

FARMER BROTHERS CO  
Form DEF 14A  
October 30, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

FARMER BROS. CO.

---

(Name of Registrant as Specified in its Charter)

---

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

---

Fee paid previously with preliminary materials.

Edgar Filing: FARMER BROTHERS CO - Form DEF 14A

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

---

---

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

---

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON DECEMBER 6, 2012

---

TO THE STOCKHOLDERS OF FARMER BROS. CO.:

NOTICE IS HEREBY GIVEN that the 2012 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 6, 2012, at 10:00 a.m., Pacific Standard Time, for the following purposes:

1. To elect two Class III directors to the Board of Directors of the Company for a three-year term of office expiring at the 2015 Annual Meeting of Stockholders and until their successors are elected and duly qualified;
2. To ratify the selection of Ernst & Young LLP as the Company's independent registered public accountants for the fiscal year ending June 30, 2013;
3. To hold an advisory (non-binding) vote to approve the Company's executive compensation;
4. To amend the Farmer Bros. Co. 2007 Omnibus Plan to increase the number of shares available for issuance thereunder; 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, 2012 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and at any continuation, postponement or adjournment thereof.

By Order of the Board of Directors

John M. Anglin

Secretary

Torrance, California

October 29, 2012

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE 2012 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 6, 2012

The accompanying Proxy Statement and the Company's 2012 Annual Report on Form 10-K 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.



TABLE OF CONTENTS	
INFORMATION CONCERNING VOTING AND SOLICITATION	<u>1</u>
PROPOSAL NO. 1 ELECTION OF DIRECTORS	<u>5</u>
PROPOSAL NO. 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS	<u>8</u>
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	<u>9</u>
Security Ownership of Certain Beneficial Owners	<u>9</u>
Security Ownership of Directors and Executive Officers	<u>9</u>
CORPORATE GOVERNANCE	<u>13</u>
Director Independence	<u>13</u>
Board Meetings and Attendance	<u>13</u>
Charters; Code of Conduct and Ethics	<u>14</u>
Board Committees	<u>14</u>
Director Qualifications and Board Diversity	<u>17</u>
Board Leadership Structure	<u>17</u>
Board's Role in Risk Oversight	<u>18</u>
Communication with the Board	<u>18</u>
COMPENSATION DISCUSSION AND ANALYSIS	<u>19</u>
EXECUTIVE COMPENSATION	<u>19</u>
Executive Officers	<u>35</u>
Summary Compensation Table	<u>36</u>
Grants of Plan-Based Awards	<u>38</u>
Outstanding Equity Awards at Fiscal Year-End	<u>42</u>
Option Exercises and Stock Vested	<u>43</u>
Compensation Risk Assessment	<u>43</u>
Employment Agreements and Arrangements	<u>44</u>
Pension Benefits	<u>46</u>
Change in Control and Termination Arrangements	<u>46</u>
Indemnification	<u>53</u>
PROPOSAL NO. 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION	<u>54</u>
PROPOSAL NO. 4 ADVISORY VOTE ON THE FREQUENCY OF FUTURE STOCKHOLDER ADVISORY VOTES ON EXECUTIVE COMPENSATION	<u>57</u>
DIRECTOR COMPENSATION	<u>65</u>
Cash Compensation	<u>65</u>
Equity Compensation	<u>65</u>
Stock Ownership Guidelines	<u>65</u>
Director Compensation Table	<u>66</u>
Director Indemnification	<u>66</u>
CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS	<u>68</u>
Review and Approval of Related Person Transactions	<u>68</u>
Related Person Transactions	<u>68</u>
AUDIT MATTERS	<u>69</u>
Audit Committee Report	<u>69</u>
Pre-Approval of Audit and Non-Audit Services	<u>70</u>
OTHER MATTERS	<u>71</u>
Annual Report and Form 10-K	<u>71</u>
Section 16(a) Beneficial Ownership Reporting Compliance	<u>71</u>
Stockholder Proposals and Nominations	<u>71</u>
Householding of Proxy Materials	<u>72</u>

Forward-Looking Statements	<u>72</u>
APPENDIX A - FARMERS BROS. CO. 2007 OMNIBUS PLAN (as proposed to be Amended by the Stockholders on December 6, 2012)	<u>74</u>

---

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

---

## PROXY STATEMENT

---

### INFORMATION CONCERNING VOTING AND SOLICITATION

#### General

The enclosed proxy is solicited on behalf of the Board of Directors (the “Board of Directors” or the “Board”) of Farmer Bros. Co., a Delaware corporation (the “Company” or “Farmer Bros.”), for use at the 2012 Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Thursday, December 6, 2012, 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, 2012 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 two Class III directors to serve on our Board for a three-year term of office expiring at the 2015 Annual Meeting of Stockholders and until their successors are elected and duly qualified;
- The ratification of the selection of Ernst & Young LLP (“EY”) as our independent registered public accountants for the fiscal year ending June 30, 2013;
- An advisory (non-binding) vote to approve our executive compensation; and
- To amend the Farmer Bros. Co. 2007 Omnibus Plan (the “Omnibus Plan”) to increase the number of shares available for issuance thereunder.

#### Who Can Vote?

The Board has set October 17, 2012 as the record date for the Annual Meeting. You are entitled to vote if you were a holder of record of Common Stock as of the close of business on October 17, 2012. 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.

