Farmer Brothers®

COFFEE, TEA & SPICES

2013 ANNUAL REPORT

Fellow Stockholders,

On behalf of the Farmer Brothers employees and the Board of Directors, it is my privilege to present the Annual Report for Farmer Bros. Co. for fiscal year 2013. The year was one of focus and progress, where our efforts were concentrated upon establishing collective strategy and goals, ensuring coordination of our action, and executing to the best of our abilities. We strengthened our commitment to causes that we believe in. Importantly, we saw the Company begin to emerge from an extremely challenging period to what became one of the most robust fiscal years in our recent history. Further, I expect our momentum to continue, with the goal of delivering the first year of operating income in over a decade this fiscal year. That being said, the coffee industry remains very competitive; and, as any business impacted by commodities, the volatility of the market presents unique management challenges. We like how far we've come; our attention remains on how far we will go!

In order to focus the entire organization on improving profitability, we defined and aligned upon demanding goals across the Company. Focusing the efforts of employees at all levels of the organization on collective goals allowed us to be more ambitious. Team members throughout the organization have established individual goals that not only motivate their own performance but also contribute to our collective goals. Additional emphasis on career development for our team members has improved the overall focus on the Company's key business strategies. This has been an exciting time for Farmer Brothers.

Integration and reduction of complexity across the Company are vital to our progress. We made great strides in creating a universal manufacturing system across all production facilities. We created a unified national account selling organization. We also now have a single green coffee team to coordinate the purchase of our most substantial and important raw material. To further reduce complexity, we condensed our offerings of brands and products. We believe this increasingly integrated and streamlined approach enhances our ability to focus efforts centrally on quality, consistency, production efficiency, and profitability.

We made additional changes to drive improved execution across the Company. We invested in new, higher-speed production lines to ensure we can meet the demands of our national account customers. We upgraded our enterprise resource planning systems and commenced uniform implementation across all of our production facilities. We streamlined and added new members to our senior leadership team, fostering collaboration among members of the team to works as a unit to solve existing problems, root out potential issues, and drive organizational performance.

During the year we continued our work on improving the marketability of our product portfolio. In May the Company launched new lines of Premium and Select teas, including an iced-tea line that we feel is second to none. Additionally, our Artisan Collection by Farmer Brothers™ line of specialty coffee found increasing acceptance in the market, rewarding our commitment to the quality of that line of products.

The Company strengthened its commitment to causes it believes in. We launched our SEED Program, which is our commitment to sustainability by the promotion of Social Environmental Economic Development. We published our first Sustainability Report, which we intend to use as a benchmark to measure future progress. We worked to focus our support of those industry groups that assist farmers and promote sustainable practices. And, personally, as a member of the World Coffee Research board, I have continued to support that organization's commitment to protect the global coffee supply chain and assist in shaping the research conducted. In addition to being the "right" thing to do, all of these efforts will promote the long-term health of our industry.

That's a lot of growth and change in one year! What hasn't changed? The Company's commitment to quality and service. For a long time, the Company's trucks and signage displayed two additional words – "Consistently Good!" – and we hope to always honor our heritage and proud history as we move the Company forward. I would be remiss if I did not acknowledge that, if not for the full commitment of our team members across the organization, we never could have achieved what we did this year.

And the result of all this? It was the Company's best year in many years. Our stock price increased over seventy-five percent during the fiscal year. We believe we have created a strong platform and infrastructure for future growth. But there is much more to be done. With renewed determination we have set new goals to build upon the great strides we made in 2013. I know I'm looking forward to the year ahead of us.

I hope you can attend the Annual Meeting of Stockholders on December 5, 2013 in Torrance, where I look forward to sharing more about our progress and strategic evolution. It will also give you a chance to meet the new members of our management team. I am very proud to be a part of this team and am confident that as we combine new talent with a proud and dedicated organization, our ability to improve stockholder value will continue.

All the best,

Mike

Michael H. Keown

FARMER BROS. CO.

20333 South Normandie Avenue
Torrance, California 90502

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 5, 2013

TO THE STOCKHOLDERS OF FARMER BROS. CO.:

NOTICE IS HEREBY GIVEN that the 2013 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 executive offices of the Company located at 20333 South Normandie Avenue, Torrance, California 90502, on Thursday, December 5, 2013, at 10:00 a.m., Pacific Standard Time, for the following purposes:

1. To elect three Class I directors to the Board of Directors of the Company for a three-year term of office expiring at the 2016 Annual Meeting of Stockholders and until their successors are elected and duly qualified;
2. To ratify Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2014;
3. To hold an advisory (non-binding) vote to approve the Company's executive compensation;
4. To approve the proposed Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan, which amends and restates the existing Farmer Bros. Co. 2007 Omnibus Plan to, among other things, increase the authorized number of shares issuable under the plan to 1,375,000 shares (an increase of 250,000 shares); and
5. 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 17, 2013 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
TERI L. WITTEMAN
Secretary

Torrance, California
October 28, 2013

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2013 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 5, 2013

This Notice of Annual Meeting of Stockholders, the accompanying Proxy Statement, the Company's 2013 Annual Report on Form 10-K and form proxy card 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. 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. ESOP PARTICIPANTS SHOULD FOLLOW THE INSTRUCTIONS PROVIDED BY THE ESOP TRUSTEE, GREATBANC TRUST COMPANY.

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

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FARMER BROS. CO.

20333 South Normandie Avenue
Torrance, California 90502

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

General

The enclosed proxy is solicited on behalf of the Board of Directors (the "Board of Directors" or the "Board") of Farmer Bros. Co., a Delaware corporation (the "Company," "we," "our" or "Farmer Bros."), for use at the 2013 Annual Meeting of Stockholders (the "Annual Meeting") to be held on Thursday, December 5, 2013, 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 Company intends to mail this Proxy Statement, the accompanying proxy card and Annual Report to Stockholders (which is not part of the Company's soliciting materials) on or about November 5, 2013 to all stockholders entitled to notice of and to vote at the Annual Meeting. The Annual Meeting will be held at the principal executive offices 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 executive offices at *http://proxy.farmerbros.com*.

Solicitation of Proxies

The Company will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this Proxy Statement, the accompanying proxy card 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 other regular employees of the Company. No additional compensation will be paid to directors, officers or other regular 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 principal executive offices of the Company located at 20333 South Normandie Avenue, Torrance, California 90502 for the ten days prior to the Annual Meeting and also at the Annual Meeting.

What Am I Voting On?

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

- The election of three Class I directors to serve on our Board for a three-year term of office expiring at the 2016 Annual Meeting of Stockholders and until their successors are elected and duly qualified;
- The ratification of Ernst & Young LLP ("EY") as our independent registered public accounting firm for the fiscal year ending June 30, 2014;
- An advisory (non-binding) vote to approve our executive compensation;
- The approval of the proposed Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan (the "Amended Equity Plan"), which amends and restates the existing Farmer Bros. Co. 2007 Omnibus Plan (the "Omnibus Plan") to, among other things, increase the authorized number of shares issuable under the plan to 1,375,000 shares (an increase of 250,000 shares); and
- Any other business as may properly come before the Annual Meeting or any continuation, postponement or adjournment thereof.

Who Can Vote?

The Board has set October 17, 2013 as the record date for the Annual Meeting. You are entitled to notice and to vote if you were a holder of record of Common Stock as of the close of business on October 17, 2013. Your shares may be voted at the Annual Meeting only if you are present in person or your shares are represented by a valid proxy.

Shares Outstanding and Quorum

At the close of business on October 17, 2013, 16,454,212 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 quorum is required to hold the Annual Meeting and conduct business thereat. Your shares are counted as present at the Annual Meeting if: (i) you are present in person at the Annual Meeting; or (ii) your shares are represented by a properly submitted proxy card. If you are a record holder and you submit your proxy, regardless of whether you 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. If your shares are held in "street name," your shares are counted as present for purposes of determining a quorum if your broker, bank or other nominee submits a proxy covering your shares. Your broker, bank or other nominee is entitled to submit a proxy covering your shares as to certain "routine" matters, even if you have not instructed your broker, bank or other nominee on how to vote on such matters. In the absence of a quorum, the Annual Meeting may be adjourned, from time to time, by vote of the holders of a majority of the total number of shares of Common Stock represented and entitled to vote thereat.

Voting of Shares

Stockholders of record as of the close of business on October 17, 2013 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. If you hold your shares of Common Stock as a record holder, you may also vote by completing, dating and signing the enclosed proxy card and promptly returning it in the pre-addressed, postage-paid envelope provided to you. If you hold your shares of Common Stock in street name, you will receive a notice from your bank, broker or other nominee that includes instructions on how to vote your shares. Your broker, bank or other nominee may allow you to deliver your voting instructions over the Internet and may also permit you to submit your voting instructions by telephone. Participants in the Farmer Bros. Co. Employee Stock Ownership Plan (the "ESOP") should follow the instructions provided by the ESOP trustee, GreatBanc Trust Company (the "ESOP Trustee"). If you are a record holder and plan to attend the Annual Meeting and wish to vote in person, you may request a ballot at the Annual Meeting. 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 broker, bank or other nominee). All shares entitled to vote and represented by properly executed proxies received before the polls are closed at the Annual Meeting, and not revoked or superseded, will be voted at the Annual Meeting in accordance with the instructions indicated on those proxies.

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

Voting Instructions by ESOP Participants

The ESOP owns approximately 16.0% of the outstanding Common Stock. 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. The ESOP Trustee will vote all of the unallocated ESOP shares (i.e., shares of Common Stock held in the ESOP, but not allocated to any participant's account) and allocated shares for which no voting directions are timely received by the ESOP Trustee in the same proportion as the voted allocated shares with respect to each item.

Counting of Votes

Tabulation; Broker Non-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." A "broker non-vote" occurs when a nominee holding shares for a beneficial owner has not received voting 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 the purpose of determining a quorum, but will not be considered entitled to vote on the proposal in question. Brokers generally have discretionary authority to vote on the ratification of EY as our independent registered public accounting firm. Brokers, however, do not have discretionary authority to vote on the election of directors to serve on our Board, the advisory vote to approve our executive compensation, or the approval of the Amended Equity Plan.

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

Ratification of Accountants. The ratification of EY as our independent registered public accounting firm for the fiscal year ending June 30, 2014 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.

Advisory Vote on Executive Compensation. The approval of the advisory vote on our executive compensation 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 proposal. Brokers do not have discretionary authority to vote on this proposal. Broker non-votes, however, will have no effect on the proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan. The approval of the Amended Equity Plan 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 proposal. Brokers do not have discretionary authority to vote on this proposal. Broker non-votes, however, will have no effect on the proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

If You Receive More Than One Proxy Card or Notice

If you receive more than one proxy card or notice from your bank, broker or other nominee, 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. As a stockholder of record, 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 as follows:

- FOR the election of the three nominees named herein to serve on our Board as Class I directors for a three-year term of office expiring at the 2016 Annual Meeting of Stockholders and until their successors are elected and duly qualified;
- FOR the ratification of EY as our independent registered public accounting firm for the fiscal year ending June 30, 2014;
- FOR the advisory vote to approve our executive compensation; and
- FOR the Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan.

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

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

Voting Results

The preliminary voting results will be announced at the meeting. The final voting results will be reported in a Current Report on Form 8-K, which will be filed with the Securities and Exchange Commission ("SEC") within four business days after the meeting. If our final voting results are not available within four business days after the meeting, we will file a Current Report on Form 8-K reporting the preliminary voting results and subsequently file the final voting results in an amendment to the Current Report on Form 8-K within four business days after the final voting results are known to us.

Interest of Certain Persons in Matters to be Acted Upon

No director, nominee for election as a 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 (i) Proposal No. 1, Election of Directors, and (ii) Proposal No. 4, Approval of the Proposed Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan. No director has informed the Company in writing that he or she intends to oppose any proposal to be voted on at the Annual Meeting.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

General

Under the Company's Certificate of Incorporation and Amended and Restated By-Laws ("By-Laws"), 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 whose term of office expires at the Annual Meeting and whose successors will be elected at the Annual Meeting to serve until the 2016 Annual Meeting of Stockholders. Class II consists of two directors, continuing in office until the 2014 Annual Meeting of Stockholders. Class III consists of two directors, continuing in office until the 2015 Annual Meeting of Stockholders.

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

Based on the recommendation of the Nominating Committee, the Board has nominated Michael H. Keown, Charles F. Marcy and Christopher P. Mottern for election to the Board as Class I directors. If elected at the Annual Meeting, each would serve until the 2016 Annual Meeting of Stockholders and until his successor is elected and duly qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Mr. Keown is a current director and the Company's President and Chief Executive Officer. Messrs. Marcy and Mottern were brought to the attention of the Nominating Committee as potential director nominees by Leadership Capital Partners, LLC, whom the Nominating Committee retained in 2013 to assist with identifying potential director nominees. The functions performed by Leadership Capital Partners, LLC included identifying qualified candidates, conducting interviews and background checks, and presenting qualified candidates to the Nominating Committee for consideration. Messrs. Marcy and Mottern have been nominated for election to the seats currently held by Martin A. Lynch and James J. McGarry. Messrs. Lynch and McGarry will serve out the remainder of their terms as Class I directors through the Annual Meeting.

All of the present directors, other than Michael H. Keown, the Company's President and Chief Executive Officer, were elected to their current terms by the stockholders. Pursuant to the terms of his employment agreement with the Company, Mr. Keown was appointed by the Board as a Class I director on March 28, 2012 to fill the vacancy on the Board occasioned by the resignation therefrom by Jeffrey A. Wahba, the Company's former Treasurer, Chief Financial Officer and Interim Co-Chief Executive Officer.

There are no family relationships among any directors, nominees for director or executive officers of the Company. Except as disclosed below, none of the continuing directors or nominees is a director of any other publicly-held company.

Vote Required

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

Directors are elected by a plurality of the votes cast. This means that the three individuals nominated for election to the Board at the Annual Meeting who receive the largest number of properly cast "FOR" votes (among votes properly cast in person or by proxy) will be elected as directors. In director elections, stockholders may either vote "FOR" or withhold voting authority with respect to director nominees. Shares voting "withhold" are counted for purposes of determining a quorum.

However, if you withhold authority to vote with respect to the election of any or all of the nominees, your shares will not be voted with respect to those nominees indicated. Therefore, "withhold" votes will not affect the outcome of the election of directors. Brokers do not have discretionary authority to vote on the election of directors. Broker non-votes and abstentions will have no effect on the election of directors.

Nominees for Election as Directors

Set forth below is biographical information for each nominee for election as a Class I director at the Annual Meeting, including a summary of the specific qualifications, attributes, skills and experience which led our Board to conclude that the individual should serve on the Board at this time, in light of the Company's business and structure.

Name	Age	Director Since	Audit Committee	Compensation Committee	Nominating Committee
Michael H. Keown	51	2012			
Charles F. Marcy	63	—			
Christopher P. Mottern	69	—			

Michael H. Keown joined the Company as President and Chief Executive Officer on March 23, 2012. Mr. Keown served in various executive capacities at Dean Foods Company, a food and beverage company, from 2003 to March 2012. He was at WhiteWave Foods Company, a subsidiary of Dean Foods, from 2004 to March 2012, including as President, Indulgent Brands from 2006 to March 2012. He was also responsible for WhiteWave's alternative channel business comprised largely of foodservice. Mr. Keown served as President of the Dean Branded Products Group of Dean Foods from 2003 to 2004. Mr. Keown joined Dean Foods from The Coca-Cola Company, where he served as Vice President and General Manager of the Shelf Stable Division of The Minute Maid Company. Mr. Keown has over 25 years of experience in the Consumer Goods business, having held various positions with E.&J. Gallo Winery and The Procter & Gamble Company. Mr. Keown received his undergraduate degree in Economics from Northwestern University. We believe Mr. Keown's qualifications to sit on our Board include his in-depth knowledge of food manufacturing, food processing and the foodservice business, and his ability to provide a critical link between management and the Board of Directors thereby enabling the Board to provide its oversight function with the benefit of management's perspective of the business.

Charles F. Marcy has served as Interim CEO of Turtle Mountain, LLC, a privately held natural foods company, and the maker of the So Delicious brand of dairy free products since May 2013. Prior to this, he was a principal with Marcy & Partners, Inc., providing strategic planning and acquisition consulting to companies with a consumer focus. Mr. Marcy served as President and Chief Executive Officer and a member of the Board of Directors of Healthy Food Holdings, a holding company for branded "better-for-you" foods and the maker of YoCrunch Yogurt and Van's Frozen Waffles from 2005 through April 2010. Previously, Mr. Marcy served as President, Chief Executive Officer and a Director of Horizon Organic Holdings, then a publicly traded company listed on Nasdaq with a leading market position in the organic food business in the United States and the United Kingdom, from 1999 to 2005. Mr. Marcy also previously served as President and Chief Executive Officer and a member of the Board of Directors of the Sealright Corporation, a manufacturer of dairy packaging and packaging systems, from 1995 to 1998. From 1993 to 1995, Mr. Marcy was President of the Golden Grain Company, a subsidiary of Quaker Oats Company and maker of the Near East brand of all-natural grain-based food products. From 1991 to 1993, Mr. Marcy was President of National Dairy Products Corp., the dairy division of Kraft General Foods. From 1974 to 1991, Mr. Marcy held various senior marketing and strategic planning roles with Sara Lee Corporation and General Foods. Mr. Marcy has served on the Board of Directors of B&G, Foods, Inc. ("B&G"), a manufacturer and distributor of shelf-stable food and household products across the United States, Canada and Puerto Rico and a publicly traded company listed on the New York Stock Exchange, since 2010. Mr. Marcy currently serves on the Compensation Committee and Nominating and Governance Committee of the Board of Directors of B&G. In addition, Mr. Marcy currently serves on the Board of Trustees of Washington and Jefferson College, where he serves as Chairman of the Finance Committee. Mr. Marcy received his undergraduate degree in Mathematics and Economics from Washington and Jefferson College, and his MBA from Harvard Business School. We believe Mr. Marcy's qualifications to sit on our Board include his senior management and leadership experience in the food industry, as well as his corporate governance and public company board and executive compensation experience.

Christopher P. Mottern served as President and Chief Executive Officer of Peet's Coffee & Tea, Inc., a specialty coffee and tea company, from 1997 to 2002 and a director of Peet's Coffee & Tea, Inc., from 1997 through 2004. From 1992 to 1996, Mr. Mottern served as President of The Heublein Wines Group, a manufacturer and marketer of wines, now part of Diageo plc, a multinational alcoholic beverage company. From 1986 through 1991, he served as President and Chief

Executive Officer of Capri Sun, Inc., one of the largest single-service juice drink manufacturers in the United States. He has served as a director, including lead director, and member of the finance committee, of a number of private companies. Mr. Mottern received his undergraduate degree in Accounting from the University of Connecticut. Mr. Mottern is a Certified Public Accountant. We believe Mr. Mottern's qualifications to sit on our Board include his senior management and leadership experience in the coffee industry, as well as the requisite financial and accounting experience to serve on the Audit Committee, including as an audit committee financial expert under applicable SEC rules.

THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" EACH OF THE NOMINEES NAMED ABOVE.

Directors Continuing in Office

Set forth below is biographical information for each director continuing in office and a summary of the specific qualifications, attributes, skills and experience which led our Board to conclude that the individual should serve on the Board at this time, in light of the Company's business and structure.

Name	Age	Director Since	Class	Term Expires	Audit Committee	Compensation Committee	Nominating Committee
Hamideh Assadi	68	2011	II	2014	X	X	X
Guenter W. Berger	76	1980	II	2014			X
Randy E. Clark	61	2012	III	2015	X	X	X
Jeanne Farmer Grossman	63	2009	III	2015		Chair	X

Hamideh Assadi is an independent tax consultant. She was an Associate with Chiurazzi & Associates, Seal Beach, California, from March 2007 to March 2012, where she provided tax and business consulting services for multi-state and multi-national businesses in the retail, distribution, manufacturing, real estate and service sectors. Ms. Assadi retired from the Company in January 2007 after more than 23 years of service. Prior to retirement, Ms. Assadi served in a number of roles at the Company. She served as Tax Manager from 1995 to 2006, Cost Accounting Manager from 1990 to 1995, Assistant to Corporate Secretary from 1985 to 1990, and in Production and Inventory Control from 1983 to 1985. Ms. Assadi received her B.S. in Business Administration with an emphasis in Accounting from the College of Business in Tehran, Iran, and a Master's degree in International Law and International Organizations from the School of Law at the University of Tehran, Iran. She also received a Certificate for Professionals in Taxation from the University of California, Los Angeles, and a Certificate of Enrollment to practice before the Internal Revenue Service. We believe Ms. Assadi's qualifications to sit on our Board include her deep knowledge of, and extensive experience as a former employee of, the Company, and her credentials and extensive experience in the fields of taxation and accounting.

Guenter W. Berger currently serves as Chairman of the Board. He retired in December 2007 as Chief Executive Officer of the Company after more than 47 years of service in various capacities. Mr. Berger served as Chief Executive Officer of the Company from 2005 to 2007, President from August 2005 through July 2006, and Interim President and Chief Executive Officer from January 2005 to August 2005. For more than 25 years, from 1980 to 2005, Mr. Berger served as Vice President of Torrance inventory, production, coffee roasting and distribution operations. We believe Mr. Berger's qualifications to sit on our Board include his longstanding tenure with the Company resulting in a deep understanding of our operations and extensive knowledge of the foodservice industry and the production and distribution processes related to coffee, tea and culinary products.

Randy E. Clark is a retired foodservice executive. He served as President and Chief Executive Officer of Border Foods, Inc., one of the largest producers of green chile in the world and one of the largest producers of jalapenos in the United States, from 2008 to 2011. Mr. Clark's earlier experience includes serving as Chief Executive Officer of Fruit Patch, Inc., one of the largest distributors of stone fruits in the United States; President and Chief Executive Officer of Mike Yurosek & Son, LLC, a produce grower and processor; and Vice President, Sales and Marketing with William Bolthouse Farms, a produce grower and processor. Mr. Clark was a Professor of Accounting and Marketing at the Masters College in Santa Clarita, California, from 1999 to 2003. Mr. Clark received his undergraduate degree from Cedarville College, an M.S. in Accounting from Kent State University, and a Doctorate in Organizational Leadership from Pepperdine University. Mr. Clark is a Certified Public Accountant. We believe Mr. Clark's qualifications to sit on our Board include his extensive background and experience in the foodservice business, and his accounting and financial expertise.

Jeanne Farmer Grossman is a retired teacher and a homemaker. She is the sister of Carol Farmer Waite, a former director, and the late Roy E. Farmer, who served as Chairman of the Board from 2004 to 2005, Chief Executive Officer from 2003 to 2005, and President from 1993 to 2005, and the daughter of the late Roy F. Farmer, who served as Chairman of the Board from 1951 to 2004 and Chief Executive Officer from 1951 to 2003. Ms. Grossman received her undergraduate degree and teaching credentials from the University of California at Los Angeles. We believe Ms. Grossman's qualifications to sit on our Board include her extensive knowledge of the Company's culture and sensitivity for Company core values, extensive training in program creation and development, curriculum development, the development and evaluation of measurable objective protocol and individual/group task evaluation, as well as committee work in various areas including fundraising, staffing and outreach.

PROPOSAL NO. 2

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General

The Audit Committee of the Board of Directors has directed that management submit the selection of Ernst & Young LLP ("EY") as the independent registered public accounting firm for the Company and its subsidiaries for the fiscal year ending June 30, 2014 for ratification by the stockholders at the Annual Meeting. EY served as the Company's independent registered public accountants in fiscal 2013. A representative of EY is expected to be present at the Annual Meeting, will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

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

Vote Required

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

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

SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of October 17, 2013, by all persons (including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) known by the Company to be the beneficial owner of more than five percent (5%) of the Common Stock as of such date, except as noted in the footnotes below:

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percent of Class(3)
Farmer Group	6,073,118 shares (4)	36.9%
Farmer Bros. Co. Employee Stock Ownership Plan	2,623,416 shares(5)	16%

(1) The address for the Farmer Group and the ESOP 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 17, 2013 and may differ from the "Percent of Class" reported in statements of beneficial ownership filed with the SEC.

(4) Total beneficial ownership as reflected in a Form 4 filed with the SEC on December 28, 2012 by Carol Farmer Waite, Richard F. Farmer and Jeanne Farmer Grossman. Pursuant to a Schedule 13D/A filed with the SEC on September 21, 2006, for purposes of Section 13 of the Exchange Act, Carol Farmer Waite, Richard F. Farmer and Jeanne Farmer Grossman 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	3,797,315	23.1%	106,996	1,355,252	2,549,059
Richard F. Farmer	3,652,837	22.2%	178,675	1,276,363	2,555,149
Jeanne Farmer Grossman	892,444	5.4%	6,030	880,324	18,150

(5) Pursuant to a Schedule 13G/A filed with the SEC on February 8, 2013. Includes 1,885,061 allocated shares and 738,355 shares as yet unallocated to plan participants as of December 31, 2012. 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, the ESOP Trustee will vote all of the unallocated ESOP shares (i.e., shares of Common Stock held in the ESOP, but not allocated to any participant's account) and allocated shares for which no voting directions are timely received by the ESOP Trustee in the same proportion as the voted allocated shares with respect to each item. The present members of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans (the "Management Administrative Committee"), which administers the ESOP, are Michael H. Keown, Mark J. Nelson, Hortensia R. Gómez, Thomas J. Mattei, Jr. and Patrick Quiggle. Each member of the Management 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.

Security Ownership of Directors and Executive Officers

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of October 17, 2013, by: (i) each current director and nominee; (ii) all individuals serving as the Company's principal executive officer or acting in a similar capacity during fiscal 2013, all individuals serving as the Company's principal financial officer or acting in a similar capacity during fiscal 2013, and the Company's three most highly compensated executive officers (other than the principal executive officer and principal financial officer) who were serving as executive officers at the end of fiscal 2013 (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
Non-Employee Directors and Nominees:			
Hamideh Assadi	8,004	(3)	*
Guenter W. Berger	29,780	(4)	*
Randy E. Clark	3,949	(5)	*
Jeanne Farmer Grossman	892,444	(6)	5.4%
Martin A. Lynch	17,096	(7)	*
Charles F. Marcy (Nominee)	—		—
James J. McGarry	12,139	(8)	*
Christopher P. Mottern (Nominee)	—		—
Named Executive Officers:			
Michael H. Keown	106,230	(9)	*
Mark J. Nelson	5,947		*
Jeffrey A. Wahba	—		—
Mark A. Harding	99,145	(10)	*
Thomas W. Mortensen	46,725	(11)	*
Hortensia R. Gómez	25,842	(12)	*
All directors and executive officers as a group (13 individuals)(13)	6,427,975		39.1%

* Less than 1%

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

(2) Includes (i) shares of restricted stock which have not yet vested as of October 17, 2013, 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 17, 2013 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 (#)
Non-Employee Directors and Nominees:			
Hamideh Assadi	—	—	6,183
Guenter W. Berger	—	—	6,923
Randy E. Clark	—	—	2,540
Jeanne Farmer Grossman	—	—	6,923
Martin A. Lynch(a)	—	—	7,669
Charles F. Marcy (Nominee)	—	—	—
James J. McGarry(a)	—	—	6,923
Christopher P. Mottern (Nominee)	—	—	—
Named Executive Officers:			
Michael H. Keown	23,333	23,333	34,401
Mark J. Nelson	—	—	5,947
Jeffrey A. Wahba(b)	—	—	—
Mark A. Harding	67,675	11,638	11,527
Thomas W. Mortensen	18,735	5,570	13,162
Hortensia R. Gómez	12,936	3,695	3,935

(a) Includes 3,516 shares of restricted stock which are expected to be forfeited by each of Messrs. McGarry and Lynch upon their ceasing to serve on the Board of Directors beyond the Annual Meeting and 2,667 shares of restricted stock the vesting of which the Board intends to accelerate to the date of the Annual Meeting.

(b) Excludes 7,500 shares of restricted stock, 14,000 shares subject to unvested stock options and 1,444 unvested ESOP shares which were forfeited upon Mr. Wahba's resignation of employment with the Company effective February 28, 2013, and 28,000 shares subject to vested stock options which were not exercised within the terms of the award and cancelled.

(3) Includes 1,821 shares owned outright.

(4) Includes 8,173 shares owned outright, 8,060 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.

(5) Includes 1,409 shares owned outright.

(6) Includes shares held in various family trusts of which Ms. Grossman is the sole trustee, co-trustee, beneficiary and/or settlor. Ms. Grossman is the beneficial owner of: (i) 9,550 shares of Common Stock as a successor trustee of a trust for the benefit of her daughter over which she has sole voting and dispositive power; (ii) 858,378 shares of Common Stock as sole trustee of the Jeanne F. Grossman Trust, dated August 22, 1997; (iii) 12,120 shares of Common Stock as successor co-trustee of various trusts, for the benefit of herself and family members, and over which she has shared voting and dispositive power with Richard F. Farmer; (iv) 5,473 shares owned outright; and (v) 6,923 shares of restricted stock. Ms. Grossman disclaims beneficial ownership of 6,030 shares held in a trust for the benefit of her nephew. Total beneficial ownership of the Farmer Group, which includes Ms. Grossman, is 6,073,118 shares, as shown in the table above under the heading "Security Ownership of Certain Beneficial Owners."

(7) Includes 8,173 shares owned outright and 2,000 shares held in a revocable living trust with voting and investment power shared by Mr. Lynch and his wife.

(8) Includes 5,216 shares owned outright.

(9) Includes 24,625 shares owned outright and 538 shares beneficially owned by Mr. Keown through the ESOP, rounded to the nearest whole share.

(10) Includes 5,351 shares owned outright and 2,954 shares beneficially owned by Mr. Harding through the ESOP, rounded to the nearest whole share.

(11) Includes 1,773 shares owned outright and 7,485 shares beneficially owned by Mr. Mortensen through the ESOP, rounded to the nearest whole share.

(12) Includes 129 shares held in a trust over which Ms. Gómez has sole voting and investment power, 1,132 shares owned outright and 4,015 shares beneficially owned by Ms. Gómez through the ESOP, rounded to the nearest whole share.

(13) Includes 6,073,118 shares of Common Stock beneficially owned by the Farmer Group, including the 892,444 shares beneficially owned by Ms. Grossman.

CORPORATE GOVERNANCE

Director Independence

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

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

Director or Nominee	Status
Hamideh Assadi	Independent(1)
Guenter W. Berger	Independent(2)
Randy E. Clark	Independent
Jeanne Farmer Grossman	Independent(3)
Michael H. Keown	Not Independent(4)
Martin A. Lynch	Independent
Charles F. Marcy (Nominee)	Independent(5)
James J. McGarry	Independent(6)
John H. Merrell	Independent(7)
Christopher P. Mottern (Nominee)	Independent

(1) Ms. Assadi was an employee of Farmer Bros. from 1983 to 2006, including serving as Tax Manager from 1995 to 2006, Cost Accounting Manager from 1990 to 1995, Assistant to Corporate Secretary from 1985 to 1990, and Production and Inventory Control from 1983 to 1985. Ms. Assadi is entitled to certain retiree benefits generally available to Company retirees and is entitled to a death benefit provided by the Company to certain of its retirees and employees.

(2) Mr. Berger is the Chairman of the Board and former Chief Executive Officer of the Company. Mr. Berger is entitled to certain retiree benefits generally available to Company retirees and is entitled to a death benefit provided by the Company to certain of its retirees and employees.

(3) Ms. Grossman is the sister of Carol Farmer Waite, a former director, and the sister of the late Roy E. Farmer and daughter of the late Roy F. Farmer, both of whom were executive officers of the Company more than three years ago. The Farmer Group beneficially owns approximately 36.9% of the outstanding Common Stock.

(4) Mr. Keown is the Company's President and Chief Executive Officer. He has served as a Class I director since March 28, 2012.

(5) Mr. Marcy served on the board of directors of Community Food Share, a nonprofit corporation, with Mr. Keown for a period ending in 2008.

(6) Mr. McGarry is a partner in the law firm of McGarry & Laufenberg. During the last three fiscal years, McGarry & Laufenberg billed legal fees and costs to the Company and/or Liberty Mutual Insurance Company, one of the Company's insurance carriers, in connection with various matters relating to the Company. The foregoing amounts did not exceed the greater of five percent (5%) of McGarry & Laufenberg's gross revenues or $200,000 during the applicable fiscal year.

(7) Mr. Merrell stepped down as a Class III director at the end of his term on December 6, 2012.

Board Meetings and Attendance

The Board held eight meetings during fiscal 2013, including four regularly scheduled and four special meetings. During fiscal 2013, 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). The independent directors generally meet in executive session following each regularly scheduled Board meeting. 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 2012 Annual Meeting of Stockholders held on December 6, 2012 with the exception of John H. Merrell, who stepped down as a director at the 2012 Annual Meeting at the end of his term.

Charters; Code of Conduct and Ethics

The Board maintains charters for 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*. Information contained on the website is not incorporated by reference in, or considered part of, this Proxy Statement.

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 on behalf of the Board the accounting and financial reporting processes of the Company and the audit of the Company's financial statements. The Audit 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 relating to accounting and financial reporting matters; (v) the Company's system of disclosure controls and procedures and internal control over financial reporting that management has established; and (vi) the Company's framework and guidelines with respect to risk assessment and risk management. Responsibilities of the Audit Committee in fiscal 2013 also included acting as a search committee to identify qualified candidates to serve as the Company's Chief Financial Officer. The Audit Committee is directly and solely responsible for the appointment, dismissal, compensation, retention and oversight of the work of any independent auditor engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor reports directly to the Audit Committee.

During fiscal 2013, the Audit Committee met ten times. Martin A. Lynch serves as Chairman, and Hamideh Assadi and Randy E. Clark currently serve as members of the Audit Committee. All members of the Audit Committee meet the Nasdaq composition requirements, including the requirements regarding financial literacy and financial sophistication, and the Board has determined that each member is independent under the Nasdaq listing standards and the rules of the SEC regarding audit committee membership. The Board has determined that at least one member of the Audit Committee is an "audit committee financial expert" as defined in Item 407(d) of Regulation S-K under the Exchange Act. That person is Martin A. Lynch, the Audit Committee Chairman. Mr. Lynch intends to serve as a member and Chairman of the Audit Committee through the end of his term as a director at the Annual Meeting.

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 and equity compensation plans. The Compensation Committee also is responsible for evaluating and making recommendations to the Board regarding director compensation. In addition, the Compensation Committee is responsible for conducting an annual risk evaluation of the Company's compensation practices, policies and programs.

During fiscal 2013, the Compensation Committee met eleven times. Jeanne Farmer Grossman serves as Chair, and Hamideh Assadi and Randy E. Clark currently serve as members of the Compensation Committee. The Board has determined that all Compensation Committee members are independent under the Nasdaq listing standards.

Executive Compensation

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

- In making determinations regarding executive officer compensation, the Compensation Committee considers competitive market data among several other factors such as Company performance and financial condition, 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's compensation, the Chief Executive Officer may make a recommendation to the Compensation Committee with respect to his compensation, and the Compensation Committee may also solicit input from the other disinterested Board members; however the Compensation Committee has sole authority for the final compensation determination.

- Cash compensation for our executive officers is determined by the Compensation Committee annually, generally in the first quarter of the fiscal year, with any adjustments to base compensation to be effective as of the date determined by the Compensation Committee. Additional adjustments to cash compensation may be made during the fiscal year to reflect, among other things, changes in title and/or job responsibilities, or changes in light of the Company's performance or financial condition.

- 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 performance 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, including the Chief Executive Officer, have an opportunity to provide input regarding their contributions to the Company's performance and achievement of individual goals for the period being assessed. Incentive compensation for 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 performance goals and objectives for each executive officer for the current fiscal year. The Chief Executive Officer typically provides input and recommendations to the Compensation Committee with respect to setting individual and corporate performance goals and objectives for each executive officer, including the Chief Executive Officer. In light of these recommendations, the Compensation Committee determines the individual and corporate performance goals and objectives for the fiscal year and informs the executive officers.

- The Compensation Committee has the authority to make equity-based grants under the Omnibus Plan (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4) to eligible individuals for purposes of compensation, retention or promotion, and in connection with commencement of employment. Equity compensation is generally determined on the date of the regularly scheduled meeting of the Board of Directors in December of each year. Additional equity awards may be made during the fiscal year to new hires and to reflect, among other things, changes in title and/or job responsibilities, or to offset changes to cash compensation in light of the Company's performance or financial condition. The Chief Executive Officer typically provides input and recommendations to the Compensation Committee with respect to the number of shares to be granted pursuant to any award. Proposed equity awards to all executive officers are discussed and presented to the entire Board prior to award by the Compensation Committee.

- The Compensation Committee has the authority to retain consultants to advise on executive officer compensation matters. In fiscal 2013, the Compensation Committee engaged compensation consultants to advise on executive officer compensation matters as follows:

(1) Mercer was engaged to provide consulting services relating to the Omnibus Plan and long-term incentives, including competitive practices and stakeholder perspectives regarding long-term incentives in connection with the amendment to the Omnibus Plan to increase the number of shares available for issuance thereunder as approved by the Company's stockholders at the 2012 Annual Meeting. Mercer attended one (held in calendar 2012) of the eleven Compensation Committee meetings held in fiscal 2013.

(2) Strategic Apex Group LLC ("Strategic Apex Group") was engaged to advise on the Company's comprehensive executive compensation strategy, including base compensation and all forms of incentive compensation with a particular emphasis on long-term incentive compensation. Strategic Apex Group was directed by the Compensation Committee to help to identify an appropriate peer group and make recommendations regarding the amount and form of total compensation to be delivered to executive officers and other Company employees, alternative forms of long-term incentive compensation, strengthening of integration of performance requirements, and potential modifications to the Omnibus Plan or to its administration. Strategic Apex Group attended four of the eleven Compensation Committee meetings held in fiscal 2013.

Mercer and Strategic Apex Group reported directly to the Compensation Committee in connection with the services provided. Management coordinated payment to the consultants out of the Board of Directors' budget.

- The Compensation Committee may form and delegate authority to subcommittees when appropriate, or to one or more members of the Compensation Committee. No such delegation of authority was made in fiscal 2013.
- The Compensation Committee generally holds executive sessions (with no members of management present) at each of its meetings.

Director Compensation

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

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

- The Compensation Committee has authority to evaluate and make recommendations to the Board regarding director compensation. The Compensation Committee conducts this evaluation periodically by reviewing our director compensation practices against the practices of an appropriate peer group and market survey information. Based on this evaluation, the Compensation Committee may determine to make recommendations to the Board regarding possible changes.
- The Compensation Committee has the authority to retain consultants to advise on director compensation matters; however no such consultants were engaged in fiscal 2013 for this purpose. 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 (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4) with respect to equity awards made to non-employee directors.
- The Compensation Committee may form and delegate authority to subcommittees when appropriate, or to one or more members of the Compensation Committee. No such delegation of authority was made in fiscal 2013.

Compensation Committee Interlocks and Insider Participation

During fiscal 2013, Hamideh Assadi, Randy E. Clark, Jeanne Farmer Grossman, James J. McGarry and John H. Merrell served as members of the Compensation Committee. Mr. Clark was appointed to the Compensation Committee on December 6, 2012. Mr. McGarry served as Chairman and a member of the Compensation Committee through December 6, 2012. Mr. Merrell served as a member of the Compensation Committee through the end of his term as a director on December 6, 2012. Ms. Grossman was appointed Chair of the Compensation Committee on December 6, 2012. No member of the Compensation Committee is an officer or former officer of the Company, was an employee of the Company during fiscal 2013, 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 2013 Form 10-K.

Compensation Committee
of the Board of Directors

Jeanne Farmer Grossman, Chair
Hamideh Assadi
Randy E. Clark

Nominating Committee

The Nominating Committee is a standing committee of the Board. The Nominating Committee's principal purposes are to assist the Board in ensuring that it is appropriately constituted in order to meet its fiduciary obligations, including by identifying persons qualified to become Board members and recommending 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 2013, the Nominating Committee met three times regarding the nomination of directors for election at the 2012 Annual Meeting. James J. McGarry serves as Chairman, and Hamideh Assadi, Guenter W. Berger, Randy E. Clark, Jeanne Farmer Grossman and Martin A. Lynch currently serve as members of the Nominating Committee. The Board has determined that all Nominating Committee members are independent under the Nasdaq listing standards. Mr. Lynch intends to serve as a member and Mr. McGarry intends to serve as a member and Chairman of the Nominating Committee through the end of each of their terms as a director at the Annual Meeting.

Director Qualifications and Board Diversity

The Nominating Committee is responsible for determining Board of Director membership qualifications and for selecting, evaluating and recommending to the Board nominees for the annual election to the Board and to fill vacancies as they arise. The Nominating Committee maintains, with the approval of the Board, guidelines for selecting nominees to serve on the Board and considering stockholder recommendations for nominees. The Nominating Committee believes that the ideal constitution of the Board of Directors should include, and thus its nominees to the Board of Directors should promote, the following composition of directors: the Chief Executive Officer of the Company; one or more nominees with upper management experience with the Company, in the coffee industry, in a complementary industry or who have desired professional expertise; three nominees who are independent and have the requisite accounting or financial qualifications to serve on the Audit Committee; and at least three nominees who are independent and have executive compensation experience to serve on the Compensation Committee. All nominees should contribute substantially to the Board's oversight responsibilities and reflect the needs of the Company's business. Additionally, the Nominating Committee believes that a member of the Farmer family, founding and substantial stockholders of the Company, or their representative should serve on the Board of Directors. The Nominating Committee believes that diversity has a place when choosing among candidates who otherwise meet the selection criteria, but the Company has not established a policy concerning diversity in Board composition. The Nominating Committee is responsible for evaluating and recommending to the Board the total size and composition of the Board. In connection with the annual nomination of directors, the Nominating Committee reviews with the Board the composition of the Board as a whole and recommends, if necessary, measures to be taken so that the Board reflects the appropriate balance of knowledge, experience, skills, background and diversity advisable for the Board as a whole. The background of each director and nominee is described above under "Proposal No. 1—Election of Directors."

For purposes of identifying nominees for the Board of Directors, the Nominating Committee often relies on professional and personal contacts of the Board and senior management. If necessary, the Nominating Committee may explore alternative sources for identifying nominees, including engaging, as appropriate, a third party search firm to assist in identifying qualified candidates. In fiscal 2013, the Nominating Committee retained Leadership Capital Partners, LLC to assist with identifying potential nominees to the Board.

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. 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. The process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Nominating Committee.

Board Leadership Structure

Under our By-Laws, the Board of Directors, in its discretion, may choose a Chairman of the Board of Directors. If there is a Chairman of the Board of Directors, such person may exercise such powers as provided in the By-Laws or assigned by the Board of Directors. Since 2007, Guenter W. Berger has served as Chairman of the Board of Directors. As described above under "Proposal No. 1—Election of Directors," Mr. Berger has served on our Board of Directors since 1980. He retired from the Company in 2007 as Chief Executive Officer after more than 47 years of service in various capacities.

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

Although the roles of Chairman and Chief Executive Officer are currently filled by different individuals, no single leadership model is right for all companies at all times, and the Company has no bylaw or policy in place that mandates this leadership structure.

Board's Role in Risk Oversight

The Board of Directors recognizes that although management is responsible for identifying risk and risk controls related to business activities and developing programs and recommendations to determine the sufficiency of risk identification and the appropriate manner in which to control risk, the Board plays a critical role in the oversight of risk. The Board implements its risk oversight responsibilities by having management provide periodic briefing and informational sessions on the significant risks that the Company faces and how the Company is seeking to control risk if and when appropriate. In some cases, a Board committee is responsible for oversight of specific risk topics. For example, the Audit Committee has oversight responsibility of risks associated with financial accounting and audits, internal control over financial reporting and the Company's major financial risk exposures, including risks relating to pension plan investments, commodity risk and hedging programs. The Compensation Committee has oversight responsibility of risks relating to the Company's compensation policies and practices, as well as management development and leadership succession at the Company. At each regular meeting, or more frequently as needed, the Board of Directors considers reports from the Audit Committee and Compensation Committee which provide detail on risk management issues and management's response. The Board of Directors as a whole, examines specific business risks in its periodic reviews of the individual business units and also of the Company as a whole, as part of its regular reviews, including as part of the strategic planning process and annual budget review and approval. Beyond formal meetings, the Board and its committees have regular access to senior executives, including the Company's Chief Executive Officer and Chief Financial Officer. The Company believes that its leadership structure promotes effective Board oversight of risk management because the Board directly, and through its various committees, is regularly provided by management with the information necessary to appropriately monitor, evaluate and assess the Company's overall risk management, and all directors are actively involved in the risk oversight function.

Communication with the Board

The Company's annual meeting of stockholders provides an opportunity each year for stockholders to ask questions of, or otherwise communicate directly with, members of the Board on appropriate matters. In addition, stockholders may communicate in writing with any particular director, any committee of the Board, or the directors as a group, by sending such written communication to the Secretary of the Company at the Company's principal executive offices, 20333 South Normandie Avenue, Torrance, California 90502. Copies of written communications received at that address will be collected and organized by the Secretary and provided to the Board or the relevant director unless the 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 or her 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

Executive Summary

Fiscal 2013 Named Executive Officers

This Compensation Discussion and Analysis describes our executive compensation objectives, each element of our executive compensation program and the decisions made in fiscal 2013 with respect to our Named Executive Officers which include five current and one former executive officer as set forth in the table below:

Current Executive Officers Included Among Fiscal 2013 Named Executive Officers	Former Executive Officer Included Among Fiscal 2013 Named Executive Officers
Michael H. Keown President and Chief Executive Officer	Jeffrey A. Wahba(1) Former Treasurer and Chief Financial Officer Former Interim Co-Chief Executive Officer
Mark J. Nelson(2) Treasurer and Chief Financial Officer	
Mark A. Harding Senior Vice President of Operations	
Thomas W. Mortensen Senior Vice President of Route Sales	
Hortensia R. Gómez Vice President, Controller and Assistant Treasurer	

(1) Mr. Wahba resigned his employment with the Company effective February 28, 2013.

(2) Mr. Nelson joined the Company on April 15, 2013.

Executive Compensation Philosophy and Objectives and Pay-for-Performance

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

- Balancing compensation elements and levels that attract, motivate and retain talented executives with forms of compensation that are performance-based and/or aligned with stock performance and stockholder interests;
- Setting target total direct compensation (base salary, annual incentives and long-term incentives) and the related performance requirements for executive officers by reference to compensation ranges for comparable market reference points, all within the context of an organization that is engaged in a turn-around effort; and
- Appropriately adjusting total direct compensation to reflect the performance of the executive officer over time (as reflected in his or her goals under the Incentive Plan), as well as the Company's annual performance (as reflected in the financial performance goals established under the Incentive Plan), and the Company's long-term performance (as reflected by stock appreciation for equity-based awards previously granted under the Omnibus Plan or to be granted under the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4).

Fiscal 2013 Impact of Performance on Pay

In fiscal 2013, the Compensation Committee established Company financial performance criteria and individual participant goals for bonus awards under the Incentive Plan. The Compensation Committee established operating cash flow, defined as income from operations after executive bonus accruals, excluding non-recurring items such as income from the sale of capital assets, severance paid or payable to terminated employees, interest expense, depreciation and amortization, pension related expense and ESOP compensation expense, of $26.5 million as a threshold to any bonus payout under the Incentive Plan. In fiscal 2013, loss from operations was $(4.1) million compared to $(22.1) million in fiscal 2012, primarily due to improvement in gross profit. As a result, the Company achieved the operating cash flow threshold under the Incentive Plan, resulting in aggregate bonuses in the amount of $924,473 to our current Named Executive Officers based on the extent of achievement of operating cash flow and individual participant goals. Mr. Wahba, a former Named Executive Officer, received severance in fiscal 2013 (paid in fiscal 2014) based in part on his target award pursuant to the terms of his employment agreement with the Company.

Alignment with Stockholder Interests

We believe that our compensation programs are strongly aligned with the long-term interests of our stockholders. Compensation includes equity-based awards under the Omnibus Plan (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4) intended to align total compensation with stockholder interests by encouraging long-term performance. Equity represents a key component of the compensation of our Named Executive Officers as a percentage of total compensation.

For Mr. Keown, our current President and Chief Executive Officer, on an annualized basis for fiscal 2013, approximately 34% of target total direct compensation was in the form of equity; approximately 33% was base salary; and approximately 33% was short-term incentive cash compensation under the Incentive Plan.

For our Named Executive Officers (other than Mr. Keown), on average, in fiscal 2013 approximately 29% of target total direct compensation was in the form of equity; approximately 48% was base salary; and approximately 22% was short-term incentive cash compensation under the Incentive Plan.

Stock options for 117,828 shares have been exercised since inception of the Omnibus Plan, and 385,946 shares issuable under outstanding stock options are "in the money" as of October 17, 2013.

Good Governance and Best Practices

Executive officer compensation is determined by the Compensation Committee which is composed solely of independent directors. The Compensation Committee has authority to retain independent compensation consultants to provide it with advice on matters related to executive compensation. In fiscal 2013, the Compensation Committee engaged Mercer and Strategic Apex Group to advise on certain executive officer compensation matters as described below under the heading "Oversight of the Executive Compensation Program—Compensation Committee Consultants."

The Company intends to provide pay opportunities that reflect best practices and that also acknowledge the Company's current circumstances and historical results. Accordingly, the Company:

- Does not provide supplemental retirement benefits to Named Executive Officers in excess of those generally provided to other employees of the Company;
- Maintains incentive compensation plans that do not encourage undue risk-taking and align executive rewards with annual and long-term performance;
- Has not engaged in the practice of re-pricing/exchanging stock options;
- Does not provide for any "single trigger" severance payments in connection with a change in control to any Named Executive Officer;
- Maintains an equity compensation program that generally has a long-term focus, including equity awards that generally vest over a period of three years, or, in the case of restricted stock awards, cliff vest at the end of three years;
- Maintains compensation programs that have a strong pay-for-performance orientation;
- Limits perquisites except in connection with the facilitation of the Company's business or where necessary in recruiting and retaining key executives;
- Maintains stock ownership guidelines for executive officers that require significant investment by these individuals in the Company's Common Stock; and
- Has a clawback policy that requires the Board of Directors to review all bonuses and other incentive and equity compensation awarded to the Company's executive officers if it is subsequently determined that the amounts of such compensation were determined based on financial results that are later restated and the executive officer's fraud or misconduct caused or partially caused such restatement.

