Control Over Financial Reporting

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

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

Report of Independent Registered Public Accounting Firm

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

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

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

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

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

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

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

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

/s/ Ernst & Young LLP

Los Angeles, California
September 15, 2009

Item 9A(T). Controls and Procedures

Not applicable.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

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

Item 11. Executive Compensation

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

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

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

Equity Compensation Plan Information

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

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

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

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

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

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

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Financial Statements included in Item 8:

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

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

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

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

   Notes to Consolidated Financial Statements.

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

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

(b) Exhibits: See Exhibit Index.

SIGNATURES

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

FARMER BROS. CO.

By: /s/ ROGER M. LAVERTY III

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

By: /s/ JOHN E. SIMMONS

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

By: /s/ HORTENSIA GOMEZ

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

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

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

10-K

EXHIBIT INDEX

3.1 Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 filed with the SEC on May 11, 2009 and incorporated herein by reference).

3.2 Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on June 8, 2006 and incorporated herein by reference).

4.1 Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 17, 2005 and incorporated herein by reference).

4.2 Rights Agreement, dated March 17, 2005, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A., as Rights Agent (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on March 18, 2005 and incorporated herein by reference).

4.3 Specimen Stock Certificate (filed as Exhibit 4.1 to the Company's Form 8-A/A filed with the SEC on February 6, 2009 and incorporated herein by reference).

10.1 Asset Purchase Agreement, dated as of December 2, 2008, by and among Sara Lee Corporation, Saramar, LLC and Farmer Bros. Co. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).

10.2 Amendment No. 1 to Asset Purchase Agreement, dated February 27, 2009, by and among Sara Lee Corporation, Saramar, LLC and Farmer Bros. Co. (filed herewith).

10.3 Stock Purchase Agreement, dated April 27, 2007, by and among Farmer Bros. Co., Coffee Bean Holding Co., Inc., and the Stockholders of Coffee Bean Holding Co., Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2007 and incorporated herein by reference).

10.4 Loan and Security Agreement, dated March 2, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc., FBC Finance Company and SL Realty, LLC, as Guarantors, and Wachovia Bank, National Association, as Lender (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 filed with the SEC on February 10, 2009 and incorporated herein by reference).

10.5 Amendment No. 1 to Loan and Security Agreement and Consent, dated March 2, 2009, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, and Wachovia Bank, National Association, as Lender (filed herewith).

10.6 Farmer Bros. Co. Pension Plan for Salaried Employees (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007 filed with the SEC on September 13, 2007 and incorporated herein by reference).*

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

10.8 Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan (filed as exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007 filed with the SEC on September 13, 2007 and incorporated herein by reference).*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

99.1 Properties List (filed herewith).

---

* Management contract or compensatory plan or arrangement.

Directors and Executive Officers

Farmer Bros. Co.
20333 South Normandie Avenue
Torrance, California 90502

Directors

Guenter W. Berger
Chairman of the Board
Retired Chief Executive Officer, Farmer Bros. Co.

Roger M. Laverty III
President and Chief Executive Officer
Farmer Bros. Co.

Martin A. Lynch
President, Claremorris Consulting

Thomas A. Maloof
Independent Consultant

James J. McGarry
Attorney-at-Law, McGarry & Laufenberg

John H. Merrell
Certified Public Accountant, Retired Partner
Hutchinson and Bloodgood LLP

Carol Farmer Waite
Retired Teacher, Fountain Valley School District

Executive Officers

Roger M. Laverty III
President and Chief Executive Officer

John E. Simmons
Treasurer and Chief Financial Officer

Drew H. Webb
Executive Vice President and Chief Operating Officer

Heidi L. Modaro
Vice President Sales and Operations, Coffee & Tea

Hortensia R. Gómez
Vice President & Controller

John M. Anglin
Secretary
Attorney-at-Law
Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP

Legal Counsel

Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP
199 South Los Robles Avenue, Suite 600
Pasadena, California 91101

Independent Registered Public Accounting Firm

Ernst & Young LLP
725 South Figueroa Street, Fifth Floor
Los Angeles, California 90017

Transfer Agent and Registrar

Wells Fargo Bank MN, N.A.
Shareowner Services
161 North Concord Exchange
South St. Paul, Minnesota 55075-1139

Farmer Brothers™

20333 SOUTH NORMANDIE AVENUE
TORRANCE, CA 90502

www.farmerbros.com