#PageNum#

---



### Shares Outstanding and Quorum

At the close of business on October 17, 2012, 16,314,154 shares of Common Stock were outstanding and entitled to vote at the Annual Meeting. The Company has no other class of securities outstanding.

A majority of the outstanding shares of Common Stock, present in person or represented by proxy, will constitute a quorum at the Annual Meeting, which is required to hold the Annual Meeting and conduct business. Your shares are counted as present at the Annual Meeting if you: (i) are present in person at the Annual Meeting; or (ii) 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, 2012 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 16.4% 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 purposes of determining a quorum, but will not be considered entitled to vote on the proposal in question. Brokers generally have discretionary authority to vote on the ratification of the selection of EY as our independent

registered public accountants. 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 amendment of the Omnibus Plan to increase the number of shares available for issuance thereunder.

#PageNum#

---

**Election of Directors.** Directors are elected by a plurality of the votes cast. This means that the two 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 either or both 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 the selection of EY as our independent registered public accountants for the fiscal year ending June 30, 2013 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.

**Amendment of Omnibus Plan.** The proposal to approve amendment of the Omnibus Plan to increase the number of shares available for issuance thereunder 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 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 two nominees named herein to serve on our Board as Class III directors for a three-year term of office expiring at the 2015 Annual Meeting of Stockholders and until their successors are elected and duly qualified;

FOR the ratification of the selection of EY as our independent registered public accountants for the fiscal year ending June 30, 2013;

FOR the advisory vote to approve our executive compensation; and

FOR the proposal to amend the Omnibus Plan to increase the number of shares available for issuance thereunder.

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 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 Amendment to the Farmer Bros. Co. 2007 Omnibus Plan to Increase the Number of Shares Available for Issuance Under the Omnibus Plan, as described more fully herein.

#PageNum#

---

## 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 III consists of two directors whose term of office expires at the Annual Meeting and whose successors will be elected at the Annual Meeting to serve until the 2015 Annual Meeting of Stockholders. Class I consists of three directors, continuing in office until the 2013 Annual Meeting of Stockholders. Class II consists of two directors, continuing in office until the 2014 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 Randy E. Clark and Jeanne Farmer Grossman for election to the Board as Class III directors. If elected at the Annual Meeting, each would serve until the 2015 Annual Meeting of Stockholders and until his or her successor is elected and duly qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Ms. Grossman is a current director. Mr. Clark was brought to the attention of the Nominating Committee as a potential director nominee by Guenter W. Berger, Chairman of the Board, and has been nominated for election to the seat currently held by John H. Merrell. Mr. Merrell will serve out the remainder of his term as a Class III director 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 Treasurer, Chief Financial Officer and then Interim Co-Chief Executive Officer. Mr. Keown will serve out the remainder of the Class I director term expiring at the 2013 Annual Meeting of Stockholders.

There are no family relationships among any directors, nominees for director or executive officers of the Company. 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 two director nominees and will be given the option of voting "FOR" or withholding authority to vote for each nominee. Cumulative voting is not permitted. It is the intention of the proxy holders named in the enclosed proxy to vote the proxies received by them FOR the election of the two nominees named below unless the proxies direct otherwise. If any nominee should become unavailable for election prior to the Annual Meeting, an event that currently is not anticipated by the Board, the proxies will be voted for the election of a substitute nominee or nominees proposed by the Board of Directors. Each nominee has agreed to serve if elected, and the Board of Directors has no reason to believe that either nominee will be unable to serve. Directors are elected by a plurality of the votes cast. This means that the two 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 either or both of the nominees, your shares will not

#PageNum#

---

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 III director at the Annual Meeting, including a summary of the specific qualifications, attributes, skills and experiences 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
Randy E. Clark	60	—			
Jeanne Farmer Grossman	62	2009		X	X

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 jalapeños 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. 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.

**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 experiences 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	67	2011	II	2014	X	X	X
Guenter W. Berger	75	1980	II	2014			X
Michael H. Keown	50	2012	I	2013			
Martin A. Lynch	75	2007	I	2013	X		X
James J. McGarry	59	2007	I	2013		Chair	Chair

John H. Merrell will serve out the remainder of his term as a Class III director, including as Chairman of the Audit Committee, through the Annual Meeting, at which time the Board intends to appoint Mr. Lynch to Chairman of the Audit Committee.





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 in January 2007 after more than 23 years of service with Farmer Bros. 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 Masters 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 Farmer Bros. after more than 47 years of service with the Company 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.

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 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.

Martin A. Lynch is currently the President of Claremorris Consulting, a privately-owned consulting company helping privately-held and publicly-held companies in the areas of strategic and financial projects, and has been serving in this capacity since 2002. From 2003 to 2005, Mr. Lynch served as the Executive Vice President and Chief Financial Officer of Diedrich Coffee, Inc., a diversified operator of coffee houses and franchises that was known for its expertise and traditions in specialty coffee. From 2001 to 2003, he served as a consultant to Smart & Final, Inc., an operator of non-membership grocery warehouse stores for food and foodservice supplies, on strategic and financial projects. For twelve years, from 1989 to 2001, he served as Executive Vice President and Chief Financial Officer of Smart & Final. From 1984 to 1989, Mr. Lynch was Executive Vice President and Chief Financial Officer of San Francisco-based Duty Free Shoppers Group, Ltd. (retail). He served in a number of key positions with Los Angeles-based Tiger International (transportation and financial services) from 1970 to 1984 including the position of Senior Vice President, Chief Financial Officer from 1976 to 1984. Mr. Lynch's earlier experience includes merger and acquisition activities at Scot Lad Foods, Inc. (retail grocery) and service as audit manager for Price Waterhouse & Company (accounting) in Chicago. Mr. Lynch received his undergraduate degree from De Paul University and received his Certified Public Accountant designation in Illinois. We believe Mr. Lynch's qualifications to sit on our Board include his background and experience, particularly in the foodservice business, and understanding of our business and operations. Based on his experience, the Board has determined that Mr. Lynch is an Audit Committee financial expert.