Consideration of Most Recent Stockholder Advisory Vote on Executive Compensation

In December 2012, we held a stockholder advisory vote to approve the compensation of our named executive officers (the "say-on-pay proposal"). Our stockholders approved the compensation of our named executive officers, with approximately 53% of the shares present or represented by proxy at the 2012 Annual Meeting casting votes in favor of the say-on-pay proposal. In light of this stockholder advisory vote, during fiscal 2013 the Compensation Committee evaluated the Company's executive compensation programs, particularly the Omnibus Plan, which resulted in the proposed Amended Equity Plan, included herein as Proposal No. 4, as well as certain adjustments to the Company's incentive compensation program under the Incentive Plan, in each case, as described below. Such adjustments in the Company's executive compensation programs are expected to be implemented in fiscal 2014.

The Compensation Committee will continue to consider the outcome of our say-on-pay votes when making future compensation decisions for the named executive officers. In addition, when determining how often to hold future say-on-pay votes to approve the compensation of our named executive officers, the Board took into account the strong preference for an annual vote expressed by our stockholders at our 2011 Annual Meeting. Accordingly, the Board determined that we will hold say-on-pay votes to approve the compensation of our named executive officers every year.

Primary Elements of Executive Compensation

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

Compensation Element	Description	Purpose
Base Salary	Fixed pay element determined annually, generally in the first quarter of the fiscal year, with any adjustments to base pay to be effective as of the date determined by the Compensation Committee. May be subject to adjustment during the fiscal year to reflect, among other things, changes in title and/or job responsibilities, or changes in light of the Company's performance or financial condition.	Attract and retain top talent and compensate for day-to-day job responsibilities performed at an acceptable level.
Incentive Cash Bonus	Variable cash compensation based on the achievement of Company and individual annual performance objectives. May be subject to adjustment in the event of a promotion or job change.	Reward achievement of annual financial objectives as well as near-term strategic objectives that will create the momentum to lead to the long-term success of the Company's business.
Long-Term Incentives	Variable equity-based and cash-based compensation, to date exclusively equity-based and consisting of a combination of stock options and restricted stock. Additional awards may be made during the fiscal year to new hires, and to reflect, among other things, changes in title and/or job responsibilities, or to offset changes to cash compensation in light of the Company's performance or financial condition.	Create a direct alignment with stockholder objectives, provide a focus on long-term value creation and potentially multi-year financial objectives, retain critical talent over extended timeframes, and enable key employees to share in value creation.
ESOP Allocation	Annual variable allocation of stock based on hours of service to the Company, subject to vesting after five years of service to the Company.	Enhance ownership interest and alignment with stockholders.
Welfare Benefits	General welfare benefits including medical, dental, life, disability and accident insurance, 401(k) plan and pension plan (in the case of certain executive officers), as well as customary paid days off, leave of absence and other similar policies.	Provide competitive welfare benefits generally consistent with those provided to all employees.
Perquisites	Fixed benefits consistent with practices among companies in our industry consisting of an automobile allowance, relocation assistance, and other similar personal benefits. May be subject to adjustment in the event of a promotion or job change.	Provide limited perquisites to facilitate the operation of the Company's business and assist the Company in recruiting and retaining key executives.

Assuming stockholder approval of the proposed Amended Equity Plan at the Annual Meeting, the Compensation Committee intends to maintain the ability to incorporate equity-based elements in the Company's executive compensation program in fiscal 2014; however, with very limited exceptions, the Compensation Committee intends to limit equity awards to employees to performance-based options and implement certain other limitations on the nature of equity awards to be made in fiscal 2014 as described below. If stockholders fail to approve the proposed Amended Equity Plan and there are insufficient shares available for issuance under the Omnibus Plan to make equity awards to the Company's executive officers, the Compensation Committee intends to make appropriate adjustments to other elements of the Company's executive compensation program, including, without limitation, base salary and incentive cash bonus, such that overall total direct compensation levels are sufficient to attract, motivate and retain talented executives.

Oversight of the Executive Compensation Program

Compensation Committee

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

Compensation Committee Consultants

The Compensation Committee has the authority to retain the services of outside consultants to assist it in performing its responsibilities. In fiscal 2013, the Compensation Committee engaged compensation consultants to advise on executive officer compensation matters as follows:

Mercer

Mercer, a wholly owned subsidiary of Marsh & McLennan Companies, Inc. ("MMC"), was engaged to provide consulting services relating to the Omnibus Plan and long-term incentives, including competitive practices and stakeholder perspectives regarding long-term incentives in connection with the amendment to the Omnibus Plan to increase the number of shares available for issuance thereunder as approved by the Company's stockholders at the 2012 Annual Meeting. Mercer attended one (held in calendar 2012) of the eleven Compensation Committee meetings held in fiscal 2013.

Mercer's fees for executive compensation consulting to the Compensation Committee in fiscal 2013 were $2,500. During fiscal 2013, management retained Mercer and certain MMC affiliates to provide other services unrelated to executive compensation. The aggregate fees paid for these other services were $392,103, which generally consisted of fees paid by insurance carriers to Mercer Health and Benefits and Marsh Risk and Insurance Services. While neither the Compensation Committee nor the Board has historically approved such other services, because of the policies and procedures Mercer has in place, the Compensation Committee believes that the advice it receives from the individual executive compensation consultant who provided executive compensation consulting services to the Compensation Committee is objective and not influenced by Mercer's or its affiliates' relationships with the Company.

In fiscal 2012, the Compensation Committee retained Mercer to provide advice regarding CEO compensation, market data and opinions on the appropriateness and competitiveness of our CEO compensation program relative to market practice in connection with the hiring of Michael H. Keown as President and Chief Executive Officer. Prior to that, the Compensation Committee retained Mercer in fiscal 2010 to advise on the Company's executive compensation programs. Executive compensation consulting services provided by Mercer to the Compensation Committee during fiscal 2010 included analysis and advice related to the following:

- Executive compensation trends;
- Peer companies for competitive pay comparisons;
- Compensation levels and mix for the Company's executives;
- Design of short- and long-term incentives; and
- Incentive Plan financial goals.

Strategic Apex Group

The Compensation Committee engaged Strategic Apex Group to advise on the Company's comprehensive executive compensation strategy, including base compensation and all forms of incentive compensation with a particular emphasis on the long-term incentive compensation. Strategic Apex Group was directed by the Compensation Committee to help to identify an appropriate peer group and to make recommendations regarding the amount and form of total compensation to be delivered to executive officers and other Company employees, alternative forms of long-term incentive compensation, strengthening of integration of performance requirements, and potential modifications to the Omnibus Plan or to its administration. Strategic Apex Group attended four of the eleven Compensation Committee meetings held in fiscal 2013.

Neither Strategic Apex Group nor any of its affiliates provided any services to the Company or its affiliates during fiscal 2013 other than the executive compensation consulting services. The Compensation Committee has determined that Strategic Apex Group is "independent" according to the criteria required by the SEC in Rule 10C-1 of the Exchange Act and that the provision of services by Strategic Apex Group has not raised any conflict of interest.

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 Chief Executive Officer may make a recommendation to the Compensation Committee with respect to his compensation, and the Compensation Committee may also solicit input from other disinterested Board members; however the Compensation Committee has sole authority for the final compensation determination. 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 to provide input, as requested by the Compensation Committee. Members of the Board of Directors who are not members of the Compensation Committee may attend meetings for informational purposes. Other members of the Company's management may attend Compensation Committee meetings 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 point in its review and determination of executive compensation. The Compensation Committee's approach also considers competitive compensation practices and other relevant factors in setting pay rather than establishing compensation at specific benchmark percentiles.

Compensation decisions for fiscal 2013 were based in part on Mercer's study conducted in fiscal 2010, with the exception of CEO compensation for Mr. Keown which was based in part on Mercer's CEO compensation study in fiscal 2012. The Mercer 2010 study was based on published survey data for similarly sized companies as well as the following fourteen-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:

- 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 Mercer 2012 CEO study was based on published survey data for similar sized companies as well as the following twelve-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:

- B&G Foods, Inc.
- Calavo Growers, Inc.
- Cal-Maine Foods, Inc.
- Caribou Coffee Company, Inc.
- Diamond Foods, Inc.
- Imperial Sugar Company
- J & J Snack Foods Corp.
- Overhill Farms, Inc.
- Peet's Coffee & Tea, Inc.
- Reddy Ice Holdings, Inc.
- John B. Sanfilippo & Son, Inc.
- Smart Balance, Inc.

In fiscal 2013, based on the peer group information provided by Strategic Apex Group, the Compensation Committee identified the following fourteen-company peer group as the relevant peer group to be used as a reference point in its review and determination of executive compensation beginning in fiscal 2014:

- B&G Foods, Inc.
- Boston Beer Company, Inc.
- Boulder Brands, Inc.
- Calavo Growers, Inc.
- Cal-Maine Foods, Inc.
- Diamond Foods, Inc.
- Einstein Noah Restaurants Group, Inc.
- J & J Snack Foods Corp.
- Lancaster Colony Corporation
- National Beverage Corp.
- Overhill Farms, Inc.
- Post Holdings, Inc.
- John B. Sanfilippo & Son, Inc.
- Tootsie Roll Industries, LLC

The Compensation Committee believes this peer group is currently appropriate because it represents a meaningful sample of comparable companies in terms of industry, emphasis on performance in compensation program, annual revenue, market capitalization, stockholder composition and business characteristics.

Base Salary

Initial Base Salary

Consistent with the compensation philosophy and objectives described above, and based in part on the benchmarking comparisons provided by Mercer in their fiscal 2010 study and fiscal 2012 CEO study, the Compensation Committee set fiscal 2013 base salaries for the Named Executive Officers as follows:

Name	Fiscal 2013 Annual Base Salary	Fiscal 2012 Annual Base Salary(1)	Fiscal 2013 Annual Base Salary Percentage Change
Michael H. Keown	$ 475,000	$ 475,000	0%
Mark J. Nelson(2)	$ 280,000	$ —	—%
Jeffrey A. Wahba(3)	$ 350,000	$ 350,000	0%
Mark A. Harding(4)	$ 256,250	$ 250,000	2.5%
Thomas W. Mortensen(4)	$ 256,250	$ 250,000	2.5%
Hortensia R. Gómez(4)	$ 200,000	$ 184,500	8.4%

(1) Base salary as of the end of fiscal 2012.

(2) Mr. Nelson joined the Company as Treasurer and Chief Financial Officer on April 15, 2013. Actual fiscal 2013 base salary for Mr. Nelson was prorated based on the commencement date of his employment.

(3) Mr. Wahba's base salary was $350,000 per annum through December 31, 2012 and $305,000 per annum from January 1, 2013 through February 28, 2013, the effective date of Mr. Wahba's resignation of employment with the Company. Actual fiscal 2013 base salary for Mr. Wahba was prorated through February 28, 2013.

(4) The increase in base salaries for Messrs. Harding and Mortensen and Ms. Gómez were effective October 1, 2012.

Incentive Cash Bonus

Under the Incentive Plan, at the beginning of each fiscal year, the Compensation Committee, as administrator, determines who will participate in the Incentive Plan, establishes a target bonus for each participant, and establishes both Company financial performance criteria and individual participant goals for the ensuing year. The Compensation Committee also determines the weighting to be assigned to the Company's financial performance criteria and the individual goals as a whole, which may differ among the executive officers. A threshold level for the Company's financial performance may also be established which, if not met, may preclude the award of bonuses. The Chief Executive Officer typically provides input and recommendations to the Compensation Committee with respect to setting individual and corporate goals and objectives for each executive officer, including the Chief Executive Officer. In light of these recommendations, the Compensation Committee determines the individual and corporate goals and objectives for the fiscal year and informs the executive officers.

After the end of the fiscal year, and promptly upon availability of the Company's audited financial statements, the Compensation Committee will determine the Company's level of achievement of its financial performance criteria. At such time, the Compensation Committee will also determine for each executive officer the percentage of achievement of assigned individual goals. The level of achievement will be multiplied by the assigned weighting to determine the weighted achievement percentage for each of the executive officer's assigned individual goals. The weighted achievement percentages for the Company's financial performance criteria will govern the overall level of achievement of the individual goals, by multiplying the weighted achievement percentage for the Company's financial performance criteria by the aggregate weighted achievement percentage for the executive officer's individual goals. The resulting figure is added to the weighted achievement percentage for the Company's financial performance criteria and that sum is multiplied by the executive officer's target bonus percentage. The resulting percentage will be multiplied by the executive officer's base salary. The result will be the amount of the executive officer's preliminary bonus award. The preliminary bonus award is subject to adjustment, upward or downward, by the Compensation Committee in its discretion. The Compensation Committee also has the discretion to alter the financial performance criteria and individual goals during the year and to decline to award any bonus should the Compensation Committee determine such actions to be warranted by a change in circumstances or by the instance of abuse or malfeasance. Accordingly, no bonus is earned unless and until an award is actually made by the Compensation Committee after fiscal year-end. In addition to the awards to executive officers under the Incentive Plan, the Compensation Committee also approves the aggregate pool of bonuses to be paid out across the Company according to the bonus plan applicable to all executives and employees collectively.

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

At the beginning of fiscal 2013, the Compensation Committee established target awards under the Incentive Plan based on a percentage of base salary for each Named Executive Officer, taking into account, where applicable, the terms of any employment agreement between the Company and the Named Executive Officer. Individual target awards as a percentage of base salary were determined by the Compensation Committee based in part on the Mercer 2010 study and 2012 CEO study (in the case of Mr. Keown only), as well as expected total compensation, job responsibilities, expected job performance, and, in the case of certain executive officers, the terms of their employment agreements with the Company. Each executive officer's target bonus was also weighted between corporate and individual performance as set forth in the table below. Fiscal 2013 bonus information for the Named Executive Officers is as follows:

Name	Fiscal 2013 Target Award	Fiscal 2013 Target Award as Percentage of Fiscal 2013 Base Salary	Prorata Fiscal 2013 Target Award	Corporate Performance Goals (Weight)	Individual Performance Goals (Weight)	Fiscal 2013 Actual Bonus Award
Michael H. Keown	$ 475,000	100%	$ —	80%	20%	$ 536,274
Mark J. Nelson(1)	$ 154,000	55%	$ 32,200	80%	20%	$ 36,354
Jeffrey A. Wahba(2)	$ 180,125	55%	$ —	80%	20%	$ —
Mark A. Harding	$ 128,250	50%	$ —	80%	20%	$ 142,908
Thomas W. Mortensen	$ 128,250	50%	$ —	80%	20%	$ 142,908
Hortensia R. Gómez	$ 60,000	30%	$ —	80%	20%	$ 66,029

(1) Mr. Nelson's target award under the Incentive Plan is equal to fifty-five percent (55%) of his base annual salary, prorated at 11.5% of his base annual salary for fiscal 2013 based on the commencement date of his employment.

(2) Although Mr. Wahba did not receive a fiscal 2013 bonus award, he received an amount equal to his fiscal 2013 target award prorated through his separation date ($124,208) as part of his severance pursuant to the terms of his employment agreement with the Company.

In making final awards for fiscal 2013, the Compensation Committee first considered the Company's financial performance for fiscal 2013 based on the level of achievement of operating cash flow as determined from the Company's audited financial statements. For this purpose, "operating cash flow" was defined as income from operations, after executive bonus accruals, excluding non-recurring items such as income from the sale of capital assets, severance paid or payable to terminated employees, interest expense, depreciation and amortization, pension related expense and ESOP compensation expense. The Committee also took into account the following additional non-recurring items in the calculation of operating cash flow: a State of California required accrual in connection with California Workers Compensation obligations and accounting adjustments in respect of our postretirement death benefit and related life insurance. After finding that threshold operating cash flow of $26.5 million had been achieved in fiscal 2013, the Compensation Committee determined the percentage of achievement of operating cash flow to be 112.9%. Next, the Compensation Committee determined the achievement by each Named Executive Officer eligible to receive a bonus of his or her individually assigned goals within a range of 0% to 150%, multiplied such percentage by the weight originally assigned to each such goal, and added all individual goal achievement percentages together to get an overall achievement percentage for all individual goals. In the event that a Named Executive Officer's overall achievement of individual goals exceeded 100%, the Compensation Committee limited such achievement to 100%. The overall individual achievement percentage was then further multiplied by the percentage of achievement of the Company financial performance target to determine the final individual achievement percentage. The Compensation Committee then multiplied the financial bonus percentage and the individual bonus percentage by the target awards, and, subject to the exercise of discretion in the case of Messrs. Mortensen and Harding, approved the bonuses set forth in the table above. The Compensation Committee exercised discretion to increase Mr. Mortensen's fiscal 2013 bonus award and very slightly reduce the fiscal 2013 bonus award for Mr. Harding in order to emphasize the joint and equivalent role that each played in contributing to the Company's performance during the fiscal year.

Total incentive compensation bonuses paid to the Company's Named Executive Officers for fiscal 2013 were $924,473 (excluding the amount paid in severance to Mr. Wahba based in part on his target bonus award as described in the footnote to the table above), as compared to $575,897 in fiscal 2012. The corporate and individual target levels for fiscal 2013 are considered confidential, the disclosure of which could cause competitive harm to the Company. In accordance with the statement above regarding the Compensation Committee belief 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, the relative achievement during fiscal 2013 is indicative of substantially improving performance by the Company in the context of its turn-around effort.

For fiscal 2014, the Compensation Committee has determined that Company financial performance under the Incentive Plan will be weighted at 90% compared to 80% in fiscal 2013. Company financial performance will be gauged by the level of achievement of modified net income and modified operating cash flow, in each case as determined from the Company's audited financial statements. "Modified net income" is defined as net income (GAAP) before taxes and excluding any gains or losses from sales of assets. "Modified operating cash flow" is defined as net income from operations (GAAP) after taking into account adjustments for the following items: (i) depreciation and amortization, (ii) provision for doubtful accounts, (iii) changes in: (a) accounts and notes receivable, (b) inventories, (c) income tax receivables, (d) prepaid expenses, (e) other assets, (f) accounts payable, and (g) accrued payroll, expenses and other current liabilities. Subject to the Compensation Committee's discretion under the Incentive Plan, threshold modified net income equal to no less than 90% of the modified net income target approved by the Compensation Committee must be achieved in fiscal 2014 to earn any bonus payout under the Incentive Plan. Assuming this threshold is reached, then a percentage of achievement ranging from 90% to 200% will be assigned for each of modified net income and modified operating cash flow, respectively, in proportion to the level of modified net income and modified operating cash flow, respectively, achieved. Following that calculation of achievement for each of modified net income and operating cash flow, an overall Company financial performance achievement percentage will be calculated by giving modified net income percentage achievement 80% weight and giving modified operating cash flow 20% weight. We believe that the modified net income and modified operating cash flow targets approved by the Compensation Committee represent challenging goals that will offer a fair probability of achievement to incentivize the executive officers, and, if achieved (or surpassed), will reflect improvement in Company profitability which we believe will enhance stockholder value.

Individual goals will be weighted at 10% in fiscal 2014 compared to 20% in fiscal 2013. The Compensation Committee has provided a non-exclusive list of individual goals to each Named Executive Officer for fiscal 2014, which the Compensation Committee may take into account as well as other factors and give each of them weight (or ignore them as factors) as it reasonably determines. After the end of fiscal 2014, the Compensation Committee will evaluate those listed goals as well as other reasonable factors it considers to be germane to the Named Executive Officer's performance for the fiscal year and assign a value of up to 10% with respect to such Named Executive Officer's level of overall individual performance. The individual performance achievement will then be multiplied by the percentage of achievement of the Company overall financial performance achievement, the result will be added to the Company overfall financial performance achievement and the resulting sum will be multiplied by the Named Executive Officer's target award percentage. The resulting percentage would then be multiplied by the Named Executive Officer's base salary to calculate the preliminary bonus award.

The Compensation Committee believes that these changes to the Incentive Plan for fiscal 2014 more closely tie incentive cash bonus awards under the Incentive Plan to Company performance.

Long-Term Incentives

Omnibus Plan

The Omnibus Plan currently 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 1,125,000, 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. The Compensation Committee has the authority to make equity-based grants under the Omnibus Plan to eligible individuals for purposes of compensation, retention or promotion, and in connection with commencement of employment. Equity compensation is generally determined on the date of the regularly scheduled meeting of the Board of Directors in December of each year. Additional equity awards may be made during the fiscal year to new hires and to reflect, among other things, changes in title and/or job responsibilities, or to offset changes to cash compensation in light of the Company’s performance or financial condition. 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 or ISOs.

Since adoption of the Omnibus Plan, grants to executive officers have consisted of stock options and restricted stock, with the number of shares underlying the stock options and shares of restricted stock determined based on the closing price of the Common Stock on the date of grant. Stock options are rights to purchase Common Stock at a pre-determined price (the closing price of the Common Stock on the date of grant), after the stock options have vested. Stock options are designed to create incentives for the recipients by providing them with an opportunity to share, along with stockholders, in the long-term performance of the Common Stock. The stock options have a seven-year term and generally vest ratably over three 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 of Common Stock 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. Restricted stock is generally expected to vest at the end of three years.

In making long-term incentive awards, since adoption of the Omnibus Plan the general intent has been to have a majority of the award be performance based and a minority of the award be retention based. In the case of awards made to our executive officers in December 2012, 75% of the value of each award consisted of stock options and 25% of the value of each award consisted of restricted stock.

On December 7, 2012, the Compensation Committee made the following annual grants of non-qualified stock options and restricted stock to our Named Executive Officers under the Omnibus Plan:

Name	Fiscal 2013 Annual Stock Option Grant (# of Shares of Common Stock Issuable Upon Exercise)	Fiscal 2013 Annual Restricted Stock Grant (# of Shares)
Michael H. Keown	70,000	8,840
Mark J. Nelson(1)	—	—
Jeffrey A. Wahba	—	—
Mark A. Harding	10,638	1,627
Thomas W. Mortensen	10,638	1,627
Hortensia R. Gómez	4,151	635

(1) Mr. Nelson joined the Company as Treasurer and Chief Financial Officer on April 15, 2013.

The stock options shown in the table above have an exercise price per share of $11.81, 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 7, 2019 and vest in one-third increments on each anniversary of the date of grant. The shares of restricted stock vest on December 7, 2015.

On September 12, 2012, pursuant to the employment agreement between the Company and Mr. Keown, the Compensation Committee granted 6,830 shares of restricted stock to Mr. Keown, which shares cliff vest on May 11, 2015.

On May 9, 2013, pursuant to the employment agreement between the Company and Mr. Nelson, the Compensation Committee granted 5,947 shares of restricted stock and 29,446 non-qualified stock options to Mr. Nelson. The restricted stock vests on May 9, 2016 and the stock options vest ratably over three years on the anniversary of the grant date, subject to certain acceleration provisions set forth in the applicable award agreement. The stock options have an exercise price of $13.62, 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 9, 2020. The foregoing equity awards were granted to Mr. Nelson as an inducement to his joining the Company.

Stock options for 117,828 shares have been exercised since inception of the Omnibus Plan, and 385,946 shares issuable under outstanding stock options are "in the money" as of October 17, 2013.

Amended Equity Plan

The Compensation Committee intends to maintain the ability to incorporate equity-based elements in the Company's executive compensation program in fiscal 2014; however the Compensation Committee intends to implement the following material changes to the Omnibus Plan, subject to stockholder approval of the Amended Equity Plan under Proposal No. 4:

- Increase the number of shares of Common Stock authorized for issuance pursuant to awards under the Omnibus Plan by 250,000, from 1,125,000 shares to 1,375,000 shares;
- Limit the types of equity awards available to be granted under the Amended Equity Plan to performance-based options and restricted stock;
- Limit participants in the Amended Equity Plan to directors, officers and other employees of the Company;
- Limit the performance criteria that will be used to establish performance goals under the plan to (i) net sales or revenue; (ii) net income before tax and excluding gain or loss on sale of property, plant and equipment; and/or (iii) cash flow (including, but not limited to, operating cash flow and free cash flow);
- Reduce the maximum number of shares of stock with respect to one or more awards that may be granted to any one participant during any calendar year from 250,000 to 75,000;
- Require that all options issued to employees include performance criteria or performance goals, unless issued in connection with the commencement of employment as an executive of the Company;
- Provide for forfeiture of unvested awards upon termination of employment or termination of directorship, except as otherwise determined by the plan administrator;
- Prohibit awards of restricted stock to employees except in connection with the commencement of employment as an executive of the Company;
- Limit the value of restricted stock awards granted to any non-employee director to an amount not more than $30,000 annually; and
- Prohibit delegation of administration of the plan to another committee or subcommittee of the Board, or authority to grant or amend awards to participants to a committee of one or more members of the Board or one or more officers of the Company.

If stockholders fail to approve the proposed Amended Equity Plan and there are insufficient shares available for issuance under the Omnibus Plan to make awards to the Company's executive officers, the Compensation Committee intends to make appropriate adjustments to other elements of the Company's executive compensation program, including, without limitation, base salary and incentive cash bonus, such that overall total direct compensation levels are sufficient to attract, motivate and retain talented executives.

ESOP Allocation

The Company's ESOP was established in 2000. 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 "IRC"), and the Employee Retirement and Income Security Act of 1974. Pursuant to a Schedule 13G/A filed with the SEC on February 8, 2013, as of December 31, 2012, the ESOP owned of record 2,623,416 shares of Common Stock, including 1,885,061 allocated shares and 738,355 shares as yet unallocated to plan participants. An unaffiliated bank is trustee of the ESOP. The present members of the Management Administrative Committee, which administers the ESOP, are Michael H. Keown, Mark J. Nelson, Hortensia R. Gómez, Thomas J. Mattei, Jr. and Patrick Quiggle.

Our executive officers participate in the ESOP in the same manner as all other participants. In calendar 2013, the Company's Named Executive Officers received the following ESOP allocations based on compensation earned during calendar 2012:

Name	2013 ESOP Allocation (# of Shares)
Michael H. Keown	538
Mark J. Nelson(1)	—
Jeffrey A. Wahba(2)	537
Mark A. Harding	538
Thomas W. Mortensen	537
Hortensia R. Gómez	536

(1) Mr. Nelson joined the Company as Treasurer and Chief Financial Officer on April 15, 2013 and, therefore, did not receive an ESOP allocation in calendar 2013.

(2) Unvested and forfeited upon Mr. Wahba's resignation of employment with the Company effective February 28, 2013.

Welfare Benefits

The welfare benefits received by employee executive officers are the same as received by other employees, including medical, dental, life, disability and accident insurance. The Company also offers a supplemental disability plan to higher income staff members, including our executive officers, which allows them to buy an additional amount of disability coverage at their own expense. Employee executive officers are eligible on the same basis as other employees for participation in a pension plan (in the case of certain executive officers), a 401(k) plan and the ESOP. 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. In fiscal 2011, we significantly modified our retirement-benefit program. Specifically, we amended our defined benefit pension plan, the Farmer Bros. Salaried Employees Pension Plan (the "Farmer Bros. Plan"), freezing the benefit for all participants effective June 30, 2011. After the plan freeze, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan. However, account balances continue to be credited with interest until paid out. The freeze of the defined benefit pension plan coincided with an enhanced defined contribution 401(k) plan with a discretionary Company match of the employees' annual contributions. Upon retirement, employee executive officers receive benefits, such as a pension (if eligible) and retiree medical insurance benefits, under the same terms as other retirees.

Perquisites

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

The perquisites and other benefits available to employee executive officers include an automobile allowance, a Company-provided Blackberry (or similar device) including a voice and data plan for that device, gas card, laptop computer, credit card and expense reimbursement (under the Company's travel and expense policy). In addition, certain executive officers are entitled to benefits under the Company's postretirement death benefit plan. Additionally, during fiscal 2013, pursuant to his employment agreement with the Company, the Board of Directors approved a total temporary housing allowance to Mr. Keown of $37,360 as shown in the Summary Compensation Table below under the heading “All Other Compensation.”

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

Change in Control and Termination Arrangements

Change in Control Severance Agreements; Employment Agreements

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

The change in control agreement with Mr. Wahba automatically expired upon his resignation of employment with the Company on February 28, 2013. In connection with his employment by the Company, the Company and Mr. Nelson entered into a change in control agreement effective April 15, 2013.

Pursuant to the terms of their employment agreements, Messrs. Keown, Nelson and Mortensen are entitled to receive certain benefits upon their termination without cause or resignation for 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, and a description of the severance benefits paid to Mr. Wahba in connection with his resignation of employment with the Company in fiscal 2013, is set forth below under the heading “Executive Compensation—Change in Control and Termination Arrangements.”

Equity Awards

Under the terms of the outstanding 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 plan administrator also has discretionary authority regarding accelerated vesting upon termination other than by reason of death or disability, or in connection with an impending Change in Control (as defined in the Omnibus Plan). Additionally, under the Omnibus Plan (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4), unless otherwise provided in any applicable award agreement, if a Change in Control occurs and a participant's awards are not continued, converted, assumed or replaced by the Company or a parent or subsidiary of the Company, or a Successor Entity (as defined in the Omnibus Plan (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4)), such awards will become fully exercisable and/or payable, and all forfeiture, repurchase and other restrictions on such awards will lapse immediately prior to such Change in Control.

The September 12, 2012 grant to Mr. Keown is also subject to accelerated vesting in the case of death, disability, or termination of employment for other than "Cause" or resignation for "Good Reason," as such terms are defined in his employment agreement with the Company. The Compensation Committee believed these accelerated vesting terms were necessary to induce Mr. Keown to join the Company as President and Chief Executive Officer.

Compensation Policies and Practices

Stock Ownership Guidelines

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

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 (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4).

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 (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4), 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.

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 generally prohibited from conducting transactions involving the purchase or sale of the Company's securities from 12:01 a.m. New York City time on the 15th calendar day before the end of each of the Company's four fiscal quarters (including fiscal year end) through 11:59 p.m. New York City time on the second business day following the date of the public release containing the Company's quarterly (including annual) results of operations.

Policy on Executive Compensation in Restatement Situations

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

Equity Award Grants

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

Taxes and Accounting Standards

Tax Deductibility Under IRC Section 162(m)

IRC Section 162(m) 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 2013.

IRC Section 409A

IRC Section 409A 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, we intend to design and administer our compensation and benefit plans and programs for all of our employees and other service providers, including the Named Executive Officers, either without any deferred compensation component, so that they are exempt from Section 409A, or in a manner that satisfies the requirements of Section 409A.

Accounting Standards

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of stock options and restricted stock, under our Omnibus Plan (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4) are accounted for under FASB ASC Topic 718. The Compensation Committee considers the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity award program. As accounting standards change, the Company may revise certain programs to appropriately align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives.

EXECUTIVE COMPENSATION

Executive Officers

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

Name	Age	Title	Executive Officer Since
Michael H. Keown	51	President and Chief Executive Officer	2012
Mark J. Nelson	44	Treasurer and Chief Financial Officer	2013
Mark A. Harding	53	Senior Vice President of Operations	2010
Thomas W. Mortensen	60	Senior Vice President of Route Sales	2012
Hortensia R. Gómez	56	Vice President, Controller and Assistant Treasurer	2009
Teri L. Witteman	45	Secretary	2012

Michael H. Keown joined the Company as President and Chief Executive Officer on March 23, 2012. Mr. Keown served in various executive capacities at Dean Foods Company, a food and beverage company, from 2003 to March 2012. He was at WhiteWave Foods Company, a subsidiary of Dean Foods, from 2004 to March 2012, including as President, Indulgent Brands from 2006 to March 2012. He was also responsible for WhiteWave's alternative channel business comprised largely of foodservice. Mr. Keown served as President of the Dean Branded Products Group of Dean Foods from 2003 to 2004. Mr. Keown joined Dean Foods from The Coca-Cola Company, where he served as Vice President and General Manager of the Shelf Stable Division of The Minute Maid Company. Mr. Keown has over 25 years of experience in the Consumer Goods business, having held various positions with E.&J. Gallo Winery and The Procter & Gamble Company. Mr. Keown received his undergraduate degree in Economics from Northwestern University.

Mark J. Nelson joined the Company as Treasurer and Chief Financial Officer on April 15, 2013. Prior to joining Farmer Bros., Mr. Nelson served in various senior financial management positions at Newport Corporation, a global supplier of advanced technology products and systems from 2004 to 2013, including as Vice President, Corporate Controller and Chief Accounting Officer from 2010 to 2013, and Vice President and General Manager of its Optical Components Division and Finance Director of its Photonics division from 2004 to 2010. Prior to Newport Corporation, Mr. Nelson held the positions of Finance Director in Thermo Electron Corporation, Cost and Budget Manager at C.R. Bard, Inc., co-owner and Chief Financial Officer of Western Energy Services, Inc. and Financial Management Program Trainee with the General Electric Company. Mr. Nelson earned his MBA in Entrepreneurship and Finance from Babson College, Wellesley, Massachusetts and his B.A. in Finance from the University of Massachusetts.

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

Thomas W. Mortensen was promoted to Senior Vice President of Route Sales on March 28, 2012. Prior to that, he served as the Company's Vice President, Sales (West) from 2009 to 2012. In that capacity, Mr. Mortensen oversaw the sales operations of 74 sales branches in 16 states in the western United States. Prior to that, Mr. Mortensen served as the Company's National Sales Manager for three years. Mr. Mortensen has over 34 years of service with the Company and experience in the route sales industry.

Hortensia R. Gómez joined the Company in 2006 as Controller after serving as Chief Financial Officer at Barco Uniforms Inc., a professional apparel company, from 1992 to 2005. Ms. Gómez has more than 30 years of experience in management, accounting and finance positions. Ms. Gómez graduated from the University of California at Los Angeles.

Teri L. Witteman has served as Secretary of Farmer Bros. since 2012. She has served as outside legal counsel to Farmer Bros. since 2004. In addition to her role at Farmer Bros., Ms. Witteman is an attorney with the Pasadena-based law firm of Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP ("AFRCT"), where her practice is concentrated in the corporate and real estate areas. Ms. Witteman has extensive experience in corporate finance, mergers and acquisitions, the formation, financing, and operation of business entities, and corporate governance. Ms. Witteman received her B.A. in Economics from UC Berkeley and her law degree from UCLA School of Law. AFRCT provided legal services to the Company in fiscal 2013 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 2014.

Summary Compensation Table

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

SUMMARY COMPENSATION TABLE

A	B	C	D	E	F	G	H	I	J
Name and Principal Position	**Fiscal Year**	**Salary ($)**	**Bonus ($)**	**Stock Awards ($)**	**Option Awards ($)**	**Non-Equity Incentive Plan Compensation ($)**	**Change in Pension Value ($)**	**All Other Compensation ($)**	**Total ($)**
Michael H. Keown (1)	2013	474,999	—	104,400	387,800	536,274	—	56,268	1,559,741
President and Chief Executive	2012	158,891	—	231,865	240,800	132,247	—	29,179	792,982
Mark J. Nelson(2) .	2013	48,461	—	80,998	189,043	36,354	—	—	354,856
Treasurer and CFO									
Jeffrey A. Wahba (3)	2013	302,551	—	—	—	124,208	—	368,370	795,129
Former Treasurer and	2012	344,827	—	216,400	349,050	187,880	—	11,688	1,109,845
Former Interim Co-CEO	2011	306,693	—	81,135	419,400	—	—	4,196	811,424
Mark A. Harding (4)	2013	254,447	—	19,215	58,935	142,908	3,563	15,064	494,132
Senior VP of . . .	2012	260,567	—	50,508	151,582	126,621	23,699	8,116	621,093
Operations	2011	249,632	—	54,090	201,567	—	20,096	5,776	531,161
Thomas W. Mortensen(5) . . .	2013	254,644	—	19,215	58,935	142,908	44,464	18,451	538,617
Senior VP of Route Sales	2012	210,814	—	77,432	79,847	73,424	164,175	8,616	614,308
Hortensia R. Gómez(6).	2013	195,625	—	7,499	22,997	66,029	5,842	17,065	315,057
Vice President, Controller and . .	2012	189,974	—	16,836	12,624	55,725	33,098	6,775	315,032
Assistant Treasurer	2011	184,535	—	18,030	28,334	—	21,530	6,782	259,211

(1) Mr. Keown joined the Company as President and Chief Executive Officer on March 23, 2012. The amount reported in column I for fiscal 2013 includes an ESOP allocation, the Company’s matching contribution under the 401(k) Plan, $37,360 in temporary housing and $4,154 in auto allowance.

(2) Mr. Nelson joined the Company as Treasurer and Chief Financial Officer on April 15, 2013. Mr. Nelson did not receive an ESOP allocation or a matching contribution under the Company's 401(k) plan in fiscal 2013, because he was not an employee in calendar 2012. The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2013 and has been excluded from the table.

(3) Mr. Wahba joined the Company as Treasurer and Chief Financial Officer on June 1, 2010 and resigned his employment with the Company effective February 28, 2013. Following his resignation, Mr. Wahba provided consulting services to the Company from March 1, 2013 through May 22, 2013 pursuant to the terms of a Consulting Services Agreement, effective as of March 1, 2013 (the "Wahba Consulting Agreement"), between Mr. Wahba and the Company. In addition to serving as Treasurer and Chief Financial Officer, Mr. Wahba served as Interim Co-Chief Executive Officer from April 19, 2011 to March 23, 2012. The amounts shown in the table for fiscal 2013, 2012 and 2011 reflect Mr. Wahba's compensation for all services rendered in all capacities to the Company for the full fiscal year. The amount reported in column I for fiscal 2013 includes: (a) consulting fees paid to Mr. Wahba pursuant to the Wahba Consulting Agreement ($48,711); (b) amounts paid in connection with Mr. Wahba's separation from the Company pursuant to the terms of the Second Amended and Restated Employment Agreement, dated as of February 13, 2012 (the "Wahba Employment Agreement"), between Mr. Wahba and the Company, consisting of severance payments made in fiscal 2013 ($53,846), severance payments to be made in fiscal 2014 ($296,154), and an amount equal to his fiscal 2013 target award under the Incentive Plan prorated through his separation date ($124,208); (c) accumulated paid days off ($8,455); (d) an ESOP allocation; and (e) the Company's matching contribution under the 401(k) Plan. The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2013 and has been excluded from the table.

(4) The amount reported in column I for fiscal 2013 includes an ESOP allocation and the Company's matching contribution under the 401(k) Plan. The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2013 and has been excluded from the table.

(5) Mr. Mortensen was promoted to Senior Vice President of Route Sales on March 28, 2012. Prior to his promotion, Mr. Mortensen was Vice President, Sales (West) and was not considered an executive officer of the Company. The amounts shown in the table for fiscal 2012 reflect Mr. Mortensen's compensation in all capacities for the full fiscal year. The amount reported in column I for fiscal 2013 includes life insurance premiums paid by the Company under the Company's postretirement death benefit plan, an ESOP allocation and the Company's matching contribution under the 401(k) Plan. The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2013 and has been excluded from the table.

(6) The amount reported in column I for fiscal 2013 includes life insurance premiums paid by the Company under the Company's postretirement death benefit plan, an ESOP allocation and the Company's matching contribution under the 401(k) Plan. The total value of all perquisites and other personal benefits did not exceed $10,000 in fiscal 2013 and has been excluded from the table.

Salary (Column C)

The amounts reported in column C represent base salaries earned by each of the Named Executive Officers for the fiscal year indicated, prorated based on applicable start or separation dates during the fiscal year. The amounts shown include amounts contributed to the Company's 401(k) plan.

Bonus (Column D)

All non-equity incentive plan compensation for services performed during the fiscal year by the Named Executive Officers under the Incentive Plan is shown in column G.

Stock Awards (Column E)

The amounts reported in column E represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 14 to our audited consolidated financial statements for the fiscal year ended June 30, 2013 included in our 2013 Form 10-K, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any forfeitures relating to service-based (time-based) vesting conditions.

Option Awards (Column F)

The amounts reported in column F represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 14 to our audited consolidated financial statements for the fiscal year ended June 30, 2013 included in our 2013 Form 10-K, except that, as required by applicable SEC rules, we did not reduce the amounts in this column for any forfeitures relating to service-based (time-based) vesting conditions.

Non-Equity Incentive Plan Compensation (Column G)

The amounts reported in column G represent the aggregate dollar value for each of the Named Executive Officers of the annual performance bonus under the Incentive Plan for the fiscal years indicated. The actual bonus amounts earned by the Named Executive Officers are reflected in the Summary Compensation Table in the fiscal year earned, even though these bonus amounts are paid in the subsequent fiscal year.

Change in Pension Value (Column H)

The amounts representing the aggregate change in the actuarial present value of the accumulated benefit under all defined benefit and actuarial pension plans reported in column H were generated by a change in conversion of that benefit to a present value from the pension plan measurement date used for financial statement reporting purposes with respect to the Company's audited consolidated financial statements for the fiscal year ended June 30, 2012 to the pension plan measurement date used for financial statement reporting purposes with respect to the Company's audited consolidated financial statements for the fiscal year ended June 30, 2013. Accrued pension benefits for each of the Named Executive Officers eligible to participate in the pension plan were calculated based on the final average pay times years of service as of June 30, 2011, the date on which plan participation and benefits were frozen. The conversion to a present value produced an increase over the prior fiscal year because normal retirement age, the assumed commencement of benefits, was one year closer. The present value conversion also caused an increase in value due to changes in actuarial assumptions. The discount rate used to calculate present values decreased from 4.55% as of the end of fiscal 2012 to 4.50% as of the end of fiscal 2013, producing an increase in the present value. We amended the Farmer Bros. Plan, freezing the benefit for all participants effective June 30, 2011. After the plan freeze, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan. Due to the pension freeze, Messrs. Keown, Nelson and Wahba are not eligible to participate in the pension plan.

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 (to the extent not excluded therefrom pursuant to applicable SEC rules); life insurance premiums paid by the Company under the Company's postretirement death benefit plan; allocations under the ESOP; dividends on restricted stock (in fiscal 2011 only); payment for accumulated paid days off; the Company's matching contribution under the 401(k) Plan 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 in fiscal 2013.

GRANTS OF PLAN-BASED AWARDS

				Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2)						
Name	**Plan**	**Grant Date**	**Approval Date(1)**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)(3)**	**All Other Option Awards: Number of Securities Underlying Options (#)(4)**	**Exercise or Base Price of Option Awards ($/Sh)(5)**	**Grant Date Fair Value of Stock and Option Awards ($)(6)**
Michael H. Keown										
Annual Cash Incentive Bonus.	Incentive Plan	—	—	158,333	475,000 (7)	—	—	—	—	—
Time Based .	Omnibus Plan	09/12/12	08/23/12	—	—	—	6,830	—	—	9.06
	Omnibus Plan	12/07/12	12/07/12	—	—	—	8,840	—	—	11.81
	Omnibus Plan	12/07/12	12/07/12	—	—	—	—	70,000	11.81	5.54
Mark J. Nelson										
Annual Cash Incentive Bonus.	Incentive Plan	—	—	—	32,200 (8)	—	—	—	—	—
Time Based .	Omnibus Plan	05/09/13	04/22/13	—	—	—	5,947	—	—	13.62
	Omnibus Plan	05/09/13	04/22/13	—	—	—	—	29,446	13.62	6.42
Jeffrey A. Wahba										
Annual Cash Incentive Bonus.	Incentive Plan	—	—	—	180,125 (7)	—	—	—	—	—
Mark A. Harding										
Annual Cash Incentive Bonus.	Incentive Plan	—	—	—	128,250 (7)	—	—	—	—	—
Time Based .	Omnibus Plan	12/07/12	12/07/12	—	—	—	1,627	—	—	11.81
	Omnibus Plan	12/07/12	12/07/12	—	—	—	—	10,638	11.81	5.54
Thomas W. Mortensen										
Annual Cash Incentive Bonus.	Incentive Plan	—	—	—	128,250 (7)	—	—	—	—	—
Time Based .	Omnibus Plan	12/07/12	12/07/12	—	—	—	1,627	—	—	11.81
	Omnibus Plan	12/07/12	12/07/12	—	—	—	—	10,638	11.81	5.54
Hortensia R. Gómez										
Annual Cash Incentive Bonus.	Incentive Plan	—	—	—	60,000 (7)	—	—	—	—	—
Time Based .	Omnibus Plan	12/07/12	12/07/12	—	—	—	635	—	—	11.81
	Omnibus Plan	12/07/12	12/07/12	—	—	—	—	4,151	11.81	5.54

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

(2) Represents annual cash incentive opportunities based on fiscal 2013 performance under the Incentive Plan. There are no thresholds or maximums under the Incentive Plan, except in the case of Mr. Keown who is entitled to a guaranteed bonus payment in fiscal 2013 pursuant to the terms of his employment agreement. The targets are set each fiscal year by the Compensation Committee. The bonus amounts are based on the Company's financial performance and satisfaction of individual participant goals. The Compensation Committee has discretion to increase, decrease or entirely eliminate the bonus amount derived from the Incentive Plan's formula. The maximum amount that can be awarded under the Incentive Plan is within the discretion of the Compensation Committee.

(3) Restricted stock granted under the Omnibus Plan in fiscal 2013 to the Named Executive Officers cliff vests on the third anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan and the applicable award agreement, with the exception of the restricted stock granted to Mr. Keown on September 12, 2012, which cliff vests on May 11, 2015, subject to certain additional acceleration provisions set forth in the employment agreement between Mr. Keown and the Company.

(4) Stock options granted under the Omnibus Plan vest in one-third (1/3) increments on each anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan and the applicable award agreement.

(5) Exercise price of stock option awards is equal to the closing market price on the date of grant.

(6) Reflects the grant date fair value of restricted stock and stock option awards computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 14 to our audited consolidated financial statements for the fiscal year ended June 30, 2013 included in our 2013 Form 10-K, except that, as required by applicable SEC rules, we did not reduce the amounts in these columns for any forfeitures relating to service-based (time-based) vesting conditions.

(7) Fiscal 2013 target award based on average monthly base salary for fiscal 2013.

(8) Fiscal 2013 target award equal to fifty-five percent (55%) of Mr. Nelson's base annual salary, prorated at 11.5% of his base annual salary based on the commencement date of his employment.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth summary information regarding the outstanding equity awards at June 30, 2013 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 ($)	Option Expirati on Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock Th at Have Not Vested($) (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 ($)
Michael H. Keown . . .	23,333	46,667	—	6.96	05/11/19	18,731	263,358	—	—
	—	—	—	—	—	6,830	96,030		
	—	70,000	—	11.81	12/07/19	8,840	124,290	—	—
Mark J. Nelson . . .	—	29,446	—	13.62	05/09/20	5,947	83,615	—	—

	Option Awards					Stock Awards			
Jeffrey A. Wahba . . .	—	—	—	—	—	—	—	—	—
Mark. A. Harding . .	3,000	—	—	22.11	03/03/15	—	—	—	—
	3,000	—	—	21.76	12/11/15	—	—	—	—
	9,537	—	—	18.41	12/10/16	—	—	—	—
	8,092	4,046	—	18.03	12/09/17	3,000	42,180	—	—
	20,000	—	—	9.63	05/19/18	—	—	—	—
	4,046	8,092	—	7.32	12/08/18	—	—	—	—
	20,000	—	—	10.82	02/13/19	6,900	97,014	—	—
	—	10,638	—	11.81	12/07/19	1,627	22,876	—	—
Thomas W. Mortensen									
	3,000	—	—	22.70	02/20/15	—	—	—	—
	3,000	—	—	21.76	12/11/15	—	—	—	—
	3,035	—	—	18.41	12/10/16	—	—	—	—
	2,024	1,011	—	18.03	12/09/17	465	6,538	—	—
	1,011	2,024	—	7.32	12/08/18	1,070	15,044	—	—
	6,666	13,334	—	6.96	05/11/19	10,000	140,600	—	—
	—	10,638	—	11.81	12/07/19	1,627	22,876	—	—
Hortensia R. Gómez . . .	3,000	—	—	22.70	02/20/15	—	—	—	—
	3,000	—	—	21.76	12/11/15	—	—	—	—
	3,468	—	—	18.41	12/10/16	—	—	—	—
	2,312	1,156	—	18.03	12/09/17	1,000	14,060	—	—
	1,156	2,312	—	7.32	12/08/18	2,300	32,338	—	—
	—	4,151	—	11.81	12/07/19	635	8,928	—	—

(1) Stock options granted under the Omnibus Plan vest in one-third (1/3) increments on each anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan and the applicable award agreement, with the exception of: (i) the stock options granted to Mr. Harding on May 19, 2011 and February 13, 2012, which vested on the first anniversary of the grant date; and (ii) the stock options granted to Mr. Keown on May 11, 2012, which are subject to certain additional acceleration provisions set forth in the employment agreement between Mr. Keown and the Company.

(2) Restricted stock granted under the Omnibus Plan for the Named Executive Officers cliff vests on the third anniversary of the date of grant, subject to the acceleration provisions contained in the Omnibus Plan and the applicable award agreement, with the exception of 25,144 shares of restricted stock granted to Mr. Keown on May 11, 2012 (14,583 shares vested on May 11, 2013 (effective May 13, 2013, the first business day following such date) and 10,561 shares will vest on May 11, 2014), subject to certain additional acceleration provisions set forth in the employment agreement between Mr. Keown and the Company.

(3) The market value was calculated by multiplying the closing price of our Common Stock on June 28, 2013 ($14.06) by the number of shares of unvested restricted stock.

Option Exercises and Stock Vested

The following table summarizes the option exercises and vesting of stock awards for each of our Named Executive Officers for the fiscal year ended June 30, 2013.