James J. McGarry has been a partner in the law firm of McGarry & Laufenberg, El Segundo, California, since 1995, and was a partner in other law firms bearing his name since 1984. A licensed attorney since 1980, his experience has been as a litigator and a mediator, specializing in business, tort and contract litigation. Mr. McGarry received his undergraduate degree from Loyola Marymount University and his law degree from Loyola Law School. We believe Mr. McGarry's qualifications to sit on our Board include his extensive legal and business experience which provide him with an understanding of the Company's operations.

#PageNum#

---

PROPOSAL NO. 2

RATIFICATION OF SELECTION  
OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

General

The Audit Committee of the Board of Directors has selected Ernst & Young LLP (“EY”) as the independent registered public accountants for the Company and its subsidiaries for the fiscal year ending June 30, 2013, and has further directed that management submit this selection for ratification by the stockholders at the Annual Meeting. EY served as the Company’s independent registered public accountants in fiscal 2012. 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 the selection of EY as the Company’s independent registered public accountants is not required by the By-Laws or otherwise. However, the Board is submitting the selection of EY to stockholders for ratification because the Company believes it is a matter of good corporate governance practice. If the Company’s stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain EY but still may retain them. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent registered public accountants 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 the selection of EY.

THE BOARD RECOMMENDS A VOTE “FOR” RATIFICATION OF THE  
SELECTION OF ERNST & YOUNG LLP AS THE COMPANY’S  
INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS.

#PageNum#

---

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, 2012, by all persons (including any “group” as that term is used in Section 13(d)(3) of 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	6,410,578 shares (4)	39.3	%
Employee Stock Ownership Plan	2,675,341 shares (5)	16.4	%
Franklin Mutual Advisers, LLC	940,000 shares (6)	5.8	%

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

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.

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, 2012 and may differ from the “Percent of Class” reported in statements of beneficial ownership filed with the SEC.

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”). Farmer Equities, LP, a California limited partnership (“Farmer Equities”), was previously a member of the Farmer Group; however as reflected in a Form 4 filed with the SEC by the members of the Farmer Group on January 9, 2012 and a Form 4 filed by Farmer Equities on September 13, 2012, Farmer Equities dissolved and distributed all shares of Common Stock held by it to various trusts for which Carol Farmer Waite, Jeanne Farmer Grossman and Richard F. Farmer serve as trustees. No shares were purchased or sold. In addition, Trust A created under the Roy E. Farmer Trust dated October 11, 1957 (“Trust A”) was previously a member of the Farmer Group; however as reflected in a Form 4 filed with the SEC by the members of the Farmer Group on August 21, 2012, Trust A distributed all shares of Common Stock held by it to various trusts for which Carol Farmer Waite, Jeanne Farmer Grossman and Richard F. Farmer serve as trustees. No shares were purchased or sold. 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
Carol Farmer Waite	4,747,840 shares	29.1%	14,474 shares	809,271 shares	3,953,043 shares
Richard F. Farmer	2,999,798 shares	18.4%	39,891 shares	808,369 shares	2,231,320 shares

Jeanne Farmer Grossman	2,567,708 shares	15.7%	6,030 shares	827,775 shares	1,745,963 shares
------------------------	---------------------	-------	--------------	----------------	------------------

(5) Pursuant to a Schedule 13G/A filed with the SEC on February 13, 2012. Includes 1,763,742 allocated shares and 911,599 shares as yet unallocated to plan participants as of December 31, 2011. 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 ESOP Administrative Committee are Jeffrey A. Wahba, Hortensia R. Gómez

#PageNum#

---

and Patrick Quiggle. Each member of the ESOP Administrative Committee disclaims beneficial ownership of the securities held by the ESOP except for those, if any, that have been allocated to the member as a participant in the ESOP.

Pursuant to a Schedule 13G/A filed by Franklin with the SEC on July 10, 2012. Franklin is reported to have sole voting and investment power over 940,000 shares beneficially owned by one or more open-end investment (6) companies or other managed accounts which, pursuant to investment management contracts, are managed by Franklin. Franklin reports that it has sole voting and dispositive power over all of these shares.

#### Security Ownership of Directors and Executive Officers

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of October 17, 2012, by: (i) each current director and nominee; (ii) all individuals serving as the Company's Chief Executive Officer or acting in a similar capacity during fiscal 2012 (all references to "Chief Executive Officer" used in this Proxy Statement include all individuals acting in a similar capacity during fiscal 2012, namely Michael H. Keown, the Company's current President and Chief Executive Officer, and Jeffrey A. Wahba and Patrick G. Criteser, the Company's former Interim Co-Chief Executive Officers, unless the context otherwise requires); (iii) all individuals serving as the Company's Chief Financial Officer or acting in a similar capacity during fiscal 2012; (iv) the Company's three most highly compensated executive officers (other than the Chief Executive Officer and Chief Financial Officer) who were serving as executive officers at the end of fiscal 2012; (v) one additional individual for whom disclosure would have been provided but for the fact that he was not serving as an executive officer of the Company at the end of fiscal 2012 (collectively, the "Named Executive Officers"); and (vi) 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	5,464	*
Guenter W. Berger	25,240 (3)	*
Randy E. Clark	—	—
Jeanne Farmer Grossman	2,567,708 (4)	15.7%
Martin A. Lynch	14,556 (5)	*
James J. McGarry	9,599 (6)	*
John H. Merrell	10,673 (7)	*
Named Executive Officers:		
Michael H. Keown	55,144 (8)	*
Jeffrey A. Wahba	129,906 (9)	*
Patrick G. Criteser	21,645 (10)	*
Mark A. Harding	65,342 (11)	*
Thomas W. Mortensen	32,325 (12)	*
Hortensia R. Gómez	20,976 (13)	*
Larry B. Garrett	3,000 (14)	*
All directors and executive officers as a group (14 individuals)	3,948,044	24.2%

\*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.

Includes (i) shares of restricted stock which have not yet vested as of October 17, 2012, awarded under the Omnibus Plan over which the individuals shown have voting power but no investment power; and (ii) shares (2) which the individuals shown have the right to acquire upon the exercise of vested options as of October 17, 2012 or within 60 days thereafter as set forth in the table below. Such shares are deemed to be outstanding in calculating the

#PageNum#

---



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	—	—	5,464
Guenter W. Berger	—	—	7,669
Randy E. Clark	—	—	—
Jeanne Farmer Grossman	—	—	7,669
Martin A. Lynch	—	—	7,669
James J. McGarry	—	—	7,669
John H. Merrell (a)	—	—	3,286
Named Executive Officers:			
Michael H. Keown	—	—	40,144
Jeffrey A. Wahba	71,332	6,667	27,500
Patrick G. Criteser (b)	—	—	—
Mark A. Harding	36,404	11,271	11,363
Thomas W. Mortensen	9,034	3,035	12,000
Hortensia R. Gómez	9,468	3,468	3,832
Larry B. Garrett (c)	—	—	—
Other executive officers (d)	—	—	3,286

(a) Excludes 4,383 shares of restricted stock which are expected to be forfeited upon Mr. Merrell's ceasing to serve on the Board of Directors beyond the Annual Meeting.

(b) Excludes 4,862 shares of restricted stock and 62,138 shares subject to unvested stock options previously granted to Mr. Criteser which were forfeited upon Mr. Criteser's separation from the Company on June 29, 2012, and 112,138 shares subject to vested stock options which were not exercised within the terms of the award and cancelled.

(c) Excludes 9,900 shares of restricted stock and 20,230 shares subject to unvested stock options previously granted to Mr. Garrett and 482 unvested ESOP shares which were forfeited upon Mr. Garrett's separation from the Company on June 15, 2012, and 4,046 shares subject to vested options which were not exercised within the terms of the award and cancelled.

(d) Excludes 4,383 shares of restricted stock which are expected to be forfeited upon John M. Anglin stepping down as the Company's Secretary following the Annual Meeting.

(3) Includes 4,887 shares owned outright, 6,060 shares held in trust with voting and investment power shared by Mr. Berger and his wife, and 6,624 shares previously allocated to Mr. Berger under the ESOP which have been distributed to Mr. Berger and are now owned outright.

(4) Includes 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) 808,369 shares of Common Stock as sole trustee of the Jeanne F. Grossman Trust, dated August 22, 1997; (iii) 1,745,963 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 Carol Farmer Waite and/or Richard F. Farmer; (iv) 2,187 shares owned outright; and (v) 7,669 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 6,410,578 shares, as shown in the table above under the heading "Security Ownership of Certain Beneficial Owners."

Edgar Filing: FARMER BROTHERS CO - Form DEF 14A

- (5) Includes 4,887 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.
- (6) Includes 1,930 shares owned outright.
- (7) Includes 4,887 shares owned outright and 2,500 shares held in a revocable living trust with voting and investment power shared by Mr. Merrell and his wife.

#PageNum#

---

- (8) Includes 15,000 shares owned outright.
- (9) Includes 23,500 shares owned outright and 907 shares beneficially owned by Mr. Wahba through the ESOP, rounded to the nearest whole share.
- (10) Includes 18,384 shares owned outright and 3,261 shares beneficially owned by Mr. Criteser through the ESOP, rounded to the nearest whole share.
- (11) Includes 3,888 shares owned outright and 2,416 shares beneficially owned by Mr. Harding through the ESOP, rounded to the nearest whole share.
- (12) Includes 1,308 shares owned outright and 6,948 shares beneficially owned by Mr. Mortensen through the ESOP, rounded to the nearest whole share.
- (13) Includes 129 shares held in a trust over which Ms. Gómez has sole voting and investment power, 600 shares owned outright and 3,479 shares beneficially owned by Ms. Gómez through the ESOP, rounded to the nearest whole share.
- (14) Includes 3,000 shares owned outright.