OPTION EXERCISES AND STOCK VESTED

	Option Awards		Stock Awards	
Name	Number of Securities Acquired on Exercise(#)	Value Realized on Exercise($)(1)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting($)(2)
Michael H. Keown	—	—	14583(3)	197,600
Mark J. Nelson	—	—	—	—
Jeffrey A. Wahba	115,000	258,750	20,000	288,600
Mark A. Harding	—	—	1,463	16,810
Thomas W. Mortensen	—	—	465	5,343
Hortensia R. Gómez	—	—	532	6,113

(1) The value realized on exercise of option awards was calculated by determining the difference between the market price of the underlying securities at exercise and the exercise price of the options.

(2) The value realized on vesting of restricted stock was calculated by multiplying the closing price of a share of our Common Stock on the vesting date, multiplied by the number of shares vested.

(3) 4,958 shares were sold in the open market to pay for taxes on restricted stock that vested on May 11, 2013.

Compensation Risk Assessment

The Company generally uses a combination of base salary, performance-based compensation, and retirement plans throughout the Company. In most cases, the compensation policies and practices are centrally designed and administered, and are substantially identical at each business unit. Route sales personnel are paid primarily on a sales commission basis, but all of our executive officers are paid under the programs and plans for non-sales employees. The incentive compensation for executives are tied very strongly to, and predominantly dependent upon, the achievement of targets based on overall Company performance that are stated in or modified from the Company's audited financial statements. Only a small portion of executive officer incentive compensation is dependent upon individual goals. Moreover, the Company performance targets that drive executive officer compensation also apply throughout the organization for any employees that are entitled to incentive compensation (other than sales-based commissions). Certain departments have different or supplemental compensation programs tailored to their specific operations and goals. The Company believes that these compensation policies and practices appropriately balance near-term performance improvement with sustainable long-term value creation, and that they do not encourage unnecessary or excessive risk taking.

Employment Agreements and Arrangements

Keown Employment Agreement

On March 9, 2012, the Company and Michael H. Keown entered into an Employment Agreement (the "Keown Employment Agreement"), pursuant to which Mr. Keown serves as President and Chief Executive Officer. Mr. Keown's employment commenced on March 23, 2012. Pursuant to the Keown Employment Agreement, Mr. Keown's initial annual base salary was $475,000. Mr. Keown is entitled to participate in the Incentive Plan, with a target award equal to one hundred percent (100%) of his base annual salary. Mr. Keown is entitled to all benefits and perquisites provided by the Company to its senior executives, including paid days off, group health insurance, life insurance, 401(k) plan, ESOP, cell phone, Company credit card, Company gas card, expense reimbursement and an automobile allowance.

Mr. Keown's employment may be terminated by the Company at any time with or without Cause or upon Mr. Keown's resignation with or without Good Reason, death or Permanent Incapacity, as such terms are defined in the Keown Employment Agreement. Upon certain events of termination, Mr. Keown is entitled to the benefits described below under the heading "Change in Control and Termination Arrangements."

Nelson Employment Agreement

On April 1, 2013, the Company and Mark J. Nelson entered into an Employment Agreement (the "Nelson Employment Agreement"), pursuant to which Mr. Nelson serves as Treasurer and Chief Financial Officer. Pursuant to the Nelson Employment Agreement, Mr. Nelson's initial annual base salary was $280,000. Mr. Nelson is entitled to participate in the Incentive Plan, with a target award equal to fifty-five percent (55%) of his base annual salary, prorated at 11.5% of his base annual salary for fiscal 2013 based on the commencement date of his employment. Mr. Nelson is entitled to all benefits and perquisites provided by the Company to its senior executives, including paid days off, group health insurance, life insurance, 401(k) plan, ESOP, cell phone, Company credit card, Company gas card, expense reimbursement and an automobile allowance. Pursuant to the Nelson Employment Agreement, in fiscal 2013 Mr. Nelson was granted the equity awards shown in the table above under the heading "Grants of Plan-Based Awards" in connection with the commencement of his employment.

Mr. Nelson's employment may be terminated by the Company at any time with or without Cause or upon Mr. Nelson's resignation with or without Good Reason, death or Permanent Incapacity, as such terms are defined in the Nelson Employment Agreement. Upon certain events of termination, Mr. Nelson is entitled to the benefits described below under the heading "Change in Control and Termination Arrangements."

Wahba Employment Agreement and Wahba Consulting Agreement

On February 13, 2012, the Company and Jeffrey A. Wahba entered into the Wahba Employment Agreement, pursuant to which Mr. Wahba served as Interim Co-Chief Executive Officer of the Company until the commencement of Mr. Keown's employment, and continued to serve as Treasurer and Chief Financial Officer until his resignation of employment with the Company effective February 28, 2013. Pursuant to the Wahba Employment Agreement, Mr. Wahba received a base salary of $350,000 per annum through December 31, 2012 and $305,000 per annum from January 1, 2013 through February 28, 2013.

Following Mr. Wahba's resignation of employment with the Company, pursuant to the Wahba Consulting Agreement, the Company engaged Mr. Wahba as a consultant to perform the services generally completed by the Chief Financial Officer of the Company, and serve in certain other capacities with the Company and its subsidiaries in order to accommodate the transition of Mr. Wahba's responsibilities while the Company continued its search for a permanent Chief Financial Officer. In exchange for such services, the Company paid Mr. Wahba $285.00 per hour and provided certain COBRA benefits during the consulting period. Mr. Wahba provided consulting services to the Company under the Wahba Consulting Agreement from March 1, 2013 through May 22, 2013.

As a result of his resignation of employment with the Company, Mr. Wahba is entitled to certain severance payments and benefits described below under the heading "Change in Control and Termination Arrangements."

Mortensen Employment Agreement

On April 4, 2012, the Company and Thomas W. Mortensen entered into an Employment Agreement (the "Mortensen Employment Agreement" and, together with the Keown Employment Agreement and Nelson Employment Agreement, the "Employment Agreements"), pursuant to which Mr. Mortensen serves as Senior Vice President of Route Sales. Pursuant to the Mortensen Employment Agreement, Mr. Mortensen's initial annual base salary was $250,000, increased to $256,250 effective October 1, 2012. Mr. Mortensen is entitled to participate in the Incentive Plan, with a target award equal to fifty percent (50%) of his base annual salary. Mr. Mortensen is entitled to all benefits and perquisites provided by the Company to its senior executives, including paid days off, group health insurance, life insurance, 401(k) plan, ESOP, cell phone, Company credit card, Company gas card, expense reimbursement and an automobile allowance.

Mr. Mortensen's employment may be terminated by the Company at any time with or without Cause or upon Mr. Mortensen's resignation with or without Good Reason, death or Permanent Incapacity, as such terms are defined in the Mortensen Employment Agreement. Upon certain events of termination, Mr. Mortensen is entitled to the benefits described below under the heading "Change in Control and Termination Arrangements."

Pension Benefits

The following table provides information as of the end of fiscal 2013 with respect to the Farmer Bros. Plan, a defined benefit plan for the majority of the Company's employees who are not covered under a collective bargaining agreement, for each of the Named Executive Officers. For a complete understanding of the table, please read the narrative disclosures that follow the table.

PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Michael H. Keown	Farmer Bros. Salaried Employees Pension Plan	—	—	—
	Farmer Bros. Death Benefit Plan	—	—	—
Mark J. Nelson	Farmer Bros. Salaried Employees Pension Plan	—	—	—
	Farmer Bros. Death Benefit Plan	—	—	—
Jeffrey A. Wahba	Farmer Bros. Salaried Employees Pension Plan	—	—	—
	Farmer Bros. Death Benefit Plan	—	—	—
Mark A. Harding	Farmer Bros. Salaried Employees Pension Plan	2.33	63,344	—
	Farmer Bros. Death Benefit Plan	—	—	—
Thomas W. Mortensen	Farmer Bros. Salaried Employees Pension Plan	22.50	866,781	—
	Farmer Bros. Death Benefit Plan	—	56,597	—
Hortensia R. Gómez	Farmer Bros. Salaried Employees Pension Plan	4.50	109,443	—
	Farmer Bros. Death Benefit Plan	—	27,670	—

Named Executive Officers participate in the same contributory defined benefit pension plan offered to other non-union company employees; however Messrs. Keown, Nelson and Wahba were hired after participation in the plan was frozen, so no benefit is available to them. No benefits are available to a participant until he or she has five years of vesting service. Annuity benefits payable monthly under the Farmer Bros. Plan at normal retirement (age 65) 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. However, no additional benefit accrual will be earned after June 30, 2011, which means that average compensation and credited service will be determined as of June 30, 2011, although service past that date will be counted for vesting. 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 (which would apply in the case of each of Mr. Mortensen and Ms. Gómez, who are over 55 and participate in the plan), 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. Maximum annual combined benefits under both plans generally cannot exceed the lesser of $205,000 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 paid in the form of an annuity. Present values were calculated using the same actuarial assumptions applied in the calculation of pension liabilities reported in Note 11 to our audited consolidated financial statements for the fiscal year ended June 30, 2013 included in our 2013 Form 10-K.

With respect to the Farmer Bros. Co. Death Benefit Plan, the Company provides a "death benefit" to certain of its employees and retirees, including the Named Executive Officers specified above, subject, in the case of current employees, to continued employment with the Company until retirement and certain other conditions related to the manner of employment termination and manner of death. The Company has purchased life insurance policies to fund the death benefit wherein the Company owns the policy but the death benefit is paid to the employee's or retiree's beneficiary upon the employee's death, and any excess over that death benefit amount that may be paid out under the related insurance policy goes to the Company. The amount of the death benefit that the Company has agreed to provide for each participating employee was determined by the Company with respect to that employee but was not specifically related to the amount of compensation that the employee was receiving as of the time that the Company elected to grant the death benefit to the employee. Further, the amount of the death benefit is fixed at the time of grant and does not change in value based on term of service but can be reduced based on demotion of service during employment. Assuming that the participating employee remains qualified, payments of the death benefit are made to the employee's beneficiary in a lump sum in the amount originally stated. Present values for the death benefit shown in the table above for each of the applicable executive officers were calculated based on the discounted value of the face amount of the executive officer's respective death benefit factored for that executive officer's life expectancy, using life expectancy tables provided by the U.S. Census Bureau.

Change in Control and Termination Arrangements

Change in Control Agreements

The Company has entered into a Change in Control Severance Agreement ("Severance Agreement") with each of its current Named Executive Officers 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, 2013, subject to automatic one year extensions unless the Company or such executive officer notified the other no later than September 30, 2013 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, 2014, 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. Wahba automatically expired upon his resignation of employment with the Company.

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

Each Severance Agreement provides that while the relevant Named Executive Officer is receiving compensation and benefits thereunder, that Named 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. Keown, Nelson and Mortensen, upon termination without Cause (as defined in the applicable Employment Agreement) or by such executive officer's resignation with Good Reason (as defined in the applicable Employment Agreement), such executive 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 executive officer becomes eligible for severance benefits under the Severance Agreement described above, the benefits provided under that agreement will be in lieu of, and not in addition to, the severance benefits under his Employment Agreement.

Potential Payments Upon Termination or Change in Control

The following tables describe potential payments and benefits upon termination (including resignation, severance, retirement or a constructive termination) or a change in control, including under the agreements described above, to which our Named Executive Officers serving at the end of the last fiscal year would be entitled. The estimated amount of compensation payable to each Named Executive Officer in each situation is listed in the tables below and assumes that the termination and/or change in control of the Company occurred at June 30, 2013.

The actual amount of payments and benefits can only be determined at the time of such a termination or change in control and therefore the actual amounts will vary from the estimated amounts in the tables below. Descriptions of how such payments and benefits are determined under the circumstances, material conditions and obligations applicable to the receipt of payments or benefits and other material factors regarding such agreements, as well as other material assumptions that we have made in calculating the estimated compensation, follow these tables.

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

The tables exclude Mr. Wahba who resigned his employment with the Company effective February 28, 2013 and ceased providing consulting services to the Company under the Wahba Consulting Agreement on May 22, 2013. Pursuant to the Wahba Employment Agreement, Mr. Wahba will receive as severance: (i) his base salary of $350,000, payable in monthly installments for a period of one (1) year from the date of his separation from service in accordance with the Company’s standard payroll practices; (ii) partially Company-paid COBRA coverage under the Company’s health care plan for himself and his spouse for one (1) year from the date of his separation from service; and (iii) $124,208, representing his fiscal 2013 target bonus under the Incentive Plan prorated through the employment termination date. Vesting and exercise of all stock options and restricted stock awards granted to Mr. Wahba are governed by the terms and conditions of the applicable award agreements. In exchange for the foregoing payments, Mr. Wahba provided the Company a general release of claims as required under the Wahba Employment Agreement. At the time of his resignation of employment with the Company, Mr. Wahba was not vested in the ESOP and was not eligible to participate in the Farmer Bros. Plan due to the pension freeze and, therefore, was not entitled to any benefits under either of these plans.

MICHAEL H. KEOWN	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	$ —	$ —	$ —	$ 950,000	$ 950,000	$ 475,000
Bonus Payments	$ 475,000	$ 475,000	$ —	$ 475,000	$ 475,000	$ 475,000
Value of Accelerated Stock Options	$ 217,648	$ 217,648	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 187,404	$ 187,404	$ —	$ —	$ —	$ —
Qualified and Non-Qualified Plans	$ —	$ —	$ —	$ —	$ —	$ —
ESOP	$ 7,564	$ 7,564	$ —	$ —	$ —	$ —
Health and Dental Insurance	$ —	$ 12,698	$ —	$ 25,396	$ 25,396	$ 12,698
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Death Benefit Plan	$ —	$ —	$ —	$ —	$ —	$ —
Total Pre-Tax Benefit	$ 887,616	$ 900,314	$ —	$ 1,475,396	$ 1,475,396	$ 962,698

MARK J. NELSON	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	$ —	$ —	$ —	$ 560,000	$ 560,000	$ 280,000
Bonus Payments	$ 32,000	$ 32,000	$ —	$ 32,000	$ 32,000	$ 32,000
Value of Accelerated Stock Options	$ 1,841	$ 1,841	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 11,880	$ 11,880	$ —	$ —	$ —	$ —
Qualified and Non-Qualified Plans	$ —	$ —	$ —	$ —	$ —	$ —
ESOP	$ —	$ —	$ —	$ —	$ —	$ —
Health and Dental Insurance	$ —	$ 12,947	$ —	$ 25,893	$ 25,893	$ 12,947
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Death Benefit Plan	$ —	$ —	$ —	$ —	$ —	$ —
Total Pre-Tax Benefit	$ 45,721	$ 58,668	$ —	$ 642,893	$ 642,893	$ 324,947

MARK A. HARDING	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	$ —	$ —	$ —	$ 512,500	$ 512,500	$ —
Bonus Payments	$ —	$ —	$ —	$ 128,250	$ 128,250	$ —
Value of Accelerated Stock Options	$ 198,569	$ 198,469	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 96,286	$ 96,286	$ —	$ —	$ —	$ —
Qualified and Non-Qualified Plans	$ 63,344	$ 63,344	$ 63,344	$ 63,344	$ 63,344	$ 63,344
ESOP	$ 41,533	$ 41,533	$ 41,533	$ 49,098	$ 49,098	$ 41,533
Health and Dental Insurance	$ —	$ 10,118	$ —	$ 20,236	$ 20,236	$ —
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Death Benefit Plan	$ —	$ —	$ —	$ —	$ —	$ —
Total Pre-Tax Benefit	$ 399,732	$ 409,750	$ 104,877	$ 798,428	$ 798,428	$ 104,877

THOMAS W. MORTENSEN	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	$ —	$ —	$ —	$ 512,500	$ 512,500	$ 256,250
Bonus Payments	$ 128,250	$ 128,250	$ —	$ 128,250	$ 128,250	$ 128,250
Value of Accelerated Stock Options	$ 68,884	$ 68,884	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 106,894	$ 106,894	$ —	$ —	$ —	$ —
Qualified and Non-Qualified Plans	$ 866,781	$ 866,781	$ 866,781	$ 866,781	$ 866,781	$ 866,781
ESOP	$ 105,239	$ 105,239	$ 105,239	$ 112,789	$ 112,789	$ 105,239
Health and Dental Insurance	$ —	$ 9,488	$ —	$ 18,977	$ 18,977	$ 9,488
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Death Benefit Plan	$ 75,000	$ —	$ —	$ —	$ —	$ —
Total Pre-Tax Benefit	$1,351,048	$ 1,285,536	$ 972,020	$ 1,664,297	$ 1,664,297	$ 1,366,008

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	$ —	$ —	$ —	$ 400,000	$ 400,000	$ —
Bonus Payments	$ —	$ —	$ —	$ 60,000	$ 60,000	$ —
Value of Accelerated Stock Options	$ 13,903	$ 13,903	$ —	$ —	$ —	$ —
Value of Accelerated Restricted Stock	$ 30,470	$ 30,470	$ —	$ —	$ —	$ —
Qualified and Non-Qualified Plans	$ 109,443	$ 109,443	$ 109,443	$ 109,443	$ 109,443	$ 109,443
ESOP	$ 56,451	$ 56,451	$ 56,451	$ 63,987	$ 63,987	$ 56,451
Health and Dental Insurance	$ —	$ 5,749	$ —	$ 11,498	$ 11,498	$ —
Outplacement Services	$ —	$ —	$ —	$ 25,000	$ 25,000	$ —
Death Benefit Plan	$ 100,000	$ —	$ —	$ —	$ —	$ —
Total Pre-Tax Benefit	$ 310,267	$ 216,016	$ 165,894	$ 669,928	$ 669,928	$ 165,894

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

Employment Agreements

Under the Employment Agreements, if termination occurs at the election of the Company without Cause (as defined in the applicable Employment Agreement) or by the executive officer’s resignation with Good Reason (as defined in the applicable Employment Agreement), the executive officer 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 applicable Employment Agreement) occurs, subject to the payment limitations with respect to “specified employees” under IRC Section 409A.

Bonus Payments

Severance Agreements

Under each Severance Agreement, if a Change in Control Event occurs, the executive officer will receive a payment equal to one hundred percent (100%) of the 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 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 IRC Section 409A.

Employment Agreements

Under the Employment Agreements, if termination occurs at the election of the Company without Cause (as defined in the applicable Employment Agreement) or by the executive officer's resignation with Good Reason (as defined in the applicable Employment Agreement), such executive officer will receive an amount equal to his or her target award under the Incentive Plan for the fiscal year in which such termination is effective, prorated for the partial fiscal year in which the termination is effective. 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 applicable Employment Agreement) occurs, subject to the payment limitations with respect to "specified employees" under IRC Section 409A. The Company will also pay a prorated portion of the target award under the Incentive Plan in the event of the executive officer's death or disability.

Value of Accelerated Stock Options and Restricted Stock

Under the terms of the outstanding 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 28, 2013 ($14.06). The value of the options is the aggregate spread between $14.06 and the exercise price of the accelerated options, if less than $14.06, while $14.06 is the intrinsic value of the restricted stock grants.

Under the Omnibus Plan (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4), the plan administrator also has discretionary authority regarding accelerated vesting upon termination other than by reason of death or disability, or in connection with an impending Change in Control (as defined in the Omnibus Plan (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4)). The amounts in the tables above assume such discretionary authority was not exercised. Additionally, under the Omnibus Plan (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4), unless otherwise provided in any applicable award agreement, if a Change in Control occurs and a participant's awards are not continued, converted, assumed or replaced by the Company or a parent or subsidiary of the Company, or a Successor Entity (as defined in the Omnibus Plan (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4)), such awards will become fully exercisable and/or payable, and all forfeiture, repurchase and other restrictions on such awards will lapse immediately prior to such Change in Control. The amounts in the tables above assume such awards were continued, converted, assumed or replaced in connection with a Change in Control.

Qualified and Non-Qualified Plans; ESOP

Under each Severance Agreement, if a Change in Control Event occurs, subject to eligibility provisions of the plans, the 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 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 executive officer will be entitled to his or her vested benefits under the Farmer Bros. Plan and the ESOP.

Estimated qualified and non-qualified plan benefits shown in the tables above reflect the present value of the vested accumulated benefits under the Farmer Bros. Plan. Amounts shown in the tables above exclude vested employee contributions under the Farmer Bros. Plan.

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 $7,564, $7,564, $7,564, $7,550, and $7,536, respectively, for Mr. Keown, Mr. Nelson, Mr. Harding, Mr. Mortensen and Ms. Gómez). The estimated value of the ESOP shares is based on $14.06 per share, the closing price of our Common Stock on June 28, 2013.

Participants become 100% vested under the ESOP upon death, disability and, subject to certain eligibility requirements, retirement.

Health and Dental 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 executive officer at his or her date of termination will be continued by the Company during the twenty-four (24) month period following the 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 coverage will end on the date of qualification. The Company will provide for such insurance coverage at its expense at the same level and in the same manner as if the executive officer's employment had not terminated (subject to the customary changes in such coverage if the executive officer retires under a Company retirement plan, reaches age 65, or similar events and subject to the executive officer's right to make any changes in such coverage that an active employee is permitted to make). Any additional coverage the 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 executive officer was paying for such coverage at the time of termination will be paid by the 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.

Employment Agreements

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

Company Benefit Plans

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

Outplacement Services

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

Death Benefit Plan

As described above under the heading "Pension Benefits," the Company provides a "death benefit" to certain of its employees and retirees, including Mr. Mortensen and Ms. Gómez. The amounts shown in the tables above represent the death benefit to which each of Mr. Mortensen and Ms. Gomez are entitled under the death benefit plan. The Company has purchased life insurance policies to fund the death benefit wherein the Company owns the policy but the death benefit is paid to the employee's or retiree's beneficiary upon the employee's death, and any excess over that death benefit amount that may be paid out under the related insurance policy goes to the Company. The amounts shown in the table above represent the value of the death benefit payable by a third-party insurance company under this arrangement.

In addition, under each Severance Agreement, if the executive officer is covered by a split-dollar or similar life insurance program at the date of termination, he or she will have the option to have such policy transferred to him or her upon termination provided the Company is paid for its interest in the policy upon such transfer. The amounts shown in the tables above assume no such option is exercised.

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 By-Laws of the Company, or the Delaware General Corporation Law.

PROPOSAL NO. 3

ADVISORY VOTE TO APPROVE OUR EXECUTIVE COMPENSATION

Background

As part of the Board's commitment to excellence in corporate governance, and as required by Section 14A(a)(1) of the Exchange Act, which was added under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Board is providing our stockholders with an opportunity to approve, on an advisory (non-binding) basis, the compensation of our Named Executive Officers as disclosed in this Proxy Statement in accordance with the SEC's rules.

Summary

We are asking our stockholders to provide advisory approval of the compensation of our Named Executive Officers as described in the Compensation Discussion and Analysis section of this Proxy Statement and the related executive compensation tables.

Under its charter, pursuant to the powers delegated by the Board, the Compensation Committee has the sole authority to determine and approve compensation for our Named Executive Officers, subject to Board review prior to approval in the case of equity compensation awards. Consistent with our compensation philosophy and objectives, our executive compensation program for our Named Executive Officers has been designed to balance compensation elements and levels that attract, motivate and retain talented executives with forms of compensation that are performance-based and/or aligned with stock performance and stockholder interests. The program rewards superior performance and provides consequences for underperformance. We urge our stockholders to review the Compensation Discussion and Analysis section of this Proxy Statement and the related executive compensation tables for more information.

We emphasize pay-for-performance. Annual performance-based incentives play an important role in providing incentives to our executives to achieve and exceed short-term performance goals. In fiscal 2013, the Compensation Committee established Company financial performance criteria and individual participant goals for bonus awards under the Incentive Plan. The Compensation Committee established operating cash flow, defined as income from operations after executive bonus accruals, excluding non-recurring items such as income from the sale of capital assets, severance paid or payable to terminated employees, interest expense, depreciation and amortization, pension related expense and ESOP compensation expense, of $26.5 million as a threshold to any bonus payout under the Incentive Plan. In fiscal 2013, loss from operations was $(4.1) million compared to $(22.1) million in fiscal 2012, primarily due to improvement in gross profit. As a result, the Company achieved the operating cash flow threshold under the Incentive Plan, resulting in aggregate bonuses in the amount of $924,473 to our current Named Executive Officers based on the extent of achievement of operating cash flow and individual participant goals.

We believe our compensation programs are strongly aligned with the long-term interests of our stockholders. Compensation includes equity-based awards under the Omnibus Plan (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4) intended to align total compensation with stockholder interests by encouraging long-term performance. Equity represents a key component of the compensation of our Named Executive Officers as a percentage of total compensation.

For Mr. Keown, our current President and Chief Executive Officer, on an annualized basis for fiscal 2013, approximately 34% of target total direct compensation was in the form of equity; approximately 33% was base salary; and approximately 33% was short-term incentive cash compensation under the Incentive Plan.

For our Named Executive Officers (other than Mr. Keown), on average, in fiscal 2013 approximately 29% of target total direct compensation was in the form of equity; approximately 48% was base salary; and approximately 22% was short-term incentive cash compensation under the Incentive Plan.

Stock options for 117,828 shares have been exercised since inception of the Omnibus Plan, and 385,946 shares issuable under outstanding stock options are "in the money" as of October 17, 2013.

We are committed to good governance and providing pay opportunities that reflect best practices. Executive officer compensation is determined by the Compensation Committee which is composed solely of independent directors. The Compensation Committee has authority to retain independent compensation consultants to provide it with advice on matters related to executive compensation. In fiscal 2013, the Compensation Committee engaged Mercer and Strategic Apex Group to advise on certain executive officer compensation matters as described in the Compensation Discussion and Analysis section above under the heading "Oversight of the Executive Compensation Program—Compensation Committee Consultants."

The Company intends to provide pay opportunities that reflect best practices and that also acknowledge the Company's current circumstances and historical results. Accordingly, the Company:

- Does not provide supplemental retirement benefits to Named Executive Officers in excess of those generally provided to other employees of the Company;
- Maintains incentive compensation plans that do not encourage undue risk-taking and align executive rewards with annual and long-term performance;
- Has not engaged in the practice of re-pricing/exchanging stock options;
- Does not provide for any "single trigger" severance payments in connection with a Change in Control to any Named Executive Officer;
- Maintains an equity compensation program that generally has a long-term focus, including equity awards that generally vest over a period of three years, or, in the case of restricted stock awards, cliff vest at the end of three years;
- Maintains compensation programs that have a strong pay-for-performance orientation;
- Limits perquisites except in connection with the facilitation of the Company's business or where necessary in recruiting and retaining key executives;
- Maintains stock ownership guidelines for executive officers that require significant investment by these individuals in the Company's Common Stock; and
- Has a clawback policy that requires the Board of Directors to review all bonuses and other incentive and equity compensation awarded to the Company's executive officers if it is subsequently determined that the amounts of such compensation were determined based on financial results that are later restated and the executive officer's fraud or misconduct caused or partially caused such restatement.

In light of the results of the stockholder advisory vote to approve the compensation of our named executive officers in fiscal 2012, we propose amending and restating the Omnibus Plan in the form of the proposed Amended Equity Plan, and making certain other adjustments to our incentive compensation program under the Incentive Plan. During fiscal 2013 the Compensation Committee evaluated the Company's executive compensation programs, particularly the Omnibus Plan, which resulted in the proposed Amended Equity Plan, included herein as Proposal No. 4, as well as certain adjustments to the Company's incentive compensation program under the Incentive Plan.

The Compensation Committee intends to maintain the ability to incorporate equity-based elements in the Company's executive compensation program in fiscal 2014; however the Compensation Committee intends to implement the following material changes to the Omnibus Plan, subject to stockholder approval of the Amended Equity Plan under Proposal No. 4:

- Increase the number of shares of Common Stock authorized for issuance pursuant to awards under the Omnibus Plan by 250,000, from 1,125,000 shares to 1,375,000 shares;
- Limit the types of equity awards available to be granted under the Amended Equity Plan to performance-based options and restricted stock;
- Limit participants in the Amended Equity Plan to directors, officers and other employees of the Company;
- Limit the performance criteria that will be used to establish performance goals under the plan to (i) net sales or revenue; (ii) net income before tax and excluding gain or loss on sale of property, plant and equipment; and/or (iii) cash flow (including, but not limited to, operating cash flow and free cash flow);

- Reduce the maximum number of shares of stock with respect to one or more awards that may be granted to any one participant during any calendar year from 250,000 to 75,000;
- Require that all options issued to employees include performance criteria or performance goals, unless issued in connection with the commencement of employment as an executive of the Company;
- Provide for forfeiture of unvested awards upon termination of employment or termination of directorship, except as otherwise determined by the plan administrator;
- Prohibit awards of restricted stock to employees except in connection with the commencement of employment as an executive of the Company; and
- Prohibit delegation of administration of the plan to another committee or subcommittee of the Board, or authority to grant or amend awards to participants to a committee of one or more members of the Board or one or more officers of the Company.

For fiscal 2014, the Compensation Committee has determined that Company financial performance under the Incentive Plan will be weighted at 90% compared to 80% in fiscal 2013. Company financial performance will be gauged by the level of achievement of modified net income and modified operating cash flow, in each case as determined from the Company's audited financial statements. "Modified net income" is defined as net income (GAAP) before taxes and excluding any gains or losses from sales of assets. "Modified operating cash flow" is defined as net income from operations (GAAP) after taking into account adjustments for the following items: (i) depreciation and amortization, (ii) provision for doubtful accounts, (iii) changes in: (a) accounts and notes receivable, (b) inventories, (c) income tax receivables, (d) prepaid expenses, (e) other assets, (f) accounts payable, and (g) accrued payroll, expenses and other current liabilities. Subject to the Compensation Committee's discretion under the Incentive Plan, threshold modified net income equal to no less than 90% of the modified net income target approved by the Compensation Committee must be achieved in fiscal 2014 to earn any bonus payout under the Incentive Plan. Assuming this threshold is reached, then a percentage of achievement ranging from 90% to 200% will be assigned for each of modified net income and modified operating cash flow, respectively, in proportion to the level of modified net income and modified operating cash flow, respectively, achieved. Following that calculation of achievement for each of modified net income and operating cash flow, an overall Company financial performance achievement percentage will be calculated by giving modified net income percentage achievement 80% weight and giving modified operating cash flow 20% weight. We believe that the modified net income and modified operating cash flow targets approved by the Compensation Committee represent challenging goals that will offer a fair probability of achievement to incentivize the executive officers, and, if achieved (or surpassed), will reflect improvement in Company profitability which we believe will enhance stockholder value.

Individual goals will be weighted at 10% in fiscal 2014 compared to 20% in fiscal 2013. The Compensation Committee has provided a non-exclusive list of individual goals to each Named Executive Officer for fiscal 2014, which the Compensation Committee may take into account as well as other factors and give each of them weight (or ignore them as factors) as it reasonably determines. After the end of fiscal 2014, the Compensation Committee will evaluate those listed goals as well as other reasonable factors it considers to be germane to the Named Executive Officer's performance for the fiscal year and assign a value of up to 10% with respect to such Named Executive Officer's level of overall individual performance. The individual performance achievement will then be multiplied by the percentage of achievement of the Company overall financial performance achievement, the result will be added to the Company overfall financial performance achievement and the resulting sum will be multiplied by the Named Executive Officer's target award percentage. The resulting percentage would then be multiplied by the Named Executive Officer's base salary to calculate the preliminary bonus award.

The Compensation Committee believes that these changes to the Incentive Plan for fiscal 2014 more closely tie incentive cash bonus awards under the Incentive Plan to Company performance.

Required Vote

The approval of the advisory vote to approve our executive compensation 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 proposal. Brokers do not have discretionary authority to vote on this proposal. Broker non-votes, therefore, will have no effect on the proposal as brokers are not entitled to vote on such proposals in the absence of voting instructions from the beneficial owner. The say-on-pay vote is advisory, and therefore, not binding on the Board or the Compensation Committee. While the vote is non-binding, the Board and the Compensation Committee value the opinions that stockholders express in their votes and in any additional dialogue and will consider the outcome of the vote and those opinions when making future compensation decisions.

We currently conduct annual advisory votes on executive compensation, and we expect to conduct the next advisory vote on executive compensation at our 2014 Annual Meeting of Stockholders.

Recommendation

The Board believes that the information provided above and within the Compensation Discussion and Analysis section of this Proxy Statement demonstrates that our executive compensation program was designed appropriately, has taken into account the opinions expressed by our stockholders, and is working to ensure that our executives' interests are aligned with our stockholders' interests to support long-term value creation.

The following resolution will be submitted for a stockholder vote at the Annual Meeting:

"Resolved, that the Company's stockholders approve, on an advisory basis, the compensation paid to the Company's Named Executive Officers, as disclosed pursuant to Securities and Exchange Commission rules in the Compensation Discussion and Analysis, the compensation tables and the accompanying narrative disclosure, in this Proxy Statement."

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE ADVISORY (NON-BINDING) RESOLUTION INDICATING THE APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS.

PROPOSAL NO. 4

APPROVAL OF THE PROPOSED FARMER BROS. CO. AMENDED AND RESTATED 2007 LONG-TERM INCENTIVE PLAN

We are asking stockholders to approve the proposed Farmer Bros. Co. Amended and Restated 2007 Long-Term Incentive Plan, or Amended Equity Plan, which is an amendment and restatement of, and successor to, the Farmer Bros. Co. 2007 Omnibus Plan, as approved by the Company's stockholders on December 6, 2007, and as amended with the approval of the Company's stockholders on December 6, 2012. On October 11, 2013, the Company's Board of Directors adopted the Amended Equity Plan, subject to stockholder approval at the Annual Meeting.

If the Amended Equity Plan is not approved, the Company does not expect to have sufficient shares available to issue equity awards under the Omnibus Plan in fiscal 2014 beyond the annual awards expected to be granted in December 2013, including any awards for such purposes as inducing new executives to join the Company. The Board believes that in order to attract and retain qualified non-employee directors and senior management personnel, it is necessary for the Company to have the ability to grant shares of the Company's Common Stock in the form of equity awards permitted under the Amended Equity Plan.

As of October 17, 2013, there were 201,508 total shares remaining available for issuance under the Omnibus Plan without giving effect to the proposed additional 250,000 share increase under the Amended Equity Plan. As of October 17, 2013, the closing price of our Common Stock was $15.65.

Material Changes to the Omnibus Plan

The Amended Equity Plan would implement the following material changes to the Omnibus Plan, subject to stockholder approval of the Amended Equity Plan:

- Increase the number of shares of Common Stock authorized for issuance pursuant to awards under the Omnibus Plan by 250,000, from 1,125,000 shares to 1,375,000 shares. Based on our historical usage and presuming stockholder approval of this proposal, we estimate that the shares reserved for issuance under the Amended Equity Plan would be sufficient for approximately two years, assuming we continue to grant awards consistent with our historical usage and current practices, and noting that future circumstances or market or other conditions may result in a different outcome;
- Limit the types of equity awards available to be granted under the Amended Equity Plan to performance-based options and restricted stock;
- Limit participants in the Amended Equity Plan to directors, officers and other employees of the Company;
- Limit the performance criteria that will be used to establish performance goals under the plan to (i) net sales or revenue; (ii) net income before tax and excluding gain or loss on sale of property, plant and equipment; and/or (iii) cash flow (including, but not limited to, operating cash flow and free cash flow);
- Reduce the maximum number of shares of stock with respect to one or more awards that may be granted to any one participant during any calendar year from 250,000 to 75,000;
- Require that all options issued to employees include performance criteria or performance goals, unless issued in connection with the commencement of employment as an executive of the Company;
- Provide for forfeiture of unvested awards upon termination of employment or termination of directorship, except as otherwise determined by the plan administrator;
- Prohibit awards of restricted stock to employees except in connection with the commencement of employment as an executive of the Company;
- Limit the value of restricted stock awards granted to any non-employee director to an amount not more than $30,000 annually; and
- Prohibit delegation of administration of the plan to another committee or subcommittee of the Board, or authority to grant or amend awards to participants to a committee of one or more members of the Board or one or more officers of the Company.

Stockholder Approval Requirement

The Amended Equity Plan will become effective upon approval by the Company's stockholders at the Annual Meeting. Unless and until stockholders approve the Amended Equity Plan, the Company will continue to grant awards under the terms of the Omnibus Plan and from the shares available for issuance under the Omnibus Plan, without regard to the amendment and restatement being proposed in this Proposal No. 4.

Stockholder approval of the Amended Equity Plan is necessary in order for us to (i) meet the stockholder approval requirements under applicable Nasdaq rules, (ii) take tax deductions for certain compensation resulting from awards granted under the Amended Equity Plan that may be intended to qualify as performance-based compensation under IRC Section 162 (m) and (iii) grant ISOs under the Amended Equity Plan. Under our current practice, we do not grant ISOs, although we may choose to grant ISOs in the future. Specifically, approval of the Amended Equity Plan will constitute approval of the performance criteria set forth in the Amended Equity Plan pursuant to the stockholder approval requirements of IRC Section 162(m), which will enable us to award performance-based compensation within the meaning of Section 162 (m) through our 2018 Annual Meeting of Stockholders, preserving the deductibility of these awards for federal income tax purposes. In addition, approval of the Amended Equity Plan will constitute approval pursuant to the stockholder approval requirements of IRC Section 422 relating to ISOs.

Compensation Best Practices

The Amended Equity Plan authorizes the grant of equity-based compensation in the form of performance-based options and restricted stock, or any combination thereof, for the purpose of providing our directors, officers, and other employees compensation, incentives and rewards for performance. Similar to the Omnibus Plan, the Amended Equity Plan both continues and enhances a broad range of compensation best practices, including the following:

- *Limitation on Shares Available for Issuance.* The increase in the maximum number of shares available for issuance under the Amended Equity Plan by 250,000 from 1,125,000 under the Omnibus Plan to 1,375,000 under the Amended Equity Plan, would represent, if fully issued, approximately 1.5% of the Company's outstanding shares as of October 17, 2013.

- *Limitation on Grants.* The maximum number of shares with respect to one or more awards that may be granted to any one participant during any calendar year under the Amended Equity Plan is 75,000, subject to adjustment for certain corporate transactions or events affecting the number or type of outstanding shares of Common Stock, as described below.

- *Limitation on Term of Stock Option Grants.* The term of each stock option will not exceed ten years.

- *Limitation on Share Counting.* Shares surrendered for the payment of the exercise price or withholding taxes under awards, and shares tendered to the Company (either by actual delivery or attestation) to pay the exercise price of any award, may not again be made available for issuance under the Amended Equity Plan.

- *No Repricing or Grant of Discounted Stock Options.* No stock option may be amended to reduce the per share exercise price of the shares subject to such stock option below the per share exercise price as of the date the stock option is granted and, except as otherwise permitted in the Amended Equity Plan, no stock option may be granted in exchange for, or in connection with, the cancellation or surrender of a stock option having a higher per share exercise price. The Amended Equity Plan prohibits the granting of stock options with an exercise price less than 100% of the fair market value (as defined in the Amended Equity Plan) on the date of grant.

- *Section 162(m) Qualification*. The Amended Equity Plan, like the Omnibus Plan, is designed to allow the Company to grant awards under the Amended Equity Plan that may be intended to qualify as performance-based compensation under IRC Section 162(m).

- *Independent Administration.* The Compensation Committee of the Company's Board of Directors, which consists of only non-employee directors, generally administers the Amended Equity Plan, while the Board of Directors administers the Amended Equity Plan with respect to awards granted to non-employee directors.

Background for the Current Request to Increase the Share Reserve

In its determination to recommend that the Board approve the Amended Equity Plan, the Compensation Committee reviewed the analysis prepared by Strategic Apex Group, its independent compensation consultant, as well as analyses developed and presented by members of the Compensation Committee, including burn rate, dilution and overhang metrics, peer group market practices and trends, historical market performance and the cost of the Amended Equity Plan. The Compensation Committee and the Board also considered that stockholder approval of the Omnibus Plan or Amended Equity Plan would be required for the Compensation Committee to have discretion to grant awards which may be intended to qualify as performance-based compensation for purposes of IRC Section 162(m), preserving the deductibility of such performance-based awards for federal income tax purposes.

Summary of the Amended Equity Plan

The material terms of the Amended Equity Plan are summarized below. This summary is qualified in its entirety by reference to the Amended Equity Plan, a copy of which is attached to this Proxy Statement as Appendix A. You are encouraged to read the Amended Equity Plan in its entirety.

Purpose

The principal purpose of the Amended Equity Plan is to promote the success and enhance the stockholder value of the Company by linking the personal interests of directors, officers and other employees of the Company to those of Company stockholders and by providing such individuals with an incentive for performance to generate returns to Company stockholders. The Amended Equity Plan is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of directors, officers and other employees of the Company. The Amended Equity Plan is designed to enable us to grant performance-based awards that may be intended to qualify as "performance-based compensation" under IRC Section 162(m).

Shares Available

As of October 17, 2013, there were 201,508 total shares remaining available for issuance under the Omnibus Plan, subject to the replenishment provisions described below. If the Company's stockholders approve the Amended Equity Plan, the number of shares reserved for issuance will be increased by 250,000 shares.

Subject to certain permitted adjustments, the number of shares authorized for grant as ISOs will be no more than the total number of shares authorized for grant under the Amended Equity Plan. Shares delivered pursuant to an award may consist of authorized and unissued shares, issued shares reacquired by the Company, shares purchased by the Company on the open market, or shares held in trust for issuance under the plan. If any award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares are issued under the Amended Equity Plan to a participant and are thereafter reacquired by the Company, the shares subject to such awards and the reacquired shares shall again be available for granting awards under the Amended Equity Plan. The payment in cash of dividends and any awards that are settled in cash rather than by issuance of shares will not be counted against the total number of shares available for issuance under the Amended Equity Plan. Shares surrendered for the payment of the exercise price or withholding taxes under awards, and shares tendered to the Company (either by actual delivery or attestation) to pay the exercise price of any award may not again be made available for issuance under the Amended Equity Plan.

Unless and until the Company's stockholders approve the Amended Equity Plan, we will continue making grants under the terms and conditions of the Omnibus Plan with respect to the 201,508 shares remaining available for issuance under the Omnibus Plan as of October 17, 2013.

Administration

The Amended Equity Plan is administered by the Compensation Committee of the Board. To administer the Amended Equity Plan, the Compensation Committee must consist of three or more members of the Board, each of whom is an "outside director," within the meaning of IRC Section 162(m), a "non-employee director" for purposes of Rule 16b-3 under the Exchange Act, and an "independent director" within the meaning of the Nasdaq Stock Market. Subject to the terms and conditions of the Amended Equity 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 Amended Equity Plan. The Compensation Committee is also authorized to adopt, establish or revise rules relating to administration of the Amended Equity Plan. The Board may at any time re-vest in itself the authority to administer the Amended Equity Plan (except with respect to matters which Rule 16b-3 under the Exchange Act or IRC Section 162(b) require the Compensation Committee to administer). The full Board will administer the Amended Equity Plan with respect to awards to non-employee directors. The Amended Equity Plan prohibits delegation of administration of the plan to another committee or subcommittee of the Board, or authority to grant or amend awards to participants to a committee of one or more members of the Board or one or more officers of the Company.

Eligibility

Persons eligible to participate in the Amended Equity Plan are all of our non-employee members of our Board (currently six members) and approximately 1,775 employees of the Company and its subsidiaries, as determined and selected by the plan administrator. Only employees may be granted ISOs. It is expected that awards will be made to approximately 17 employees, and the non-employee directors. Stockholder approval of the class of eligible participants under the Amended Equity Plan and the limits on the number of awards granted to any one participant under the Amended Equity Plan also is intended to satisfy the stockholder approval conditions for such awards to qualify as deductible under IRC Section 162(m), as described below.

Awards

The Amended Equity Plan provides for the grant of performance-based options and restricted 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.

Performance-Based Options

Stock options, including ISOs, as defined under IRC Section 422, and nonqualified stock options may be granted pursuant to the Amended Equity Plan. The exercise price of all stock options granted pursuant to the Amended Equity Plan will not be less than 100% of the fair market value of the Company's Common Stock on the date of grant. In general, the fair market value will be the closing sales price for a share of our Common Stock as quoted on the Nasdaq on the date of grant, which as of October 17, 2013 was $15.65. Stock options may vest and become exercisable as determined by the plan administrator, but in no event may a stock option have a term extending beyond the tenth anniversary of the date of grant. ISOs granted to any person who owns, as of the date of grant, stock possessing more than 10% of the total combined voting power of all classes of the Company's stock, however, will have an exercise price that is not less than 110% of the fair market value of the Company's Common Stock on the date of grant and may not have a term extending beyond the fifth anniversary of the date of grant. The aggregate fair market value of the shares with respect to which stock options intended to be ISOs are exercisable for the first time by an employee in any calendar year may not exceed $100,000, or such other amount as IRC Section 422.

The Amended Equity Plan requires that all options issued to employees under the plan include performance criteria or performance goals, unless issued in connection with the commencement of employment as an executive of the Company. The Amended Equity Plan provides that the performance criteria that will be used to establish performance goals with respect to any awards are limited to the following, either individually, alternatively or in any combination:

- net sales or revenue;
- net income before tax and excluding gain or loss on sale of property, plant and equipment; and/or
- cash flow (including, but not limited to, operating cash flow and free cash flow).

Such performance criteria may be measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous period results or to a designated comparison group, in each case as specified by the plan administrator in the award.

The plan administrator may grant awards to employees who are or may be "covered employees," as defined in IRC Section 162(m), that may be intended to be performance-based compensation within the meaning of IRC Section 162(m) in order to preserve the deductibility of these awards for federal income tax purposes. Participants are only entitled to receive payment for a Section 162(m) performance-based award for any given performance period to the extent that pre-established performance goals set by the plan administrator for the period are satisfied.

Restricted Stock

Restricted stock may be granted to participants and made subject to such restrictions as may be determined by the Compensation Committee (or the Board, in the case of awards to non-employee directors). Restrictions may be based on continuing service to the Company or achieving one or more of the performance criteria listed above. Restricted stock, typically, may be forfeited for no consideration or repurchased by the Company at the original purchase price if the conditions or restrictions are not met. In general, restricted stock may not be sold, or otherwise transferred, until the restrictions are removed or expire. Recipients of restricted stock, unlike recipients of options, will have voting rights and will receive dividends, if any, prior to the time when the restrictions lapse. The Amended Equity Plan prohibits awards of restricted stock to employees except in connection with the commencement of employment as an executive of the Company. In addition, the Amended Equity Plan limits the value of restricted stock awards granted to any non-employee director to an amount not more than $30,000 annually.

Payment Methods

The Administrator will determine the methods, terms and conditions by which the exercise price of an option may be paid, and the form and manner of payment, including, without limitation, payment in the form of cash, by directing the Company to withhold such number of shares of stock otherwise issuable in connection with the exercise of the option having an aggregate fair market value equal to the exercise price, shares of stock, or other property acceptable to the plan administrator and payment through the delivery of a notice that the participant has placed a market sell order with a broker with respect to shares of stock then issuable upon exercise of the option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the option exercise, price. However, no participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act will be permitted to make payment with respect to any awards granted under the Amended Equity Plan, or continue any extension of credit with respect to such payment with a loan from the Company or a loan arranged by the Company, in any method which would violate the prohibitions on loans made or arranged by us as set forth in Section 13(k) of the Exchange Act. Only whole shares of Common Stock may be purchased or issued pursuant to an award. No fractional shares of stock will be issued and the plan administrator will determine, in its sole discretion, whether cash will be given in lieu of fractional shares or whether such fractional shares will be eliminated by rounding up or down as appropriate.

Limitations on Transfer and Per-Person Limitations

Awards are not transferable otherwise than by will or the laws of descent and distribution unless determined otherwise by the plan administrator. Awards may not be pledged or otherwise encumbered. The maximum number of shares of stock with respect to one or more awards that may be granted to any one participant during any calendar year is 75,000.

Corporate Transactions

In the event of a change of control where the acquirer does not assume or replace awards granted under the Amended Equity Plan, awards issued under the Amended Equity Plan will be subject to accelerated vesting such that 100% of such award will become vested and exercisable or payable, as applicable. Under the Amended Equity Plan, a change of 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 shares of the Company's 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 cease for any reason to constitute at least a majority of the Board; or (iii) the approval by 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).

Adjustments

In the event of certain corporate transactions or events affecting the number or type of outstanding shares of Common Stock, including, for example, a stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization, or distribution of Company assets to stockholders (other than normal cash dividends), the plan administrator will make adjustments as it deems appropriate. These adjustments include changing the aggregate number and type of shares that may be issued under the Amended Equity Plan; the terms and conditions of any outstanding awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and the grant, exercise or purchase price per share for any outstanding awards under the Amended Equity Plan. The plan administrator may also make adjustments in the terms of awards in connection with certain acquisitions, any unusual or nonrecurring transactions or events affecting the Company or its financial statements, or any changes in applicable laws, regulations or accounting principles.

Forfeiture

Except as otherwise determined by the plan administrator at the time of the grant of the award or thereafter, upon a participant's termination of employment or termination of directorship prior to vesting, options that are at that time subject to restrictions will be forfeited under such terms as the plan administrator determines; provided, however, that the plan administrator may (a) provide in any award agreement that restrictions or forfeiture conditions relating to options will be waived in whole or in part in the event of a participant's termination of employment or termination of directorship under certain circumstances, and (b) in other cases waive in whole or in part restrictions or forfeiture conditions relating to options.

Amendment and Termination

The Board may terminate, amend or modify the Amended Equity Plan at any time and from time to time; provided, however, that (a) to the extent necessary to comply with any applicable law, regulation, or stock exchange rule, the Company will obtain stockholder approval of any plan amendment in such a manner and to such a degree as required, and (b) stockholder approval is required for any amendment to the plan that increases the number of shares available under the plan (other than any adjustment in connection with corporate transactions and the other adjustments described above). Absent approval of the stockholders of the Company, no option may be amended to reduce the per share exercise price of the shares subject to such option below the per share exercise price as of the date the option is granted and, except as permitted in connection with a corporate transaction or other adjustment described above, no option may be granted in exchange for, or in connection with, the cancellation or surrender of an option having a higher per share exercise price.

Material Federal Income Tax Consequences

The following is a brief description of the principal U.S. federal income tax consequences, based on current law, of awards under the Amended Equity Plan.