#PageNum#

---

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
Thomas A. Maloof	Independent (5)
James J. McGarry	Independent (6)
John H. Merrell	Independent
Jeffrey A. Wahba	Not Independent(7)t (7)

Ms. Assadi was an employee of Farmer Bros. from 1983 to 2006, including serving as Tax Manager from 1995 to (1) 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.

Mr. Berger is the Chairman of the Board and former Chief Executive Officer of the Company. Mr. Berger is (2) entitled to certain retiree benefits generally available to Company retirees and the payment of life insurance premiums on his behalf by the Company as disclosed below under the heading “Director Compensation—Director Compensation Table.”

Ms. Grossman is the sister of Carol Farmer Waite, a former director, and the sister of the late Roy E. Farmer and (3) daughter of the late Roy F. Farmer, both of whom were executive officers of the Company more than three years ago.

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

(5) Mr. Maloof stepped down as a Class II director at the end of his term on December 8, 2011.

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 (6) 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.

Mr. Wahba is the Company’s Treasurer and Chief Financial Officer. He served as a Class I director from August (7) 30, 2011 to March 28, 2012, during which time he also served as the Company’s Interim Co-Chief Executive Officer.

Board Meetings and Attendance

The Board held twelve meetings during fiscal 2012, including four regularly scheduled and eight special meetings. During fiscal 2012, 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

#PageNum#

---

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 2011 Annual Meeting of Stockholders held on December 8, 2011 with the exception of Thomas A. Maloof who stepped down as a director at the 2011 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](http://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 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. 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 2012, the Audit Committee met six times. John H. Merrell serves as Chairman, and Hamideh Assadi and Martin A. Lynch 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 John H. Merrell, the Audit Committee Chairman. Mr. Merrell 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 2012, the Compensation Committee met seven times. James J. McGarry serves as Chairman, and Hamideh Assadi, Jeanne Farmer Grossman and John H. Merrell currently serve as members of the Compensation Committee. The Board has determined that all Compensation Committee members are independent under the NASDAQ listing standards<sup>58</sup> and the requirements of the SEC. Mr. Merrell intends to serve as a member of the Compensation Committee through the end of his term as a director at the Annual Meeting.



## 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 generally determined by the Compensation Committee annually 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 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 fiscal 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 success and achievement of individual goals for the period being assessed. Incentive compensation for Named Executive Officers is approved by the Compensation Committee or, upon recommendation of the Compensation Committee, submitted to the disinterested members of the Board for approval. Following determination of incentive compensation awards for the prior fiscal year, the Compensation Committee establishes individual and corporate 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 officer.

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 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 Named 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 2012, in connection with the hiring of Michael H. Keown as President and Chief Executive Officer, the Compensation Committee retained Mercer, an independent consultant, to provide advice regarding CEO compensation, market data and opinions on the appropriateness and competitiveness of our CEO compensation program relative to market practice. Mercer reported directly to the Compensation Committee in connection with



these services. Management coordinated payment to the consultant out of the Board of Directors' budget. During fiscal 2012, Mercer attended one of the seven Compensation Committee meetings.

• The Compensation Committee has authority to delegate any of the functions described above to a subcommittee of its members. No delegation of this authority was made in fiscal 2012.

• The Compensation Committee generally holds executive sessions (with no members of management present) at each of its regular meetings.

#PageNum#

---

#### Director Compensation

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

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

- The Compensation Committee has authority to evaluate and make recommendations to the Board regarding director compensation. The Compensation Committee conducts this evaluation periodically by reviewing our director compensation practices against the practices of an appropriate peer group and market survey information. Based on this evaluation, the Compensation Committee may determine to make recommendations to the Board regarding possible changes. The Compensation Committee has the authority to delegate any of these functions to a subcommittee of its members. No delegation of this authority was made in fiscal 2012.

The Compensation Committee has the authority to retain consultants to advise on director compensation matters; however no such consultants were engaged in fiscal 2012. No executive officer has any role in determining or recommending the form or amount of director compensation; provided, however, in fiscal 2011, in light of the Company's financial condition, upon the request of management, the Board agreed to a ten percent (10%) reduction in the non-employee director retainer for the fourth quarter of fiscal 2011 through the end of fiscal 2012.

The full Board serves as administrator under the Omnibus Plan with respect to equity awards made to non-employee directors.

#### Compensation Committee Interlocks and Insider Participation

During fiscal 2012, Hamideh Assadi, Jeanne Farmer Grossman, Thomas A. Maloof, James J. McGarry and John H. Merrell served as members of the Compensation Committee. Ms. Assadi was appointed to the Compensation Committee on May 30, 2012. Mr. Maloof served as Chairman and a member of the Compensation Committee through the end of his term as a director on December 8, 2011. Mr. McGarry was appointed Chairman of the Compensation Committee on December 8, 2011. No member of the Compensation Committee is an officer or former officer of the Company, was an employee of the Company during fiscal 2012, or has any relationship requiring disclosure by the Company as a related person transaction under SEC rules.

#### Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on the review and discussions, recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2012.

Compensation Committee  
of the Board of Directors  
James J. McGarry, Chairman  
Hamideh Assadi  
Jeanne Farmer Grossman  
John H. Merrell

#PageNum#

---

#### 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 2012, the Nominating Committee met two times regarding the nomination of directors for election at the 2011 Annual Meeting. James J. McGarry serves as Chairman, and Hamideh Assadi, Guenter W. Berger, Jeanne Farmer Grossman, Martin A. Lynch and John H. Merrell currently serve as members of the Nominating Committee. The Board has determined that all Nominating Committee members are independent under the NASDAQ listing standards.