Tax Consequences to Participants

A participant receiving non-qualified stock options should not recognize taxable income upon grant. Generally, participants will recognize ordinary income on exercise in an amount equal to the difference between the fair market value of the stock subject to the option and the exercise price of the option. The participant's basis in the common stock for purposes of determining gain or loss on a subsequent sale or disposition of shares generally will be the fair market value of the stock on the date the option was exercised. Any subsequent gain or loss will be taxable as a capital gain or loss.

A participant receiving ISOs should not recognize taxable income upon grant. Additionally, participants generally recognize no taxable income on exercise of an ISO. Instead, they have gain, taxable at capital gains rates, upon the disposition of the stock acquired on exercise of the ISO in an amount equal to the excess of the amount realized on disposition of the stock over the exercise price of the ISO. (In some cases, participants may become subject to tax as the result of the exercise of an ISO, because the excess of the fair market value of the stock at exercise over the exercise price is an adjustment item for alternative minimum tax purposes.) The special tax treatment afforded to ISOs is only available, however, if the participant does not dispose of the stock acquired upon exercise of the ISO before the first anniversary of the date on which he or she exercised the ISO or, if later, the second anniversary of the date on which the ISO was granted. If the participant disposes of stock before the expiration of this holding period, a "disqualifying disposition" occurs and the participant will recognize income, taxable at ordinary income rates, in the year of the disqualifying disposition. The amount of this income will generally be equal to the excess, if any, of the lesser of (1) the fair market value of the stock on the date of exercise and (2) the amount realized upon disposition of the stock over the exercise price paid for the stock. If the amount realized upon a disqualifying disposition is greater than the fair market value of the stock on the date of exercise, the difference will be taxable to the employee as capital gain.

A participant receiving restricted stock should not recognize taxable income upon grant. Instead, the participant will have taxable income in the first year in which the shares cease to be subject to a substantial risk of forfeiture, generally when all applicable restrictions lapse. The participant will then have taxable income equal to the fair market value of the stock at that time over the amount, if any, the participant paid for the stock. The participant may, however, make an election to include in income, when the restricted stock is first transferred to him or her, an amount equal to the excess of the fair market value of the stock at that time over the amount, if any, paid for the stock. The result of this election is that appreciation in the value of the stock after the date of transfer is then taxable as capital gain, rather than as ordinary income.

Tax Consequences to the Company

Generally, any time a participant recognizes taxable income, as opposed to capital gain, as the result of the settlement of any award under the Amended Equity Plan, the Company will be entitled to a deduction equal to the amount of income recognized by the participant.

IRC Section 162(m) Limitation

In general, under Section 162(m), income tax deductions of publicly-held corporations may be limited to the extent total compensation (including base salary, annual bonus, stock option exercises and non-qualified benefits paid) for certain executive officers exceeds $1,000,000 (less the amount of any “excess parachute payments” as defined in IRC Section 280G) in any one year. However, under Section 162(m), the deduction limit does not apply to certain qualified “performance-based compensation” if (i) the award is granted by a compensation committee composed solely of two or more “outside directors,” (ii) the plan contains a per-employee limitation on the number of awards which may be granted during a specified period, (iii) the plan is approved by stockholders and (iv) under the terms of the award, the amount of compensation an employee could receive is based solely on an increase in the value of the stock after the date of the grant (which requires that the exercise price of the stock option is not less than the fair market value of the stock on the date of grant), and for awards other than stock options, established performance criteria that must be met before the award actually will vest or be paid.

The Amended Equity Plan is designed to meet the requirements of Section 162(m); however, awards other than stock options granted under the Amended Equity Plan will only be treated as qualified performance-based compensation under Section 162(m) if the awards and the procedures associated with them comply with all other requirements of Section 162(m). There can be no assurance that compensation attributable to awards granted under the Amended Equity Plan will be treated as qualified performance-based compensation under Section 162(m) and thus be deductible to the Company.

This general tax discussion is intended for the information of stockholders considering how to vote with respect to this proposal and not as tax guidance to participants in the Amended Equity Plan. Different tax rules may apply to specific participants and transactions under the Amended Equity Plan.

Awards Granted Under the Amended Equity Plan

The number of awards that the Company’s non-employee directors, executive officers and other employees may receive under the Amended Equity Plan is in the discretion of the Compensation Committee and the Board and therefore cannot be determined in advance. Certain tables under the headings "Director Compensation - Equity Compensation" and “Executive Compensation,” including the Summary Compensation Table, Grants of Plan-Based Awards Table, Outstanding Equity Awards at Fiscal Year-End Table and Option Exercises and Stock Vested Table, set forth information with respect to prior awards granted to the Company’s non-employee directors and Named Executive Officers under the Omnibus Plan.

The following table provides information as of October 17, 2013, with respect to option awards granted under the Omnibus Plan to our individual Named Executive Officers, directors and other groups since the inception of the Omnibus Plan in 2007.

OPTION AWARDS GRANTED UNDER
FARMER BROS. CO. 2007 OMNIBUS PLAN
SINCE INCEPTION OF OMNIBUS PLAN THROUGH OCTOBER 17, 2013

Name and Position	Number of Shares Underlying Option Grants
Michael H. Keown, President, Chief Executive Officer and Director	140,000
Mark J. Nelson, Treasurer and Chief Financial Officer	29,446
Jeffrey A. Wahba, Former Treasurer and Chief Financial Officer; Former Interim Co-CEO	157,000
Mark A. Harding, Senior Vice President of Operations	90,451
Thomas W. Mortensen, Senior Vice President of Route Sales	45,743
Hortensia R. Gómez, Vice President, Controller and Assistant Treasurer	20,555
All current executive officers as a group	326,195
All current directors who are not executive officers as a group	0
Charles F. Marcy, Nominee for election as a director	0
Christopher P. Mottern, Nominee for election as a director	0
All employees, including all current officers who are not executive officers, as a group (1)	1,457,171

(1) Includes 793,943 shares cancelled or forfeited.

THE BOARD RECOMMENDS A VOTE "FOR"
APPROVAL OF THE PROPOSED
FARMER BROS. CO. AMENDED AND RESTATED
2007 LONG-TERM INCENTIVE PLAN.

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 compensation. Directors who are Company employees are not paid any additional 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, in fiscal 2013, meeting fees for Audit Committee meetings held primarily for purposes of conducting the Chief Financial Officer search were limited to $1,500 per meeting, consistent with meeting fees paid to committees formed for such purposes in the past.

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 a grant of restricted stock having a value equal to $30,000, 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 generally 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. In fiscal 2013, the annual grant of restricted stock was made on December 7, 2012. Each non-employee director received a grant of 2,540 shares of restricted stock based on the closing price per share of our Common Stock on December 7, 2012 ($11.81).

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 (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4). 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 (or the Amended Equity Plan, assuming stockholder approval thereof under Proposal No. 4), 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.

Director Compensation Table

The following table shows fiscal 2013 non-employee director compensation:

Director(1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)	Change in Pension Value ($) (9)	All Other Compensation ($)	Total ($)
Hamideh Assadi(3)(4)(5)(6)(7).	71,750	29,997	—	2,313	104,060
Guenter W. Berger(3)(5)(8) . . .	39,750	29,997	—	6,283	76,030
Randy E. Clark(4)(5)(6)	45,500	29,997	—	—	75,497
Jeanne Farmer Grossman(4)(5)	66,000	29,997	—	—	95,997
Martin A. Lynch(5)(6)	61,750	29,997	—	—	91,747
James J. McGarry(4)(5)	53,500	29,997	—	—	83,497
John H. Merrell(4)(5)(6).	33,750	—	—	—	33,750

(1) Mr. Keown, the Company's President and Chief Executive Officer, is not included in this table since he received no compensation for his service as a director in fiscal 2013.

(2) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. Each non-employee director received a grant on December 7, 2012 of 2,540 shares of restricted stock, which generally vest over three years in equal annual installments, with a grant date fair value under FASB ASC Topic 718 of $11.81 per share, based on the closing price of our Common Stock on that date of $11.81. The aggregate number of restricted stock awards outstanding at June 30, 2013 for each non-employee director is: Ms. Assadi, 6,183 shares; Mr. Berger, 6,923 shares; Mr. Clark, 2,540 shares; Ms. Grossman, 6,923 shares; Mr. Lynch, 7,669 shares; and Mr. McGarry, 6,923 shares, including, in the case of each of Messrs. McGarry and Lynch, 3,516 shares of restricted stock which are expected to be forfeited upon their ceasing to serve on the Board of Directors beyond the Annual Meeting. Mr. Merrell forfeited 4,383 shares of restricted stock upon his ceasing to serve on the Board of Directors beyond the 2012 Annual Meeting and, as a result, held no shares of restricted stock as of June 30, 2013.

(3) Represents the aggregate change in the actuarial present value of the accumulated benefit under all defined benefit and actuarial pension plans from the pension plan measurement date used for financial statement reporting purposes with respect to the Company's audited consolidated financial statements for the fiscal year ended June 30, 2012 to the pension plan measurement date used for financial statement reporting purposes with respect to the Company's audited consolidated financial statements for the fiscal year ended June 30, 2013.

(4) During fiscal 2013, Hamideh Assadi, Randy E. Clark, Jeanne Farmer Grossman, James J. McGarry and John H. Merrell served as members of the Compensation Committee. Mr. Clark was appointed to the Compensation Committee on December 6, 2012. Mr. McGarry served as Chairman and a member of the Compensation Committee through December 6, 2012. Mr. Merrell served as a member of the Compensation Committee through the end of his term as a director on December 6, 2012. Ms. Grossman was appointed Chair of the Compensation Committee on December 6, 2012.

(5) During fiscal 2013, Hamideh Assadi, Guenter W. Berger, Randy E. Clark, Jeanne Farmer Grossman, Martin A. Lynch, James J. McGarry and John H. Merrell served as members of the Nominating Committee. Mr. Clark was appointed to the Nominating Committee on December 6, 2012. Mr. Merrell served as a member of the Nominating Committee through the end of his term as a director on December 6, 2012. Mr. McGarry has served as Chairman of the Nominating Committee since August 29, 2011. Mr. Lynch intends to serve as a member, and Mr. McGarry intends to serve as a member and Chairman, of the Nominating Committee through the end of their terms as directors at the Annual Meeting.

(6) During fiscal 2013, Hamideh Assadi, Randy E. Clark, Martin A. Lynch and John H. Merrell served as members of the Audit Committee. Mr. Clark was appointed to the Audit Committee on December 6, 2012. Mr. Merrell served as a member and Chairman of the Audit Committee through the end of his term as a director on December 6, 2012. Mr. Lynch intends to serve as a member and Chairman of the Audit Committee through the end of his term as a director at the Annual Meeting.

(7) All Other Compensation for Ms. Assadi includes life insurance premiums paid by the Company under the Company's postretirement death benefit plan ($2,030) and the economic benefit of the associated life insurance policy ($283).

(8) All Other Compensation for Mr. Berger includes life insurance premiums paid by the Company under the Company's postretirement death benefit plan ($3,956) and the economic benefit of the associated life insurance policy ($2,327).

(9) The aggregate change in the actuarial pension value of Ms. Assadi's and Mr. Berger's accumulated benefits under the Farmer Bros. Plan was ($7,482) and ($32,357), respectively, due to the payment of benefits to each of them under the plan in fiscal 2013.

Director Indemnification

Under Farmer Bros.' Certificate of Incorporation and By-Laws, the directors are entitled to indemnification from the Company 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 By-Laws 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 Compliance 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 nature and importance of the interest to the related person, the amount involved in the transaction, whether the transaction has the potential to present a conflict of interest, whether there are business reasons for the Company to enter the transaction, and whether the transaction would impair the independence of any independent director;
- 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 may impose conditions or guidelines on any related person transaction, including, but not limited to: (i) conditions relating to on-going reporting to the Audit Committee and other internal reporting; (ii) limitations on the amount involved in the transaction; (iii) limitations on the duration of the transaction or the Audit Committee's approval of the transaction; and (iv) other conditions for the protection of the Company and to avoid conferring an improper benefit, or creating the appearance of a conflict of interest.

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

Related Person Transactions

Since the beginning of fiscal 2013, related person transactions reviewed and approved by the Audit Committee include the following:

John M. Anglin, the Company's former Secretary, is a Partner in, and Teri L. Witteman, the Company's current Secretary, is an attorney with, the law firm of AFRCT, which provides legal services to the Company. In fiscal 2013, we paid AFRCT $415,947 for such services. We expect to continue to engage AFRCT to perform legal services in fiscal 2014.

The son of Carol Farmer Waite, the beneficial owner of more than five percent (5%) of the Company's voting securities, is a non-executive employee of the Company acting as Vice President of Coffee. Mr. Waite's fiscal 2013 compensation (including salary, bonus, stock based compensation, life insurance premium, ESOP allocation, 401(k) matching contribution) was $269,077. Additionally, Mr. Waite's fiscal 2014 compensation is expected to exceed $120,000.

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, 2013.

The Audit Committee has discussed with EY the matters required to be discussed by the Statement on Auditing Standards No. 61, *Communications with Audit Committees* (SAS 61), as amended, 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 2013 Form 10-K for filing with the SEC.

Audit Committee of the Board of Directors

Martin A. Lynch, Chairman
Hamideh Assadi
Randy E. Clark

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 firm, 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 2013 and fiscal 2012 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	Fiscal 2013	Fiscal 2012
Audit Fees	$ 926,483	$ 507,000
Audit-Related Fees	—	—
Tax Fees	24,240	44,205
All Other Fees	—	—
Total Fees	$ 950,723	$ 551,205

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-Q's; 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. As discussed in Note 2, "Restatement," and Note 19, "Selected Quarterly Financial Data (Unaudited)," of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of the Company's Form 10-K for the fiscal year ended June 30, 2013 filed with the SEC on October 9, 2013 ("2013 Form 10-K"), the Company restated in the 2013 Form 10-K its consolidated financial statements for certain prior periods to correct certain errors in those financial statements. The increase in fees in fiscal 2013 compared to fiscal 2012 is related primarily to the additional work that EY performed in connection with that restatement.

Audit-Related Fees

"Audit-Related Fees" are fees for assurance and related services and various filings that are reasonably related to the performance of the audit or review of the Company's financial statements and internal control over financial reporting, including services in connection with assisting the Company in its compliance under Section 303 of the Sarbanes-Oxley Act of 2002 and related regulations. There were no such fees in fiscal 2013 or fiscal 2012.

Tax Fees

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

All Other Fees

"All Other Fees" are fees for any services not included in the first three categories. There were no such fees in fiscal 2013 or fiscal 2012.

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 2013, 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 2013 Annual Report to Stockholders (which includes the Company's 2013 Form 10-K) accompanies this Proxy Statement. The 2013 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 2013 Form 10-K, filed with the SEC, including the financial statements 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 2013 Form 10-K is also available online at the Company's website, *www.farmerbros.com*. A list of exhibits is included in the Company's 2013 Form 10-K 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, with respect to the fiscal year ended June 30, 2013, 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 2014 Annual Meeting of Stockholders. To be eligible for inclusion in the Company's 2014 proxy statement, stockholder proposals must be received by the Company at its principal executive offices no later than June 30, 2014, 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 By-Laws

The Company's By-Laws 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 2014 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 7, 2014, and no later than September 6, 2014, and must comply with the other provisions of the Company's By-Laws summarized below; provided, however, that in the event that the 2014 Annual Meeting is called for a date that is not within thirty (30) days of the anniversary date of the 2013 Annual Meeting of Stockholders, 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 2014 Annual Meeting was mailed or such public disclosure of the date of the 2014 Annual Meeting was made, whichever first occurs.

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

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

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

Householding of Proxy Materials

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

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

Forward-Looking Statements

Certain statements contained in this Proxy Statement are not based on historical fact and are forward-looking statements within the meaning of federal securities laws and regulations. These statements are based on management's current expectations, assumptions, estimates and observations of future events and include any statements that do not directly relate to any historical or current fact. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "assumes" and other words of similar meaning. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. We intend these forward-looking statements to speak only at the time of this Proxy Statement 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, the relative effectiveness of compensation-based employee incentives in causing improvements in Company performance, the capacity to meet the demands of the Company's large national account customers, the extent of execution of plans for the growth of Company business and achievement of financial metrics related to those plans, the effect of the capital markets as well as other external factors on stockholder value fluctuations in availability and cost of green coffee, competition, organizational changes, the impact of a weaker economy, business conditions in the coffee industry and food industry in general, our continued success in attracting new customers, variances from budgeted sales mix and growth rates, weather and special or unusual events, changes in the quality or dividend stream of third parties' securities and other investment vehicles in which we have invested our assets, as well as other risks described in Item 1A of our 2013 Form 10-K, and other factors described from time to time in our filings with the SEC.

By Order of the Board of Directors

October 28, 2013

TERI L. WITTEMAN
Secretary

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

ARTICLE 1
PURPOSE

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

ARTICLE 2
DEFINITIONS AND CONSTRUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.11 "***Effective Date***" shall mean December __, 2013.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 3
SHARES SUBJECT TO THE PLAN

3.1 Number of Shares

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

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

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

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

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

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

ARTICLE 4
ELIGIBILITY AND PARTICIPATION

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

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

ARTICLE 5
PERFORMANCE STOCK OPTIONS

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 6
RESTRICTED STOCK AWARDS

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

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

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

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

ARTICLE 7
QUALIFIED PERFORMANCE-BASED COMPENSATION

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

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

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

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

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

ARTICLE 8
COMPLIANCE WITH SECTION 409A OF THE CODE

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

8.2 Distributions under a Section 409A Award.

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

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

(ii) the date the Participant becomes disabled;

(iii) the Participant's death;

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

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

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

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

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

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

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

8.4 Elections under Section 409A Awards

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

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

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

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

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

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

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

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

ARTICLE 9
PROVISIONS APPLICABLE TO AWARDS

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

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

9.3 Limits on Transfer

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

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

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

9.5 Stock Certificates; Book-Entry Procedures

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

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

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

ARTICLE 10
CHANGES IN CAPITAL STRUCTURE

10.1 Adjustments

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

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

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been received upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 10.1(b) the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion;

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

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

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

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

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

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

ARTICLE 11
ADMINISTRATION

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

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

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

(a) Designate Participants to receive Awards;

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 12
EFFECTIVE AND EXPIRATION DATES

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

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

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

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

ARTICLE 13
AMENDMENT, MODIFICATION, AND TERMINATION

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

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

ARTICLE 14
GENERAL PROVISIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2013

OR

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

For the transition period from to

Commission file number: 001-34249

FARMER BROS. CO.
(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

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

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

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

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

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price at which the Farmer Bros. Co. common stock was sold on December 31, 2012 was $88.6 million.

As of October 8, 2013 the registrant had 16,454,212 shares outstanding of its common stock, par value $1.00 per share, which is the registrant's only class of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the U.S. Securities and Exchange Commission ("SEC") pursuant to Regulation 14A in connection with the registrant's 2013 Annual Meeting of Stockholders (the "Proxy Statement") or portions of the registrant's 10-K/A, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this report. Such Proxy Statement or 10-K/A will be filed with the SEC not later than 120 days after the conclusion of the registrant's fiscal year ended June 30, 2013.

EXPLANATORY NOTE

This Annual Report on Form 10-K of Farmer Bros. Co., a Delaware corporation (the "Company," "we," "our" or "Farmer Bros."), for the fiscal year ended June 30, 2013 (this "Form 10-K"), includes restatement of the following previously issued consolidated financial statements and data (and related disclosures) as of and for the periods (collectively, the "Restated Periods") noted in the table below.

Type of Financial Information	Date or Period
Consolidated balance sheet	As of June 30, 2012
Consolidated statements of operations, comprehensive income (loss), cash flows and stockholders' equity	Fiscal years ended June 30, 2012 and 2011
Consolidated balance sheet information included in Notes to Consolidated Financial Statements	As of June 30, 2011
Consolidated statements of operations, comprehensive income (loss), and cash flows included in Notes to Consolidated Financial Statements	Fiscal year ended June 30, 2010
Selected financial data	Fiscal years ended and as of June 30, 2012, 2011, 2010 and 2009
Unaudited quarterly financial data	Quarters ended September 30, 2012, December 31, 2012, March 31, 2013 and each quarter in the fiscal year ended June 30, 2012
Management's discussion and analysis of financial condition and results of operations	As of and for the fiscal years ended June 30, 2012 and 2011

The restatement results from errors related to our accounting for certain postretirement benefit obligations for our retiree medical plan, failure to timely adopt accounting guidance relating to a postretirement death benefit, when originally issued, and failure to record the appropriate amounts reflecting the cash surrender value of life insurance policies purchased to fund the postretirement death benefit. The financial statements and data for the Restated Periods also reflect corrections for certain other immaterial adjustments and reclassifications to conform to the current year presentation.

The combined impact of the adjustments to the applicable line items in our consolidated financial statements for the Restated Periods is set forth in Note 2, "Restatement," and Note 19, "Selected Quarterly Financial Data (Unaudited)," of the Notes to Consolidated Financial Statements included in Part II, Item 8, of this Form 10-K. Management has also concluded that, as of June 30, 2013, our internal controls over financial reporting were not effective due to a material weakness in our controls over our accounting for and reporting of other postretirement benefit obligations. The following items of this Form 10-K are impacted as a result of the restatement and material weakness:

Part I, Item 1A, Risk Factors;

Part II, Item 6, Selected Financial Data;

Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations;

Part II, Item 8, Financial Statements and Supplementary Data; and

Part II, Item 9A, Controls and Procedures.

We believe that presenting all of the restated information regarding the Restated Periods in this Form 10-K allows investors to review all pertinent data in a single presentation. In addition, the Company's Quarterly Reports on Form 10-Q to be filed during fiscal 2014 will include the restated fiscal 2013 comparable prior quarter and year-to-date periods. We have not filed and do not intend to file amendments to (i) our Quarterly Reports on Form 10-Q for the first three quarterly periods in the fiscal year ended June 30, 2013, or (ii) our Annual Report on Form 10-K for the fiscal year ended June 30, 2012. Accordingly, investors should rely only on the financial information and other disclosures regarding the Restated Periods in this Form 10-K or in future filings with the Securities and Exchange Commission ("SEC"), as applicable, and not on any previously issued or filed reports, earnings releases or similar communications relating to these periods.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

PART I

Item 1. Business

Overview

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the “Company,” “we,” “our” or “Farmer Bros.”), is a manufacturer, wholesaler and distributor of coffee, tea and culinary products. We are a direct distributor of coffee to restaurants, hotels, casinos, offices, quick service restaurants ("QSR's"), convenience stores, healthcare facilities and other foodservice providers, as well as private brand retailers in the QSR, grocery, drugstore, restaurant, convenience store, and independent coffee house channels. We were founded in 1912, were incorporated in California in 1923, and reincorporated in Delaware in 2004. We operate in one business segment.

Business Strategy

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

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

We manufacture and distribute products under our own brands, as well as under private labels on behalf of certain customers. Our branded products are sold primarily into the foodservice channel. Primary brands include Farmer Brothers®, Artisan Collection by Farmer Brothers™, Superior®, Metropolitan™ by Farmer Brothers, Cain's® and McGarvey®. Our product line is specifically focused on meeting the needs of the markets we serve. Our product line of approximately 3,500 SKU's (excluding private label), includes roasted coffee, liquid coffee, coffee-related products such as coffee filters, sugar and creamers, assorted iced and hot teas, cappuccino, cocoa, spices, gelatins and puddings, soup bases, dressings, gravy and sauce mixes, pancake and biscuit mixes, and jellies and preserves. For the past three fiscal years, sales of roasted coffee products represented approximately 50% of our total sales and no single product other than roasted coffee accounted for more than 10% of our total sales.

Coffee purchasing, grinding, roasting, packaging and product development takes place at our Torrance, California; Portland, Oregon; and Houston, Texas plants. Spice blending, grinding, packaging and product development takes place at our Torrance, California plant. Our distribution centers include our Torrance, Portland and Houston plants, as well as separate distribution centers in Northlake, Illinois; Oklahoma City, Oklahoma; and Moonachie, New Jersey. Farmer Bros. was among the first coffee roasters in the nation to receive SCAA-certification of a state-of-the-art coffee lab and operates Public Domain®, a specialty coffeehouse in Portland, Oregon. The Portland roasting and distribution facility was one of the first in the Northwest to achieve LEED® Silver Certification.

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

- *Artisan Collection by Farmer Brothers™*: A recently-created specialty coffee line, establishes an owned brand presence in the growing specialty coffee market, leveraging the blending, roasting and packaging capabilities of our Portland facility. Many of the coffees within the line are either Rainforest Alliance Certified™ or Fair Trade Certified™ and Certified Organic.

- *Metropolitan™ by Farmer Brothers*: One of our core brands and a premium coffee line, Metropolitan, has been updated and re-launched. Metropolitan includes a complete line of coffees from exotic single-origins, classic blends, flavored coffees and premium espressos. Metropolitan products are made from 100% Arabica beans that are roasted to offer peak flavor and freshness and are offered in a new contemporary packaging.

- *Farmer Brothers iced and hot teas*: We launched our new line of Premium and Select teas in May 2013 in response to key industry trends and growing consumer demand. Iced tea blends include flavored teas such as Georgia Peach and Pacific Raspberry™, a variety of traditional black teas, sweet teas and decaffeinated teas. Hot teas include black leaf and green teas and herbal teas, which are naturally caffeine-free.

- *Unified brand*: We have further developed and strengthened a unified corporate identity for our branded business nationwide that is reflected in our updated website, many of our fleet vehicles, product packaging and merchandising and sales materials.

- *Optimized portfolio*: In fiscal 2013, we continued to optimize and simplify our product portfolio, discontinuing over 800 SKU's to approximately 3,500 SKU's.

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

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

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

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

- *Sustainability leadership:* We believe that our efforts in measuring our emissions and waste, creating programs for waste and energy reduction, promoting partnerships in our supply chain that aim at stability and food security, and focusing on employee engagement collectively place us in a unique position to help retailers and foodservice operators create differentiated coffee programs that can include sustainable supply chains, direct trade purchasing, training and technical assistance, recycling and composting networks, and packaging material reductions.

Raw Materials and Supplies

Our primary raw material is green coffee, an agricultural commodity. The bulk of the world's green coffee supply is grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived supply shortages, speculation in the commodity markets, political unrest, tariffs, 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. Additionally, green specialty coffees sell at a premium to other green coffees because they taste cleaner, fresher, have less overall defects, offer improved cup quality and cost more to produce. The cost spread between specialty and non-specialty coffees is widening as the demand for specialty coffees continues to grow with only a limited supply to satisfy the demand and thus cost volatility can be expected to be even more pronounced.

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). Large coffee organizations such as larger producers, the CCF and the ICO may release information from time to time that can affect coffee prices.

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

Trademarks and Licenses

We own 161 registered trademarks which are integral to customer identification of our products. It is not possible to assess the impact of the loss of such identification. Additionally, in connection with the DSD Coffee Business acquisition, the Company and Sara Lee entered into certain operational agreements that include trademark and formula license agreements. In February 2012, the trademark agreements and formula license agreements with Sara Lee were assigned to the J.M. Smucker Company ("J.M. Smucker") as part of an acquisition transaction between J.M. Smucker and Sara Lee.

Seasonality

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

Distribution

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

Customers

We serve a wide variety of customers, from small restaurants and donut shops to large institutional buyers like restaurant chains, hotels, casinos, hospitals, foodservice providers, convenience stores, gourmet coffee houses, bakery/café chains, national drugstore chains, large regional and national grocery and specialty food retailers, QSR's and gaming establishments. Within our DSD channel, we believe on-premise customer contact, our large distribution network, and our relationship-based high quality service model are integral to our past and future success. Although no single customer represents a significant concentration of sales, we have several large national account customers and the loss of one or more of our large customer accounts is likely to have a material adverse effect on our results of operations.

Competition

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

Competition is robust and is primarily based on products and price, with distribution and service often a major factor. Most of our customers rely on us for distribution; however, some of our customers use third party distribution or conduct their own distribution. Some of our customers are “price” buyers, seeking the low cost provider with little concern about service, while others find great value in the service programs we provide. We compete well when quality, 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 $75.0 million senior secured revolving credit facility which is administered by Wells Fargo Bank, National Association (“Wells Fargo”). We believe this credit facility, to the extent available, in addition to our cash flows from operations and other liquid assets, are sufficient to fund our working capital and capital expenditure requirements for the next 12 months.

Foreign Operations

We have no material revenues from foreign operations.

Other

On June 30, 2013 we employed 1,793 employees, 622 of whom are subject to collective bargaining agreements. Compliance with government regulations relating to the discharge of materials into the environment, or otherwise relating to protection of the environment, has not had a material effect on our financial condition or results of operations. The nature of our business does not provide for maintenance of or reliance upon a sales backlog. None of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the government.

Available Information

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

Item 1A. Risk Factors

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

THE RESTATEMENT OF OUR HISTORICAL FINANCIAL STATEMENTS HAS ALREADY CONSUMED, AND MAY CONTINUE TO CONSUME, A SIGNIFICANT AMOUNT OF OUR TIME AND RESOURCES AND MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND STOCK PRICE.

As discussed in Note 2, “Restatement,” and Note 19, “Selected Quarterly Financial Data (Unaudited),” of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of this Form 10-K, we have restated in this Form 10-K our consolidated financial statements for certain prior periods to correct certain errors in those financial statements. The errors related to our accounting for certain postretirement benefit obligations for our retiree medical plan, failure to timely adopt accounting guidance relating to a postretirement death benefit, when originally issued, and failure to record the appropriate amounts reflecting the cash surrender value of life insurance policies purchased to fund the postretirement death benefit.

We cannot be certain that the measures we have taken since we completed the restatement process will ensure that restatements will not occur in the future. The restatement may affect investor confidence in the accuracy of our financial disclosures, may raise reputational issues for our business and may result in a decline in share price and stockholder lawsuits related to the restatement. The restatement process was resource-intensive and involved a significant amount of internal resources, including attention from management, and significant accounting costs. Although we have now completed the restatement, we cannot guarantee that we will not receive inquiries from the SEC or The Nasdaq Stock Market LLC (“NASDAQ”) regarding our restated financial statements or matters relating thereto. Any future inquiries from the SEC or NASDAQ as a result of the restatement of our historical financial statements will, regardless of the outcome, likely consume a significant amount of our internal resources and result in additional legal and accounting costs.

WE CANNOT ASSURE INVESTORS THAT WE WILL BE ABLE TO FULLY ADDRESS THE MATERIAL WEAKNESS IN OUR INTERNAL CONTROLS THAT LED TO OUR RESTATEMENT, OR THAT REMEDIATION EFFORTS WILL PREVENT MATERIAL WEAKNESSES IN THE FUTURE.

We have identified control deficiencies in our financial reporting process that constituted a material weakness in our controls over our accounting for and reporting of other postretirement benefit obligations, leading to the restatement of certain prior period financial statements. Specifically, our controls did not properly identify the failure to apply generally accepted accounting principles with respect to the accounting for death benefits and the related cash surrender value of life insurance, and did not properly detect when changes or amendments to other postretirement benefit plans occurred that should have resulted in changes to the related benefit plan obligations. As a result, material errors to the recorded postretirement benefit liability, postretirement death benefit liability and cash surrender value of life insurance purchased to fund the postretirement death benefit occurred and were not timely detected.

We are currently evaluating the controls and procedures we will design and put in place to address this material weakness and plan to implement appropriate measures as part of this effort. If we are unsuccessful in remediating the material weakness, or if we suffer other deficiencies or material weaknesses in the future, it could result in a material misstatement of our annual or quarterly financial statements that would not be prevented or detected on a timely basis, which could cause investors to lose confidence in our financial reporting and negatively affect the trading price of our common stock.

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

Our primary raw material is green coffee, an agricultural commodity. The bulk of the world's green coffee supply is grown outside the United States and can be subject to volatile price fluctuations. Weather, real or perceived supply shortages, speculation in the commodity markets, political unrest, tariffs, labor actions, currency fluctuations, armed conflict in coffee producing nations, and government actions, including treaties and trade controls between the U.S. and coffee producing nations, can affect the price of green coffee. In fiscal 2012, the market for green Arabica coffee increased approximately 80% per pound compared to the prior fiscal year. Although green coffee prices decreased significantly in fiscal 2013, there can be no assurance that green coffee prices will remain at these levels in the future. Additionally, green specialty coffees sell at a premium to other green coffees because they taste cleaner, fresher, have less overall defects, offer improved cup quality and cost more to produce. The cost spread between specialty and non-specialty coffees is widening as the demand for specialty coffees continues to grow with only a limited supply to satisfy the demand and thus cost volatility can be expected to be even more pronounced.

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). Large coffee organizations such as larger producers, the CCF and the ICO may release information from time to time that can affect coffee prices.

There can be no assurance that we will be successful in passing commodity price increases on to our customers without losses in sales volume or gross margin in the future. Additionally, if green coffee beans from a region become unavailable or prohibitively expensive, we could be forced to use alternative coffee beans or discontinue certain blends, which could adversely impact our sales.

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

Some of the Arabica coffee beans of the quality we purchase do not trade directly on the commodity markets. Rather, we purchase these coffee beans on a negotiated basis from coffee brokers, exporters and growers. If any of these supply relationships with coffee brokers, exporters or growers deteriorate, we may be unable to procure a sufficient quantity of high quality coffee beans at prices acceptable to us or at all. In such cases, we may not be able to fulfill the demand of our existing customers, supply new customers or expand other channels of distribution.

Maintaining a steady supply of green coffee is essential to be able to keep inventory levels low and, at the same time, secure sufficient stock to meet customer needs. To help ensure future supplies, we may purchase coffee for delivery, in some instances, up to 18 months in the future. Non-performance by suppliers could expose us to credit and supply risk. Additionally, entering into such future commitments exposes us to purchase price risk. Because we are not always able to pass price changes through to our customers due to competitive pressures, unpredictable price changes can have an immediate effect on operating results that cannot be corrected in the short run.

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

We routinely purchase exchange traded coffee contracts to enable us to lock in green coffee prices within a pre-established range, and hold a mix of futures contracts and options to help hedge against volatility in green coffee prices. Beginning April 1, 2013, we implemented procedures to enable us to account for certain coffee-related derivatives as accounting hedges. Accounting rules require that at the end of each reporting period we value those open hedging contracts that are not 100% effective as cash flow hedges and those that are not designated as accounting hedges by marking them to period-end market price and including in our financial results the unrealized gains or losses based on whether the period-end market price was higher or lower than the price we locked-in. If the period-end green coffee commodity prices decline below our locked-in price for these contracts, we will be required to recognize the resulting losses in our results of operations. Although such losses are expected to be offset by future derivative gains as the coffee market changes, recovered through operating income as a result of lower cost of goods assigned to the related coffee or recovered from customers for whom contracts were purchased for their accounts, such transactions could cause volatility in our results because the recognition of losses and the offsetting gains may occur in different fiscal periods. Rapid, sharp decreases in the cost of green coffee could also force us to lower sales prices before realizing cost reductions in our green coffee inventory. Open contracts associated with these hedging activities are described in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of this Form 10-K.

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

We are exposed to cost fluctuations in other commodities, including milk, spices, natural gas and gasoline. Our key packaging materials include plastic resins derived from petroleum, including polyethylene terephthalate (PET) and polypropylene resin used for plastic bottles and film packaging used for our roasted coffees, closures, cardboard and paperboard cartons. Some of these raw materials and supplies are available from a limited number of suppliers or are in shortest supply when seasonal demand is at its peak. In addition, an increase in the cost of fuel could indirectly lead to higher electricity costs, transportation costs and other commodity costs. Much like green coffee costs, the costs of these commodities depend on various factors beyond our control, including economic and political conditions, foreign currency fluctuations, and global weather patterns. To the extent we are unable to pass along such costs to our customers through price increases, our margins and profitability will decrease.

INCREASE IN THE COST, DISRUPTION OF SUPPLY OR SHORTAGE OF ENERGY OR FUEL COULD AFFECT OUR PROFITABILITY.

We operate a large fleet of trucks and other motor vehicles to distribute and deliver our products to customers. In addition, we use a significant amount of electricity, natural gas and other energy sources to operate our plants and distribution facilities. An increase in the price, disruption of supply or shortage of fuel and other energy sources in North America that may be caused by increasing demand or by events such as natural disasters, power outages, or the like, would increase our operating costs and negatively impact our profitability.

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

Indefinite-lived intangible assets (other than goodwill) are not amortized but instead are reviewed for impairment annually and on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired. An indefinite-lived intangible asset (other than goodwill) is deemed impaired if its estimated fair value is less than its carrying value. Failure to achieve our forecasted operating results, due to weakness in the economic environment or other factors, and declines in our market capitalization, among other things, could result in further impairment of our indefinite-lived intangible assets and adversely affect our operating results.

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 $75.0 million senior secured revolving credit facility. As of September 30, 2013, we had estimated outstanding borrowings of $20.3 million, including loan extension fees of $0.1 million, utilized $11.2 million of the letters of credit sublimit, and had excess availability under the credit facility of $36.8 million. Maintaining a large loan balance under our credit facility could adversely affect our business and limit our ability to plan for or respond to changes in our business. Additionally, a portion of our borrowings under the credit facility are at variable rates of interest, exposing us to the risk of interest rate volatility, which could lead to an increase in our net loss. Our debt obligations could also:

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

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

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

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

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

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

Our success depends to a significant extent on a number of factors that affect discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence, which have deteriorated due to recent economic conditions. In a slow economy, businesses and individuals scale back their discretionary spending on travel and entertainment, including "dining out" as well as the purchase of high-end consumables like specialty coffee. Economic conditions may also cause businesses to reduce travel and entertainment expenses, and may even cause office coffee benefits to be eliminated. The recent 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 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 lenders to honor draws on our credit facility, or otherwise negatively affect our business, financial condition, operating results and cash flows.

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

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

In addition, if we are unable to prevent security breaches, we may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to us or to our customers or suppliers. In addition, the disclosure of non-public sensitive information through external media channels could lead to the loss of intellectual property or damage our reputation and brand image.

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

We maintain a portfolio of fixed-income based investments disclosed as cash equivalents and short-term investments on our consolidated balance sheets. The value of our investments may be adversely affected by interest rate fluctuations, downgrades in credit ratings, illiquidity in the capital markets and other factors which may result in other than temporary declines in the value of our investments. Any of these events could cause us to record impairment charges with respect to our investment portfolio or to realize losses on the sale of investments. If our operating losses continue, a portion or this entire investment portfolio may be liquidated to fund those losses.

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

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

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

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

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

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

VOLATILITY IN THE EQUITY MARKETS OR INTEREST RATE FLUCTUATIONS COULD SUBSTANTIALLY INCREASE OUR PENSION FUNDING REQUIREMENTS AND NEGATIVELY IMPACT OUR FINANCIAL POSITION.

At June 30, 2013, the projected benefit obligation under our single employer defined benefit pension plans was $132.2 million and the fair value of plan assets was $92.4 million. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit cost and ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic benefit cost and increase our future funding requirements.

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 RSR's. Many of these costs are beyond our control, and many are fixed rather than variable. Some competitors use alternate methods of distribution that fix, control, reduce or eliminate many of the costs associated with our method of distribution.

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

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

GOVERNMENT MANDATORY HEALTHCARE REQUIREMENTS COULD ADVERSELY AFFECT OUR PROFITS.

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

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

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

CHANGES IN CONSUMER PREFERENCES COULD ADVERSELY AFFECT OUR BUSINESS.

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

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

We are self-insured for many risks up to significant deductible amounts. The premiums associated with our insurance continue to increase. General liability, fire, workers' compensation, directors and officers liability, life, employee medical, dental and vision and automobile risks present a large potential liability. While we accrue for this liability based on historical experience, future claims may exceed claims we have incurred in the past. Should a different number of claims occur compared to what was estimated or the cost of the claims increase beyond what was anticipated, reserves recorded may not be sufficient and the accruals may need to be adjusted accordingly in future periods. In May 2011, we did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers. As a result we were required to post a $5.9 million letter of credit as a security deposit to the State of California Department of Industrial Relations Self-Insurance Plans. As of June 30, 2013, this letter of credit continues to serve as a security deposit and has been reduced to $5.4 million.

COMPETITORS MAY BE ABLE TO DUPLICATE OUR ROASTING AND BLENDING METHODS, WHICH COULD HARM OUR COMPETITIVE POSITION.

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

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

Our operating results may fluctuate from period to period or within certain periods as a result of a number of factors, including fluctuations in the price and supply of green coffee, fluctuations in the selling prices of our products, the success of our hedging strategy, competition from existing or new competitors in our industry, changes in consumer preferences, and our ability to manage inventory and fulfillment operations and maintain gross margins. At the end of each quarter, we record the expected effect of the liquidation of last in, first out ("LIFO") inventory quantities, if any, and record the actual impact at fiscal year-end. Fluctuations in our operating results as a result of these factors or for any other reason, could cause our stock price to decline. Accordingly, we believe that period-to-period comparisons of our operating results are not necessarily meaningful, and such comparisons should not be relied upon as indicators of future performance.

OPERATING LOSSES MAY CONTINUE AND, AS A RESULT, COULD LEAD TO INCREASED LEVERAGE WHICH MAY HARM OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We have incurred operating losses and net losses in each of the prior three fiscal years. If our current strategies are unsuccessful we may not achieve the levels of sales and earnings we expect. As a result, we could suffer additional losses in future years and our stock price could decline leading to deterioration in our credit rating, which could limit the availability of additional financing and increase the cost of obtaining financing. In addition, an increase in leverage could raise the likelihood of a financial covenant breach which in turn could limit our access to existing funding under our credit facility.

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

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

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

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

We participate in a multiemployer defined benefit pension plan and a multiemployer defined contribution pension plan for certain union employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. In the event we withdraw from participation in one or both of these plans, we could be required to make an additional lump-sum contribution to the plan, which would be reflected as an expense in our consolidated statement of operations and a liability on our consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan’s funding of vested benefits. Future collective bargaining negotiations may result in the Company withdrawing from the remaining multiemployer pension plans in which we participate and, if successful, may result in a withdrawal liability, the amount of which could be material to our results of operations and cash flows.

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

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

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

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

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

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

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

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

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

GOVERNMENT REGULATIONS AFFECTING THE CONDUCT OF OUR BUSINESS COULD INCREASE OUR OPERATING COSTS, REDUCE DEMAND FOR OUR PRODUCTS OR RESULT IN LITIGATION.

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

Any action under Proposition 65 would likely seek statutory penalties and costs of enforcement, as well as a requirement to provide warnings and other notices to customers or remove acrylamide from finished products (which may be impossible). If we were required to add warning labels to any of our products or place warnings in certain locations where our products are sold, sales of those products could suffer not only in those locations but elsewhere. Any change in labeling requirements for our products also may lead to an increase in packaging costs or interruptions or delays in packaging deliveries. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our results of operations.

COMPLIANCE WITH REGULATIONS AFFECTING PUBLICLY TRADED COMPANIES HAS RESULTED IN INCREASED COSTS AND MAY CONTINUE TO RESULT IN INCREASED COSTS IN THE FUTURE.

We are subject to laws, rules and regulations of federal and state regulatory authorities, including NASDAQ and financial market entities, charged with the protection of investors and the oversight of publicly traded companies. During the past few years, these entities, including the Public Company Accounting Oversight Board, the SEC and NASDAQ, have issued new regulations and continue to develop additional regulations, most notably the Sarbanes-Oxley Act of 2002 (“SOX”) and, more recently, the Dodd-Frank Wall Street Reform and Consumer Protection Act. Our efforts to comply with these requirements and regulations have resulted in, and are likely to continue to result in, increased expenses and a diversion of substantial management time and attention from revenue-generating activities to compliance activities. In particular, our efforts to comply with Section 404 of SOX and the related regulations regarding our required assessment of our internal control over financial reporting and our independent registered public accounting firm's audit of the effectiveness of our internal control over financial reporting, have required, and continue to require, the commitment of significant financial and management resources. To the extent that we identify areas of our disclosure controls and procedures and/or internal controls requiring improvement (such as the material weakness in internal controls as of June 30, 2013 discussed in Part II, Item 9A of this Form 10-K), we may have to incur additional costs and divert management's time and attention. Because these regulations are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. Failure to comply with such regulations could have a material adverse effect on our business and stock price.

CONCENTRATION OF OWNERSHIP AMONG OUR PRINCIPAL STOCKHOLDERS MAY DISSUADE POTENTIAL INVESTORS FROM PURCHASING OUR STOCK, 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 October 8, 2013, members of the Farmer family or entities controlled by the Farmer family (including trusts) comprising a group for purposes of Section 13 of the Securities Exchange Act of 1934, as amended (the “Exchange Act"), beneficially owned approximately 36.9% of our outstanding common stock. As a result, these stockholders, acting together, may be able to influence the outcome of stockholder votes, including votes concerning the election and removal of directors and approval of significant corporate transactions. This level of concentrated ownership may have the effect of delaying or preventing a change in the management or voting control of the Company. In addition, this significant concentration of share ownership may adversely affect the trading price of our common stock if investors perceive disadvantages in owning stock in a company with such concentrated ownership.

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

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

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

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

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

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

Item 1.B. Unresolved Staff Comments

None.

Item 2. Properties

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

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

Approximately 54% of our facilities are leased with a variety of expiration dates through 2020, although our two largest facilities, in Torrance and Houston, are owned. The lease on the Portland facility expires in 2018 and has a 10 year renewal option.

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

Item 3. Legal Proceedings

On August 31, 2012, the Council for Education and Research on Toxics ("CERT") filed an amendment to a private enforcement action adding a number of companies as defendants, including CBI, which sell coffee in California. The suit alleges that the defendants have failed to issue clear and reasonable warnings in accordance with Proposition 65 that the coffee they produce, distribute and sell contains acrylamide. This lawsuit was filed in Los Angeles Superior Court (the "Court"). CERT has requested that the alleged violators remove acrylamide from their coffee or provide Proposition 65 warnings on their products and pay $2,500 per day for each and every violation while they are in violation of Proposition 65. The Company has joined a Joint Defense Group and, along with the other co-defendants, has answered the complaint, and the pleadings stage of case has been completed. Discovery in preparation for trial recently commenced, following a stay while summary adjudication was resolved in a related case. At this time, the Company is not able to predict the probability of the outcome or estimate of loss, if any, related to this matter.

We are party to various other pending legal and administrative proceedings. It is our opinion that the outcome of such proceedings will not have a material impact on our financial position, results of operations, or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

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

	Fiscal year ended June 30, 2013			Fiscal year ended June 30, 2012		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	$ 10.15	$ 7.00	$ —	$ 12.45	$ 4.43	$ —
2nd Quarter	$ 15.37	$ 8.96	$ —	$ 8.00	$ 4.96	$ —
3rd Quarter	$ 15.00	$ 12.23	$ —	$ 12.25	$ 7.67	$ —
4th Quarter	$ 16.90	$ 13.39	$ —	$ 10.92	$ 6.73	$ —

Holders

As of October 8, 2013, there were approximately 2,300 holders of record and the closing price of our common stock on NASDAQ was $15.81. Determination of holders of record is based upon the number of record holders and individual participants in security position listings.

Dividends

Although historically the Company has paid a dividend to stockholders, in light of the Company's current financial position, the Company's Board of Directors has omitted the payment of a quarterly dividend since the third quarter of fiscal 2011. The amount, if any, of dividends to be paid in the future will depend upon the Company's then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors. For a description of the loan agreement restrictions on the payment of dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" included in Part II, Item 7 of this report, and Note 12, "Bank Loan," of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this report.

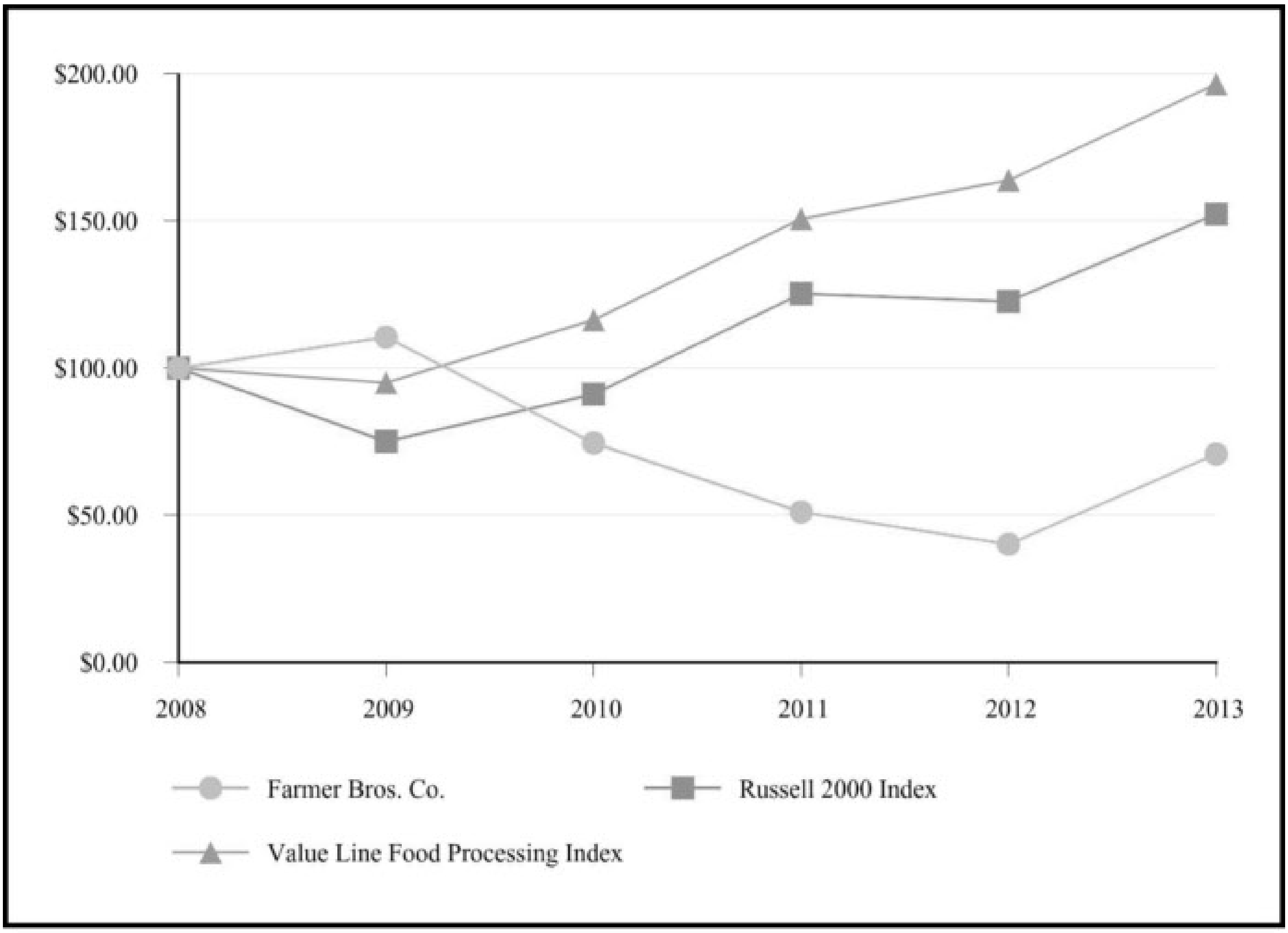
Equity Compensation Plan Information

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

Performance Graph

The chart set forth below shows the value of an investment of $100.00 at the close of trading on June 30, 2007 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 June 30, 2013)



	2008	2009	2010	2011	2012	2013
Farmer Bros. Co.	$ 100.00	$ 110.48	$ 74.53	$ 51.06	$ 40.08	$ 70.79
Russell 2000 Index	$ 100.00	$ 74.99	$ 91.11	$ 125.19	$ 122.59	$ 152.26
Value Line Food Processing Index	$ 100.00	$ 95.02	$ 116.36	$ 150.71	$ 163.75	$ 196.43

Source: Value Line Publishing, LLC

Item 6. Selected Financial Data

As discussed in Note 2, "Restatement," and Note 19, "Selected Quarterly Financial Data (Unaudited)," of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of this Form 10-K, we have restated in this Form 10-K our consolidated financial statements for certain prior periods to correct certain errors in those financial statements. The errors related to our accounting for certain postretirement benefit obligations for our retiree medical plan, failure to timely adopt accounting guidance relating to a postretirement death benefit, when originally issued, and failure to record the appropriate amounts reflecting the cash surrender value of life insurance policies purchased to fund the postretirement death benefit. The financial statements and data for the restated periods also reflect certain other immaterial adjustments and reclassifications to conform to the current year presentation.

The following selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes to those consolidated financial statements included elsewhere in this Form 10-K.

The consolidated statements of operations data set forth below for the fiscal years ended June 30, 2013, 2012 and 2011, and the consolidated balance sheet data as of June 30, 2013 and 2012, are derived from, and are qualified in their entirety by reference to, our audited consolidated financial statements included elsewhere in this Form 10-K. The consolidated statements of operations data set forth below for the fiscal years ended June 30, 2010 and 2009, and the consolidated balance sheet data as of June 30, 2011, 2010 and 2009, has been restated to conform to the consolidated financial statements included in this Form 10-K.

	Fiscal Year Ended June 30,				
	2013	2012	2011	2010	2009(1)
		As Restated	As Restated	As Restated	As Restated
Consolidated Statement of Operations Data (in thousands, except per share data):					
Net sales	$ 509,964	$ 495,442	$ 463,945	$ 450,318	$ 341,724
Cost of goods sold	$ 318,825	$ 322,540	$ 306,458	$ 254,686	$ 180,321
Loss from operations	$ (4,095)	$ (22,114)	$ (70,367)	$ (40,599)	$ (14,306)
Loss from operations per common share	$ (0.26)	$ (1.43)	$ (4.67)	$ (2.73)	$ (0.99)
Net loss(2)(3)	$ (8,462)	$ (26,576)	$ (52,033)	$ (25,359)	$ (34,142)
Net loss per common share—basic and diluted	$ (0.54)	$ (1.72)	$ (3.45)	$ (1.71)	$ (2.35)
Cash dividends declared per common share	$ —	$ —	$ 0.18	$ 0.46	$ 0.46

	June 30,				
	2013	2012	2011	2010	2009(1)
		As Restated	As Restated	As Restated	As Restated
Consolidated Balance Sheet Data (in thousands, except per share data):					
Total assets(4)	$ 244,136	$ 257,916	$ 292,050	$ 342,084	$ 334,244
Capital lease obligations(5)	$ 12,168	$ 15,867	$ 8,636	$ 3,861	$ 1,252
Long-term borrowings under revolving credit facility	$ 10,000	$ —	$ —	$ —	$ —
Long-term derivative liability	$ 1,129	$ —	$ —	$ —	$ —
Total liabilities(6)	$ 162,298	$ 174,364	$ 158,635	$ 180,341	$ 139,048

(1) Includes the results of operations of the DSD Coffee Business since its acquisition by the Company effective February 28, 2009.

(2) Includes: (a) $0.1 million in impairment losses on intangible assets, $34,000 in pension curtailment expense, $1.1 million in beneficial effect of liquidation of LIFO inventory quantities and $4.5 million in net gains from sales of assets, primarily real estate, in fiscal 2013; (b) $5.6 million in impairment losses on goodwill and intangible assets, $4.6 million in pension withdrawal expense, $14.2 million in beneficial effect of liquidation of LIFO inventory quantities and $1.4 million in net gains from sales of assets, primarily real estate, in fiscal 2012; (c) $7.8 million in impairment losses on intangible assets, $1.5 million in pension curtailment expense, $1.1 million in beneficial effect of liquidation of LIFO inventory quantities, $1.4 million in net gains from sales of assets, primarily real estate, and $13.4 million in income tax benefit in fiscal 2011; (d) $0.8 million in beneficial effect of liquidation of LIFO inventory quantities and $2.5 million in income tax benefit in fiscal 2010; and (e) a deferred tax asset valuation allowance of $20.4 million recorded as income tax expense in fiscal 2009. Excludes in fiscal 2013, $7.9 million in losses from coffee-related derivatives designated as cash flow hedges.

(3) Net loss, as restated, compared to net loss, as originally reported, reflects a decrease (increase) of $2.8 million, $2.3 million, $(1.4) million and $(0.9) million in fiscal 2012, 2011, 2010 and 2009, respectively. Net loss per common share—basic and diluted, as restated, compared to net loss per common share—basic and diluted, as originally reported, reflects a decrease (increase) of $0.17, $0.16, $(0.10) and $(0.06) in fiscal 2012, 2011, 2010 and 2009, respectively.

(4) Total assets, as restated, compared to total assets, as originally reported, reflects a $2.2 million, $2.1 million, $2.9 million and $2.7 million increase in cash surrender value of life insurance policies purchased to fund the postretirement death benefit in fiscal 2012, 2011, 2010 and 2009, respectively, included in "Other assets" on our consolidated balance sheets.

(5) Excludes imputed interest.

(6) Total liabilities, as restated, compared to total liabilities, as originally reported, reflects (a) an $8.1 million, $6.4 million, $6.4 million and $5.1 million increase in accrued postretirement benefits in fiscal 2012, 2011, 2010 and 2009, respectively, related to the postretirement death benefit; and (b) a $(20.7) million and $(11.2) million reduction in accrued postretirement benefits in fiscal 2012 and 2011, respectively, related to the retiree medical plan. See Note 2, “Restatement.”

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, 2013, 2012 and 2011 are not necessarily indicative of the results that may be expected for any future period. The following discussion should be read in combination with the consolidated financial statements and the notes thereto included in Part II, Item 8 of this report and with the "Risk Factors" described in Part I, Item 1A of this report.

Restatement of Previously Issued Financial Statements

As discussed in Note 2, "Restatement," and Note 19, "Selected Quarterly Financial Data (Unaudited)," of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of this Form 10-K, we have restated in this Form 10-K our consolidated financial statements for the fiscal years ended June 30, 2012 and 2011 and our unaudited quarterly financial data for each of the quarters in the fiscal year ended June 30, 2012 and for the first three quarters in the fiscal year ended June 30, 2013. Specifically, we have restated our consolidated financial statements as a result of certain errors related to our accounting for certain postretirement benefit obligations for our retiree medical plan, failure to timely adopt accounting guidance relating to a postretirement death benefit, when originally issued, and failure to record the appropriate amounts reflecting the cash surrender value of life insurance policies purchased to fund the postretirement death benefit. The financial statements and data for the restated periods also reflect certain other immaterial adjustments and reclassifications to conform to the current year presentation. The combined impact of these adjustments to the applicable line items in our consolidated financial statements is set forth in Notes 2 and 19 of the Notes to Consolidated Financial Statements.

Management has also concluded that, as of June 30, 2013, our internal controls over financial reporting were not effective due to a material weakness in our controls over our accounting for and reporting of other postretirement benefit obligations. See "Controls and Procedures" included in Part II, Item 9A of this Form 10-K.

Overview

We are a manufacturer, wholesaler and distributor of coffee, tea and culinary products. We are a direct distributor of coffee to restaurants, hotels, casinos, offices, QSR's, convenience stores, healthcare facilities and other foodservice providers, as well as private brand retailers in the QSR, grocery, drugstore, restaurant, convenience store and independent coffeehouse channels. We were founded in 1912, were incorporated in California in 1923, and reincorporated in Delaware in 2004. We operate in one business segment.

Since 2007, Farmer Bros. has achieved growth, primarily through the acquisition in 2007 of CBH, the parent company of CBI, a specialty coffee manufacturer and wholesaler headquartered in Portland, Oregon, and the acquisition in 2009 from Sara Lee of certain assets used in connection with the DSD Coffee Business.

Critical Accounting Policies and Estimates

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

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

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

Coffee Brewing Equipment and Service

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

Investments

Our investments consist of money market instruments, marketable debt and equity securities, various derivative instruments, primarily exchange traded treasury and green coffee futures and options. Investments are held for trading purposes and stated at fair value. The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Derivative Instruments

We routinely purchase exchange traded coffee contracts to enable us to lock in green coffee prices within a pre-established range, and hold a mix of futures contracts and options to help hedge against volatility in green coffee prices. The fair value of derivative instruments is based upon broker quotes. Beginning April 1, 2013, we implemented procedures following the guidelines of Accounting Standards Codification ("ASC") 815, "Derivatives and Hedging," to enable us to account for certain coffee-related derivatives as accounting hedges in order to minimize the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods. As a result, in the fourth quarter of fiscal 2013, a portion of the gains and losses from re-valuing the coffee-related derivative contracts to their market prices is being recorded in accumulated other comprehensive income (loss) on our consolidated balance sheet and subsequently reclassified to cost of goods sold in the period or periods when the hedged transaction affects earnings. At June 30, 2013, approximately 89% of our outstanding coffee-related derivatives were designated as cash flow hedges. At June 30, 2012, no derivative instruments were designated as accounting hedges. Changes in fair value of all derivative instruments designated as cash flow hedges are recorded in other comprehensive income (loss) ("OCI"). The portion of open hedging contracts that are not 100% effective as cash flow hedges and those that are not designated as accounting hedges are marked to period-end market price and unrealized gains or losses based on whether the period-end market price was higher or lower than the price we locked-in are recognized in our results of operations.

The Company had $8.1 million and $1.6 million, respectively, in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments at June 30, 2013 and 2012 which is classified as a current asset. Changes in commodity prices could have a significant impact on cash deposit requirements under our broker and counterparty agreements.

Allowance for Doubtful Accounts

We maintain an allowance for estimated losses resulting from the inability of our customers to meet their obligations. Due to improved collection of our outstanding receivables, in fiscal 2013 and 2012, we decreased the allowance for doubtful accounts by $0.8 million and $1.0 million, respectively.

Inventories

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

If inventory quantities decline at the end of the fiscal year compared to the beginning of the fiscal year, the reduction results in the liquidation of LIFO inventory quantities carried at the cost prevailing in prior years. This LIFO inventory liquidation may result in a decrease or increase in cost of goods sold depending on whether the cost prevailing in prior years was lower or higher, respectively, than the current year cost. In fiscal 2013, 2012 and 2011, the beneficial effect of this liquidation of LIFO inventory quantities reduced cost of goods sold and net loss in the amounts of $1.1 million, $14.2 million and $1.1 million, respectively.

In fiscal 2013, as a result of optimizing and simplifying our product portfolio and discontinuing over 800 SKU's, we established a reserve for slow-moving and obsolete inventory in the amount of $0.7 million.

Impairment of Goodwill and Indefinite-lived Intangible Assets

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

In our annual test of impairment in the fourth quarter of fiscal 2012, we identified indicators of impairment including a decline in market capitalization and continuing losses from operations. We performed impairment tests to determine the recoverability of the carrying values of the assets or if impairment should be measured. We were required to make estimates of the fair value of our intangible assets, and all assets of CBI, the reporting unit. As a result of these impairment tests, we determined that our trademarks acquired in connection with the CBI acquisition were impaired and that the carrying value of all of the assets of CBI excluding goodwill exceeded their estimated fair values resulting in an implied fair value of zero for CBI's goodwill. Accordingly, in the fourth quarter of fiscal 2012, we recorded total impairment charges of $5.6 million including $5.1 million in impairment losses on goodwill, which is included in operating expenses. As of June 30, 2012, goodwill was written down to zero.

In our annual test of impairment in the fourth quarter of fiscal 2013, we determined that the book value of a certain trademark acquired in connection with the DSD Coffee Business acquisition was higher than the present value of the estimated future cash flows and concluded that the trademark was impaired. As a result, we recorded an impairment charge of $0.1 million to earnings in the fourth quarter of fiscal 2013.

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

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

Self-Insurance

We are self-insured for California workers' compensation insurance subject to specific retention levels and use historical analysis to determine and record the estimates of expected future expenses resulting from workers' compensation claims. The estimated outstanding losses are the accrued cost of unpaid claims valued as of June 30, 2013. The estimated outstanding losses, including allocated loss adjustment expenses ("ALAE"), include case reserves, the development of known claims and incurred but not reported claims. ALAE are the direct expenses for settling specific claims. The amounts reflect per occurrence and annual aggregate limits maintained by the Company. The analysis does not include estimating a provision for unallocated loss adjustment expenses.

In fiscal 2013, we increased our estimate of expected future expenses resulting from workers' compensation claims by $1.3 million. Management believes that the amount recorded at June 30, 2013 is adequate to cover all known claims at

June 30, 2013. 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 $1.0 million as of June 30, 2013.

In May 2011, we did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers. As a result, we were required to post a $5.9 million letter of credit as a security deposit to the State of California Department of Industrial Relations Self-Insurance Plans. As of June 30, 2013, this letter of credit continues to serve as a security deposit and has been reduced to $5.4 million.

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

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

Retirement Plans

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

In the fourth quarter of fiscal 2013, we determined that we would shut down our equipment refurbishment operations in Los Angeles, California and move them to our Oklahoma City distribution center effective August 30, 2013. Due to this shut down, all hourly employees responsible for these operations in Los Angeles were terminated and their pension benefits in the Brewmatic Plan were frozen effective August 30, 2013. As a result, we recorded a pension curtailment expense of $34,000 in the fourth quarter of fiscal 2013 which is included in “Selling expenses” in our consolidated statement of operations for the fiscal year ended June 30, 2013 and in "Accrued pension liabilities" on our consolidated balance sheet at June 30, 2013.

We amended the Farmer Bros. Plan, freezing the benefit for all participants effective June 30, 2011. After the plan freeze, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan. However, account balances continue to be credited with interest until paid out. As a result, we recorded a pension curtailment expense of $1.5 million in the fourth quarter of fiscal 2011 for the Farmer Bros. Plan. As all plan participants became inactive following this curtailment, net (gain) loss is now amortized based on the remaining life expectancy of these participants instead of the remaining service period of these participants. Beginning in fiscal 2012, pension expense is significantly lower than in prior fiscal years due to this curtailment.

We obtain actuarial valuations for our plans and in fiscal 2013 we discounted the pension obligations using a 4.5% discount rate and we estimated an 8.0% long-term return on plan assets. The performance of the stock market and other investments as well as the overall health of the economy can have a material effect on pension investment returns and these assumptions. A change in these assumptions could affect our operating results.

At June 30, 2013, the projected benefit obligation under our single employer defined benefit pension plans was $132.2 million and the fair value of plan assets was $92.4 million. The difference between the projected benefit obligation and the fair value of plan assets is recognized as a decrease in OCI and an increase in pension liability and deferred tax assets. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit costs and ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic benefit cost and increase our future funding requirements. For the fiscal year ended June 30, 2013, we made $1.8 million in contributions to these plans and accrued $1.2 million in expense. We expect to make approximately $1.3 million in contributions to our single employer defined benefit pension plans in fiscal 2014 and accrue expense of approximately $0.7 million per year beginning in fiscal 2014. These pension payments are expected to continue at this level for several years, and the current economic environment increases the risk that we may be required to make even larger contributions in the future.

The following chart quantifies the effect on the projected benefit obligation and the net periodic benefit cost of a change in the discount rate assumption and the impact on the net periodic benefit cost of a change in the assumed rate of return on plan assets for fiscal 2014:

	(Dollars in thousands)		
Farmer Bros. Plan Discount Rate	**4.0%**	**Actual 4.5%**	**5.0%**
Net periodic benefit cost	$ 354	$ 316	$ 265
Projected benefit obligation	$ 134,844	$ 126,205	$ 118,424
Farmer Bros. Plan Rate of Return	**7.5%**	**Actual 8.0%**	**8.5%**
Net periodic benefit cost	$ 743	$ 316	$ (112)
Brewmatic Plan Discount Rate	**4.0%**	**Actual 4.5%**	**5.0%**
Net periodic benefit cost	$ 14	$ 16	$ 17
Projected benefit obligation	$ 4,164	$ 3,946	$ 3,749
Brewmatic Plan Rate of Return	**7.5%**	**Actual 8.0%**	**8.5%**
Net periodic benefit cost	$ 30	$ 16	$ 1
Hourly Employees' Plan Discount Rate	**4.0%**	**Actual 4.5%**	**5.0%**
Net periodic benefit cost	$ 441	$ 403	$ 374
Projected benefit obligation	$ 2,232	$ 2,056	$ 1,900
Hourly Employees' Plan Rate of Return	**7.5%**	**Actual 8.0%**	**8.5%**
Net periodic benefit cost	$ 409	$ 403	$ 396

Income Taxes

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

Deferred Tax Asset Valuation Allowance

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

After consideration of positive and negative evidence, including the recent history of losses, we cannot conclude that it is more likely than not that we will generate future earnings sufficient to realize our deferred tax assets as of June 30, 2013. Accordingly, a valuation allowance of $82.5 million has been recorded to offset this deferred tax asset. The valuation allowance increased by $3.1 million, $20.7 million and $13.3 million in the fiscal years ended June 30, 2013, 2012 and 2011, respectively. Deferred tax assets were $84.7 million as of June 30, 2013 compared to $83.1 million in fiscal 2012 and $67.1 million in fiscal 2011. In fiscal 2012, deferred tax assets increased primarily due to net loss carryovers and a decrease in expected pension asset values related to a change in actuarial assumptions.

Postretirement Benefits

We sponsor a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees. The plan provides medical, dental and vision coverage for retirees under age 65 and medical coverage only for retirees age 65 and above. Under this postretirement plan, our contributions toward premiums for retiree medical, dental and vision coverage for participants and dependents are scaled based on length of service, with greater Company contributions for retirees with greater length of service, but subject to a maximum monthly Company contribution. Our retiree medical, dental and vision plan is unfunded and its liability was calculated using an assumed discount rate of 4.8% at June 30, 2013. We project an initial medical trend rate of 7.0% in fiscal 2013, and 6.5% in fiscal 2014, ultimately reducing to 5.0% in 4 years.

We also provide a postretirement death benefit to certain of our employees and retirees, subject, in the case of current employees, to continued employment with the Company until retirement, and certain other conditions related to the manner of employment termination and manner of death. We record the actuarially determined liability for the present value of the postretirement death benefit. We have purchased life insurance policies to fund the postretirement death benefit wherein we own the policy but the postretirement death benefit is paid to the employee's or retiree's beneficiary. We record an asset for the fair value of the life insurance policies which equates to the cash surrender value of the policies.

Share-based Compensation

We measure all share-based compensation cost at the grant date, based on the fair value of the award, and recognize such cost as an expense in our consolidated statements 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 valuation model which requires that we make certain assumptions regarding: (i) the expected volatility in the market price of our common stock; (ii) dividend yield; (iii) risk-free interest rates; and (iv) the period of time employees are expected to hold the award prior to exercise (referred to as the expected holding period). In addition, we estimate the expected impact of forfeited awards and recognize share-based compensation cost only for those awards ultimately expected to vest. If actual forfeiture rates differ materially from our estimates, share-based compensation expense could differ significantly from the amounts we have recorded in the current period. We will periodically review actual forfeiture experience and revise our estimates, as necessary. We will recognize as compensation cost the cumulative effect of the change in estimated forfeiture rates on current and prior periods in earnings of the period of revision. As a result, if we revise our assumptions and estimates, our share-based compensation expense could change materially in the future. In fiscal 2013 and 2012, we used an estimated 6.5% annual forfeiture rate to calculate share-based compensation expense based on actual forfeiture experience from the inception of the Omnibus Plan.

Liquidity and Capital Resources

Credit Facility

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

On January 9, 2012, the Loan Agreement was amended in connection with JPMorgan Chase Bank, N.A. (“JPMorgan Chase”), becoming an additional Lender thereunder. On March 18, 2013, the Loan Agreement was amended further (“Amendment No. 2") to amend the definition of "Maximum Credit" available thereunder to $75.0 million from $85.0 million. Pursuant to Amendment No. 2, Wells Fargo will provide a commitment of $53.0 million and JPMorgan Chase will provide a commitment of $22.0 million.

The Loan Agreement provides for a senior secured revolving credit facility of up to $75.0 million, with a letter of credit sublimit of $20.0 million. The revolving credit facility provides for advances of 85% of eligible accounts receivable and 75% of eligible inventory (subject to a $60.0 million inventory loan limit), as defined. The Loan Agreement provides for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.0% to Adjusted Eurodollar Rate + 2.5%. The Loan Agreement has an amendment fee of 0.375% and an unused line fee of 0.25%. Outstanding obligations under the Loan Agreement are collateralized by all of the Borrowers’ assets, including the Company’s preferred stock portfolio. The term of the Loan Agreement expires on March 2, 2015.

The Loan Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including those relating to reporting requirements, maintenance of records, properties and corporate existence, compliance with laws, incurrence of other indebtedness and liens, limitations on certain payments, including the payment of dividends and capital expenditures, and transactions and extraordinary corporate events. The Loan Agreement allows us to pay dividends, provided, among other things, certain liquidity requirements are met, the aggregate amount of all such payments in any fiscal year shall not exceed $7.0 million ($1.75 million in any fiscal quarter), and no event of default exists or has occurred and is continuing as of the date of any such payment and after giving effect thereto. The Loan Agreement also contains financial covenants requiring the Borrowers to maintain minimum Excess Availability and Total Liquidity levels. The Loan Agreement allows the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to us, to reflect events, conditions, or risks that would have a reasonable likelihood of adversely affecting the Lender's collateral or our assets, including our green coffee inventory.

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

Effective December 1, 2012, we entered into an interest rate swap transaction utilizing a notional amount of $10.0 million and a maturity date of March 1, 2015. We entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of our borrowings under the revolving credit facility. The swap transaction is intended to manage our interest rate risk related to our borrowings under the revolving credit facility and requires us to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA. As of June 30, 2013, the variable interest rate based on 1-month USD LIBOR-BBA was 0.19%.

We have not designated our interest rate swap as an accounting hedge. We record the interest rate swap on our consolidated balance sheet at fair value with the changes in fair value recorded as gain or loss in "Other, net" in our consolidated statements of operations. In fiscal 2013, we recorded a loss of $25,000 for the change in fair value of our interest rate swap. No such gains or losses were recorded in fiscal 2012.

On June 30, 2013, we were eligible to borrow up to a total of $61.7 million under the credit facility. As of June 30, 2013, we had outstanding borrowings of $19.8 million, including loan extension fees of $0.1 million, utilized $11.6 million of the letters of credit sublimit, and had excess availability under the credit facility of $30.3 million. In connection with entering into the interest rate swap agreement, we reclassified $10.0 million of our borrowings under the credit facility as long-term because we intend to repay the borrowings in accordance with the termination date of the swap agreement which extends beyond one year. The weighted average interest rate on our outstanding borrowings under the credit facility was 1.37% at June 30, 2013. We believe that the carrying value of our outstanding borrowings under the credit facility approximates fair value at June 30, 2013 as the credit facility bears interest at a variable interest rate based on prevailing market conditions.

As of June 30, 2013, we were in compliance with all restrictive covenants under the Loan Agreement. On October 3, 2013, we and Wells Fargo entered into a Letter Agreement regarding Waiver of Event of Default (the "Waiver Agreement") pursuant to which Wells Fargo, as Agent, and the Lenders agreed to waive the event of default arising under the Loan Agreement as a result of our failure to furnish, in a timely manner, our audited consolidated financial statements and unaudited consolidating financial statements, and the accompanying notes thereto, together with the unqualified opinion of independent certified public accountants with respect to the audited consolidated financial statements, for the fiscal year ended June 30, 2013; provided that we furnish to Agent such financial information not later than October 15, 2013. There can be no assurance that the Lenders will issue a waiver or grant an amendment to the covenants in future periods, if the Company required one.

As of September 30, 2013, we had estimated outstanding borrowings of $20.3 million, including loan extension fees of $0.1 million, utilized $11.2 million of the letters of credit sublimit, and had excess availability under the credit facility of $36.8 million. As of September 30, 2013, the weighted average interest rate on our outstanding borrowings under the credit facility was 1.7%.

Liquidity

We generally finance our operations through cash flow from operations and borrowings under our revolving credit facility described above. As of June 30, 2013, we had $2.7 million in cash and cash equivalents, $8.1 million in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments and $20.5 million in short-term investments. We believe our revolving credit facility, to the extent available, in addition to our cash flows from operations and other liquid assets, are sufficient to fund our working capital and capital expenditure requirements for the next 12 months.

We generate cash from operating activities primarily from cash collections related to the sale of our products. Net cash provided by operating activities was $21.9 million in fiscal 2013 compared to $18.1 million in fiscal 2012 and $33.9 million in fiscal 2011. The increase in net cash provided by operating activities in fiscal 2013 compared to the prior fiscal year was primarily due to lower net loss in fiscal 2013 compared to fiscal 2012.

Net cash used in investing activities decreased to $10.2 million in fiscal 2013 compared to $14.5 million in fiscal 2012 and $17.4 million in fiscal 2011, primarily due to reduced levels of capital expenditures. In fiscal 2013, cash inflow from sales of fixed assets, primarily real estate, was $5.7 million and cash outflow for capital expenditures was $15.9 million. In fiscal 2012, cash inflow from sales of fixed assets, primarily real estate, was $3.0 million and cash outflow for capital expenditures was $17.5 million. In fiscal 2011, cash inflow from sales of fixed assets, primarily real estate, was $2.0 million and cash outflow for capital expenditures was $19.4 million.

Net cash used in financing activities was $12.9 million in fiscal 2013 compared to $5.8 million in fiscal 2012 and $14.6 million in fiscal 2011. Net cash used in financing activities in fiscal 2013 included net repayments on our credit facility of $10.8 million, partially offset by $1.2 million in proceeds from stock option exercises, compared to net repayments of $4.0 million and $8.5 million in fiscal 2012 and fiscal 2011, respectively. In addition, there were no dividend payments in fiscal 2013 and fiscal 2012, compared to dividend payments of $4.7 million in fiscal 2011.

In fiscal 2013, we capitalized $15.9 million in property, plant and equipment purchases which included $9.3 million in expenditures to replace normal wear and tear of coffee brewing equipment, $0.5 million in building and facility improvements, $5.0 million in expenditures for vehicles, and machinery and equipment, and $1.1 million in information technology related expenditures.

Our expected capital expenditures for fiscal 2014 include expenditures to replace normal wear and tear of coffee brewing equipment, vehicles, and machinery and equipment, and are expected to increase approximately 33% from fiscal 2013 levels.

Our working capital is comprised of the following:

	June 30, 2013	June 30, 2012 As Restated
	(In thousands)	
Current assets	$ 139,749	$ 136,178
Current liabilities(1)	76,550	86,737
Working capital	$ 63,199	$ 49,441

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(1) Includes $9.9 million in coffee-related short-term derivative liability in fiscal 2013.

Liquidity Information:

	June 30, 2013	June 30, 2012 As Restated	June 30, 2011 As Restated
		(In thousands)	
Capital expenditures	$ 15,894	$ 17,498	$ 19,416
Dividends paid	$ —	$ —	$ 4,657

Results of Operations

Fiscal Years Ended June 30, 2013 and 2012

Overview

In fiscal 2013, green coffee commodity prices continued to fall but fuel costs remained high. Green coffee commodity market prices fell from $1.70 per pound at the end of fiscal 2012 to $1.20 per pound at the end of fiscal 2013. In fiscal 2013 we continued our hedging strategy intended to establish predictable prices for future supply of green coffee with futures contracts that we purchase for certain of our national account customers and for our own account for longer periods of time than was done previously because the cost of coffee significantly declined during the last 12 to 18 months, making these long-term futures contracts relatively less expensive than they had been previously. Net unrealized and realized losses relating to coffee-related derivatives which are not designated as accounting hedges, in accordance with GAAP, are recognized immediately in our consolidated statements of operations as the derivative contracts are re-valued to their market prices. These losses are expected to be offset by future derivative gains as the coffee market changes, recovered through operating income as a result of the lower cost of goods assigned to the related coffee or recovered from customers for whom contracts were purchased for their accounts. Beginning April 1, 2013, we implemented procedures following the guidelines of ASC 815 to enable us to account for certain coffee-related derivatives as accounting hedges in order to minimize the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods. As a result, beginning in the fourth quarter of fiscal 2013, a portion of the gains and losses from re-valuing the coffee-related derivative contracts to their market prices is being recorded in accumulated other comprehensive income (loss) on our consolidated balance sheet and reclassified to cost of goods sold when the hedged transaction affects earnings. To address the increase in freight and fuel expense, the energy surcharge instituted in fiscal 2011 and 2012 continued in fiscal 2013.

In fiscal 2013, we invested in additional sales and marketing training and product re-branding. We also launched the Artisan Collection by Farmer Brothers™, our premium line of coffees, and the new Farmer Brothers teas. During fiscal 2013, we completed the integration of certain key functions including marketing, green coffee management, national sales and human resources at our Portland and Torrance facilities. We also continued to improve our real-estate asset management by divesting underutilized properties.

Operations

Net sales in fiscal 2013 increased $14.6 million, or 2.9%, to $510.0 million from $495.4 million in fiscal 2012, primarily due to increases in sales of our coffee and tea products.

Cost of goods sold in fiscal 2013 decreased $3.7 million, or 1.1%, to $318.8 million, or 62.5% of net sales, from $322.5 million, or 65.1% of net sales, in fiscal 2012. The decrease in cost of goods sold as a percentage of net sales in fiscal 2013 is primarily due to a 30.8% decrease in the average cost of green coffee purchased and a reduction in inventory, which resulted in the liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The beneficial effect of this liquidation of LIFO inventory quantities reduced cost of goods sold by $1.1 million compared to $14.2 million in the prior fiscal year.

Gross profit in fiscal 2013 increased $18.2 million, or 10.5%, to $191.1 million from $172.9 million in fiscal 2012. Gross margin increased to 37.5% in fiscal 2013 from 34.9% in the prior fiscal year. The increases in gross profit and gross margin were primarily due to the increase in sales and a 31% decrease in the average cost of green coffee purchased in fiscal 2013.

In fiscal 2013, operating expenses increased $0.2 million, or 0.1%, to $195.2 million, or 38.3% of net sales, from $195.0 million, or 39.4% of net sales, in fiscal 2012. The increase in operating expenses in fiscal 2013 is primarily due to a $10.2 million increase in expenses primarily from our investments in additional sales and marketing training, expenses related to the launch of the Artisan Collection by Farmer Brothers™ and the new Farmer Brothers teas, higher startup costs associated with the increase in national account customers, higher expenses related to severance and storm-related losses in our Moonachie, Oklahoma City and Houston distribution centers, partially offset by a $10.0 million decrease in losses from impairment of goodwill and intangible assets, and pension withdrawal expense.

In our annual test of impairment in the fourth quarter of fiscal 2013, we determined that the book value of a certain trademark acquired in connection with the DSD Coffee Business acquisition was higher than the present value of the estimated future cash flows and concluded that the trademark was impaired. As a result, we recorded an impairment charge of $0.1 million to earnings in the fourth quarter of fiscal 2013.

In the fourth quarter of fiscal 2013, we determined that we would shut down our equipment refurbishment operations in Los Angeles, California and move them to our Oklahoma City distribution center effective August 30, 2013. Due to this shut down, all hourly employees responsible for these operations in Los Angeles were terminated and their pension benefits in the Brewmatic Plan were frozen effective August 30, 2013. As a result, we recorded a pension curtailment expense of $34,000 in the fourth quarter of fiscal 2013 which is included in "Selling expenses" in our consolidated statement of operations for the fiscal year ended June 30, 2013 and in "Accrued pension liabilities" on our consolidated balance sheet at June 30, 2013.

Loss from operations in fiscal 2013 was $(4.1) million compared to $(22.1) million in fiscal 2012, primarily due to the improvement in gross profit.

Total other income (expense)

Total other expense in fiscal 2013 was $5.2 million compared to $4.8 million in fiscal 2012, primarily due to higher net losses on derivatives and investments of $11.1 million in fiscal 2013 compared to $6.2 million in fiscal 2012. The net losses on derivatives and investments were primarily due to net realized and unrealized losses from coffee-related derivative instruments not designated as accounting hedges. Net realized and unrealized losses from coffee-related derivative instruments in fiscal 2013 were $11.3 million compared to $7.3 million in fiscal 2012. The increase in net realized and unrealized coffee-related derivative losses in fiscal 2013 compared to fiscal 2012 is due in large part to the increase in the number of futures contracts combined with a continued decline in coffee commodity costs in fiscal 2013. There was a significant increase in the number of our coffee-related derivative contracts as of June 30, 2013 covering 49.6 million pounds of green coffee compared to 18.2 million pounds of green coffee covered as of June 30, 2012. The increase in the number of such contracts is primarily due to the increase in the number of our national account customers since a majority of the contracts are purchased for their accounts. Additionally, during the first three quarters in fiscal 2013, when none of our coffee-related derivative instruments was designated as an accounting hedge, we recognized in our consolidated statements of operations, the net unrealized and realized losses from the continuing decline in green coffee commodity prices below our locked-in prices as the derivative contracts were re-valued to their market prices. We expect such losses to be offset by future derivative gains as the coffee market changes, recovered through operating income as a result of the lower cost of goods assigned to the related coffee or recovered from customers for whom contracts were purchased for their accounts. For the fiscal year ended June 30, 2013, we recognized $0.4 million in losses on coffee-related derivative instruments designated as cash flow hedges due to ineffectiveness.

Total other expense in fiscal 2013 included $4.5 million in net gains from sales of assets, primarily real estate, compared to $1.4 million in net gains from sales of assets, primarily real estate, in fiscal 2012. Total other expense in fiscal 2013 also included $0.8 million in recovery of an account previously deemed uncollectable.

Income taxes

In fiscal 2013, we recorded an income tax benefit of $0.8 million compared to $0.3 million in fiscal 2012. Income tax benefit for fiscal 2013 was primarily attributable to the gain on postretirement benefits. Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in ASC 740, "Tax Provisions" ("ASC 740"), when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the income tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the income tax expense recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from postretirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the fiscal year ended June 30, 2013, we recorded income tax expense of $1.1 million in OCI related to the gain on postretirement benefits, and recorded a corresponding income tax benefit of $1.1 million in continuing operations.

Income tax benefit for fiscal 2012 was primarily attributable to the settlement of certain tax issues with the Internal Revenue Service and the State of California during our exam appeals. In fiscal 2012, unrecognized tax benefits related to certain tax refunds were released and the resulting benefit was recorded.

Net Loss

As a result of the foregoing factors, net loss decreased to $(8.5) million, or $(0.54) per common share, in fiscal 2013 from $(26.6) million, or $(1.72) per common share, in fiscal 2012.

Fiscal Years Ended June 30, 2012 and 2011

Overview

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

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

Operations

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

Cost of goods sold in fiscal 2012 increased $16.0 million, or 5.2%, to $322.5 million, or 65.1% of net sales, from $306.5 million, or 66.1% of net sales, in fiscal 2012, primarily due to the increase in net sales. The decrease in cost of goods sold as a percentage of net sales in fiscal 2012 is primarily due to a reduction in coffee inventory, which resulted in the liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The beneficial effect of this liquidation of LIFO inventory quantities reduced cost of goods sold by $14.2 million in fiscal 2012 compared to $1.1 million in fiscal 2011. This reduction in cost of goods sold was offset, in part, by a 16% increase in the average cost of green coffee purchased in fiscal 2012 compared to the prior fiscal year.

Gross profit in fiscal 2012 increased $15.4 million, or 9.8%, to $172.9 million from $157.5 million in fiscal 2011. Gross margin increased to 34.9% in fiscal 2012 from 34.0% in the prior fiscal year. The increase in gross profit and gross margin is primarily due to the beneficial effect of the liquidation of LIFO inventory quantities and the full year benefit of price increases for our coffee, cappuccino, cocoa and selected spice products in fiscal 2012, offset by changes in the mix of our customers and the products we sell to them and a 16% increase in the average cost of green coffee purchased in fiscal 2012.

In fiscal 2012, operating expenses decreased $32.9 million, or 14.4%, to $195.0 million, or 39.4% of net sales, from $227.9 million, or 49.1% of net sales, in fiscal 2011. The reduction in operating expenses in fiscal 2012 is primarily due to lower payroll and related expenses resulting from a decreased employee headcount, savings from employee benefit plan restructuring and ongoing cost control measures. The decrease in operating expenses was offset, in part, by impairment losses on goodwill and intangible assets in the amount of $5.6 million and charges related to withdrawal from multiemployer pension plans in the amount of $4.6 million.

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

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

Loss from operations in fiscal 2012 was $(22.1) million compared to $(70.4) million in fiscal 2011, due to improvement in gross profit and reduction in operating expenses.

Total other income (expense)

Total other expense in fiscal 2012 was $(4.8) million compared to total other income of $4.9 million in fiscal 2011, primarily due to net derivative losses of $(6.2) million in fiscal 2012 compared to net derivative gains of $1.3 million in fiscal 2011. The net derivative losses and gains were primarily due to coffee-related futures contracts.

Income taxes

In fiscal 2012, we recorded an income tax benefit of $0.3 million compared to $13.4 million in fiscal 2011. Income tax benefit for fiscal 2012 was primarily attributable to the settlement of certain tax issues with the Internal Revenue Service and the State of California during our exam appeals. In fiscal 2012, unrecognized tax benefits related to certain tax refunds were released and the resulting benefit was recorded.

Income tax benefit for fiscal 2011 was primarily attributable to gains on postretirement benefits. Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in ASC 740 when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the income tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the income tax expense recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from postretirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the fiscal year ended June 30, 2011, we recorded an income tax expense of $14.1 million in OCI related to the gain on postretirement benefits, and recorded a corresponding income tax benefit of $14.1 million in continuing operations.

Net Loss

As a result of the foregoing factors, net loss decreased to $(26.6) million, or $(1.72) per common share, in fiscal 2012 compared to a net loss of $(52.0) million, or $(3.45) per common share, in fiscal 2011.

Non-GAAP Financial Measures

In addition to net income (loss) determined in accordance with GAAP, we use certain non-GAAP financial measures, such as “EBITDAE,” in assessing our operating performance. We believe this non-GAAP measure serves as an appropriate measure to be used in evaluating the performance of our business.

We define “EBITDAE” as net income (loss) excluding the impact of income taxes, interest expense, depreciation and amortization expense, ESOP and share-based compensation expense, non-cash impairment losses, pension withdrawal expense, and "Other, net," which includes net gains and losses from derivatives and investments, and net gains and losses on sales of assets. We reference this particular non-GAAP financial measure frequently in our decision-making because it provides supplemental information that facilitates internal comparisons to the historical operating performance of prior periods. In addition, incentive compensation is based, in part, on EBITDAE and we base certain of our forward-looking estimates on EBITDAE to facilitate quantification of planned business activities and enhance subsequent follow-up with comparisons of actual to planned EBITDAE. EBITDAE as defined by us may not be comparable to similarly titled measures reported by other companies. We do not intend for non-GAAP financial measures to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP.

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

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

(1) Includes the beneficial effect of liquidation of LIFO inventory quantities in the amounts of $1.1 million, $14.2 million and $1.1 million in fiscal 2013, 2012 and 2011, respectively.

(2) Includes $4.5 million, $1.4 million and $1.4 million in net gains from sales of assets, primarily real estate, in fiscal 2013, 2012 and 2011, respectively; excludes in fiscal 2013, $7.9 million in losses from coffee-related derivatives designated as cash flow hedges.

Contractual Obligations

The following table contains information regarding total contractual obligations as of June 30, 2013, including capital leases:

(In thousands)	Payment due by period Total	Less Than One Year	1-3 Years	3-5 Years	More Than 5 Years
Contractual obligations:					
Operating lease obligations	$ 12,594	$ 3,868	$ 5,281	$ 2,612	$ 833
Capital lease obligations(1)	13,428	4,001	7,068	2,266	93
Pension plan obligations	77,534	6,641	13,745	14,705	42,443
Postretirement benefits other than pension plans	10,707	640	1,598	1,947	6,522
Revolving credit facility(2)	19,654	9,654	10,000	—	—
Purchase commitments (3)	18,583	18,583	—	—	—
	$ 152,500	$ 43,387	$ 37,692	$ 21,530	$ 49,891

(1) Includes imputed interest of $1,260.

(2) Reclassified $10.0 million to long-term borrowings in accordance with the termination date of the swap agreement.

(3) Commitments under coffee purchase contracts for which all delivery terms have been finalized but the related coffee has not been received as of June 30, 2013.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market value risk arising from changes in interest rates on our securities portfolio. Our portfolio of preferred securities has sometimes included investments in derivatives that provide a natural economic hedge of interest rate risk. We review the interest rate sensitivity of these securities and may enter into "short positions" in futures contracts on U.S. Treasury securities or hold put options on such futures contracts to reduce the impact of certain interest rate changes. Specifically, we attempt to manage the risk arising from changes in the general level of interest rates. We do not transact in futures contracts or put options for speculative purposes. The number and type of futures and options contracts entered into depends on, among other items, the specific maturity and issuer redemption provisions for each preferred stock held, the slope of the Treasury yield curve, the expected volatility of U.S. Treasury yields, and the costs of using futures and/or options.

The following table demonstrates the impact of varying interest rate changes based on our preferred securities holdings and market yield and price relationships at June 30, 2013. This table is predicated on an "instantaneous" change in the general level of interest rates and assumes predictable relationships between the prices of our preferred securities holdings and the yields on U.S. Treasury securities. At June 30, 2013, we had no futures contracts or put options with respect to our preferred securities portfolio designated as interest rate risk hedges.

Interest Rate Changes	Market Value of Preferred Securities at June 30, 2013	Change in Market Value
	(In thousands)	
–150 basis points	$ 21,309	$ 767
–100 basis points	$ 21,080	$ 538
Unchanged	$ 20,542	$ —
+100 basis points	$ 19,909	$ (633)
+150 basis points	$ 19,600	$ (942)

The Loan Agreement for our revolving credit facility provides for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.0% to Adjusted Eurodollar Rate + 2.5%. Effective December 1, 2012, we entered into an interest rate swap transaction utilizing a notional amount of $10.0 million and a maturity date of March 1, 2015. We entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of our borrowings under our revolving credit facility. In connection with entering into the interest rate swap agreement, we reclassified $10.0 million of our borrowings under the revolving credit facility as long-term because we intend to repay the borrowings in accordance with the termination date of the swap agreement which extends beyond one year. The swap transaction is intended to manage our interest rate risk related to our borrowings under our revolving credit facility and requires us to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA. As of June 30, 2013, the variable interest rate based on 1-month USD LIBOR-BBA was 0.19%.

We have not designated our interest rate swap as an accounting hedge. We record the interest rate swap on our consolidated balance sheet at fair value with the changes in fair value recorded as gain or loss in "Other, net" in our consolidated statements of operations. In fiscal 2013, we recorded a loss of $25,000 for the change in fair value of our interest rate swap. No such gain or loss was recorded in fiscal 2012.

As of June 30, 2013, we had outstanding borrowings of $19.8 million, including loan extension fees of $0.1 million, utilized $11.6 million of the letters of credit sublimit, and had excess availability under the credit facility of $30.3 million. The weighted average interest rate on our outstanding borrowings under the credit facility at June 30, 2013 was 1.37%.

The following table demonstrates the impact of interest rate changes on our annual interest expense under the revolving credit facility based on the outstanding balance and interest rate as of June 30, 2013:

Interest Rate Changes	Interest Rate	Annual Interest Expense (In thousands)
–100 basis points	0.37%	$ 73
–50 basis points	0.87%	$ 172
Unchanged	1.37%	$ 271
+50 basis points	1.87%	$ 369
+100 basis points	2.37%	$ 468

Commodity Price Risk

We are exposed to commodity price risk arising from changes in the market price of green coffee. We value green coffee inventory on the LIFO basis. In the normal course of business we hold a large green coffee inventory and enter into forward commodity purchase agreements with suppliers. We are subject to price risk resulting from the volatility of green coffee prices. Due to competition and market conditions, volatile price increases cannot always be passed on to our customers.

We routinely purchase exchange traded coffee contracts to enable us to lock in green coffee prices within a pre-established range, and hold a mix of futures contracts and options to help hedge against volatility in green coffee prices. Prior to April 1, 2013, none of our derivative instruments was designated as an accounting hedge. Beginning April 1, 2013, we implemented procedures following the guidelines of ASC 815 to enable us to account for certain coffee-related derivatives as accounting hedges in order to minimize the volatility created in our quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods.

When coffee-related futures contracts are designated as cash flow hedges, we formally document the hedging instruments and hedged items, and measure at each balance sheet date the effectiveness of our hedges. Beginning in the fourth quarter of fiscal 2013, the effective portion of the change in fair value of the derivative is reported as accumulated other comprehensive income (loss) (“AOCI”) and subsequently reclassified into cost of goods sold in the period or periods when the hedged transaction affects earnings. In fiscal 2013 we reclassified $55,000 in net gains into cost of goods sold from AOCI. Any ineffective portion of the derivative's change in fair value is recognized currently in “Other, net.” Gains or losses deferred in AOCI associated with terminated derivatives, derivatives that cease to be highly effective hedges, derivatives for which the forecasted transaction is reasonably possible but no longer probable of occurring, and cash flow hedges that have been otherwise discontinued remain in AOCI until the hedged item affects earnings. If it becomes probable that the forecasted transaction designated as the hedged item in a cash flow hedge will not occur, we recognize any gain or loss deferred in AOCI in “Other, net” at that time.

For derivative instruments that are not designated in a hedging relationship, and for which the normal purchases and normal sales exception has not been elected, the changes in fair value are reported in “Other, net.”

For the fiscal years ended June 30, 2013, 2012 and 2011, we recorded net realized and unrealized losses from coffee-related derivatives not designated as accounting hedges in "Other, net" in the amounts of $11.3 million, $7.3 million and $1.5 million, respectively (see Note 3 to the consolidated financial statements).

The following table summarizes the potential impact as of June 30, 2013 to net income and OCI from a hypothetical 10% change in coffee commodity prices. The information provided below relates only to the coffee-related derivative instruments designated as cash flow hedges and does not represent the corresponding changes in the underlying hedged items:

	Increase (Decrease) to Net Income		Increase (Decrease) to OCI	
	10% Increase in Underlying Rate	10% Decrease in Underlying Rate	10% Increase in Underlying Rate	10% Decrease in Underlying Rate
	(In thousands)			
Coffee-related derivative instruments designated as cash flow hedges	$ 669	$ (669)	$ 5,510	$ (5,510)

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Farmer Bros. Co. and Subsidiaries as of June 30, 2013 and 2012 (restated), and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the years ended June 30, 2013, June 30, 2012 (restated) and June 30, 2011 (restated). 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, 2013 and 2012 (restated), and the consolidated results of their operations and their cash flows for the years ended June 30, 2013, June 30, 2012 (restated) and June 30, 2011 (restated), in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the June 30, 2012 and 2011 consolidated financial statements have been restated to correct errors for the improper accounting for other postretirement benefit obligations.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Farmer Bros. Co. and Subsidiaries' internal control over financial reporting as of June 30, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated October 9, 2013 expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

Los Angeles, California
October 9, 2013

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	June 30, 2013	June 30, 2012 As Restated
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,678	$ 3,906
Restricted cash	8,084	1,612
Short-term investments	20,546	19,736
Accounts and notes receivable, net of allowance for doubtful accounts of $1,115 and $1,872, respectively	43,922	40,736
Inventories	60,867	65,981
Income tax receivable	409	762
Prepaid expenses	3,243	3,445
Total current assets	139,749	136,178
Property, plant and equipment, net	92,159	108,137
Intangible assets, net	6,277	7,615
Other assets	5,484	5,125
Deferred income taxes	467	861
Total assets	$ 244,136	$ 257,916
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 27,740	$ 27,266
Accrued payroll expenses	19,757	19,130
Short-term borrowings under revolving credit facility	9,654	29,126
Short-term obligations under capital leases	3,409	3,737
Short-term derivative liability	9,896	737
Deferred income taxes	923	1,445
Other current liabilities	5,171	5,296
Total current liabilities	76,550	86,737
Long-term borrowings under revolving credit facility	10,000	—
Long-term derivative liability	1,129	—
Accrued postretirement benefits	16,076	22,526
Other long-term liabilities—capital leases	8,759	12,130
Accrued pension liabilities	43,800	48,191
Accrued workers' compensation liabilities	5,132	4,131
Deferred income taxes	852	649
Total liabilities	$ 162,298	$ 174,364
Commitments and contingencies (Note 18)		
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; 16,454,422 and 16,308,859 issued and outstanding at June 30, 2013 and 2012, respectively	16,454	16,309
Additional paid-in capital	34,654	34,834
Retained earnings	94,080	102,542
Unearned ESOP shares	(20,836)	(25,637)
Less accumulated other comprehensive loss	(42,514)	(44,496)
Total stockholders' equity	$ 81,838	$ 83,552
Total liabilities and stockholders' equity	$ 244,136	$ 257,916

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

FARMER BROS. CO.