#### Search Committee

In connection with the retirement of Roger M. Laverty III as President and Chief Executive Officer effective April 19, 2011, the Board formed a Search Committee to identify qualified candidates to serve as the Company's Chief Executive Officer. During fiscal 2012, Jeanne Farmer Grossman, Martin A. Lynch, James J. McGarry and John H. Merrell served as members of the Search Committee. During fiscal 2012, the Search Committee met eleven times. Upon appointment of Michael H. Keown as President and Chief Executive Officer of the Company, the Search Committee was disbanded.

#### 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 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 its slate of nominees should include: the Chief Executive Officer of the Company; one or more nominees with upper management experience with the Company, in the coffee industry, in a complementary industry or who have desired professional expertise; three nominees who are independent and have the requisite accounting or financial qualifications to serve on the Audit Committee; and at least three nominees who are independent and have executive compensation experience to serve on the Compensation Committee. All nominees should contribute substantially to the Board's oversight responsibilities 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 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. 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 in 2007 as Chief Executive Officer after more than 47 years of service with the Company in various capacities.

#PageNum#

---

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 comprised 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. Accordingly, the Board of Directors periodically evaluates its leadership structure to ensure that it remains the optimal structure for the Company and its stockholders.

#### 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 on a company-wide basis as part of its regular reviews, including as part of the strategic planning process and annual budget review and approval. Outside of 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 such address will be collected and organized by the Secretary and provided to the Board or the relevant director unless such communications are considered, in the reasonable judgment of the Secretary, to be inappropriate for submission to the intended recipient(s). Examples of stockholder communications that would be considered inappropriate for submission to the Board include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to the Company's business, or communications that relate to improper or irrelevant topics. The Secretary or his 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.

#PageNum#

---

## COMPENSATION DISCUSSION AND ANALYSIS

### Executive Summary

#### Fiscal 2012 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 2012 with respect to our Named Executive Officers which include five current and two former executive officers as set forth in the table below:

#### Current Executive Officers

Included Among Fiscal 2012 Named Executive Officers

Michael H. Keown(1)  
President and Chief Executive Officer

Jeffrey A. Wahba(2)  
Treasurer and Chief Financial Officer  
Former Interim Co-Chief Executive Officer

Mark A. Harding  
Senior Vice President of Operations

Thomas W. Mortensen(3)  
Senior Vice President of Route Sales

Hortensia R. Gómez  
Vice President, Controller and Assistant Treasurer

#### Former Executive Officers

Included Among Fiscal 2012 Named Executive Officers

Patrick G. Criteser(4)  
Former Interim Co-Chief Executive Officer  
Former President and CEO of Coffee Bean International, Inc. ("CBI")

Larry B. Garrett(5)  
Former General Counsel and Assistant Secretary

---

(1) Mr. Keown joined the Company on March 23, 2012. Messrs. Wahba and Criteser were appointed Interim Co-Chief Executive Officers effective April 19, 2011 subject to the Board's search for and consideration of a permanent Chief Executive Officer.

(2) Mr. Wahba stepped down as Interim Co-Chief Executive Officer on March 23, 2012.

(3) Mr. Mortensen was appointed Senior Vice President of Route Sales on March 28, 2012.

(4) Mr. Criteser stepped down as Interim Co-Chief Executive Officer on March 23, 2012 and separated from the Company on June 29, 2012.

(5) Mr. Garrett separated from the Company on June 15, 2012.

#### 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) for executive officers by reference to median compensation levels for comparable market reference points; 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 granted under the Omnibus Plan).

#### Fiscal 2012 Impact of Performance on Pay

In fiscal 2012, 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

#PageNum#

---



sale of capital assets, severance paid or payable to terminated employees, interest expense, depreciation and amortization, pension related expense and ESOP compensation expense, of \$16.0 million as a threshold to any bonus payout under the Incentive Plan. In fiscal 2012, loss from operations was \$(24.9) million compared to \$(68.4) million in fiscal 2011, due to improvement in gross profit and reduction in operating expenses. As a result, the Company achieved the operating cash flow threshold under the Incentive Plan, resulting in aggregate bonuses in the amount of \$575,897 to our current Named Executive Officers based on the extent of achievement of operating cash flow and individual participant goals. Messrs. Criteser and Garrett, former Named Executive Officers, received severance in fiscal 2012 based in part on their target awards pursuant to the terms of their respective employment agreements.

#### 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 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 2012, approximately 33-1/3% of target total direct compensation was in the form of equity; approximately 33-1/3% was base salary; and approximately 33-1/3% was short-term incentive cash compensation under the Incentive Plan.

For our Named Executive Officers (other than Mr. Keown), on average, in fiscal 2012 approximately 38% of target total direct compensation was in the form of equity; approximately 42% was base salary; and approximately 20% was short-term incentive cash compensation under the Incentive Plan.

None of the stock options previously granted by the Company have been exercised, and 239,581 of the 543,769 options outstanding as of October 17, 2012 are “in the money.”