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

	Year ended June 30,		
	2013	2012	2011
		As Restated	As Restated
Net sales	$ 509,964	$ 495,442	$ 463,945
Cost of goods sold	318,825	322,540	306,458
Gross profit	191,139	172,902	157,487
Selling expenses	158,079	150,641	170,670
General and administrative expenses	37,063	34,222	49,379
Impairment losses on goodwill and intangible assets	92	5,585	7,805
Pension withdrawal expense	—	4,568	—
Operating expenses	195,234	195,016	227,854
Loss from operations	(4,095)	(22,114)	(70,367)
Other (expense) income:			
Dividend income	1,103	1,231	2,534
Interest income	452	214	178
Interest expense	(1,782)	(2,137)	(1,965)
Other, net	(4,965)	(4,117)	4,191
Total other (expense) income	(5,192)	(4,809)	4,938
Loss before taxes	(9,287)	(26,923)	(65,429)
Income tax benefit	(825)	(347)	(13,396)
Net loss	$ (8,462)	$ (26,576)	$ (52,033)
Net loss per common share—basic and diluted	$ (0.54)	$ (1.72)	$ (3.45)
Weighted average common shares outstanding—basic and diluted	15,604,452	15,492,314	15,066,663
Cash dividends declared per common share	$ —	$ —	$ 0.18

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

FARMER BROS. CO.

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

	Year Ended June 30,		
	2013	2012	2011
		As Restated	As Restated
Net loss	$ (8,462)	$ (26,576)	$ (52,033)
Other comprehensive income (loss), net of tax:			
Deferred losses on derivatives designated as cash flow hedges	(7,921)	—	—
Change in the funded status of retiree benefit obligations	10,969	(26,574)	36,731
Income tax expense	(1,066)	—	(14,053)
Total comprehensive loss, net of tax	$ (6,480)	$ (53,150)	$ (29,355)

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

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended June 30, 2013	2012 As Restated	2011 As Restated
Cash flows from operating activities:			
Net loss	$ (8,462)	$ (26,576)	$ (52,033)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	32,542	32,113	31,758
(Recovery of) provision for doubtful accounts	(757)	(980)	2,024
Deferred income taxes	74	(78)	338
Impairment losses on goodwill and intangible assets	92	5,585	7,805
Net (gains) losses on sales of assets	(4,466)	(268)	358
ESOP and share-based compensation expense	3,563	3,287	3,825
Net losses (gains) on derivatives and investments	11,132	6,175	(1,312)
Change in operating assets and liabilities:			
Restricted cash	(6,472)	(1,153)	(460)
Short-term investments	(11,942)	(1,497)	28,294
Accounts and notes receivable	(2,429)	3,745	(2,929)
Inventories	5,115	13,236	3,640
Income tax receivable	353	(314)	5,392
Prepaid expenses and other assets	(157)	(860)	400
Accounts payable	1,773	(13,441)	12,493
Accrued payroll expenses and other liabilities	1,741	1,949	2,156
Accrued postretirement benefits	(6,451)	3,530	(9,557)
Other long-term liabilities	6,678	(6,320)	1,745
Net cash provided by operating activities	$ 21,927	$ 18,133	$ 33,937
Cash flows from investing activities:			
Purchases of property, plant and equipment	(15,894)	(17,498)	(19,416)
Proceeds from sales of property, plant and equipment	5,666	3,037	2,021
Net cash used in investing activities	$ (10,228)	$ (14,461)	$ (17,395)
Cash flows from financing activities:			
Proceeds from revolving credit facility	43,990	17,250	35,450
Repayments on revolving credit facility	(54,761)	(21,200)	(43,970)
Payments of capital lease obligations	(3,359)	(1,897)	(1,433)
Proceeds from stock option exercises	1,203	—	—
Dividends paid	—	—	(4,657)
Net cash used in financing activities	$ (12,927)	$ (5,847)	$ (14,610)
Net (decrease) increase in cash and cash equivalents	$ (1,228)	$ (2,175)	$ 1,932
Cash and cash equivalents at beginning of year	3,906	6,081	4,149
Cash and cash equivalents at end of year	$ 2,678	$ 3,906	$ 6,081

(continued on next page)

FARMER BROS. CO.

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

	Year ended June 30,		
	2013	2012	2011
		As Restated	As Restated
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 1,783	$ 2,123	$ 1,945
Cash paid for income taxes	$ 370	$ 317	$ 324
Non-cash financing and investing activities:			
Equipment acquired under capital leases	$ 626	$ 9,508	$ 5,659

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

FARMER BROS. CO.

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

	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2010 (As Previously Reported)	**16,164,179**	**$ 16,164**	**$ 37,468**	**$ 186,900**	**$ (35,238)**	**$ (39,699)**	**$ 165,595**
Restatement adjustments (see Note 2)	—	—	—	(2,950)	—	(901)	(3,851)
Balance at June 30, 2010 (As Restated)	**16,164,179**	**$ 16,164**	**$ 37,468**	**$ 183,950**	**$ (35,238)**	**$ (40,600)**	**$ 161,744**
Net loss (As Restated)	—	—	—	(52,033)	—	—	(52,033)
Change in the funded status of retiree benefit obligations, net of tax of $14,053 (As Restated)	—	—	—	—	—	22,678	22,678
Dividends ($0.18 per share)	—	—	—	(2,799)	—	—	(2,799)
ESOP contributions	1,040	1	8	—	(9)	—	—
ESOP compensation expense, including reclassifications	—	—	(2,173)	—	4,810	—	2,637
Share-based compensation	21,153	21	1,167	—	—	—	1,188
Balance at June 30, 2011 (As Restated)	**16,186,372**	**$ 16,186**	**$ 36,470**	**$ 129,118**	**$ (30,437)**	**$ (17,922)**	**$ 133,415**
Net loss (As Restated)	—	—	—	(26,576)	—	—	(26,576)
Change in the funded status of retiree benefit obligations, net of tax of $0 (As Restated)	—	—	—	—	—	(26,574)	(26,574)
ESOP compensation expense, including reclassifications	—	—	(3,327)	—	4,800	—	1,473
Share-based compensation	122,487	123	1,691	—	—	—	1,814
Balance at June 30, 2012 (As Restated)	**16,308,859**	**$ 16,309**	**$ 34,834**	**$ 102,542**	**$ (25,637)**	**$ (44,496)**	**$ 83,552**
Net loss	—	—	—	(8,462)	—	—	(8,462)
Deferred losses on derivatives designated as cash flow hedges, net of reclassifications to earnings	—	—	—	—	—	(7,921)	(7,921)
Change in the funded status of retiree benefit obligations, net of tax of $1,066	—	—	—	—	—	9,903	9,903
ESOP compensation expense, including reclassifications	—	—	(2,738)	—	4,801	—	2,063
Share-based compensation	28,081	28	1,472	—	—	—	1,500
Stock option exercises	117,482	117	1,086	—	—	—	1,203
Balance at June 30, 2013	**16,454,422**	**$ 16,454**	**$ 34,654**	**$ 94,080**	**$ (20,836)**	**$ (42,514)**	**$ 81,838**

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

Note 1. Summary of Significant Accounting Policies

Organization

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the "Company," or "Farmer Bros."), is a manufacturer, wholesaler and distributor of coffee, tea and culinary products. The Company is a direct distributor of coffee to restaurants, hotels, casinos, offices, quick service restaurants ("QSR's"), convenience stores, healthcare facilities and other foodservice providers, as well as private brand retailers in the QSR, grocery, drugstore, restaurant, convenience store and independent coffeehouse channels. The Company was founded in 1912, was incorporated in California in 1923, and reincorporated in Delaware in 2004. The Company operates in one business segment.

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

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

Principles of Consolidation

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

Financial Statement Preparation

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

Cash Equivalents

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

Investments

The Company's investments consist of money market instruments, marketable debt and equity securities, various derivative instruments, primarily exchange traded treasury and green coffee futures and options. Investments are held for trading purposes and stated at fair value. The cost of investments sold is determined on the specific identification method. Dividend and interest income is accrued as earned.

Derivative Instruments

The Company purchases various derivative instruments as investments or to create economic hedges of its commodity price risk and interest rate risk. These derivative instruments consist primarily of futures and swaps. The Company reports the fair value of derivative instruments on its consolidated balance sheets in "Short-term investments," "Other assets," "Short-term derivative liability," or "Long-term derivative liability." The Company determines the current and noncurrent classification based on the timing of expected future cash flows of individual trades and reports these amounts on a gross basis. Additionally, the Company reports cash held on deposit in margin accounts for coffee-related derivative instruments on a gross basis.

The accounting for the changes in fair value of the Company's derivative instruments can be summarized as follows:

Derivative Treatment	Accounting Method
Normal purchases and normal sales exception	Accrual accounting
Designated in a qualifying hedging relationship	Hedge accounting
All other derivatives	Mark-to-market accounting

The Company enters into green coffee purchase commitments at a fixed price or at a price to be fixed ("PTF"). PTF contracts are purchase commitments whereby the quality, quantity, delivery period, price differential to the coffee "C" market price and other negotiated terms are agreed upon, but the date, and therefore the price at which the base "C" market price will be fixed has not yet been established. The coffee "C" market price is fixed at some point after the purchase contract date and before the futures market closes for the delivery month. For both fixed-price and PTF contracts, the Company expects to take delivery of and to utilize the coffee in a reasonable period of time and in the conduct of normal business. Accordingly, these purchase commitments qualify as normal purchases and are not recorded at fair value on the Company's consolidated balance sheets.

Prior to April 1, 2013, the Company had no derivative instruments that were designated as accounting hedges. Beginning April 1, 2013, the Company implemented procedures following the guidelines of ASC 815, "Derivatives and Hedging" ("ASC 815"), to enable it to account for certain coffee-related derivatives as accounting hedges in order to minimize the volatility created in the Company's quarterly results from utilizing these derivative contracts and to improve comparability between reporting periods. For a derivative to qualify for designation in a hedging relationship, it must meet specific criteria and the Company must maintain appropriate documentation. The Company establishes hedging relationships pursuant to its risk management policies. The hedging relationships are evaluated at the inception of the hedging relationship and on an ongoing basis to determine whether the hedging relationship is, and is expected to remain, highly effective in achieving offsetting changes in fair value or cash flows attributable to the underlying risk being hedged. The Company also regularly assesses whether the hedged forecasted transaction is probable of occurring. If a derivative ceases to be or is no longer expected to be highly effective, or if the Company believes the likelihood of occurrence of the hedged forecasted transaction is no longer probable, hedge accounting is discontinued prospectively, and future changes in the fair value of the derivative are recognized currently in *"Other, net."*

For commodity derivatives designated as cash flow hedges, the effective portion of the change in fair value of the derivative is reported as accumulated other comprehensive income ("AOCI") and subsequently reclassified into cost of goods sold in the period or periods when the hedged transaction affects earnings. Any ineffective portion of the derivative's change in fair value is recognized currently in *"Other, net."* Gains or losses deferred in AOCI associated with terminated derivatives, derivatives that cease to be highly effective hedges, derivatives for which the forecasted transaction is reasonably possible but no longer probable of occurring, and cash flow hedges that have been otherwise discontinued remain in AOCI until the hedged item affects earnings. If it becomes probable that the forecasted transaction designated as the hedged item in a cash flow hedge will not occur, any gain or loss deferred in AOCI is recognized in "Other, net" at that time. For derivative instruments that are not designated in a hedging relationship, and for which the normal purchases and normal sales exception has not been elected, the changes in fair value are reported in "Other, net."

The following gains and losses on derivative instruments are netted together and reported in "Other, net" in the Company's consolidated statement of operations:

- Realized and unrealized gains and losses on all derivatives that are not designated as cash flow hedges and for which the normal purchases and normal sales exception has not been elected; and
- The ineffective portion of unrealized gains and losses on derivatives that are designated as cash flow hedges.

The fair value of derivative instruments is based upon broker quotes. At June 30, 2013, approximately 89% of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges (see Note 3). At June 30, 2012, no derivative instruments were designated as accounting hedges.

Concentration of Credit Risk

At June 30, 2013, the financial instruments which potentially expose the Company to concentration of credit risk consist of cash in financial institutions (which exceeds federally insured limits), short-term investments, investments in the preferred stocks of other companies, derivatives and trade receivables. Cash equivalents and short-term investments are not concentrated by issuer, industry or geographic area. Maturities are generally shorter than 180 days. Investments in the preferred stocks of other companies are limited to high quality issuers and are not concentrated by geographic area or issuer.

The Company does not have any credit-risk related contingent features that would require it, in certain circumstances, to post additional collateral in support of its net derivative liability positions. The Company had $8.1 million and $1.6 million, respectively, in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments at June 30, 2013 and 2012 (see Note 6). Changes in commodity prices could have a significant impact on cash deposit requirements under the Company's broker and counterparty agreements.

Concentration of credit risk with respect to trade receivables for the Company is limited due to the large number of customers comprising the Company’s customer base and their dispersion across many different geographic areas. The trade receivables are generally short-term and all probable bad debt losses have been appropriately considered in establishing the allowance for doubtful accounts. In fiscal 2010, based on a larger customer base due to the recent Company acquisitions and in response to slower collection of the Company’s accounts receivable resulting from the impact of the economic downturn on the Company’s customers, the Company increased its allowance for doubtful accounts from the previous fiscal year by $2.1 million and recorded a $3.2 million charge to bad debt expense. Due to improved collections of outstanding receivables, in fiscal 2013, 2012 and 2011, the Company decreased the allowance for doubtful accounts by $0.8 million, $1.0 million and $0.4 million, respectively.

Inventories

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

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

Property, Plant and Equipment

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

Buildings and facilities	10 to 30 years
Machinery and equipment	3 to 5 years
Equipment under capital leases	Term of lease
Office furniture and equipment	5 years
Capitalized software	3 years

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

Coffee Brewing Equipment and Service

The Company classifies certain expenses related to coffee brewing equipment provided to customers as cost of goods sold. These costs include the cost of the equipment as well as the cost of servicing that equipment (including service employees’ salaries, cost of transportation and the cost of supplies and parts) and are considered directly attributable to the generation of revenues from its customers. Accordingly, such costs included in cost of goods sold in the accompanying consolidated financial statements for the years ended June 30, 2013, 2012 and 2011 are $25.6 million, $24.9 million and $27.1 million, respectively.

The Company has capitalized coffee brewing equipment in the amounts of $9.3 million and $13.9 million in fiscal 2013 and 2012, respectively. During fiscal 2013, 2012 and 2011, the Company had depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold in the amounts of $12.8 million, $12.2 million and $9.6 million, respectively.

Income Taxes

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

Revenue Recognition

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

The Company sells roast and ground coffee and tea to The J.M. Smucker Company ("J.M. Smucker") pursuant to a co–packing agreement. The Company recognizes revenue from the co-packing arrangement for the sale of tea on a net basis, net of direct costs of revenue, since the Company acts as an agent of J.M. Smucker in such transactions. As of June 30, 2013 and 2012, the Company had $0.3 million and $0.8 million, respectively, of receivables relating to this arrangement which are included in "Other receivables" (see Note 7).

Earnings (Loss) Per Common Share

Basic earnings (loss) per share (“EPS”) represents net earnings attributable to common stockholders divided by the weighted-average number of common shares outstanding for the period, excluding unallocated shares held by the Company's Employee Stock Ownership Plan ("ESOP") (see Note 13). Diluted EPS represents net earnings attributable to common stockholders divided by the weighted-average number of common shares outstanding, inclusive of the dilutive impact of common equivalent shares outstanding during the period. However, nonvested restricted stock awards (referred to as participating securities) are excluded from the dilutive impact of common equivalent shares outstanding in accordance with authoritative guidance under the two-class method. The nonvested restricted stockholders are entitled to participate in dividends declared on common stock as if the shares were fully vested and hence are deemed to be participating securities. Under the two-class method, earnings (loss) attributable to nonvested restricted stockholders are excluded from net earnings (loss) attributable to common stockholders for purposes of calculating basic and diluted EPS. Computation of EPS for the years ended June 30, 2013, 2012 and 2011 does not include the dilutive effect of 557,427, 667,235 and 497,810 shares, respectively, issuable under stock options since their inclusion would be anti-dilutive. Accordingly, the consolidated financial statements present only basic net loss per common share for all periods presented (see Note 17).

Dividends Declared

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

Employee Stock Ownership Plan

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

Impairment of Goodwill and Intangible Assets

The Company performs its annual impairment test of goodwill and/or other indefinite-lived intangible assets as of June 30. Goodwill and other indefinite-lived intangible assets are not amortized but instead are reviewed for impairment annually and on an interim basis if events or changes in circumstances between annual tests indicate that an asset might be impaired. Indefinite-lived intangible assets are tested for impairment by comparing their fair values to their carrying values.

Testing for impairment of goodwill is a two-step process. The first step requires the Company to compare the fair value of its reporting units to the carrying value of the net assets of the respective reporting units, including goodwill. If the fair value of the reporting unit is less than its carrying value, goodwill of the reporting unit is potentially impaired and the Company then completes step two to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill, which is the residual fair value remaining after deducting the fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized equal to the difference.

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

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

As a result of these impairment tests, the Company determined that the Company's trademarks acquired in connection with the CBI acquisition were impaired and that the carrying value of all of the assets of CBI excluding goodwill exceeded their estimated fair values resulting in an implied fair value of zero for CBI's goodwill. Accordingly, in the fourth quarter of fiscal 2012, the Company recorded total impairment charges of $5.6 million including $5.1 million in impairment losses on goodwill. As of June 30, 2012, goodwill was written down to zero.

In its annual test of impairment in the fourth quarter of fiscal 2013, the Company determined that the book value of a certain trademark acquired in connection with the DSD Coffee Business acquisition was higher than the present value of the estimated future cash flows and concluded that the trademark was impaired. As a result, the Company recorded an impairment charge of $0.1 million to earnings in the fourth quarter of fiscal 2013.

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

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

Shipping and Handling Costs

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

Collective Bargaining Agreements

Certain Company employees are subject to collective bargaining agreements. The duration of these agreements extend to 2017. Approximately 35% of the workforce is covered by such agreements.

Recently Adopted Accounting Standards

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-08, “Goodwill and Other (Topic 350), Testing Goodwill for Impairment” (“ASU 2011-08”). Pursuant to ASU 2011-08 companies have the option to first assess qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If, after considering the totality of events and circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, performing the two-step impairment test is unnecessary. The amendments include examples of events and circumstances that an entity should consider. ASU 2011-08 was effective for annual and interim impairment tests performed for fiscal years beginning after June 15, 2012 and was effective for the Company for fiscal 2013 beginning July 1, 2012. Adoption of ASU 2011-08 did not have a material effect on the results of operations, financial position or cash flows of the Company.

On July 1, 2012, the Company adopted ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income" ("ASU 2011-05"), except for the provisions of ASU 2011-05 which were deferred by ASU No. 2011-12, "Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income" ("ASU 2011-12"). The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, the Company presents other comprehensive income in a separate statement following the consolidated statements of operations. The new guidance also requires entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the consolidated statement of operations and the consolidated statement of comprehensive income. ASU 2011-12 indefinitely deferred the guidance related to the presentation of reclassification adjustments. ASU 2011-05 only relates to disclosure requirements and its adoption did not have a material effect on the results of operations, financial position or cash flows of the Company.

In May 2011, the FASB issued ASU No. 2011-04, “Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs” (“ASU 2011-04”). ASU 2011-04 amends the fair value measurement and disclosure guidance in ASC 820, “Fair Value Measurements and Disclosures” (“ASC 820”), of the FASB for financial assets and liabilities to converge GAAP and International Financial Reporting Standards requirements for measuring amounts at fair value as well as disclosures about these measurements. Many of the amendments clarify existing concepts and are generally not expected to result in significant changes to how many companies currently apply the fair value principles. In certain instances, however, the FASB changed a principle to achieve convergence, and while limited, these amendments have the potential to significantly change practice for some companies. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. The Company adopted the amendments beginning July 1, 2012. The adoption of ASU 2011-04 did not have a material effect on the results of operations, financial position or cash flows of the Company.

New Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, “Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income” ("ASU 2013-02"), an update to the authoritative guidance related to the reporting of amounts reclassified out of accumulated other comprehensive income. This new requirement about presenting information about amounts reclassified out of accumulated other comprehensive income and their corresponding effect on net income will present, in one place, information about significant amounts reclassified and, in some cases, cross-references to related footnote disclosures. The disclosure amendments in this update are effective prospectively for fiscal years (and interim periods within those years) beginning after December 15, 2012 and early adoption is permitted. ASU 2013-02 is effective for the Company beginning July 1, 2013. Adoption of ASU 2013-02 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In February 2013, the FASB issued ASU No. 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" ("ASU 2013-01"). The amendments limit the scope of ASU No. 2011-11, "Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11") to certain derivative instruments (including bifurcated embedded derivatives), repurchase agreements and reverse repurchase agreements, and securities borrowing and lending arrangements that are either (1) offset on the balance sheet or (2) subject to an enforceable master netting arrangement or similar agreement. The requirements as initially written in ASU 2011-11 would have applied more broadly than intended. The disclosure amendments in this update are effective prospectively for fiscal years (and interim periods within those years) beginning after January 1, 2013. The amendments will be applied retrospectively for all comparative periods presented on the balance sheet. ASU 2013-01 is effective for the Company beginning in July 1, 2013. Adoption of ASU 2013-01 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

In July 2012, the FASB issued ASU No. 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU 2012-02"), an update to the authoritative guidance related to the impairment testing of indefinite-lived intangible assets. Similar to the guidance for goodwill impairment testing, companies will have the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying value. The guidance provides companies with a revised list of examples of events and circumstances to consider, in their totality, to determine whether it is more likely than not that the fair value of the asset is less than its carrying amount. If a company concludes that this is the case, the company is required to perform the quantitative impairment test by comparing the fair value with the carrying value. Otherwise, a company can skip the quantitative test. Companies are not required to perform the qualitative assessment and are permitted to skip the qualitative assessment for any indefinite-lived asset in any period and proceed directly to the quantitative impairment test. The company may resume performing the qualitative assessment in any subsequent period. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. ASU 2012-02 is effective for the Company beginning July 1, 2013. Adoption of ASU 2012-02 is not expected to have a material effect on the results of operations, financial position or cash flows of the Company.

Note 2. Restatement

The Company has restated its previously issued consolidated financial statements for the fiscal years ended June 30, 2012, 2011 and 2010, and its unaudited quarterly financial information (i) for each of the quarters in the fiscal year ended June 30, 2012 and (ii) for the first three quarters in the fiscal year ended June 30, 2013, to correct certain errors as described below:

Postretirement benefit obligations related to retiree medical plan

In fiscal 2011, the Company amended its retiree medical plan to increase the minimum annual premium contribution required by participants. The increased participant contributions and a resulting reduction in the number of participants electing to maintain this benefit coverage were not appropriately considered in the Company's actuarial estimate of its postretirement benefit liability recorded in its consolidated financial statements for the fiscal years ended June 30, 2012 and 2011. This resulted in an overstatement of the amount of accrued postretirement benefits in the Company's consolidated financial statements as of June 30, 2012 and 2011 by \$20.7 million and \$11.2 million, respectively, and an understatement of other comprehensive income in the amounts of \$19.2 million and \$11.1 million, respectively.

The Company re-measured its postretirement benefit obligations as of June 30, 2012 and 2011, using the appropriate census data and premium information. In accordance with Accounting Standards Codification ("ASC") 715-60, "Compensation-Retirement Benefits-Defined Benefit Plans-Other Postretirement" ("ASC 715-60"), the substantial changes to the retiree medical plan resulted in a negative plan amendment and, therefore, the reduction in related obligations is not immediately recognized as a reduction of current period costs but is included in accumulated other comprehensive income.

Postretirement benefit obligations related to death benefit and related cash surrender value ("CSV")

In connection with a postretirement death benefit provided to certain of its employees and retirees, the Company did not timely adopt the accounting guidance in Emerging Issues Task Force No. 06-4, “Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements,” as of the applicable effective date, July 1, 2008. As a result, the Company failed to record a liability equal to the present value of the postretirement death benefit, which resulted in an understatement of accrued postretirement benefits in the Company's consolidated financial statements as of June 30, 2012 and 2011 by $8.1 million and $6.4 million, respectively. In addition, the Company failed to properly record the CSV of the life insurance policies that it purchased to fund the postretirement death benefit, resulting in an understatement of the Company's total assets in its consolidated financial statements as of June 30, 2012 and 2011 by $2.2 million and $2.1 million, respectively. The aggregate impact of failure to adopt EITF 06-4 and failure to properly record the CSV resulted in an overstatement of other comprehensive income in fiscal 2012 and 2011 by $2.2 million and $0.8 million, respectively.

In connection with the restatement, the Company also recorded certain other immaterial adjustments primarily related to inventory, property, plant and equipment, and net and accrued payroll expenses. In addition, the Company appropriately reclassified: (a) cash held on deposit in margin accounts for coffee-related derivative instruments from "Short-term investments" to "Restricted cash"; and (b) "Short-term derivative liability" from "Accounts payable" and "Other current liabilities," to conform to current period presentation. The Company also corrected the classification of pension liabilities from "Other current liabilities" to "Accrued pension liabilities."

Aggregate impact of restatement corrections, adjustments and reclassifications:

The aggregate impact of the restatement corrections and adjustments:

- increased total assets as of June 30, 2012 and 2011; and
- decreased total liabilities in fiscal 2012 and 2011 from the decrease in postretirement liability related to the amendment of the retiree medical plan, net of the increase in liability related to the postretirement death benefit.

A summary of the impact of the restatement corrections and other immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) for fiscal 2012, 2011 and 2010 is presented below:

(In thousands)	Overstatement (Understatement) of Net Loss		
	Year ended June 30,		
Description	**2012**	**2011**	**2010**
Restatement corrections:			
Correction of other postretirement benefit obligations—retiree medical plan	$ 1,356	$ 105	$ —
Correction of other postretirement benefit obligations—death benefit	(22)	(1,022)	38
Tax effect of corrections of other postretirement benefit obligations	—	4,230	1
Net impact of restatement corrections on net loss	1,334	3,313	39
Immaterial adjustments:			
Correction of coffee brewing equipment expense	(233)	233	(1,542)
Correction of accrued fringe benefits liability	1,471	(1,471)	487
Correction of inventory	310	80	(390)
Correction of net periodic pension costs	(129)	129	—
Total impact of immaterial adjustments on net loss	1,419	(1,029)	(1,445)
Total impact of restatement corrections and immaterial adjustments on net loss	**$ 2,753**	**$ 2,284**	**$ (1,406)**

(In thousands)	Overstatement (Understatement) of Total Comprehensive Loss (Income)		
	Year ended June 30,		
Description	**2012**	**2011**	**2010**
Total impact of restatement corrections and immaterial adjustments on net loss	$ 2,753	$ 2,284	$ (1,406)
Restatement corrections:			
Correction of postretirement benefit obligations—retiree medical plan	8,120	11,074	—
Correction of postretirement benefit obligations—death benefit	(1,482)	152	(1,151)
Tax effect of corrections of other postretirement benefit obligations	—	(4,230)	—
Net impact of restatement corrections on total comprehensive loss (income)	$ 6,638	$ 6,996	$ (1,151)
Immaterial adjustments:			
Correction of net periodic pension costs	129	(129)	—
Total impact of immaterial adjustments on total comprehensive loss (income)	129	(129)	—
Total impact of restatement corrections and immaterial adjustments on total comprehensive loss (income)	**$ 9,520**	**$ 9,151**	**$ (2,557)**

The restatement corrections and immaterial adjustments had no effect on the Company's reported net sales, cash flows from operating activities, or reported cash position in fiscal 2012, 2011 and 2010.

The restated consolidated financial information as of June 30, 2012 and 2011, as of the end of the quarters within fiscal 2012 and the first three quarters within fiscal 2013, included in this Form 10-K has been labeled as "As Restated."

The following tables in the remainder of this Note 2 and in Note 19 present the impact of the restatement corrections and immaterial adjustments on the Company's previously issued financial statements for the periods indicated.

CONSOLIDATED BALANCE SHEET

(In thousands, except share and per share data)	June 30, 2012		
	Previously Reported	Adjustments(1)	As Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,906	$ —	$ 3,906
Restricted cash	—	1,612	1,612
Short-term investments	21,021	(1,285)	19,736
Accounts and notes receivable, net of allowance for doubtful accounts of $1,872	40,736	—	40,736
Inventories	65,981	—	65,981
Income tax receivable	762	—	762
Prepaid expenses	3,445	—	3,445
Total current assets	135,851	327	136,178
Property, plant and equipment, net	108,135	2	108,137
Intangible assets, net	7,615	—	7,615
Other assets	2,904	2,221	5,125
Deferred income taxes	854	7	861
Total assets	$ 255,359	$ 2,557	$ 257,916
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 27,676	$ (410)	$ 27,266
Accrued payroll expenses	20,494	(1,364)	19,130
Short-term borrowings under revolving credit facility	29,126	—	29,126
Short-term obligations under capital leases	3,737	—	3,737
Short-term derivative liability	—	737	737
Deferred income taxes	1,480	(35)	1,445
Other current liabilities	10,176	(4,880)	5,296
Total current liabilities	92,689	(5,952)	86,737
Accrued postretirement benefits	34,557	(12,031)	22,526
Other long-term liabilities—capital leases	12,130	—	12,130
Accrued pension liabilities	42,513	5,678	48,191
Accrued workers' compensation liabilities	4,131	—	4,131
Deferred income taxes	607	42	649
Total liabilities	$ 186,627	$ (12,263)	$ 174,364
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, $1.00 par value, 500,000 shares authorized and none issued	$ —	$ —	$ —
Common stock, $1.00 par value, 25,000,000 shares authorized; 16,308,859 issued and outstanding	16,309	—	16,309
Additional paid-in capital	34,834	—	34,834
Retained earnings	100,455	2,087	102,542
Unearned ESOP shares	(25,637)	—	(25,637)
Less accumulated other comprehensive loss	(57,229)	12,733	(44,496)
Total stockholders' equity	$ 68,732	$ 14,820	$ 83,552
Total liabilities and stockholders' equity	$ 255,359	$ 2,557	$ 257,916

(1) For details see the introduction section included elsewhere in this Note 2.

CONSOLIDATED BALANCE SHEET

(In thousands, except share and per share data)	June 30, 2011		
	Previously Reported	Adjustments (1)	As Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,081	$ —	$ 6,081
Restricted cash	—	460	460
Short-term investments	24,874	(460)	24,414
Accounts and notes receivable, net of allowance for doubtful accounts of $2,852	43,501	—	43,501
Inventories	79,759	(310)	79,449
Income tax receivable	448	—	448
Prepaid expenses	2,747	—	2,747
Total current assets	157,410	(310)	157,100
Property, plant and equipment, net	114,107	233	114,340
Goodwill	5,310	—	5,310
Intangible assets, net	9,329	—	9,329
Other assets	2,892	2,071	4,963
Deferred income taxes	1,005	3	1,008
Total assets	$ 290,053	$ 1,997	$ 292,050
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 42,473	$ (51)	$ 42,422
Accrued payroll expenses	15,675	1,283	16,958
Short-term borrowings under revolving credit facility	31,362	—	31,362
Short-term obligations under capital leases	1,570	—	1,570
Short-term derivative liabilities	—	1,729	1,729
Deferred income taxes	500	(24)	476
Other current liabilities	11,882	(7,355)	4,527
Total current liabilities	103,462	(4,418)	99,044
Accrued postretirement benefits	23,585	(4,589)	18,996
Other long-term liabilities—capital leases	7,066	—	7,066
Accrued pension liabilities	22,371	5,677	28,048
Accrued workers' compensation liabilities	3,639	—	3,639
Deferred income taxes	1,815	27	1,842
Total liabilities	$ 161,938	$ (3,303)	$ 158,635
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, $1.00 par value, 500,000 shares authorized and none issued	$ —	$ —	$ —
Common stock, $1.00 par value, 25,000,000 shares authorized; 16,186,372 issued and outstanding	16,186	—	16,186
Additional paid-in capital	36,470	—	36,470
Retained earnings	129,784	(666)	129,118
Unearned ESOP shares	(30,437)	—	(30,437)
Less accumulated other comprehensive loss	(23,888)	5,966	(17,922)
Total stockholders' equity	$ 128,115	$ 5,300	$ 133,415
Total liabilities and stockholders' equity	$ 290,053	$ 1,997	$ 292,050

(1) For details see the introduction section included elsewhere in this Note 2.

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except share and per share data)	Year ended June 30, 2012		
	Previously Reported	Adjustments(1)	As Restated
Net sales	$ 495,442	$ —	$ 495,442
Cost of goods sold	322,618	(78)	322,540
Gross profit	172,824	78	172,902
Selling expenses	150,641	—	150,641
General and administrative expenses	36,897	(2,675)	34,222
Impairment losses on goodwill and intangible assets	5,585	—	5,585
Pension withdrawal expense	4,568	—	4,568
Operating expenses	197,691	(2,675)	195,016
(Loss) income from operations	(24,867)	2,753	(22,114)
Other income (expense):			
Dividend income	1,231	—	1,231
Interest income	214	—	214
Interest expense	(2,137)	—	(2,137)
Other, net	(4,117)	—	(4,117)
Total other expense	(4,809)	—	(4,809)
(Loss) income before taxes	(29,676)	2,753	(26,923)
Income tax benefit	(347)	—	(347)
Net (loss) income	$ (29,329)	$ 2,753	$ (26,576)
Net (loss) income per common share—basic and diluted	$ (1.89)		$ (1.72)
Weighted average common shares outstanding—basic and diluted	15,492,314		15,492,314

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Year Ended June 30, 2012		
	Previously Reported	Adjustments(1)	As Restated
Net (loss) income	$ (29,329)	$ 2,753	$ (26,576)
Other comprehensive (loss) income, net of tax:			
Change in the funded status of retiree benefit obligations	(33,341)	6,767	(26,574)
Income tax benefit	—	—	—
Total comprehensive (loss) income, net of tax	$ (62,670)	$ 9,520	$ (53,150)

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included elsewhere in this Note 2.

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except share and per share data)	Year ended June 30, 2011		
	Previously Reported	Adjustments(1)	As Restated
Net sales	$ 463,945	$ —	$ 463,945
Cost of goods sold	306,771	(313)	306,458
Gross profit	157,174	313	157,487
Selling expenses	170,670	—	170,670
General and administrative expenses	47,121	2,258	49,379
Impairment losses on intangible assets	7,805	—	7,805
Operating expenses	225,596	2,258	227,854
Loss from operations	(68,422)	(1,945)	(70,367)
Other income (expense):			
Dividend income	2,534	—	2,534
Interest income	178	—	178
Interest expense	(1,965)	—	(1,965)
Other, net	4,191	—	4,191
Total other income	4,938	—	4,938
Loss before taxes	(63,484)	(1,945)	(65,429)
Income tax benefit	(9,167)	(4,229)	(13,396)
Net (loss) income	$ (54,317)	$ 2,284	$ (52,033)
Net (loss) income per common share—basic and diluted	$ (3.61)		$ (3.45)
Weighted average common shares outstanding—basic and diluted	15,066,663		15,066,663
Cash dividends declared per common share	$ 0.18		$ 0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Year Ended June 30, 2011		
	Previously Reported	Adjustments(1)	As Restated
Net loss (income)	$ (54,317)	$ 2,284	$ (52,033)
Other comprehensive (loss) income, net of tax:			
Change in the funded status of retiree benefit obligations	25,634	11,097	36,731
Income tax expense	(9,823)	(4,230)	(14,053)
Total comprehensive (loss) income, net of tax	$ (38,506)	$ 9,151	$ (29,355)

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included elsewhere in this Note 2.

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except share and per share data)	Year ended June 30, 2010		
	Previously Reported	Adjustments(1)	As Restated
Net sales	$ 450,318	$ —	$ 450,318
Cost of goods sold	252,754	1,932	254,686
Gross profit	197,564	(1,932)	195,632
Selling expenses	187,685	(395)	187,290
General and administrative expenses	49,071	(130)	48,941
Operating expenses	236,756	(525)	236,231
Loss from operations	(39,192)	(1,407)	(40,599)
Other income (expense):			
Dividend income	3,224	—	3,224
Interest income	303	—	303
Interest expense	(986)	—	(986)
Other, net	10,169	—	10,169
Total other income	12,710	—	12,710
Loss before taxes	(26,482)	(1,407)	(27,889)
Income tax benefit	(2,529)	(1)	(2,530)
Net loss	$ (23,953)	$ (1,406)	$ (25,359)
Net loss per common share—basic and diluted	$ (1.61)		$ (1.71)
Weighted average common shares outstanding—basic and diluted	14,866,306		14,866,306
Cash dividends declared per common share	$ 0.46		$ 0.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Year Ended June 30, 2010		
	Previously Reported	Adjustments(1)	As Restated
Net loss	$ (23,953)	$ (1,406)	(25,359)
Other comprehensive loss, net of tax:			
Change in the funded status of retiree benefit obligations	(4,787)	(1,151)	(5,938)
Income tax expense	—	—	—
Total comprehensive loss, net of tax	$ (28,740)	$ (2,557)	$ (31,297)

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included elsewhere in this Note 2.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)	Year Ended June 30, 2012		
	Previously Reported	Adjustments(1)	As Restated
Cash flows from operating activities:			
Net (loss) income	$ (29,329)	$ 2,753	$ (26,576)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	32,113	—	32,113
Recovery of doubtful accounts	(980)	—	(980)
Deferred income taxes	(78)	—	(78)
Impairment losses on goodwill and intangible assets	5,585	—	5,585
Net gains on sales of assets	(268)	—	(268)
ESOP and share-based compensation expense	3,287	—	3,287
Net losses on derivatives and investments	6,175	—	6,175
Change in operating assets and liabilities:			
Restricted cash	—	(1,153)	(1,153)
Short-term investments	(2,322)	825	(1,497)
Accounts and notes receivable	3,745	—	3,745
Inventories	13,314	(78)	13,236
Income tax receivable	(314)	—	(314)
Prepaid expenses and other assets	(711)	(149)	(860)
Accounts payable	(13,083)	(358)	(13,441)
Accrued payroll expenses and other liabilities	3,112	(1,163)	1,949
Accrued postretirement benefits	995	2,535	3,530
Other long-term liabilities	(3,108)	(3,212)	(6,320)
Net cash provided by operating activities	$ 18,133	$ —	$ 18,133
Cash flows from investing activities:			
Purchases of property, plant and equipment	(17,498)	—	(17,498)
Proceeds from sales of property, plant and equipment	3,037	—	3,037
Net cash used in investing activities	$ (14,461)	$ —	$ (14,461)
Cash flows from financing activities:			
Proceeds from revolving credit facility	17,250	—	17,250
Repayments on revolving credit facility	(21,200)	—	(21,200)
Payments of capital lease obligations	(1,897)	—	(1,897)
Net cash used in financing activities	$ (5,847)	$ —	$ (5,847)
Net decrease in cash and cash equivalents	$ (2,175)	$ —	$ (2,175)
Cash and cash equivalents at beginning of year	6,081		6,081
Cash and cash equivalents at end of year	$ 3,906	$ —	$ 3,906
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 2,123	$ —	$ 2,123
Cash paid for income taxes	$ 317	$ —	$ 317
Non-cash financing and investing activities:			
Equipment acquired under capital leases	$ 9,508	$ —	$ 9,508

(1) See the introduction section included elsewhere in this Note 2.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)	Year Ended June 30, 2011		
	Previously Reported	Adjustments (1)	As Restated
Cash flows from operating activities:			
Net (loss) income	$ (54,317)	$ 2,284	$ (52,033)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	31,758	—	31,758
Provision for doubtful accounts	2,024	—	2,024
Deferred income taxes	336	2	338
Impairment losses on goodwill and intangible assets	7,805	—	7,805
Net losses on sales of assets	358	—	358
ESOP and share-based compensation expense	3,825	—	3,825
Net gains on derivatives and investments	(1,312)	—	(1,312)
Change in operating assets and liabilities:			
Restricted cash	—	(460)	(460)
Short-term investments	27,381	913	28,294
Accounts and notes receivable	(2,929)	—	(2,929)
Inventories	3,952	(312)	3,640
Income tax receivable	5,392	—	5,392
Prepaid expenses and other assets	(434)	834	400
Accounts payable	12,997	(504)	12,493
Accrued payroll expenses and other liabilities	2,112	44	2,156
Accrued postretirement benefits	1,399	(10,956)	(9,557)
Other long-term liabilities	(6,410)	8,155	1,745
Net cash provided by operating activities	$ 33,937	$ —	$ 33,937
Cash flows from investing activities:			
Purchases of property, plant and equipment	(19,416)	—	(19,416)
Proceeds from sales of property, plant and equipment	2,021	—	2,021
Net cash used in investing activities	$ (17,395)	$ —	$ (17,395)
Cash flows from financing activities:			
Proceeds from revolving credit facility	35,450	—	35,450
Repayments on revolving credit facility	(43,970)	—	(43,970)
Payments of capital lease obligations	(1,433)	—	(1,433)
Dividends paid	(4,657)	—	(4,657)
Net cash used in financing activities	$ (14,610)	$ —	$ (14,610)
Net increase in cash and cash equivalents	$ 1,932	$ —	$ 1,932
Cash and cash equivalents at beginning of year	4,149	—	4,149
Cash and cash equivalents at end of year	$ 6,081	$ —	$ 6,081
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 1,945	$ —	$ 1,945
Cash paid for income taxes	$ 324	$ —	$ 324
Non-cash financing and investing activities:			
Equipment acquired under capital leases	$ 5,659	$ —	$ 5,659

(1) See the introduction section included elsewhere in this Note 2.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)	Year Ended June 30, 2010		
	Previously Reported	Adjustments (1)	As Restated
Cash flows from operating activities:			
Net loss	$ (23,953)	$ (1,406)	$ (25,359)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	26,778	—	26,778
Provision for doubtful accounts	3,188	—	3,188
Deferred income taxes	758	427	1,185
Net losses on sales of assets	430	—	430
ESOP and share-based compensation expense	4,785	(1)	4,784
Net gain on derivatives and investments	(9,382)	—	(9,382)
Change in operating assets and liabilities:			
Restricted cash	—	—	—
Short-term investments	1,365	(453)	912
Accounts and notes receivable	(40)	—	(40)
Inventories	(14,751)	1,932	(12,819)
Income tax receivable	(1,677)	—	(1,677)
Prepaid expenses and other assets	178	(187)	(9)
Accounts payable	(738)	617	(121)
Accrued payroll expenses and other liabilities	2,904	(542)	2,362
Accrued postretirement benefits	3,926	1,302	5,228
Other long-term liabilities	5,182	(1,689)	3,493
Net cash provided by operating activities	$ (1,047)	$ —	$ (1,047)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(28,484)	—	(28,484)
Proceeds from sales of property, plant and equipment	437	—	437
Net cash used in investing activities	$ (28,047)	$ —	$ (28,047)
Cash flows from financing activities:			
Proceeds from revolving credit facility	33,737	—	33,737
Repayments on revolving credit facility	(12,756)	—	(12,756)
Payments of capital lease obligations	(837)	—	(837)
Dividends paid	(6,939)	—	(6,939)
Net cash used in financing activities	$ 13,205	$ —	$ 13,205
Net decrease in cash and cash equivalents	$ (15,889)	$ —	$ (15,889)
Cash and cash equivalents at beginning of year	20,038	—	20,038
Cash and cash equivalents at end of year	$ 4,149	$ —	$ 4,149
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 890	$ —	$ 890
Cash paid for income taxes	$ 154	$ —	$ 154
Non-cash financing and investing activities:			
Equipment acquired under capital leases	$ 3,954	$ —	$ 3,954
Dividends accrued, but not paid	$ 1,849	$ —	$ 1,849

(1) See the introduction section included elsewhere in this Note 2.

Note 3. Derivative Instruments

Derivative Instruments Held

Coffee-Related Derivative Instruments

The Company is exposed to commodity price risk associated with its PTF green coffee purchase contracts, which are described further in Note 1. The Company utilizes futures contracts and options to manage exposure to the variability in expected future cash flows from forecasted purchases of green coffee attributable to commodity price risk, in some instances, as much as 18 months prior to the actual delivery date. Certain of these coffee-related derivative instruments utilized for risk management purposes have been designated as cash flow hedges, while other coffee-related derivative instruments have not been designated as cash flow hedges or do not qualify for hedge accounting despite hedging the Company's future cash flows on an economic basis.

At June 30, 2013, approximately 89% of the Company's outstanding coffee-related derivative instruments were designated as cash flow hedges. At June 30, 2012 no coffee-related derivative instruments were designated as accounting hedges.

For the fiscal year ended June 30, 2013, the Company recorded coffee-related net derivative losses in OCI in the amount of $7.9 million. No coffee-related net derivative gains or losses were recorded in OCI for the fiscal years ended June 30, 2012 and 2011.

Interest Rate Swap

Effective December 1, 2012, the Company entered into an interest rate swap transaction utilizing a notional amount of $10.0 million and a maturity date of March 1, 2015. The Company entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of its borrowings under the revolving credit facility. The swap transaction is intended to manage the Company's interest rate risk related to its revolving credit facility and requires the Company to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA. The interest rate swap is not designated as an accounting hedge.

Effect of Derivative Instruments on the Financial Statements

Balance Sheet

Fair values of derivative instruments on the consolidated balance sheets (in thousands):

	Derivatives Designated as Cash Flow Hedges		Derivatives Not Designated as Accounting Hedges	
	June 30,		June 30,	
	2013	2012	2013	2012
Financial Statement Location:		As Restated		As Restated
Short-term investments:				
Coffee-related derivatives	$ —	$ —	$ 4	$ 339
Short-term derivative liability:				
Coffee futures	$ 9,331	$ —	$ 565	$ 737
Other current liabilities:				
Interest rate swap	$ —	$ —	$ 25	$ —
Long-term derivative liability:				
Coffee futures	$ 1,129	$ —	$ —	$ —

Statement of Operations

For the fiscal year ended June 30, 2013, the Company recognized $0.4 million in losses on coffee-related derivative instruments designated as cash flow hedges for ineffectiveness and 11% of the total coffee-related derivative instruments were excluded from the effectiveness assessment since they were not designated as cash flow hedges. Cash flow hedge contracts outstanding as of June 30, 2013 will expire within 18 months.

The following table presents pretax net gains and losses for the Company's coffee-related derivative instruments designated as cash flow hedges, as recognized in "Cost of goods sold," "Accumulated other comprehensive income" ("AOCI") and "Other, net" (in thousands):

	Year Ended June 30,			
	2013	2012	2011	Financial Statement Classification
Net gains recognized in earnings (effective portion)	$ 55	$ —	$ —	Costs of goods sold
Net losses recognized in other comprehensive income (loss) (effective portion)	$ (7,921)	$ —	$ —	AOCI
Net losses recognized in earnings (ineffective portion)	$ (447)	$ —	$ —	Other, net

For the year ended June 30, 2013, there were no gains or losses recognized in income as a result of excluding amounts from the assessment of hedge effectiveness or as a result of reclassifications to earnings following the discontinuance of any cash flow hedges.

Gains and losses on derivatives not designated as accounting hedges are included in "Other, net" in the Company's consolidated statements of operations and in "Net losses (gains) on derivatives and investments" in the Company's consolidated statements of cash flow.

Net realized and unrealized gains and losses recorded in "Other, net" are as follows:

	Year Ended June 30,		
	2013	2012	2011
	(In thousands)		
Realized (losses) gains, net	$ (8,676)	$ (8,577)	$ 916
Unrealized (losses) gains, net	(2,661)	1,248	(2,402)
Net realized and unrealized losses from coffee-related derivatives not designated as accounting hedges	(11,337)	(7,329)	(1,486)
Net realized and unrealized gains from investments	230	1,154	2,798
Net unrealized losses from interest rate swap	(25)	—	—
Net (losses) gains on derivatives and investments	(11,132)	(6,175)	1,312
Net gains from sales of assets	4,467	1,375	1,359
Other gains, net	1,700	683	1,520
Other, net	$ (4,965)	$ (4,117)	$ 4,191

Credit-Risk-Related Features

The Company does not have any credit-risk-related contingent features that would require it, in certain circumstances, to post additional collateral in support of its net derivative liability positions. The Company had $8.1 million and $1.6 million, respectively, in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments at June 30, 2013 and 2012 (see Note 6). Changes in commodity prices could have a significant impact on cash deposit requirements under the Company's broker and counterparty agreements.

Cash Flow Hedges

Changes in the fair value of the Company's coffee-related derivative instruments designated as cash flow hedges, to the extent effective, are deferred in AOCI and reclassified into earnings in the same period or periods in which the hedged forecasted purchases affect earnings, or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. Based on recorded values at June 30, 2013, $6.8 million of net losses will be reclassified into earnings within the next twelve months. These recorded values are based on market prices of the commodities as of June 30, 2013. Due to the volatile nature of commodity prices, actual gains or losses realized within the next twelve months will likely differ from these values. These gains or losses are expected to substantially offset net losses or gains that will be realized in earnings from previous unfavorable or favorable market movements associated with underlying hedged transactions.

Note 4. Investments

Preferred stock investments as of June 30, 2013 consisted of securities with a fair value of $13.2 million in an unrealized gain position and securities with a fair value of $7.3 million in an unrealized loss position. Preferred stock investments as of June 30, 2012 consisted of securities with a fair value of $16.5 million in an unrealized gain position and securities with a fair value of $2.9 million in an unrealized loss position.

The following tables show gross unrealized losses (although such losses have been recognized in the consolidated statements of operations) and fair value for those investments that were in an unrealized loss position as of June 30, 2013 and 2012, aggregated by the length of time those investments have been in a continuous loss position:

	June 30, 2013			
	Less than 12 Months		Total	
(In thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Preferred stock	$ 5,391	$ (161)	$ 7,318	$ (228)

	June 30, 2012			
	Less than 12 Months		Total	
(In thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Preferred stock	$ 1,750	$ (16)	$ 2,891	$ (40)

Note 5. Fair Value Measurements

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

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

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

June 30, 2013	Total	Level 1	Level 2	Level 3
Preferred stock(1)	$ 20,542	$ 15,738	$ 4,804	$ —
Futures, options and other derivative assets(1)	$ 4	$ —	$ 4	$ —
Derivatives designated as cash flow hedges:				
Coffee-related derivative liabilities	$ 10,460	$ 10,460	$ —	$ —
Derivatives not designated as accounting hedges:				
Coffee-related derivative liabilities	$ 565	$ 565	$ —	$ —
Derivative liabilities — interest rate swap	$ 25	$ —	$ 25	$ —

June 30, 2012 (As Restated)	Total	Level 1	Level 2	Level 3
Preferred stock(1)	$ 19,395	$ 14,078	$ 5,317	$ —
Futures, options and other derivative assets(1)	$ 341	$ —	$ 341	$ —
Derivative liabilities	$ 737	$ —	$ 737	$ —

(1) Included in "Short-term investments" on the consolidated balance sheets.

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

Effective December 1, 2012, the Company entered into an interest rate swap transaction utilizing a notional amount of $10.0 million and a maturity date of March 1, 2015. The Company entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of its borrowings under the revolving credit facility. The swap transaction is intended to manage the Company's interest rate risk related to its revolving credit facility and requires the Company to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA.

The Company values its interest rate swap using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities.

Valuation of the interest rate swap transaction is based on proprietary curves that take into account both Level 1 and Level 2 inputs. The fair value of the interest rate swap is determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves). These forward curves are market-based, utilizing observable market data. Discount curves for present value purposes are constructed using rates representing estimated costs of funding swap positions for early terminations based on an appropriate observable discount rate.

Note 6. Restricted Cash

The Company had $8.1 million and $1.6 million, respectively, in restricted cash representing cash held on deposit in margin accounts for coffee-related derivative instruments at June 30, 2013 and 2012. Changes in commodity prices could have a significant impact on cash deposit requirements under the Company's broker and counterparty agreements.

Note 7. Accounts and Notes Receivable, Net

	June 30, 2013	June 30, 2012
	(In thousands)	
Trade receivables	$ 43,965	$ 40,687
Other receivables	1,072	1,921
Allowance for doubtful accounts	(1,115)	(1,872)
	$ 43,922	$ 40,736

In fiscal 2010, based on a larger customer base due to recent Company acquisitions and in response to slower collection of the Company's accounts receivable resulting from the impact of the economic downturn on the Company's customers, the Company recorded a $3.2 million charge to bad debt expense resulting in a net increase of $2.1 million in its allowance for doubtful accounts. In fiscal 2013, fiscal 2012 and fiscal 2011, due to improvements in the collection of past due accounts, the Company reduced its allowance for doubtful accounts by $0.8 million, $1.0 million and $0.4 million, respectively.

Allowance for doubtful accounts:

(In thousands)	
Balance at June 30, 2010	$ (3,293)
Additions	(2,024)
Write-offs	2,465
Balance at June 30, 2011	(2,852)
Recovery	980
Write-offs	—
Balance at June 30, 2012	(1,872)
Recovery	757
Write-offs	—
Balance at June 30, 2013	$ (1,115)

Note 8. Inventories

June 30, 2013	Processed	Unprocessed	Total
		(In thousands)	
Coffee	$ 12,553	$ 12,796	$ 25,349
Tea and culinary products	21,406	4,194	25,600
Coffee brewing equipment	5,144	4,774	9,918
	$ 39,103	$ 21,764	$ 60,867

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

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

	June 30,	
(In thousands)	2013	2012
Coffee	$ 27,755	$ 34,844
Tea and culinary products	7,757	7,239
Total	$ 35,512	$ 42,083

In fiscal 2013, as a result of optimizing and simplifying its product portfolio and discontinuing over 800 SKU's, the Company established a reserve for slow-moving and obsolete inventory in the amount of $0.7 million.

In fiscal 2013 and 2012, certain inventory quantities were reduced. This reduction resulted in the liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The beneficial effect of this liquidation of LIFO inventory quantities reduced cost of goods sold and net loss for fiscal 2013, 2012 and 2011 by $1.1 million, $14.2 million and $1.1 million, respectively.

Note 9. Property, Plant and Equipment

	June 30,	
	2013	2012
	(In thousands)	
Buildings and facilities	$ 77,807	$ 78,608
Machinery and equipment	138,470	129,846
Equipment under capital leases	18,806	19,731
Capitalized software	17,993	18,524
Office furniture and equipment	15,610	16,818
	$ 268,686	$ 263,527
Accumulated depreciation	(185,718)	(164,661)
Land	9,191	9,271
Property, plant and equipment, net	$ 92,159	$ 108,137

Capital leases consist mainly of vehicle leases at June 30, 2013 and 2012.

The Company capitalized coffee brewing equipment (included in machinery and equipment) in the amounts of $9.3 million and $13.9 million in fiscal 2013 and 2012, respectively. Depreciation expense related to the capitalized coffee brewing equipment reported as cost of goods sold was $12.8 million, $12.2 million and $9.6 million in fiscal 2013, 2012 and 2011, respectively. Depreciation and amortization expense includes amortization expense for assets recorded under capitalized leases.

Maintenance and repairs to property, plant and equipment charged to expense for the years ended June 30, 2013, 2012 and 2011 were $7.6 million, $7.9 million and $10.3 million, respectively.

Note 10. Goodwill and Intangible Assets

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

	June 30, 2013		June 30, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Amortized intangible assets:				
Customer relationships	$ 10,083	$ (9,434)	$ 10,083	$ (8,188)
Total amortized intangible assets	$ 10,083	$ (9,434)	$ 10,083	$ (8,188)
Unamortized intangible assets:				
Tradenames with indefinite lives	$ 3,640	$ —	$ 3,640	$ —
Trademarks with indefinite lives	1,988	—	2,080	—
Total unamortized intangible assets	$ 5,628	$ —	$ 5,720	$ —
Total intangible assets	$ 15,711	$ (9,434)	$ 15,803	$ (8,188)

Aggregate amortization expense for the past three fiscal years:	
For the fiscal year ended June 30, 2013	$ 1,246
For the fiscal year ended June 30, 2012	$ 1,439
For the fiscal year ended June 30, 2011	$ 2,948
Estimated amortization expense for each of the next five fiscal years:	
For the fiscal year ending June 30, 2014	$ 649
Remaining weighted average amortization periods for intangible assets with finite lives are as follows:	
Customer relationships (years)	0.8

Summary of changes in the carrying value of goodwill:	
Balance at June 30, 2011	$ 5,310
Reclassification	(165)
Impairment loss	(5,145)
Balance at June 30, 2012	$ —

Note 11. 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. The Company sponsors a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees and provides retiree medical coverage and, depending on the age of the retiree, dental and vision coverage. The Company also provides a postretirement death benefit to certain of its employees and retirees.

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

Single Employer Pension Plans

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

The Company also has two defined benefit pension plans for certain hourly employees covered under collective bargaining agreements (the “Brewmatic Plan” and the “Hourly Employees' Plan”). In the fourth quarter of fiscal 2013, the Company determined that it would shut down its equipment refurbishment operations in Los Angeles, California and move them to its Oklahoma City distribution center effective August 30, 2013. Due to this shut down, all hourly employees responsible for these operations in Los Angeles were terminated and their pension benefits in the Brewmatic Plan were frozen effective August 30, 2013. As a result, the Company recorded a pension curtailment expense of $34,000 in the fourth quarter of fiscal 2013 which is included in "Selling expenses" in the Company's consolidated statement of operations for the fiscal year ended June 30, 2013 and in "Accrued pension liabilities" on the Company's consolidated balance sheet at June 30, 2013.

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Obligations and Funded Status

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
	2013	2012	2013	2012	2013	2012
	(In thousands)		(In thousands)		(In thousands)	
Change in projected benefit obligation						
Benefit obligation at the beginning of the year	$ 124,828	$ 107,071	$ 4,022	$ 3,662	$ 1,520	$ 1,055
Service cost	—	—	59	39	418	456
Interest cost	5,550	5,846	176	197	69	59
Plan participant contributions	—	81	—	—	—	—
Actuarial (gain) loss	1,333	17,066	(24)	416	56	(38)
Benefits paid	(5,506)	(5,236)	(287)	(292)	(7)	(12)
Effect of curtailment	—	—	—	—	—	—
Projected benefit obligation at the end of the year	$ 126,205	$ 124,828	$ 3,946	$ 4,022	$ 2,056	$ 1,520
Change in plan assets						
Fair value of plan assets at the beginning of the year	$ 82,110	$ 80,448	$ 2,718	$ 2,871	$ 1,013	$ 421
Actual return on plan assets	10,145	246	322	(25)	125	(4)
Employer contributions	1,348	6,571	310	164	117	608
Plan participant contributions	—	81	—	—	—	—
Benefits paid	(5,506)	(5,236)	(287)	(292)	(7)	(12)
Fair value of plan assets at the end of the year	$ 88,097	$ 82,110	$ 3,063	$ 2,718	$ 1,248	$ 1,013
Funded status at end of year (underfunded) overfunded	$ (38,108)	$ (42,718)	$ (883)	$ (1,304)	$ (808)	$ (507)
Amounts recognized in consolidated balance sheet						
Non-current assets	$ —	$ —	$ —	$ —	$ —	$ —
Current liabilities	—	—	—	—	—	—
Non-current liabilities	(38,108)	(42,718)	(883)	(1,304)	(808)	(507)
Total	$ (38,108)	$ (42,718)	$ (883)	$ (1,304)	$ (808)	$ (507)
Amounts recognized in consolidated balance sheet						
Total net (gain) loss	$ 44,841	$ 48,720	$ 1,878	$ 2,154	$ 108	$ 90
Transition (asset) obligation	—	—	—	—	—	—
Prior service cost (credit)	—	—	—	53	—	—
Total accumulated OCI (not adjusted for applicable tax)	$ 44,841	$ 48,720	$ 1,878	$ 2,207	$ 108	$ 90
Weighted average assumptions used to determine benefit obligations						
Discount rate	4.50%	4.55%	4.50%	4.55%	4.50%	4.55%
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A

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

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
	2013	2012	2013	2012	2013	2012
	(In thousands)		(In thousands)		(In thousands)	
Components of net periodic benefit cost						
Service cost	$ —	$ —	$ 59	$ 39	$ 418	$ 456
Interest cost	5,550	5,846	176	197	69	59
Expected return on plan assets	(6,355)	(6,569)	(196)	(213)	(87)	(28)
Amortization of net (gain) loss	1,422	570	126	87	—	—
Amortization of prior service cost (credit)	—	—	19	18	—	—
Amount recognized due to special event (curtailment)	—	—	34	—	—	—
Net periodic benefit cost	$ 617	$ (153)	$ 218	$ 128	$ 400	$ 487
Other changes recognized in OCI						
Net (gain) loss	$ (2,456)	$ 23,389	$ (150)	$ 654	$ 18	$ (6)
Prior service cost (credit)	—	—	—	—	—	—
Amortization of net gain (loss)	(1,422)	(570)	(126)	(87)	—	—
Amortization of transition asset (obligation)	—	—	—	—	—	—
Amortization of prior service (cost) credit	—	—	(19)	(18)	—	—
Amount recognized due to special event (curtailment)	—	—	(34)	—	—	—
Total recognized in OCI	$ (3,878)	$ 22,819	$ (329)	$ 549	$ 18	$ (6)
Total recognized in net periodic benefit cost and OCI	$ (3,261)	$ 22,666	$ (111)	$ 677	$ 418	$ 481
Weighted-average assumptions used to determine net periodic benefit cost						
Discount rate	4.55%	5.60%	4.55%	5.60%	4.55%	5.60%
Expected long-term return on plan assets	8.00%	8.25%	8.00%	8.25%	8.00%	8.25%
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	3.0%

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

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

Description of Investment Policy

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

Additional Disclosures

	Farmer Bros. Plan June 30,		Brewmatic Plan June 30,		Hourly Employees' Plan June 30,	
	2013	2012	2013	2012	2013	2012
	($ In thousands)		($ In thousands)		($ In thousands)	
Comparison of obligations to plan assets						
Projected benefit obligation	$ 126,205	$ 124,828	$ 3,946	$ 4,022	$ 2,056	$ 1,520
Accumulated benefit obligation	$ 126,205	$ 124,828	$ 3,946	$ 4,022	$ 2,056	$ 1,520
Fair value of plan assets at measurement date	$ 88,097	$ 82,110	$ 3,063	$ 2,718	$ 1,248	$ 1,013
Plan assets by category						
Equity securities	$ 58,681	$ 53,396	$ 2,059	$ 1,767	$ 811	$ 686
Debt securities	24,822	24,610	843	815	375	261
Real estate	4,594	4,104	161	136	62	66
Total	$ 88,097	$ 82,110	$ 3,063	$ 2,718	$ 1,248	$ 1,013
Plan assets by category						
Equity securities	67%	65%	67%	65%	65%	68%
Debt securities	28%	30%	28%	30%	30%	26%
Real estate	5%	5%	5%	5%	5%	6%
Total	100%	100%	100%	100%	100%	100%

Fair values of plan assets were as follows:

	June 30, 2013			
(In thousands)	Total	Level 1	Level 2	Level 3
Farmer Bros. Plan	$ 88,097	$ —	$ 88,097	$ —
Brewmatic Plan	$ 3,063	$ —	$ 3,063	$ —
Hourly Employees' Plan	$ 1,248	$ —	$ 1,248	$ —

	June 30, 2012			
(In thousands)	Total	Level 1	Level 2	Level 3
Farmer Bros. Plan	$ 82,110	$ —	$ 78,006	$ 4,104
Brewmatic Plan	$ 2,718	$ —	$ 2,582	$ 136
Hourly Employees' Plan	$ 1,013	$ —	$ 947	$ 66

As of June 30, 2013 and 2012, approximately 100% and 95%, respectively, of the assets in each of the Farmer Bros. Plan, the Brewmatic Plan and the Hourly Employees' Plan were invested in pooled separate accounts ("PSA's")which did not have publicly quoted prices. The PSA's invest in publicly traded mutual funds. The fair values of the mutual funds were publicly quoted pricing input (Level 1) and were used to determine the net asset value of the PSA's. Therefore, these assets have Level 2 pricing inputs.

As of June 30, 2013 and 2012, approximately 5% of the assets in each of the Farmer Bros. Plan, the Brewmatic Plan and the Hourly Employees' Plan were invested in PSA's which invested mainly in commercial real estate and include mortgage loans which are backed by the associated properties. These underlying real estate investments had certain temporary restrictions that prevented them from being able to redeem their investment at net asset value per share ("NAV"), and therefore, were considered to have unobservable Level 3 pricing inputs. The fair value of the underlying real estate was estimated using discounted cash flow valuation models that utilize public real estate market data inputs such as transaction prices, market rents, vacancy levels, leasing absorption, market capitalization rates and discount rates. In addition, each property was appraised annually by an independent appraiser. As of June 30, 2013, these PSA's were considered Level 2 assets since the temporary restrictions that prevented them from being able to redeem their investment at NAV which disqualified them for Level 2 asset categorization were removed. Accordingly, as of June 30, 2013, none of the assets in the Farmer Bros. Plan, the Brewmatic Plan and the Hourly Employees' Plan were categorized as Level 3. The amounts and types of investments within plan assets did not change significantly from June 30, 2012.

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

June 30, 2013	Beginning Balance	Total Gains	Settlements	Transfers	Ending Balance
			(In thousands)		
Farmer Bros. Plan	$ 4,104	$ —	$ —	$ (4,104)	$ —
Brewmatic Plan	$ 136	$ —	$ —	$ (136)	$ —
Hourly Employees' Plan	$ 66	$ —	$ —	$ (66)	$ —

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

The following is the target asset allocation for the Company's single employer pension plans for fiscal 2014:

Target Plan Asset Allocation for Farmer Bros. Plan, Brewmatic Plan and Hourly Employees' Plan

	Fiscal 2014
U.S. large cap equity securities	35.8%
U.S. small cap equity securities	9.2%
International equity securities	15.0%
Debt securities	30.0%
Real estate	10.0%
Total	100.0%

Estimated Amounts in OCI Expected To Be Recognized

In fiscal 2014, the Company expects to recognize $0.3 million as a component of net periodic benefit cost for the Farmer Bros. Plan, $16,000 for the Brewmatic Plan, and $0.4 million for the Hourly Employees' Plan.

Estimated Future Contributions and Refunds

In fiscal 2014, the Company expects to contribute $1.0 million to the Farmer Bros. Plan, $0.1 million to the Brewmatic Plan, and $0.2 million to the Hourly Employees' Plan. The Company is not aware of any refunds expected from postretirement plans.

Estimated Future Benefit Payments

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

Estimated future benefit payments

Year ending	Farmer Bros. Plan	Brewmatic Plan	Hourly Employees' Plan
		(In thousands)	
June 30, 2014	$ 5,970	$ 290	$ 34
June 30, 2015	$ 6,110	$ 290	$ 47
June 30, 2016	$ 6,260	$ 280	$ 64
June 30, 2017	$ 6,520	$ 280	$ 81
June 30, 2018	$ 6,740	$ 290	$ 100
June 30, 2019 to June 30, 2023	$ 37,640	$ 1,380	$ 810

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

Multiemployer Pension Plans

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

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

The Company's participation in WCTPP is outlined in the table below. The Pension Protection Act ("PPA") Zone Status available in the Company's fiscal year 2013 and fiscal year 2012 is for the plan's year ended December 31, 2012 and December 31, 2011, respectively. The zone status is based on information obtained from WCTPP and is certified by WCTPP's actuary. Among other factors, plans in the green zone are generally more than 80% funded. Based on WCTPP's annual report on Form 5500, WCTPP was 90.0% and 90.3% funded for its plan year beginning January 1, 2013 and 2012, respectively. The "FIP/RP Status Pending/Implemented" column indicates if a funding improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

			PPA Zone Status				
Pension Plan	Employer Identification Number	Pension Plan Number	July 1, 2012	July 1, 2011	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
Western Conference of Teamsters Pension Plan	91-6145047	001	Green	Green	No	No	January 2014 to June 2017

Based upon the most recent information available from the trustees managing WCTPP, the Company's share of the unfunded vested benefit liability for the plan was estimated to be approximately $11.6 million if the withdrawal had occurred in calendar year 2012. These estimates were calculated by the trustees managing WCTPP. Although the Company believes the most recent plan data available from WCTPP was used in computing this 2012 estimate, the actual withdrawal liability amount is subject to change based on, among other things, the plan's investment returns and benefit levels, interest rates, financial difficulty of other participating employers in the plan such as bankruptcy, and continued participation by the Company and other employers in the plan, each of which could impact the ultimate withdrawal liability.

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

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

In fiscal 2012, the Company withdrew from the Labor Management Pension Fund and recorded a charge of $4.3 million associated with withdrawal from this plan, representing the present value of the estimated withdrawal liability expected to be paid in quarterly installments of $0.1 million over 80 quarters. Installment payments will commence once the final determination of the amount of withdrawal liability is established, which determination may take up to 24 months from the date of withdrawal from the pension plan. Upon withdrawal, the employees covered under this multiemployer pension plan were included in the Company's 401(k) plan (the “401(k) Plan”). The $4.3 million estimated withdrawal charge is included in the Company's consolidated statement of operations for the fiscal year ended June 30, 2012 as “Pension withdrawal expense,” with the short-term and long-term portions reflected in current and long-term liabilities, respectively, on the Company's consolidated balance sheets at June 30, 2012 and June 30, 2013. In the fourth quarter ended June 30, 2012, the Company paid a final settlement of $0.3 million towards withdrawal from the Central States Pension Fund that was part of the DSD Coffee Business acquisition and recorded the charge as "Pension withdrawal expense."

In connection with the intended shut down of the Company's equipment refurbishment operations in Los Angeles, California and termination of all hourly employees responsible for such operations effective as of August 30, 2013, in the fourth quarter of fiscal 2013, the Company recorded a pension curtailment expense of $34,000 since the pension benefits of all such employees in the Brewmatic Plan are expected to be frozen as of August 30, 2013.

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

Company contributions to the multiemployer pension plans:

(In thousands)	WCTPP(1)(2)(3)	All other Plans(4)
Year Ended:		
June 30, 2013	$ 3,064	$ 37
June 30, 2012	$ 3,048	$ 113
June 30, 2011	$ 2,929	$ 254

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(1) Individually significant plan.

(2) Less than 5% of total contribution to WCTPP based on WCTPP's most recent annual report on Form 5500 for the calendar year ended December 31, 2012.

(3) The Company guarantees that one hundred seventy-three (173) hours will be contributed upon for all employees who are compensated for all available straight time hours for each calendar month. An additional 6.5% of the basic contribution must be paid for PEER or the Program for Enhanced Early Retirement.

(4) Includes plans that are not individually significant.

For the fiscal year ending June 30, 2014, the Company expects to make $3.4 million in contributions to multiemployer pension plans.

Multiemployer Plans Other Than Pension Plans

The Company participates in eight defined contribution multiemployer plans other than pension plans that provide medical, vision, dental and disability benefits for active, union-represented employees subject to collective bargaining agreements. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, and provide that participating employers make monthly contributions to the plans in an amount as specified in the collective bargaining agreements. Also, the plans provide that participants make self-payments to the plans, the amounts of which are negotiated through the collective bargaining process. The Company's participation in these plans is governed by the collective bargaining agreements which expire on or before June 30, 2017. The Company's contributions in the fiscal years ended June 30, 2013, 2012 and 2011 were $5.8 million, $5.8 million and $5.4 million, respectively. The Company expects to contribute $6.4 million towards multiemployer plans other than pension plans in fiscal 2014.

401(k) Plan

The Company's 401(k) Plan is available to all eligible employees who have worked more than 1,000 hours during a calendar year and were employed at the end of the calendar year. Participants in the 401(k) Plan may choose to contribute a percentage of their annual pay subject to the maximum contribution allowed by the Internal Revenue Service. The Company's matching contribution is discretionary based on approval by the Company's Board of Directors. For the calendar years 2011, 2012 and 2013, the Company's Board of Directors approved a Company matching contribution of 50% of an employee's annual contribution to the 401(k) Plan, up to 6% of the employee's eligible income. The matching contributions (and any earnings thereon) vest at the rate of 20% for each of the participant's first 5 years of vesting service, so that a participant is fully vested in his or her matching contribution account after 5 years of vesting service. A participant is automatically vested in the event of death, disability or attainment of age 65 while employed by the Company. Employees are 100% vested in their contributions. For employees subject to a collective bargaining agreement, the match is only available if so provided in the labor agreement.

The Company recorded matching contributions of $1.2 million, $1.4 million and $0.1 million in operating expenses for the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

Postretirement Benefits

The Company sponsors a postretirement defined benefit plan that covers qualified non-union retirees and certain qualified union retirees. The plan provides medical, dental and vision coverage for retirees under age 65 and medical coverage only for retirees age 65 and above. Under this postretirement plan, the Company’s contributions toward premiums for retiree medical, dental and vision coverage for participants and dependents are scaled based on length of service, with greater Company contributions for retirees with greater length of service, but subject to a maximum monthly Company contribution. The Company's retiree medical, dental and vision plan is unfunded and its liability was calculated using an assumed discount rate of 4.8% at June 30, 2013. The Company projects an initial medical trend rate of 7.0% in fiscal 2013, and 6.5% in fiscal 2014, ultimately reducing to 5.0% in 4 years.

The Company also provides a postretirement death benefit to certain of its employees and retirees, subject, in the case of current employees, to continued employment with the Company until retirement, and certain other conditions related to the manner of employment termination and manner of death. The Company records the actuarially determined liability for the present value of the postretirement death benefit. The Company has purchased life insurance policies to fund the postretirement death benefit wherein the Company owns the policy but the postretirement death benefit is paid to the employee's or retiree's beneficiary. The Company records an asset for the fair value of the life insurance policies which equates to the cash surrender value of the policies.

The following table shows the components of net periodic postretirement benefit cost for the fiscal years ended June 30, 2013, 2012 and 2011. Net periodic postretirement benefit cost for fiscal 2013 was based on employee census information as of July 1, 2012 and asset information as of June 30, 2013.

	Year Ended June 30,		
	2013	2012	2011
		As Restated	As Restated
Components of Net Periodic Postretirement Benefit Cost:		(In thousands)	
Service cost	$ 1,972	$ 1,817	$ 1,617
Interest cost	969	1,100	1,496
Expected return on plan assets	—	—	—
Amortization of net gain	17	(164)	(712)
Amortization of unrecognized transition (asset) obligation	—	—	—
Amortization of prior service cost (credit)	(1,757)	(1,757)	(358)
Net periodic postretirement benefit cost	$ 1,201	$ 996	$ 2,043

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

Amortization Schedule

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

Prior service cost (credit) (dollars in thousands):

Date Established	Balance at July 1, 2012	Annual Amortization	Years Remaining	Curtailment	Balance at June 30, 2013
January 1, 2008	$ (1,653)	$ 230	7.2	—	$ (1,423)
July 1, 2012	(17,581)	1,527	11.5	—	(16,054)
	$ (19,234)	$ 1,757			$ (17,477)

	Year Ended June 30,			
	Retiree Medical Plan		Death Benefit	
	2013	2012	2013	2012
		As Restated		As Restated
Amortization of Net (Gain) Loss (dollars in thousands):				
Net (gain) loss as of July 1	$ (12,087)	$ (3,941)	$ 1,850	$ 2,231
Asset (gains) losses not yet recognized in market related value of assets	—	—	—	—
Net (gain) loss subject to amortization	(12,087)	(3,941)	1,850	2,231
Corridor (10% of greater of APBO or assets)	872	1,527	(798)	(806)
Net (gain) loss in excess of corridor	$ (11,215)	$ (2,414)	$ 1,052	$ 1,425
Amortization years	11.1	11.9	8.0	8.8

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

	Year Ended June 30, 2013	Year Ended June 30, 2012 As Restated
Change in Benefit Obligation:	(In thousands)	
Projected postretirement benefit obligation at beginning of year	$ 23,325	$ 19,957
Service cost	1,972	1,817
Interest cost	969	1,100
Participant contributions	729	665
Amendments	—	—
Actuarial (gains) losses	(8,520)	1,419
Benefits paid	(1,774)	(1,633)
Projected postretirement benefit obligation at end of year	$ 16,701	$ 23,325

	Year Ended June 30, 2013	Year Ended June 30, 2012 As Restated
Change in Plan Assets:	(In thousands)	
Fair value of plan assets at beginning of year	$ —	$ —
Actual return on assets	—	—
Employer contributions	1,045	968
Participant contributions	729	665
Benefits paid	(1,774)	(1,633)
Fair value of plan assets at end of year	—	$ —
Funded status of plan	$ (16,701)	$ (23,325)

	June 30, 2013	June 30, 2012 As Restated
Amounts Recognized in the Consolidated Balance Sheet Consist of:	(In thousands)	
Non-current assets	$ —	$ —
Current liabilities	(625)	(799)
Non-current liabilities	(16,076)	(22,526)
Total	$ (16,701)	$ (23,325)

	Year Ended June 30, 2013	Year Ended June 30, 2012 As Restated
Amounts Recognized in Accumulated OCI Consist of:	(In thousands)	
Net gain	$ (10,131)	$ (1,594)
Transition obligation	—	—
Prior service cost (credit)	(17,604)	(19,361)
Total accumulated OCI	$ (27,735)	$ (20,955)

	Year Ended June 30,	
	2013	2012
		As Restated
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI:	(In thousands)	
Unrecognized actuarial loss (gain)	$ (8,520)	$ 1,419
Unrecognized transition (asset) obligation	—	—
Unrecognized prior service cost	—	—
Amortization of net loss	(17)	164
Amortization of prior service cost	1,757	1,757
Total recognized in OCI	(6,780)	3,340
Net periodic benefit cost	1,201	996
Total recognized in net periodic benefit cost and OCI	$ (5,579)	$ 4,336

The estimated net gain and prior service cost (credit) that will be amortized from accumulated OCI into net periodic benefit cost in fiscal 2014 are $0.8 million and $1.8 million, respectively.

Estimated Future Benefit Payments (in thousands):	
Year ending	
June 30, 2014	$ 640
June 30, 2015	$ 762
June 30, 2016	$ 836
June 30, 2017	$ 913
June 30, 2018	$ 1,034
June 30, 2019 to June 30, 2023	$ 6,522

Expected Contributions (in thousands)	
June 30, 2014	$ 640

Sensitivity in Fiscal 2013 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 2013 (in thousands):

	1-Percentage Point	
	Increase	Decrease
Effect on total of service and interest cost components	$ 305	$ (271)
Effect on accumulated postretirement benefit obligation	$ 1,230	$ (976)

Note 12. Bank Loan

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

On January 9, 2012, the Loan Agreement was amended in connection with JPMorgan Chase Bank, N.A. (“JPMorgan Chase”), becoming an additional Lender thereunder. On March 18, 2013, the Loan Agreement was amended further ("Amendment No. 2") to amend the definition of "Maximum Credit" available thereunder to $75.0 million from $85.0 million. Pursuant to Amendment No. 2, Wells Fargo will provide a commitment of $53.0 million and JPMorgan Chase will provide a commitment of $22.0 million.

The Loan Agreement provides for a senior secured revolving credit facility of up to $75.0 million, with a letter of credit sublimit of $20.0 million. The revolving credit facility provides for advances of 85% of eligible accounts receivable and 75% of eligible inventory (subject to a $60.0 million inventory loan limit), as defined. The Loan Agreement provides for interest rates based on modified Monthly Average Excess Availability levels with a range of PRIME + 0.25% to PRIME + 0.75% or Adjusted Eurodollar Rate + 2.0% to Adjusted Eurodollar Rate + 2.5%. The Loan Agreement has an amendment fee of 0.375% and an unused line fee of 0.25%. Outstanding obligations under the Loan Agreement are collateralized by all of the Borrowers' assets, including the Company's preferred stock portfolio. The Loan Agreement expires on March 2, 2015.

The Loan Agreement contains a variety of affirmative and negative covenants of types customary in an asset-based lending facility, including those relating to reporting requirements, maintenance of records, properties and corporate existence, compliance with laws, incurrence of other indebtedness and liens, limitations on certain payments, including the payment of dividends and capital expenditures, and transactions and extraordinary corporate events. The Loan Agreement allows the Company to pay dividends, provided, among other things, certain liquidity requirements are met, the aggregate amount of all such payments in any fiscal year shall not exceed $7.0 million ($1.75 million in any fiscal quarter), and no event of default exists or has occurred and is continuing as of the date of any such payment and after giving effect thereto. The Loan Agreement also contains financial covenants requiring the Borrowers to maintain minimum Excess Availability and Total Liquidity levels. The Loan Agreement allows the Lenders to establish reserve requirements, which may reduce the amount of credit otherwise available to the Company, to reflect events, conditions, or risks that would have a reasonable likelihood of adversely affecting the Lender's collateral or the Company's assets, including the Company's green coffee inventory.

Effective December 1, 2012, the Company entered into an interest rate swap transaction utilizing a notional amount of $10.0 million and a maturity date of March 1, 2015. The Company entered into the swap transaction to effectively fix the future interest rate during the applicable period on a portion of its borrowings under the revolving credit facility. The swap transaction is intended to manage the Company's interest rate risk related to its revolving credit facility and requires the Company to pay a fixed rate of 0.48% per annum in exchange for a variable interest rate based on 1-month USD LIBOR-BBA. As of June 30, 2013, the variable interest rate based on 1-month USD LIBOR-BBA was 0.19%.

The Company has not designated its interest rate swap as an accounting hedge. The Company records the interest rate swap on its consolidated balance sheet at fair value with the changes in fair value recorded as gain or loss in "Other, net" in its consolidated statements of operations. In fiscal 2013, the Company recorded a loss of $25,000 for the change in fair value of its interest rate swap. No such gains or losses were recorded in fiscal 2012 (see Note 3).

On June 30, 2013, the Company was eligible to borrow up to a total of $61.7 million under the credit facility. As of June 30, 2013, the Company had outstanding borrowings of $19.8 million, including loan extension fees of $0.1 million, utilized $11.6 million of the letters of credit sublimit, and had excess availability under the credit facility of $30.3 million. In connection with entering into the interest rate swap agreement, the Company reclassified $10.0 million of its borrowings under the revolving credit facility as long-term because the Company intends to repay the borrowings in accordance with the termination date of the swap agreement which extends beyond one year. At June 30, 2013, the weighted average interest rate on the Company's outstanding borrowings under the credit facility was 1.37%.

As of June 30, 2013, the Company was in compliance with all restrictive covenants under the credit facility. On October 3, 2013, the Company and Wells Fargo, as Agent, and the Lenders entered into a Letter Agreement regarding Waiver of Event of Default (the "Waiver Agreement") pursuant to which Wells Fargo agreed to waive the event of default arising under the Loan Agreement as a result of the Company's failure to furnish, in a timely manner, its audited consolidated financial statements and unaudited consolidating financial statements, and the accompanying notes thereto, together with the unqualified opinion of independent certified public accountants with respect to the audited consolidated financial statements, for the fiscal year ended June 30, 2013; provided that the Company furnish to Agent such financial information by October 15, 2013. There can be no assurance that the Lenders will issue a waiver or grant an amendment to the covenants in future periods, if the Company required one.

Note 13. Employee Stock Ownership Plan

The Company's ESOP was established in 2000. The plan is a leveraged ESOP in which the Company is the lender. The loans will be repaid from the Company's discretionary plan contributions over the original 15 year term with a variable rate of interest. The annual interest rate was 1.69% at June 30, 2013, which is updated on a quarterly basis.

	As of and for the years ended June 30,		
	2013	2012	2011
Loan amount (in thousands)	$ 20,836	$ 25,637	$ 30,437
Shares purchased	—	—	—

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

In fiscal 2011, the Company used $1.3 million of the dividends on ESOP shares to pay down the loans, and allocated to the ESOP participants shares equivalent to the fair market value of the dividends they would have received. No dividends were paid in fiscal 2013 and 2012. In fiscal 2011, the Company issued 1,040 shares of common stock to the ESOP to compensate for a shortfall in unallocated, uncommitted shares.

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

During the fiscal years ended June 30, 2013, 2012 and 2011, the Company charged $2.1 million, $1.5 million, and $2.6 million to compensation expense related to the ESOP. The difference between cost and fair market value of committed to be released shares, which was $0.1 million, $0.1 million and $(1.4) million for the fiscal years ended June 30, 2013, 2012 and 2011, respectively, is recorded as additional paid-in capital.

	June 30,	
	2013	2012
Allocated shares	1,885,060	1,763,742
Committed to be released shares	173,244	185,538
Unallocated shares	738,355	911,599
Total ESOP shares	2,796,659	2,860,879
	(In thousands)	
Fair value of ESOP shares	$ 39,321	$ 22,773

Note 14. Share-based Compensation

On August 23, 2007, the Company's Board of Directors approved the Farmer Bros. Co. 2007 Omnibus Plan (the "Omnibus Plan"), which was approved by stockholders on December 6, 2007. On December 6, 2012, the stockholders approved an amendment to increase the maximum number of shares of common stock available for issuance under the Omnibus Plan to 1,125,000 from 1,000,000, subject to adjustment as provided in the Omnibus Plan. Prior to adoption of the Omnibus Plan the Company had no share-based compensation plan. Awards issued under the Omnibus Plan may take the form of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance-based awards, stock payments, cash-based awards or other incentives payable in cash or shares of stock, or any combination thereof. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms and conditions of the award.

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

Stock Options

The Company estimates the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period in the Company's consolidated statements of operations.

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

The share-based compensation expense recognized in the Company's consolidated statements of operations for the fiscal years ended June 30, 2013, 2012 and 2011 is based on awards ultimately expected to vest. Currently, management estimates an annual forfeiture rate of 6.5% based on actual forfeiture experience from the inception of the Omnibus Plan. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

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

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

	Year Ended June 30,		
	2013	2012	2011
Average fair value of options	$ 5.69	$ 4.42	$ 7.05
Forfeiture rate	6.5%	6.5%	6.5%
Risk-free interest rate	0.9%	1.1%	2.7%
Dividend yield	—%	—%	1.3%
Average expected life	6 years	6 years	6 years
Expected stock price volatility	49.5%	52.5%	54.7%

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

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

Outstanding Stock Options:	Number of Stock Options	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value (Dollars in thousands)
Outstanding at June 30, 2010	404,943	20.17	6.25	5.8	—
Granted	327,656	14.95	7.05	—	—
Cancelled/Forfeited	(234,789)	19.21	6.97	—	—
Outstanding at June 30, 2011	497,810	17.19	6.44	5.7	61
Granted	356,834	8.90	4.42	—	—
Cancelled/Forfeited	(187,409)	16.89	5.06	—	—
Outstanding at June 30, 2012	667,235	12.84	4.78	4.8	143
Granted	192,892	12.12	5.69	6.5	374
Exercised	(117,482)	10.24	5.23	—	336
Cancelled/Forfeited	(185,218)	13.83	5.92	—	—
Outstanding at June 30, 2013	**557,427**	**12.81**	**5.44**	**5.1**	**1,620**
Vested and exercisable, June 30, 2013	241,766	15.43	5.85	3.9	515
Vested and expected to vest, June 30, 2013	529,637	12.91	5.45	5.1	1,527

The aggregate intrinsic values in the table above represent the total pretax intrinsic value, based on the Company's closing stock price of $14.06 at June 28, 2013, $7.96 at June 29, 2012 and $10.14 at June 30, 2011, representing the last trading day of the respective fiscal years, which would have been received by award holders had all award holders exercised their awards that were in-the-money as of those dates. Total fair value of options vested during fiscal 2013, 2012 and 2011 was $1.0 million, $1.2 million and $0.7 million, respectively.

Nonvested Stock Options:	Number of Stock Options	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)
Outstanding at June 30, 2010	**300,794**	**19.42**	**6.22**	**2.1**
Granted	327,656	14.95	7.05	—
Vested	(105,458)	20.29	6.30	—
Forfeited	(200,123)	18.74	7.09	—
Outstanding at June 30, 2011	**322,869**	**15.02**	**6.50**	**1.7**
Granted	356,834	8.90	4.42	6.6
Vested	(243,518)	13.00	5.85	—
Forfeited	(92,946)	12.54	5.80	—
Outstanding at June 30, 2012	**343,239**	**10.76**	**4.20**	**6.3**
Granted	192,892	12.12	5.69	6.5
Vested	(188,909)	11.56	5.33	—
Forfeited	(31,561)	13.82	5.92	—
Outstanding at June 30, 2013	**315,661**	**10.80**	**5.12**	**6.1**

As of June 30, 2013, 2012 and 2011, there was approximately $1.3 million, $1.3 million and $1.5 million, respectively, of unrecognized compensation cost related to stock options. Compensation expense recognized in general and administrative expenses was $0.9 million, $1.2 million and $0.7 million for fiscal 2013, 2012 and 2011, respectively.

Restricted Stock

During each of fiscal 2013, 2012 and 2011 the Company granted a total of 51,177 shares, 142,070 shares and 63,979 shares of restricted stock, respectively, with a weighted average grant date fair value of $11.67, $7.70 and $16.67 per share, respectively, to eligible employees, officers and directors under the Omnibus Plan. Shares of restricted stock generally vest at the end of three years for eligible employees and officers who are employees. The fiscal 2012 grants included awards to executive officers with different vesting periods, in each case, subject to accelerated vesting as provided in the applicable employment agreement or award agreement with the executive officer. Shares of restricted stock generally vest ratably over a period of three years for directors.

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 expenses was $0.6 million, $0.6 million and $0.5 million, for the fiscal years ended June 30, 2013, 2012 and 2011, respectively. As of June 30, 2013, 2012 and 2011, there was approximately $1.0 million, $1.3 million and $0.9 million, respectively, of unrecognized compensation cost related to restricted stock.

The following table summarizes restricted stock activity:

Outstanding and Nonvested Restricted Stock Awards:	Shares Awarded	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at June 30, 2010	80,208	19.91	2.0	1,210
Granted	63,979	16.67	—	1,066
Exercised/Released	(20,674)	21.52	—	332
Cancelled/Forfeited	(42,826)	19.19	—	497
Outstanding at June 30, 2011	80,687	17.31	2.6	818
Granted	142,070	7.70	2.1	1,094
Exercised/Released	(27,227)	15.80	—	202
Cancelled/Forfeited	(19,583)	13.92	—	—
Outstanding June 30, 2012	175,947	10.16	1.9	1,401
Granted	51,177	11.67	—	597
Exercised/Released	(64,668)	11.27	—	832
Cancelled/Forfeited	(23,096)	12.21	—	—
Outstanding at June 30, 2013	139,360	9.87	1.9	1,959
Expected to vest, June 30, 2013	117,099	9.84	1.9	1,646

Note 15. Other Current Liabilities

Other current liabilities consist of the following:

	June 30, 2013	June 30, 2012 As Restated
	(In thousands)	
Accrued postretirement benefits	$ 625	$ 798
Accrued workers' compensation liabilities	1,496	1,244
Short-term pension liabilities	347	686
Other (including net taxes payable)	2,703	2,568
	$ 5,171	$ 5,296

Note 16. Income Taxes

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

	June 30, 2013	June 30, 2012 As Restated	June 30, 2011 As Restated
		(In thousands)	
Current:			
Federal	$ (24)	$ (385)	$ (4)
State	191	115	323
Total current income tax expense (benefit)	167	(270)	319
Deferred:			
Federal	(819)	(63)	(11,373)
State	(173)	(14)	(2,342)
Total deferred income tax benefit	(992)	(77)	(13,715)
Income tax benefit	$ (825)	$ (347)	$ (13,396)

Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and OCI. An exception is provided in ASC 740, "Tax Provisions," when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the income tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the income tax expense recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from postretirement benefits recorded as a component of OCI, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. As a result, for the fiscal years ended June 30, 2013, 2012 and 2011, the Company recorded income tax expense of $1.1 million, $0 and $14.1 million, respectively, in OCI related to the gain on postretirement benefits, and recorded a corresponding income tax benefit of $1.1 million, $0 and $14.1 million, respectively, in continuing operations.

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

	June 30, 2013	June 30, 2012 As Restated	June 30, 2011 As Restated
Statutory tax rate	34%	34%	34%
		(In thousands)	
Income tax benefit at statutory rate	$ (3,158)	$ (9,154)	$ (22,246)
State income tax (net of federal tax benefit)	(223)	(1,023)	(2,874)
Dividend income exclusion	—	(85)	(532)
Valuation allowance	3,074	10,588	13,188
Change in contingency reserve (net)	(7)	(561)	(1,308)
Research tax credit (net)	—	(15)	(16)
Other (net)	(511)	(97)	392
Income tax benefit	$ (825)	$ (347)	$ (13,396)

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

	June 30, 2013	June 30, 2012 As Restated	June 30, 2011 As Restated
	(In thousands)		
Deferred tax assets:			
Postretirement benefits	$ 26,014	$ 27,568	$ 18,260
Accrued liabilities	4,477	3,958	4,138
Capital loss carryforward	1,105	2,865	2,945
Net operating loss carryforward	44,607	44,736	36,328
Intangible assets	694	919	—
Other	7,840	3,080	5,458
Total deferred tax assets	84,737	83,126	67,129
Deferred tax liabilities:			
Fixed assets	(2,641)	(4,117)	(7,881)
Intangible assets	—	—	(1,032)
Other	(882)	(794)	(814)
Total deferred tax liabilities	(3,523)	(4,911)	(9,727)
Valuation allowance	(82,522)	(79,448)	(58,712)
Net deferred tax liability	$ (1,308)	$ (1,233)	$ (1,310)

The Company has approximately $114.4 million and $112.7 million of federal and state net operating loss carryforwards that will begin to expire in the years ending June 30, 2025 and June 30, 2020, respectively. The Company also has approximately $2.7 million and $1.2 million of federal and state capital loss carryforwards, respectively, that may only be used to offset capital gains that begin expiring in June 30, 2014. Additionally, the Company has $0.8 million of federal business tax credits that begin expiring in June 30, 2025 and $2.2 million of charitable contributions carryforwards that begin expiring in June 30, 2014.

At June 30, 2013, the Company had total deferred tax assets of $84.7 million and net deferred tax assets before valuation allowance of $81.2 million. The Company considered whether a valuation allowance should be recorded against deferred tax assets based on the likelihood that the benefits of the deferred tax assets would or would not ultimately be realized in future periods. In making such assessment, significant weight was given to evidence that could be objectively verified such as recent operating results and less consideration was given to less objective indicators such as future earnings projections.

After consideration of positive and negative evidence, including the recent history of losses, the Company cannot conclude that it is more likely than not that it will generate future earnings sufficient to realize the Company's deferred tax assets as of June 30, 2013. Accordingly, a valuation allowance of $82.5 million has been recorded to offset this deferred tax asset. The valuation allowance increased by $3.1 million, $20.7 million and $13.3 million, in the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

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

	Year Ended June 30, 2013	Year Ended June 30, 2012 As Restated	Year Ended June 30, 2011 As Restated
	(In thousands)		
Unrecognized tax benefits at beginning of year	$ 3,211	$ 3,902	$ 5,218
Increases in tax positions for prior years	—	—	—
(Decreases) increases in tax positions for current year	—	—	(1,316)
Settlements	—	(691)	—
Lapse in statute of limitations	—	—	—
Unrecognized tax benefits at end of year	$ 3,211	$ 3,211	$ 3,902

At June 30, 2013 and 2012, the Company has approximately $3.1 million and $3.1 million, respectively, of unrecognized tax benefits that, if recognized, would affect the effective tax rate, subject to the valuation allowance. The Company believes it is reasonably possible that none of its total unrecognized tax benefits could be released in the next 12 months.

The Company appealed a decision reached by the Internal Revenue Service regarding its June 30, 2003 through June 30, 2008 tax returns, and in August 2013 the appeals officer upheld the audit result. Additionally, in January 2012, the State of California completed an audit of the Company's June 30, 2006 and June 30, 2007 tax returns, and the Company also reached a Settlement Agreement with the State of California regarding the Company's June 30, 2002 to June 30, 2005 research and development tax credit claims. As a result of these decisions, the Company released none of the unrecognized tax benefit in the fourth quarter of fiscal 2013.

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

The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. As of June 30, 2013 and 2012, the Company recorded $0 and $10,000, respectively, in accrued interest and penalties associated with uncertain tax positions. Additionally, the Company recorded income (expense) of $10,000, $37,000 and $(12,000), related to interest and penalties on uncertain tax positions in the years ended June 30, 2013, 2012 and 2011, respectively.

Note 17. Earnings (Loss) Per Common Share

	Year ended June 30,		
	2013	2012	2011
		As Restated	As Restated
	(In thousands, except share and per share amounts)		
Net loss attributable to common stockholders—basic	$ (8,401)	$ (26,274)	$ (51,631)
Net loss attributable to nonvested restricted stockholders	(61)	(302)	(402)
Total net loss	$ (8,462)	$ (26,576)	$ (52,033)
Weighted average shares outstanding—basic	15,604,452	15,492,314	15,066,663
Effect of dilutive securities:			
Shares issuable under stock options	—	—	—
Weighted average shares outstanding—diluted	15,604,452	15,492,314	15,066,663
Net loss per common share—basic and diluted	$ (0.54)	$ (1.72)	$ (3.45)

Note 18. Commitments and Contingencies

With the acquisition of the DSD Coffee Business in the fiscal year ended June 30, 2009, the Company assumed some of the operating lease obligations associated with the acquired vehicles. The Company also refinanced some of the existing leases and entered into new capital leases for certain vehicles. The terms of the capital leases vary from 12 months to 84 months with varying expiration dates through 2020.

The Company is also obligated under operating leases for branch warehouses. Some operating leases have renewal options that allow the Company, as lessee, to extend the leases. The Company has one operating lease with a term greater than five years that expires in 2018 and has a ten year renewal option, and operating leases for computer hardware with terms that do not exceed five years. Rent expense for the fiscal years ended June 30, 2013, 2012 and 2011 was $3.6 million, $4.5 million and $6.3 million, respectively.

In May 2011, the Company did not meet the minimum credit rating criteria for participation in the alternative security program for California self-insurers. As a result, the Company was required to post a $5.9 million letter of credit as a security deposit to the State of California Department of Industrial Relations Self-Insurance Plans. As of June 30, 2013, this letter of credit continues to serve as a security deposit and has been reduced to $5.4 million.

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

	Contractual Obligations					
Year Ended June 30,	Capital Lease Obligations	Operating Lease Obligations	Pension Plan Obligations	Postretirement Benefits Other Than Pension Plans	Revolving Credit Facility	Purchase Commitments
2014	$ 4,001	$ 3,868	$ 6,641	$ 640	$ 9,654	$ 18,583
2015	3,692	3,130	6,794	762	10,000	—
2016	3,376	2,151	6,951	836	—	—
2017	1,469	1,398	7,228	913	—	—
2018	797	1,214	7,477	1,034	—	—
Thereafter	93	833	42,443	6,522	—	—
		$ 12,594	$ 77,534	$ 10,707	$ 19,654	$ 18,583
Total minimum lease payments	$ 13,428					
Less: imputed interest (0.82% to 10.7%)	(1,260)					
Present value of future minimum lease payments	$ 12,168					
Less: current portion	3,409					
Long-term capital lease obligations	$ 8,759					

On August 31, 2012, the Council for Education and Research on Toxics ("CERT") filed an amendment to a private enforcement action adding a number of companies as defendants, including CBI, which sell coffee in California. The suit alleges that the defendants have failed to issue clear and reasonable warnings in accordance with Proposition 65 that the coffee they produce, distribute and sell contains acrylamide. This lawsuit was filed in Los Angeles Superior Court (the "Court"). CERT has requested that the alleged violators remove acrylamide from their coffee or provide Proposition 65 warnings on their products and pay $2,500 per day for each and every violation while they are in violation of Proposition 65. The Company has joined a Joint Defense Group and, along with the other co-defendants, has answered the complaint, and the pleadings stage of case has been completed. Discovery in preparation for trial recently commenced, following a stay while summary adjudication was resolved in a related case. At this time, the Company is not able to predict the probability of the outcome or estimate of loss, if any, related to these matters.