#### Good Governance and Best Practices

Executive compensation is determined by the Compensation Committee which is comprised solely of independent directors. The Compensation Committee has authority to retain an independent compensation consultant to provide it with advice on matters related to executive compensation. In light of the Company’s current financial condition and the Compensation Committee’s intent not to make any material changes to the Company’s executive compensation program, the Compensation Committee did not retain a compensation consultant in fiscal 2012, with the exception of engaging Mercer, an independent consultant, 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.

The Company intends to provide competitive pay opportunities that reflect best practices. 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 3 years, or, in the case of restricted stock awards, cliff vest at the end of three years (with the exception of the mid-year equity awards made to Messrs. Wahba, Criteser and Harding and to Mr. Keown in connection with his initial employment, which have a shorter vesting period as described in more detail below);

- Maintains compensation programs that have a strong pay-for-performance orientation. For example, in fiscal 2011 and fiscal 2010, due to the Company’s failure to meet threshold operating cash flow, the Company did not

award any incentive bonuses (other than certain contractually obligated severance amounts based on target awards to certain departing executive officers);

• 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;

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; and

Monitors Company performance and adjusts compensation practices accordingly. For example, fiscal 2012 base salaries for the Company's Named Executive Officers did not increase from fiscal 2011 levels, with the exception of Mr. Mortensen, whose base salary increased in connection with his promotion in fiscal 2012. In addition, for fiscal 2013, other than cost of living adjustments for two Named Executive Officers and a base salary increase in the case of one Named Executive Officer whose base salary was determined by the Compensation Committee to be below market, none of the Company's current Named Executive Officers received an increase in base salary.

Consideration of Most Recent Stockholder Advisory Vote on Executive Compensation

In December 2011, 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 88% of the shares present or represented by proxy at the 2011 Annual Meeting casting votes in favor of the say-on-pay proposal. Accordingly, the Company did not change its approach to executive compensation in fiscal 2012. 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 proposals 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 a say-on-pay proposal to approve the compensation of our named executive officers every year.

#PageNum#

---

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 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 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 lead to the future success of the Company's business.
Long-Term Incentives	Variable equity-based compensation, to date consisting of a combination of stock options and restricted stock. 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 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 vacation, 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 executive life insurance, automobile allowance, relocation assistance, and other similar personal benefits. May be subject to adjustment in	Provide limited perquisites to facilitate the operation of the Company's business and assist the Company in recruiting and retaining key executives.

the event of a promotion or job change.

Assuming stockholder approval of the amendment to the Omnibus Plan to increase the number of shares available for issuance thereunder at the Annual Meeting, the Compensation Committee intends to maintain the equity based elements in the Company's executive compensation program in fiscal 2013. If stockholders fail to approve the amendment to the Omnibus Plan resulting in insufficient shares available for issuance thereunder 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.

#PageNum#

---

## 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 equity compensation awards. In exercising this authority, the Compensation Committee evaluates the performance of the Chief Executive Officer within the context of the overall performance of the Company. The information considered includes a summary of the Company's performance compared to annual measures, a listing of accomplishments in addition to the areas covered by these measures, and a listing and analysis of challenges or issues encountered during the year. The Compensation Committee also reviews and discusses the Chief Executive Officer's assessment of the performance of our other executive officers. The Compensation Committee is comprised 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. The Compensation Committee did not retain any such consultants in fiscal 2012, with the exception of engaging Mercer, a wholly owned subsidiary of Marsh & McLennan Companies, Inc. ("MMC"), 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. Mercer's fees for executive compensation consulting to the Compensation Committee in fiscal 2012 were \$25,000.

During fiscal 2012, management retained certain MMC affiliates to provide other services unrelated to executive compensation. The aggregate fees paid for these other services were approximately \$210,000, which generally consisted of professional consulting and brokerage services relating to employee benefits.

While neither the Compensation Committee nor the Board has historically approved such other services, because of the policies and procedures Mercer and the Compensation Committee have in place, the Compensation Committee believes that the advice it receives from the individual executive compensation consultant is objective and not influenced by Mercer's or its affiliates' relationships with the Company. These policies and procedures include:

- The consultant receives no incentive or other compensation based on the fees charged to the Company for other services provided by Mercer or any of its affiliates;
- The consultant is not responsible for selling other Mercer or affiliate services to the Company;
- Mercer's professional standards prohibit the individual consultant from considering any other relationships Mercer or any of its affiliates may have with the Company in rendering his or her advice and recommendations;
- The Compensation Committee has the sole authority to retain and terminate the executive compensation consultant;
- The consultant has direct access to the Compensation Committee without management intervention;
- The Compensation Committee evaluates the quality and objectivity of the services provided by the consultant and determines whether to continue to retain the consultant; and

• The protocols for the engagement (described below) limit how the consultant may interact with management. While it is necessary for the consultant to interact with management to gather information, the consultant follows certain protocols governing if and when the consultant's advice and recommendations can be shared with management. These protocols are included in the consultant's engagement letter. This approach protects the Compensation Committee's ability to receive objective advice from the consultant so that the Compensation Committee may make independent decisions about executive pay at the Company.

Prior to retaining Mercer in fiscal 2012 to advise on CEO compensation, 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

#PageNum#

---

#### Incentive Plan financial goals.

##### 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. Other members of the Company's management may attend Compensation Committee meetings for the purpose of making presentations at the invitation of the Compensation Committee.