The Company is a party to various other 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 19. Selected Quarterly Financial Data (Unaudited)

The following tables set forth certain unaudited quarterly information for each of the eight fiscal quarters in the two year period ended June 30, 2013. This quarterly information has been prepared on a consistent basis with the audited consolidated financial statements and, in the opinion of management, includes all adjustments which management believes are necessary for a fair presentation of the information for the periods presented. The unaudited quarterly data presented below, with the exception of the quarter ended June 30, 2013, have been restated to correct errors related to the Company's accounting for certain postretirement benefit obligations for its retiree medical plan, failure to timely adopt accounting guidance relating to a postretirement death benefit, when originally issued, and failure to record the appropriate amounts reflecting the cash surrender value of life insurance policies purchased by the Company to fund the postretirement death benefit, as well as to reflect corrections for certain immaterial adjustments and reclassifications to conform to the current year presentation. See Note 2 for additional information. In addition, reconciliations from the amounts as originally reported to the applicable restated amounts for the quarters ended March 31, 2013, December 31, 2012, September 30, 2012, June 30, 2012, March 31, 2012, December 31, 2011 and September 30, 2011 can be found in the unaudited consolidated financial statements immediately following the tables below.

The Company's quarterly operating results may fluctuate significantly as a result of a variety of factors, and operating results for any fiscal quarter are not necessarily indicative of results for a full fiscal year or future fiscal quarters.

	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013
	As Restated	As Restated	As Restated	
	(In thousands, except per share data)			
Net sales	$ 119,153	$ 135,705	$ 126,343	$ 128,763
Gross profit	$ 44,621	$ 50,353	$ 48,675	$ 47,490
(Loss) income from operations	$ (1,419)	$ 547	$ (494)	$ (2,729)
Net income (loss)	$ 2,979	$ (7,157)	$ (1,306)	$ (2,978)
Net income (loss) per common share—basic and diluted	$ 0.19	$ (0.46)	$ (0.08)	$ (0.19)

	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
	As Restated	As Restated	As Restated	As Restated
	(In thousands, except per share data)			
Net sales	$ 121,197	$ 131,770	$ 121,527	$ 120,948
Gross profit	$ 39,685	$ 44,541	$ 43,147	$ 45,529
Loss from operations	$ (4,334)	$ (5,353)	$ (3,812)	$ (8,615)
Net loss	$ (7,280)	$ (3,813)	$ (5,211)	$ (10,272)
Net loss per common share—basic and diluted	$ (0.48)	$ (0.25)	$ (0.33)	$ (0.65)

During the fourth quarter and for the fiscal year ended June 30, 2013, the Company recorded $0.1 million in impairment loss on indefinite-lived intangible assets (see Note 1). During the fourth quarter and for the fiscal year ended June 30, 2012, the Company recorded $5.1 million in impairment loss on goodwill and $0.5 million in impairment loss on its indefinite-lived intangible assets related to CBI (see Note 1). During the fourth quarter of fiscal 2012, the Company also recorded $9.2 million in income tax benefit (see Note 16).

The following tables present the effects of adjustments made to the Company's previously reported unaudited consolidated quarterly financial statements for the quarters ended March 31, 2013, December 31, 2012, September 30, 2012, June 30, 2012, March 31, 2012, December 31, 2011 and September 30, 2011. For further information regarding these adjustments, see Note 2.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	March 31, 2013			December 31, 2012		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 5,525	$ —	$ 5,525	$ 5,218	$ —	$ 5,218
Restricted cash	3,751	—	3,751	—	3,599	3,599
Short-term investments	20,769	—	20,769	20,570	(17)	20,553
Accounts and notes receivable, net	42,793	—	42,793	43,752	—	43,752
Inventories	67,273	—	67,273	68,385	—	68,385
Income tax receivable	139	(22)	117	478	(6)	472
Prepaid expenses	2,800	—	2,800	2,740	—	2,740
Total current assets	143,050	(22)	143,028	141,143	3,576	144,719
Property, plant and equipment, net	93,837	1	93,838	98,159	1	98,160
Intangible assets, net	6,586	—	6,586	6,929	—	6,929
Other assets	3,026	2,221	5,247	3,052	2,221	5,273
Deferred income taxes	854	7	861	854	7	861
Total assets	$ 247,353	$ 2,207	$ 249,560	$ 250,137	$ 5,805	$ 255,942
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ 30,909	$ (1,031)	$ 29,878	$ 31,594	$ (1,141)	$ 30,453
Accrued payroll expenses	16,735	(1,363)	15,372	18,372	(1,363)	17,009
Short-term borrowings under revolving credit facility	9,912	—	9,912	15,074	—	15,074
Short-term obligations under capital leases	3,435	—	3,435	3,527	—	3,527
Short-term derivative liability	—	5,916	5,916	—	6,292	6,292
Deferred income taxes	1,480	(35)	1,445	1,479	(34)	1,445
Other current liabilities	16,492	(9,764)	6,728	11,691	(6,449)	5,242
Total current liabilities	78,963	(6,277)	72,686	81,737	(2,695)	79,042
Long-term borrowings under revolving credit facility	10,000	—	10,000	10,000	—	10,000
Accrued postretirement benefits	35,393	(12,404)	22,989	35,158	(12,280)	22,878
Other long-term liabilities—capital leases	9,552	—	9,552	10,617	—	10,617
Accrued pension liabilities	41,973	5,678	47,651	41,778	5,678	47,456
Accrued workers' compensation liabilities	4,022	—	4,022	4,022	—	4,022
Deferred income taxes	718	41	759	607	41	648
Total liabilities	$ 180,621	$ (12,962)	$ 167,659	$ 183,919	$ (9,256)	$ 174,663
Commitments and contingencies						
Stockholders' equity:						
Preferred stock, $1.00 par value, 500,000 shares authorized and none issued	$ —	$ —	$ —	$ —	$ —	$ —

(In thousands, except share and per share data)	March 31, 2013 Previously Reported	March 31, 2013 Adjustments (1)	March 31, 2013 As Restated	December 31, 2012 Previously Reported	December 31, 2012 Adjustments (1)	December 31, 2012 As Restated
Common stock, $1.00 par value, 25,000,000 shares authorized; 16,449,456 and 16,341,662 issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	16,449	—	16,449	16,342	—	16,342
Additional paid-in capital	33,728	—	33,728	31,906	—	31,906
Retained earnings	94,620	2,436	97,056	96,035	2,328	98,363
Unearned ESOP shares	(20,836)	—	(20,836)	(20,836)	—	(20,836)
Less accumulated other comprehensive loss (income)	(57,229)	12,733	(44,496)	(57,229)	12,733	(44,496)
Total stockholders' equity	$ 66,732	$ 15,169	$ 81,901	$ 66,218	$ 15,061	$ 81,279
Total liabilities and stockholders' equity	$ 247,353	$ 2,207	$ 249,560	$ 250,137	$ 5,805	$ 255,942

(1) For details see the introduction section included in Note 2.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	September 30, 2012			March 31, 2012		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 2,545	$ —	$ 2,545	$ 3,463	$ —	$ 3,463
Restricted cash	—	129	129	—	1,774	$ 1,774
Short-term investments	20,591	(105)	20,486	18,715	(229)	18,486
Accounts and notes receivable, net	43,139	—	43,139	41,685	—	41,685
Inventories	69,924	—	69,924	75,762	(311)	75,451
Income tax receivable	388	(19)	369	825	5	830
Prepaid expenses	3,091	—	3,091	2,792	(1)	2,791
Total current assets	139,678	5	139,683	143,242	1,238	144,480
Property, plant and equipment, net	103,315	2	103,317	106,622	233	106,855
Goodwill	—	—	—	5,310	—	5,310
Intangible assets, net	7,272	—	7,272	8,232	—	8,232
Other assets	3,138	2,220	5,358	2,766	2,073	4,839
Deferred income taxes	854	7	861	1,005	2	1,007
Total assets	$ 254,257	$ 2,234	$ 256,491	$ 267,177	$ 3,546	$ 270,723
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ 29,201	$ (5)	$ 29,196	$ 31,688	$ —	$ 31,688
Accrued payroll expenses	19,704	(1,363)	18,341	16,757	1,283	18,040
Short-term borrowings under revolving credit facility	24,996	—	24,996	28,702	—	28,702
Short-term obligations under capital leases	3,683	—	3,683	2,745	—	2,745
Short-term derivative liability	—	29	29	—	2,585	2,585
Deferred income taxes	1,480	(35)	1,445	500	(24)	476
Other current liabilities	10,148	(4,880)	5,268	12,005	(6,718)	5,287
Total current liabilities	89,212	(6,254)	82,958	92,397	(2,874)	89,523
Accrued postretirement benefits	34,970	(12,155)	22,815	24,715	(5,476)	19,239
Other long-term liabilities—capital leases	11,368	—	11,368	9,759	—	9,759
Accrued pension liabilities	41,539	5,678	47,217	21,231	5,678	26,909
Accrued workers' compensation liabilities	4,131	—	4,131	3,821	—	3,821
Deferred income taxes	607	42	649	1,815	27	1,842
Total liabilities	$ 181,827	$ (12,689)	$ 169,138	$ 153,738	$ (2,645)	$ 151,093
Commitments and contingencies						
Stockholders' equity:						
Preferred stock, $1.00 par value, 500,000 shares authorized and none issued	$ —	$ —	$ —	$ —	$ —	$ —
Common stock, $1.00 par value, 25,000,000 shares authorized; 16,314,154 and 16,281,035 issued and outstanding as of September 30, 2012 and March 31, 2012, respectively	16,314	—	16,314	16,281	—	16,281

(In thousands, except share and per share data)	September 30, 2012			March 31, 2012		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Additional paid-in capital	35,653	—	35,653	34,093	—	34,093
Retained earnings	103,329	2,190	105,519	112,589	225	112,814
Unearned ESOP shares	(25,637)	—	(25,637)	(25,636)	—	(25,636)
Less accumulated other comprehensive loss (income)	(57,229)	12,733	(44,496)	(23,888)	5,966	(17,922)
Total stockholders' equity	$ 72,430	$ 14,923	$ 87,353	$ 113,439	$ 6,191	$ 119,630
Total liabilities and stockholders' equity	$ 254,257	$ 2,234	$ 256,491	$ 267,177	$ 3,546	$ 270,723

(1) For details see the introduction section included in Note 2.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	December 31, 2011			September 30, 2011		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 4,121	$ —	$ 4,121	$ 4,552	$ —	$ 4,552
Restricted cash	—	1,813	1,813	—	628	628
Short-term investments	18,881	(1,249)	17,632	16,193	(368)	15,825
Accounts and notes receivable, net	44,765	—	44,765	44,554	—	44,554
Inventories	78,185	(311)	77,874	83,408	(310)	83,098
Income tax receivable	170	8	178	161	7	168
Prepaid expenses	3,196	—	3,196	2,249	—	2,249
Total current assets	149,318	261	149,579	151,117	(43)	151,074
Property, plant and equipment, net	104,798	233	105,031	108,711	233	108,944
Goodwill and intangible assets, net	13,902	—	13,902	14,270	—	14,270
Other assets	2,803	2,074	4,877	2,846	2,073	4,919
Deferred income taxes	1,005	2	1,007	1,005	2	1,007
Total assets	$ 271,826	$ 2,570	$ 274,396	$ 277,949	$ 2,265	$ 280,214
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ 39,818	$ —	$ 39,818	$ 38,414	$ (268)	$ 38,146
Accrued payroll expenses	17,243	1,282	18,525	14,888	1,283	16,171
Short-term borrowings under revolving credit facility	25,971	—	25,971	33,398	—	33,398
Short-term obligations under capital leases	1,674	—	1,674	1,588	—	1,588
Short-term derivative liability	—	794	794	—	3,283	3,283
Deferred income taxes	500	(24)	476	500	(24)	476
Other current liabilities	10,183	(5,907)	4,276	12,495	(8,432)	4,063
Total current liabilities	95,389	(3,855)	91,534	101,283	(4,158)	97,125
Accrued postretirement benefits	24,352	(5,180)	19,172	23,911	(4,884)	19,027
Other long-term liabilities—capital leases	6,254	—	6,254	6,664	—	6,664
Accrued pension liabilities	22,495	5,678	28,173	19,316	5,677	24,993
Accrued workers' compensation liabilities	3,624	—	3,624	3,639	—	3,639
Deferred income taxes	1,815	27	1,842	1,815	27	1,842
Total liabilities	$ 153,929	$ (3,330)	$ 150,599	$ 156,628	$ (3,338)	$ 153,290
Commitments and contingencies						
Stockholders' equity:						
Preferred stock, $1.00 par value, 500,000 shares authorized and none issued	$ —	$ —	$ —	$ —	$ —	$ —
Common stock, $1.00 par value, 25,000,000 shares authorized; 16,261,723 and 16,186,852 issued and outstanding as of December 31, 2011 and September 30, 2011, respectively	16,262	—	16,262	16,187	—	16,187
Additional paid-in capital	33,071	—	33,071	37,259	—	37,259

(In thousands, except share and per share data)	December 31, 2011			September 30, 2011		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Retained earnings	118,089	(66)	118,023	122,200	(363)	121,837
Unearned ESOP shares	(25,637)		(25,637)	(30,437)	—	(30,437)
Less accumulated other comprehensive loss (income)	(23,888)	5,966	(17,922)	(23,888)	5,966	(17,922)
Total stockholders' equity	$ 117,897	$ 5,900	$ 123,797	$ 121,321	$ 5,603	$ 126,924
Total liabilities and stockholders' equity	$ 271,826	$ 2,570	$ 274,396	$ 277,949	$ 2,265	$ 280,214

(1) For details see the introduction section included in Note 2.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Net sales	$ 119,153	$ —	$ 119,153	$ 121,197	$ —	$ 121,197
Cost of goods sold	74,532	—	74,532	81,512	—	81,512
Gross profit	44,621	—	44,621	39,685	—	39,685
Selling expenses	37,271	—	37,271	35,681	—	35,681
General and administrative expenses	8,893	(124)	8,769	8,634	(296)	8,338
Operating expenses	46,164	(124)	46,040	44,315	(296)	44,019
(Loss) income from operations	(1,543)	124	(1,419)	(4,630)	296	(4,334)
Other income (expense):						
Dividend income	259	—	259	359	—	359
Interest income	92	—	92	15	—	15
Interest expense	(457)	—	(457)	(575)	—	(575)
Other, net	4,945	—	4,945	(2,407)	—	(2,407)
Total other income (expense)	4,839	—	4,839	(2,608)	—	(2,608)
Income (loss) before taxes	3,296	124	3,420	(7,238)	296	(6,942)
Income tax expense	422	19	441	346	(8)	338
Net income (loss)	$ 2,874	$ 105	$ 2,979	$ (7,584)	$ 304	$ (7,280)
Net income (loss) per common share—basic and diluted	$ 0.19		$ 0.19	$ (0.50)		$ (0.48)
Weighted average common shares outstanding—basic and diluted	15,490		15,490	15,182		15,182

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Net income (loss)	$ 2,874	$ 105	$ 2,979	$ (7,584)	$ 304	$ (7,280)
Other comprehensive income (loss):						
Change in the funded status of retiree benefit obligations	—	—	—	—	—	—
Income tax (expense) benefit	—	—	—	—	—	—
Total comprehensive income (loss), net of tax	$ 2,874	$ 105	$ 2,979	$ (7,584)	$ 304	$ (7,280)

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Three Months Ended December 31, 2012			Six Months Ended December 31, 2012		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Net sales	$ 135,705	$ —	$ 135,705	$ 254,858	$ —	$ 254,858
Cost of goods sold	85,352	—	85,352	159,884	—	159,884
Gross profit	50,353	—	50,353	94,974	—	94,974
Selling expenses	40,765	—	40,765	78,036	—	78,036
General and administrative expenses	9,165	(124)	9,041	18,058	(248)	17,810
Operating expenses	49,930	(124)	49,806	96,094	(248)	95,846
Income (loss) from operations	423	124	547	(1,120)	248	(872)
Other income (expense):						
Dividend income	284	—	284	543	—	543
Interest income	99	—	99	191	—	191
Interest expense	(463)	—	(463)	(920)	—	(920)
Other, net	(7,656)	—	(7,656)	(2,711)	—	(2,711)
Total other expense	(7,736)	—	(7,736)	(2,897)	—	(2,897)
(Loss) income before taxes	(7,313)	124	(7,189)	(4,017)	248	(3,769)
Income tax (benefit) expense	(19)	(13)	(32)	403	6	409
Net (loss) income	$ (7,294)	$ 137	$ (7,157)	$ (4,420)	$ 242	$ (4,178)
Net (loss) income per common share—basic and diluted	$ (0.47)		$ (0.46)	$ (0.28)		$ (0.27)
Weighted average common shares outstanding—basic and diluted	15,548		15,548	15,520		15,520

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Three Months Ended December 31, 2012			Six Months Ended December 31, 2012		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Net (loss) income	$ (7,294)	$ 137	$ (7,157)	$ (4,420)	$ 242	$ (4,178)
Other comprehensive income (loss):						
Change in the funded status of retiree benefit obligations	—	—	—	—	—	—
Income tax (expense) benefit	—	—	—	—	—	—
Total comprehensive (loss) income, net of tax	$ (7,294)	$ 137	$ (7,157)	$ (4,420)	$ 242	$ (4,178)

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Three Months Ended December 31, 2011			Six Months Ended December 31, 2011		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Net sales	$ 131,770	$ —	$ 131,770	$ 252,967	$ —	$ 252,967
Cost of goods sold	87,229	—	87,229	168,741	—	168,741
Gross profit	44,541	—	44,541	84,226	—	84,226
Selling expenses	36,771	—	36,771	72,452	—	72,452
General and administrative expenses	9,071	(296)	8,775	17,705	(592)	17,113
Pension withdrawal expense	4,348	—	4,348	4,348	—	4,348
Operating expenses	50,190	(296)	49,894	94,505	(592)	93,913
(Loss) income from operations	(5,649)	296	(5,353)	(10,279)	592	(9,687)
Other income (expense):						
Dividend income	304	—	304	663	—	663
Interest income	21	—	21	36	—	36
Interest expense	(506)	—	(506)	(1,081)	—	(1,081)
Other, net	1,780	—	1,780	(627)	—	(627)
Total other income (expense)	1,599	—	1,599	(1,009)	—	(1,009)
(Loss) income before taxes	(4,050)	296	(3,754)	(11,288)	592	(10,696)
Income tax expense (benefit)	60	(1)	59	406	(9)	397
Net (loss) income	$ (4,110)	$ 297	$ (3,813)	$ (11,694)	$ 601	$ (11,093)
Net (loss) income per common share—basic and diluted	$ (0.27)		$ (0.25)	$ (0.77)		$ (0.73)
Weighted average common shares outstanding—basic and diluted	15,247		15,247	15,215		15,215

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Three Months Ended December 31, 2011			Six Months Ended December 31, 2011		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Net (loss) income	$ (4,110)	$ 297	$ (3,813)	$ (11,694)	$ 601	$ (11,093)
Other comprehensive income (loss):						
Change in the funded status of retiree benefit obligations	—	—	—	—	—	—
Income tax (expense) benefit	—	—	—	—	—	—
Total comprehensive (loss) income, net of tax	$ (4,110)	$ 297	$ (3,813)	$ (11,694)	$ 601	$ (11,093)

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Three Months Ended March 31, 2013			Nine Months Ended March 31, 2013		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Net sales	$ 126,343	$ —	$ 126,343	$ 381,201	$ —	$ 381,201
Cost of goods sold	77,668	—	77,668	237,552	—	237,552
Gross profit	48,675	—	48,675	143,649	—	143,649
Selling expenses	39,135	—	39,135	117,171	—	117,171
General and administrative expenses	10,159	(125)	10,034	28,217	(373)	27,844
Operating expenses	49,294	(125)	49,169	145,388	(373)	145,015
(Loss) income from operations	(619)	125	(494)	(1,739)	373	(1,366)
Other income (expense):						
Dividend income	286	—	286	829	—	829
Interest income	92	—	92	283	—	283
Interest expense	(466)	—	(466)	(1,386)	—	(1,386)
Other, net	(764)	—	(764)	(3,475)	—	(3,475)
Total other expense	(852)	—	(852)	(3,749)	—	(3,749)
(Loss) income before taxes	(1,471)	125	(1,346)	(5,488)	373	(5,115)
Income tax (benefit) expense	(56)	16	(40)	347	22	369
Net (loss) income	$ (1,415)	$ 109	$ (1,306)	$ (5,835)	$ 351	$ (5,484)
Net (loss) income per common share—basic and diluted	$ (0.09)		$ (0.08)	$ (0.38)		$ (0.35)
Weighted average common shares outstanding—basic and diluted	15,600		15,600	15,541		15,541

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Three Months Ended March 31, 2013			Nine Months Ended March 31, 2013		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Net income (loss)	$ (1,415)	$ 109	$ (1,306)	$ (5,835)	$ 351	$ (5,484)
Other comprehensive income (loss):						
Change in the funded status of retiree benefit obligations	—	—	—	—	—	—
Income tax (expense) benefit	—	—	—	—	—	—
Total comprehensive income (loss), net of tax	$ (1,415)	$ 109	$ (1,306)	$ (5,835)	$ 351	$ (5,484)

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands except per share data)	Three Months Ended March 31, 2012			Nine Months Ended March 31, 2012		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Net sales	$ 121,527	$ —	$ 121,527	$ 374,494	$ —	$ 374,494
Cost of goods sold	78,380	—	78,380	247,121	—	247,121
Gross profit	43,147	—	43,147	127,373	—	127,373
Selling expenses	37,909	—	37,909	110,361	—	110,361
General and administrative expenses	9,345	(295)	9,050	27,050	(887)	26,163
Pension withdrawal expense	—	—	—	4,348	—	4,348
Operating expenses	47,254	(295)	46,959	141,759	(887)	140,872
(Loss) income from operations	(4,107)	295	(3,812)	(14,386)	887	(13,499)
Other income (expense):						
Dividend income	295	—	295	958	—	958
Interest income	63	—	63	99	—	99
Interest expense	(498)	—	(498)	(1,579)	—	(1,579)
Other, net	(1,831)	—	(1,831)	(2,458)	—	(2,458)
Total other (expense) income	(1,971)	—	(1,971)	(2,980)	—	(2,980)
(Loss) income before taxes	(6,078)	295	(5,783)	(17,366)	887	(16,479)
Income tax (benefit) expense	(577)	5	(572)	(171)	(4)	(175)
Net (loss) income	$ (5,501)	$ 290	$ (5,211)	$ (17,195)	$ 891	$ (16,304)
Net (loss) income per common share—basic and diluted	$ (0.35)		$ (0.33)	$ (1.11)		$ (1.06)
Weighted average common shares outstanding—basic and diluted	15,592		15,592	15,449		15,449

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Three Months Ended March 31, 2012			Nine Months Ended March 31, 2012		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Net (loss) income	$ (5,501)	$ 290	$ (5,211)	$ (17,195)	$ 891	$ (16,304)
Other comprehensive (loss) income:						
Change in the funded status of retiree benefit obligations	—	—	—	—	—	—
Income tax (expense) benefit	—	—	—	—	—	—
Total comprehensive (loss) income, net of tax	$ (5,501)	$ 290	$ (5,211)	$ (17,195)	$ 891	$ (16,304)

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Three Months Ended June 30, 2012		
	Previously Reported	Adjustments (1)	As Restated
Net sales	$ 120,948	$ —	$ 120,948
Cost of goods sold	75,497	(78)	75,419
Gross profit	45,451	78	45,529
Selling expenses	40,280	—	40,280
General and administrative expenses	9,847	(1,788)	8,059
Impairment losses on goodwill and intangible assets	5,585	—	5,585
Pension withdrawal expense	220	—	220
Operating expenses	55,932	(1,788)	54,144
Loss (income) from operations	(10,481)	1,866	(8,615)
Other income (expense):			
Dividend income	273	—	273
Interest income	115	—	115
Interest expense	(558)	—	(558)
Other, net	(1,659)	—	(1,659)
Total other expense	(1,829)	—	(1,829)
(Loss) income before taxes	(12,310)	1,866	(10,444)
Income tax (benefit) expense	(176)	4	(172)
Net (loss) income	(12,134)	1,862	(10,272)
Net (loss) income per common share—basic and diluted	$ (0.77)		$ (0.65)
Weighted average common shares outstanding—basic and diluted	15,723		15,723

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Three Months Ended June 30, 2012		
	Previously Reported	Adjustments(1)	As Restated
Net (loss) income	$ (12,134)	$ 1,862	$ (10,272)
Other comprehensive (loss) income:			
Change in the funded status of retiree benefit obligations	(33,341)	6,641	(26,700)
Income tax (expense) benefit	—	—	—
Total comprehensive (loss) income, net of tax	$ (45,475)	$ 8,503	$ (36,972)

(1) See summary table of the impact of the restatement corrections and immaterial adjustments on the consolidated statements of operations and comprehensive income (loss) included in Note 2.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Cash flows from operating activities:						
Net loss	$ 2,874	$ 105	$ 2,979	$ (7,584)	$ 304	$ (7,280)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:						
Depreciation and amortization	8,340	—	8,340	7,923	—	7,923
(Recovery of) provision for doubtful accounts	(922)	—	(922)	590	—	590
Gain on sales of assets	(3,213)	—	(3,213)	98	—	98
ESOP and share-based compensation expense	823	—	823	790	—	790
Net gain on investments	(802)	—	(802)	2,621	—	2,621
Change in operating assets and liabilities:						
Restricted cash	—	1,483	1,483	—	(168)	(168)
Short-term investments	1,232	(1,180)	52	6,059	(92)	5,967
Accounts and notes receivable	(1,481)	—	(1,481)	(1,643)	—	(1,643)
Inventories	(3,943)	—	(3,943)	(3,192)	—	(3,192)
Income tax receivable	374	19	393	287	(8)	279
Prepaid expenses and other assets	120	—	120	543	—	543
Accounts payable	1,863	405	2,268	(3,650)	(190)	(3,840)
Accrued payroll expenses and other liabilities	(834)	(708)	(1,542)	(147)	451	304
Accrued postretirement benefits	412	(124)	288	327	(297)	30
Other long-term liabilities	(1,191)	—	(1,191)	(3,055)	—	(3,055)
Net cash provided by operating activities	$ 3,652	$ —	$ 3,652	$ (33)	$ —	$ (33)
Cash flows from investing activities:						
Purchases of property, plant and equipment	(3,572)	—	(3,572)	(2,910)	—	(2,910)
Proceeds from sales of property, plant and equipment	3,786	—	3,786	198	—	198
Net cash provided by investing activities	$ 214	$ —	$ 214	$ (2,712)	$ —	$ (2,712)
Cash flows from financing activities:						
Proceeds from revolving credit facility	4,800	—	4,800	8,400	—	8,400

(In thousands)	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Repayments on revolving credit facility	(9,250)	—	(9,250)	(6,800)	—	(6,800)
Payments of capital lease obligations	(777)	—	(777)	(384)	—	(384)
Net cash used in financing activities	$ (5,227)	$ —	$ (5,227)	$ 1,216	$ —	$ 1,216
Net decrease in cash and cash equivalents	$ (1,361)	$ —	$ (1,361)	$ (1,529)	$ —	$ (1,529)
Cash and cash equivalents at beginning of year	3,906	—	3,906	6,081	—	6,081
Cash and cash equivalents at end of year	$ 2,545	$ —	$ 2,545	$ 4,552	$ —	$ 4,552

(1) For details see the introduction section included in Note 2.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six Months Ended December 31, 2012			Six Months Ended December 31, 2011		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Cash flows from operating activities:						
Net loss	$ (4,420)	$ 242	$ (4,178)	$ (11,694)	$ 601	$ (11,093)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:						
Depreciation and amortization	16,640	—	16,640	15,821	—	15,821
(Recovery of) provision for doubtful accounts	(963)	—	(963)	737	—	737
Gain on sales of assets	(3,202)	—	(3,202)	(662)	—	(662)
ESOP and share-based compensation expense	1,906	—	1,906	1,476	—	1,476
Net loss on investments	7,038	—	7,038	2,250	—	2,250
Change in operating assets and liabilities:						
Restricted cash	—	(1,987)	(1,987)	—	(1,353)	(1,353)
Short-term investments	(6,587)	(1,267)	(7,854)	3,743	789	4,532
Accounts and notes receivable	(2,053)	—	(2,053)	(2,000)	—	(2,000)
Inventories	(2,404)	—	(2,404)	1,110	—	1,110
Income tax receivable	284	5	289	277	(9)	268
Prepaid expenses and other assets	558	—	558	(361)	—	(361)
Accounts payable	4,615	(730)	3,885	(1,712)	51	(1,661)
Accrued payroll expenses and other liabilities	(605)	3,986	3,381	(165)	513	348
Accrued postretirement benefits	600	(249)	351	767	(592)	175
Other long-term liabilities	(1,302)	—	(1,302)	112	—	112
Net cash provided by operating activities	$ 10,105	$ —	$ 10,105	$ 9,699	$ —	$ 9,699
Cash flows from investing activities:						
Purchases of property, plant and equipment	(6,396)	—	(6,396)	(5,808)	—	(5,808)
Proceeds from sales of property, plant and equipment	3,911	—	3,911	1,227	—	1,227
Net cash used in investing activities	$ (2,485)	$ —	$ (2,485)	$ (4,581)	$ —	$ (4,581)
Cash flows from financing activities:						
Proceeds from revolving credit facility	15,000	—	15,000	9,400	—	9,400
Repayments on revolving credit facility	(19,750)	—	(19,750)	(15,700)	—	(15,700)
Payments of capital lease obligations	(1,558)	—	(1,558)	(778)	—	(778)
Net cash used in financing activities	$ (6,308)	$ —	$ (6,308)	$ (7,078)	$ —	$ (7,078)
Net increase in cash and cash equivalents	$ 1,312	$ —	$ 1,312	$ (1,960)	$ —	$ (1,960)

(In thousands)	Six Months Ended December 31, 2012			Six Months Ended December 31, 2011		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Cash and cash equivalents at beginning of period	3,906	—	3,906	6,081	—	6,081
Cash and cash equivalents at end of period	$ 5,218	$ —	$ 5,218	$ 4,121	$ —	$ 4,121

(1) For details see the introduction section included in Note 2.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended March 31, 2013			Nine Months Ended March 31, 2012		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Cash flows from operating activities:						
Net loss	$ (5,835)	$ 351	$ (5,484)	$ (17,195)	$ 891	$ (16,304)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:						
Depreciation and amortization	24,778	—	24,778	23,831	—	23,831
(Recovery of) provision for doubtful accounts	(890)	—	(890)	880	—	880
Deferred income taxes	111	—	111	—	—	—
Gain on sales of assets	(4,388)	—	(4,388)	(1,161)	—	(1,161)
ESOP and share-based compensation expense	2,639	—	2,639	2,519	—	2,519
Net loss on investments	9,315	—	9,315	5,131	—	5,131
Change in operating assets and liabilities:						
Restricted cash	—	(2,140)	(2,140)	—	(1,314)	(1,314)
Short-term investments	(9,063)	(1,284)	(10,347)	1,027	(231)	796
Accounts and notes receivable	(1,167)	—	(1,167)	936	—	936
Inventories	(1,291)	—	(1,291)	3,533	—	3,533
Income tax receivable	622	23	645	(377)	(4)	(381)
Prepaid expenses and other assets	522		522	81	—	81
Accounts payable	4,359	(622)	3,737	(9,342)	51	(9,291)
Accrued payroll expenses and other liabilities	(1,312)	4,046	2,734	1,102	1,494	2,596
Accrued postretirement benefits	836	(374)	462	1,130	(887)	243
Other long-term liabilities	(1,416)	—	(1,416)	(1,083)	—	(1,083)
Net cash provided by operating activities	$ 17,820	$ —	$ 17,820	$ 11,012	$ —	$ 11,012
Cash flows from investing activities:						
Purchases of property, plant and equipment	(10,118)	—	(10,118)	(10,533)	—	(10,533)
Proceeds from sales of property, plant and equipment	5,556	—	5,556	2,112	—	2,112
Net cash used in investing activities	$ (4,562)	$ —	$ (4,562)	$ (8,421)	$ —	$ (8,421)
Cash flows from financing activities:						
Proceeds from revolving credit facility	22,550	—	22,550	13,700	—	13,700
Repayments on revolving credit facility	(32,771)	—	(32,771)	(17,700)	—	(17,700)
Payments of capital lease obligations	(2,613)	—	(2,613)	(1,209)	—	(1,209)
Proceeds from exercise of stock options	1,195	—	1,195	—	—	—
Net cash used in financing activities	$ (11,639)	$ —	$ (11,639)	$ (5,209)	$ —	$ (5,209)

(In thousands)	Nine Months Ended March 31, 2013			Nine Months Ended March 31, 2012		
	Previously Reported	Adjustments (1)	As Restated	Previously Reported	Adjustments (1)	As Restated
Net increase in cash and cash equivalents	$ 1,619	$ —	$ 1,619	$ (2,618)	$ —	$ (2,618)
Cash and cash equivalents at beginning of period	3,906	—	3,906	6,081	—	6,081
Cash and cash equivalents at end of period	$ 5,525	$ —	$ 5,525	$ 3,463	$ —	$ 3,463

(1) For details see the introduction section included in Note 2.

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 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, 2013, 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 on that evaluation and as a result of the material weakness in internal control over financial reporting as set forth below, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2013. Our management's annual report on internal control over financial reporting is set forth below.

Management's 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). Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, 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.

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 the 1992 "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2013, our internal controls over financial reporting were not effective due to a material weakness in our controls over our accounting for postretirement benefit obligations.

A "material weakness" is defined as a deficiency, or combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

As of June 30, 2013, there was a material weakness in the Company's controls over its accounting for and reporting of other postretirement benefit obligations. Specifically, our controls did not properly identify the failure to apply generally accepted accounting principles with respect to the accounting for death benefits and the related cash surrender value of life insurance, and did not properly detect when changes or amendments to other postretirement benefit plans occurred that should have resulted in changes to the related benefit plan obligations. As a result, material errors to the recorded postretirement benefit liability, postretirement death benefit liability and cash surrender value of life insurance purchased to fund the postretirement death benefit occurred and were not timely detected.

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, 2013, as stated in their report which is included herein.

Remediation Efforts to Address Material Weakness

To remediate the material weakness described above, we are currently evaluating the controls and procedures we will design and put in place to address this material weakness and plan to implement appropriate measures as part of this effort. These controls and procedures may include:

- engagement of independent consultants to review the Company's other postretirement benefit obligation controls and to make recommendations to address the design gaps in these controls;

- retention of additional knowledgeable accounting personnel to review the accuracy of data and plan information provided to actuaries engaged to perform valuation services;
- design of processes to facilitate improved interaction among human resources, external actuaries and accounting personnel; and
- additional focused training of our finance personnel in the area of accounting and reporting for our other postretirement obligations, including any changes in the relevant accounting guidance and timely adoption thereof.

Any actions we have taken or may take to remediate this material weaknesss are subject to continued management review supported by testing, as well as oversight by the Audit Committee of our Board of Directors. We cannot assure you that material weaknesses or significant deficiencies will not occur in the future and that we will be able to remediate such weaknesses or deficiencies in a timely manner, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows.

Changes in Internal Control Over Financial Reporting

Except as described above, 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, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

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

We have audited Farmer Bros. Co. and Subsidiaries' internal control over financial reporting as of June 30, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (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's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's report on internal control over financial reporting. Management has identified a material weakness in the design and operation of the Company's controls over its accounting for and reporting of other postretirement benefit obligations. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), consolidated balance sheets of Farmer Bros. Co. and Subsidiaries as of June 30, 2013 and 2012 (restated) and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the years ended June 30, 2013, June 30, 2012 (restated) and June 30, 2011 (restated). This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the those financial statements, and this report does not affect our report dated October 9, 2013, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Farmer Bros. Co. and Subsidiaries has not maintained effective internal control over financial reporting as of June 30, 2013, based on the COSO criteria.

/s/ Ernst & Young LLP

Los Angeles, California
October 9, 2013

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended June 30, 2013, its officers, directors and ten percent stockholders complied with all applicable Section 16(a) filing requirements, with the exception of those filings listed in the Company's Proxy Statement expected to be dated and filed with the SEC not later than 120 days after the conclusion of the Company's fiscal year ended June 30, 2013.

Item 11. Executive Compensation

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

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

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

Equity Compensation Plan Information

Information about our equity compensation plans at June 30, 2013 that were either approved or not approved by our stockholders was as follows:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance(2)
Equity compensation plans approved by stockholders(1)	557,427	$12.81	189,271
Equity compensation plans not approved by stockholders	—	—	—
Total	557,427	$12.81	189,271

(1) Includes the Omnibus Plan.

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

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

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

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

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

Consolidated Balance Sheets as of June 30, 2013 and 2012 (as restated)

Consolidated Statements of Operations for the Years Ended June 30, 2013, 2012 (as restated) and 2011 (as restated)

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended June 30, 2013, 2012 (as restated) and 2011 (as restated)

Consolidated Statements of Cash Flows for the Years Ended June 30, 2013, 2012 (as restated) and 2011 (as restated)

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2013, 2012 (as restated) and 2011 (as restated)

Notes to Consolidated Financial Statements

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

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

(b) Exhibits: See Exhibit Index.

SIGNATURES

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

FARMER BROS. CO.

By: /S/MICHAEL H. KEOWN

Michael H. Keown
President and Chief Executive Officer
(chief executive officer)
Date: October 9, 2013

By: /s/MARK J. NELSON

Mark J. Nelson
Treasurer and Chief Financial Officer
(principal financial and accounting officer)
Date: October 9, 2013

By: /s/HORTENSIA R. GÓMEZ

Hortensia R. Gómez
Vice President and Controller
(controller)
Date: October 9, 2013

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

/s/GUENTER W. BERGER Guenter W. Berger	Chairman of the Board and Director	October 9, 2013
/s/ HAMIDEH ASSADI Hamideh Assadi	Director	October 9, 2013
/s/RANDY E. CLARK Randy E. Clark	Director	October 9, 2013
Jeanne Farmer Grossman	Director	
/s/MARTIN A. LYNCH Martin A. Lynch	Director	October 9, 2013
/s/JAMES J. MCGARRY James J. McGarry	Director	October 9, 2013
/s/MICHAEL H. KEOWN Michael H. Keown	Director	October 9, 2013

EXHIBIT INDEX

3.1	Certificate of Incorporation (filed as Exhibit 3.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 filed with the SEC on May 11, 2009 and incorporated herein by reference).
3.2	Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company’s Current Report on Form 8-K filed with the SEC on April 25, 2011 and incorporated herein by reference).
4.1	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (filed as Exhibit 4.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).
4.2	Rights Agreement, dated March 17, 2005, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A., as Rights Agent (filed as Exhibit 4.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the SEC on May 10, 2010 and incorporated herein by reference).
4.3	Specimen Stock Certificate (filed as Exhibit 4.1 to the Company’s Form 8-A/A filed with the SEC on February 6, 2009 and incorporated herein by reference).
10.1	Amended and Restated Loan and Security Agreement, dated September 12, 2011, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.12 to the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the SEC on September 12, 2011 and incorporated herein by reference).
10.2	Amendment No. 1 to Amended and Restated Loan and Security Agreement, effective January 9, 2012, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2011 filed with the SEC on February 8, 2012 and incorporated herein by reference).
10.3	Amendment No. 2 to Amended and Restated Loan and Security Agreement, dated as of March 18, 2013, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on March 20, 2013 and incorporated herein by reference).
10.4	Letter Agreement regarding Waiver of Event of Default, dated October 3, 2013, by and among Farmer Bros. Co. and Coffee Bean International, Inc., as Borrowers, Coffee Bean Holding Co., Inc. and FBC Finance Company, as Guarantors, the Lenders party thereto, and Wells Fargo Bank, National Association, as Agent (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on October 4, 2013 and incorporated herein by reference).
10.5	ISDA Master Agreement, dated as of November 19, 2012, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 26, 2012 and incorporated herein by reference).
10.6	Schedule to the ISDA Master Agreement, dated as of November 19, 2012, by and between Farmer Bros. Co. and Wells Fargo Bank, N.A. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on November 26, 2012 and incorporated herein by reference).
10.7	Farmer Bros. Co. Pension Plan for Salaried Employees (filed as Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed with the SEC on November 5, 2012 and incorporated herein by reference).*
10.8	Amendment No. 1 to Farmer Bros. Co. Retirement Plan effective June 30, 2011 (filed as Exhibit 10.14 to the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the SEC on September 12, 2011 and incorporated herein by reference).*

10.9	Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Retirement Plan, effective as of December 6, 2012 (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012 filed with the SEC on February 6, 2013 and incorporated herein by reference).*
10.10	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).*
10.11	Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, as adopted by the Board of Directors on December 9, 2010 and effective as of January 1, 2010 (filed as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).*
10.12	Action of the Administrative Committee of the Farmer Bros. Co. Qualified Employee Retirement Plans amending the Farmer Bros. Co. Amended and Restated Employee Stock Ownership Plan, effective as of January 1, 2012 (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed with the SEC on November 5, 2012 and incorporated herein by reference).*
10.13	ESOP Loan Agreement including ESOP Pledge Agreement and Promissory Note, dated March 28, 2000, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).
10.14	Amendment No. 1 to ESOP Loan Agreement, dated June 30, 2003, between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).
10.15	ESOP Loan Agreement No. 2 including ESOP Pledge Agreement and Promissory Note, dated July 21, 2003 between Farmer Bros. Co. and Wells Fargo Bank, N.A., Trustee for the Farmer Bros Co. Employee Stock Ownership Plan (filed as Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed with the SEC on February 9, 2011 and incorporated herein by reference).
10.16	Employment Agreement, dated March 9, 2012, by and between Farmer Bros. Co. and Michael H. Keown (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 13, 2012 and incorporated herein by reference).*
10.17	Second Amended and Restated Employment Agreement, effective as of February 13, 2012, by and between Farmer Bros. Co. and Jeffrey A. Wahba (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 17, 2012 and incorporated herein by reference).*
10.18	Consulting Services Agreement, effective as of March 1, 2013, between Farmer Bros. Co. and Jeffrey A. Wahba (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 28, 2013 and incorporated herein by reference).*
10.19	Letter Agreement by and between Farmer Bros. Co. and Jeffrey A. Wahba (filed as Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
10.20	Employment Agreement, dated as of April 4, 2012, by and between Farmer Bros. Co. and Thomas W. Mortensen (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on April 10, 2012 and incorporated herein by reference).*
10.21	Amended and Restated Employment Agreement, effective as of February 13, 2012, by and between Farmer Bros. Co. and Patrick G. Criteser (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 17, 2012 and incorporated herein by reference).*

10.22	Resignation Agreement, dated as of July 20, 2012, by and between Farmer Bros. Co. and Larry B. Garrett (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on July 24, 2012 and incorporated herein by reference).*
10.23	Employment Agreement, dated as of April 1, 2013, by and between Farmer Bros. Co. and Mark J. Nelson* (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
10.24	Farmer Bros. Co. 2007 Omnibus Plan, as amended (as approved by the stockholders at the 2012 Annual Meeting of Stockholders on December 6, 2012) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 12, 2012 and incorporated herein by reference).*
10.25	Form of 2007 Omnibus Plan Stock Option Grant Notice and Stock Option Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
10.26	Form of 2007 Omnibus Plan Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
10.27	Stock Ownership Guidelines for Directors and Executive Officers (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
10.28	Form of Award Letter (Fiscal 2012) under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 24, 2012 and incorporated herein by reference).*
10.29	Form of Target Award Notification Letter (Fiscal 2013) under Farmer Bros. Co. 2005 Incentive Compensation Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 28, 2012 and incorporated herein by reference).*
10.30	Form of Change in Control Severance Agreement for Executive Officers of the Company (with schedule of executive officers attached) (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
10.31	Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on May 18, 2006 and as amended on December 31, 2008 (with schedule of indemnitees attached) (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2013 and incorporated herein by reference).*
14.1	Farmer Bros. Co. Code of Conduct and Ethics adopted on August 26, 2010 and updated February 2013 (filed herewith).
21.1	List of all Subsidiaries of Farmer Bros. Co. (filed herewith).
23.1	Consent of Independent Registered Accounting Firm (filed herewith).
31.1	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Principal Financial and Accounting Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

32.2	Principal Financial and Accounting Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Properties List (filed herewith)
101	The following financial statements from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Stockholders' Equity, and (vi) Notes to Consolidated Financial Statements (furnished herewith).

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* Management contract or compensatory plan or arrangement.

Forward-Looking Statements

Certain statements contained in this Annual Report are not based on historical facts and are forward-looking statements within the meaning of federal securities laws and regulations. These statements are based on management's current expectations, assumptions, estimates and observations of future events and include any statements that do not directly relate to any historical or current fact. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects, " "expects, " "plans, " "believes, " "intends, " "will, " "assumes" and other words of similar meaning. These statements are subject to risks and uncertainties which may cause actual results to differ materially from those stated in this Annual Report. These risks and uncertainties include the ability of the Company to achieve strategic initiatives, the risk that changes in management may not help improve Company performance, whether the implementation of compensation plans will provide the incentives desired, whether the achievement of Company and employee goals will drive Company performance, whether Company changes executed in the past year will produce Company benefits in the future, our capacity to meet the demands of our large national account customers in the future, the ability to execute plans for the growth of our business and achieve financial metrics related to those plans, and whether improvements in Company performance would improve stockholder value. Certain risks and uncertainties related to the Company's business are or will be described in greater detail in the Company's filings with the SEC, including in the Form 10-K contained within this Annual Report. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. The Company intends these forward-looking statements to speak only at the time of this Annual Report and does 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.

Farmer Bros. Co.

20333 South Normandie Avenue
Torrance, California 90502

DIRECTORS

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

Hamideh Assadi
Independent Tax Consultant

Randy E. Clark
Retired Foodservice Executive

Jeanne Farmer Grossman
Retired Teacher

Michael H. Keown
President, Chief Executive Officer
Farmer Bros. Co.

Martin A. Lynch
President, Claremorris Consulting

James J. McGarry, Esq.
Attorney-at-Law

EXECUTIVE OFFICERS

Michael H. Keown
President, Chief Executive Officer

Mark J. Nelson
Treasurer, Chief Financial Officer

Mark A. Harding
Senior Vice President of Operations

Thomas W. Mortensen
Senior Vice President of Route Sales

Hortensia R. Gómez
Vice President, Controller, Assistant Treasurer

Teri L. Witteman, Esq.
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 Shareowner Services
1110 Centre Pointe Curve, Suite 101
MAC N9173-010
Mendota Heights, MN 55120

Financial Highlights[1]

(In thousands, except per share data)

Fiscal year ended June 30,	2013	2012	2011	2010	2009
		As Restated	As Restated	As Restated	As Restated
Consolidated Statement of Operations Data:					
Net sales	$ 509,964	$ 495,442	$ 463,945	$ 450,318	$ 341,724
Cost of goods sold	$ 318,825	$ 322,540	$ 306,458	$ 254,686	$ 180,321
Loss from operations	$ (4,095)	$ (22,114)	$ (70,367)	$ (40,599)	$ (14,306)
Loss from operations per common share	$ (0.26)	$ (1.43)	$ (4.67)	$ (2.73)	$ (0.99)
Net loss	$ (8,462)	$ (26,576)	$ (52,033)	$ (25,359)	$ (34,142)
Net loss per common share—basic and diluted	$ (0.54)	$ (1.72)	$ (3.45)	$ (1.71)	$ (2.35)
Cash dividends declared per common share	$ -	$ -	$ 0.18	$ 0.46	$ 0.46
Capital expenditures	$ 15,894	$ 17,498	$ 19,416	$ 28,484	$ 38,901
June 30,	**2013**	**2012**	**2011**	**2010**	**2009**
Consolidated Balance Sheet Data:		As Restated	As Restated	As Restated	As Restated
Total assets	$ 244,136	$ 257,916	$ 292,050	$ 342,084	$ 334,244
Capital lease obligations	$ 12,168	$ 15,867	$ 8,636	$ 3,861	$ 1,252
Long-term borrowings under revolving credit facility	$ 10,000	$ -	$ -	$ -	$ -
Long-term derivative liability	$ 1,129	$ -	$ -	$ -	$ -
Total liabilities	$ 162,298	$ 174,364	$ 158,635	$ 180,341	$ 139,048

(1) For a discussion of the factors that materially affect the comparability of the information reflected in the selected financial data, see Part II, Item 6, Selected Financial Data, included in the Company's Form 10-K for the fiscal year ended June 30, 2013 (the "2013 Form 10-K"). As discussed in Note 2, "Restatement," and Note 19, "Selected Quarterly Financial Data (Unaudited)," of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of the 2013 10-K, the Company has restated its consolidated financial statements for certain prior periods. The consolidated statement of operations data for the fiscal years ended June 30, 2013, 2012 and 2011, and the consolidated balance sheet data as of June 30, 2013 and 2012, are derived from, and are qualified in their entirety by reference to, the Company's audited consolidated financial statements included in the 2013 Form 10-K. The consolidated statement of operations data for the fiscal years ended June 30, 2010 and 2009, and the consolidated balance sheet data as of June 30, 2011, 2010 and 2009, has been restated to conform to the consolidated financial statements included in the 2013 Form 10-K.

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