##### Peer Group Market Information

The Compensation Committee compares the pay levels and programs for the Company's executive officers to compensation information from a relevant peer group as well as information from published survey sources. The Compensation Committee uses this comparative data as a reference 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 2012 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 of 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.

The Compensation Committee believes the 2012 peer group is appropriate because it represents a meaningful sample of comparable companies in terms of industry, annual revenue 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 2012 base salaries for the Named Executive Officers as follows:

Name	Fiscal 2012 Annual Base Salary(1)	Fiscal 2011 Annual Base Salary(1)	Fiscal 2012 Annual Base Salary Percent Change	
Michael H. Keown (2)	\$475,000	\$—	—	%
Jeffrey A. Wahba (3)	\$350,000	\$350,000	—	%
Patrick G. Criteser (3)	\$350,000	\$350,000	—	%
Mark A. Harding (4)	\$250,000	\$275,000	(9.1	)%
Thomas W. Mortensen (5)	\$250,000	\$191,942	33.5	%
Hortensia R. Gómez	\$184,500	\$184,500	—	%
Larry B. Garrett (6)	\$270,000	\$270,000	—	%

(1) Base salary as of the end of the applicable fiscal year without giving effect to base salary adjustments in fiscal 2011 and 2012 for Messrs. Wahba, Criteser and Harding as described in footnotes (3) and (4) below.

(2) Mr. Keown joined the Company as President and Chief Executive Officer on March 23, 2012. Actual fiscal 2012 base salary for Mr. Keown was prorated based on the commencement date of his employment.

Pursuant to the terms of their respective employment agreements with the Company, effective April 19, 2011, Messrs. Wahba and Criteser each received a base salary of \$350,000 per annum; however, for a period of six months starting April 19, 2011, they each received a base salary of \$315,000 per annum. On October 19, 2011, the annual base salary for each of them reverted to \$350,000.

Pursuant to the terms of a letter agreement with the Company, effective April 19, 2011, Mr. Harding received a base salary of \$275,000 per annum; however for a period of six months starting April 19, 2011, Mr. Harding (4) received a base salary of \$247,500. On October 19, 2011, Mr. Harding's annual base salary reverted to \$275,000, and on March 23, 2012, Mr. Harding's annual base salary reverted to \$250,000 in connection with the commencement of Mr. Keown's employment.

On March 28, 2012, the Board of Directors appointed Mr. Mortensen as Senior Vice President of Route Sales, responsible for the Company's national route sales organization. Prior to his promotion, he served as the Company's (5) Vice President, Sales (West). The increase in fiscal 2012 base salary reflects the increase in his job responsibilities from fiscal 2011. Actual fiscal 2012 base salary was prorated based on the date of Mr. Mortensen's promotion.

(6) Actual fiscal 2012 base salary for Mr. Garrett was prorated through his separation date.

#PageNum#



### 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 fiscal 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 officer.

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 and each individual assigned goal will be added up, and 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. Accordingly, no bonus is earned unless and until an award is actually made by the Compensation Committee after year-end.

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 2012, the Compensation Committee established target awards under the Incentive Plan based on a percentage of base salary for each Named Executive Officer, with the exception of Mr. Keown, whose target award was established pursuant to the terms of his employment agreement at the time he was hired, and Mr. Mortensen, whose target award was established pursuant to the terms of his employment agreement at the time he was promoted to Senior Vice President of Route Sales as described in the footnotes to the table below. 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.

#PageNum#

---

Fiscal 2012 bonus information for the Named Executive Officers is as follows:

Name	Fiscal 2012 Target Award (1)	Fiscal 2012 Target Award as Percentage of Fiscal 2012 Base Salary	Pro Rata Fiscal 2012 Target Award (2)	Corporate Performance Goals (Weight)	Individual Performance Goals (Weight) (3)	Fiscal 2012 Actual Bonus Award
Michael H. Keown	\$475,000	100%	\$ 129,781	80%	20%	\$ 132,247
Jeffrey A. Wahba	\$ 192,500	55%	\$—	80%	20%	\$ 187,880
Patrick G. Criteser(4)	\$ 192,500	50%	\$—	80%	20%	\$—
Mark A. Harding	\$ 129,952	50%	\$—	80%	20%	\$ 126,621
Thomas W. Mortensen	\$ 103,228	50%	\$ 74,437	80%	20%	\$ 73,424
Hortensia R. Gómez	\$ 55,350	30%	\$—	80%	20%	\$ 55,725
Larry B. Garrett(5)	\$ 135,000	50%	\$—	80%	20%	\$—

(1) Fiscal 2012 target award for Messrs. Harding and Mortensen based on average monthly base salary for fiscal 2012.

Mr. Keown's target award under the Incentive Plan is equal to one hundred percent (100%) of his base annual salary, prorated at 27.3% for fiscal 2012 based on the commencement date of his employment. Mr. Mortensen's fiscal 2012 target award under the Incentive Plan is equal to fifty percent (50%) of his base annual salary, prorated at 12.5% for fiscal 2012 based on the date of his promotion to Senior Vice President of Route Sales. Mr.

(2) Mortensen's pro rata fiscal 2012 target award also includes a prorated target award under a non-executive officer bonus plan in which he participated prior to his promotion.

Based on the commencement date of his employment, the Compensation Committee did not assign individual (3) goals to Mr. Keown, however based on the terms of his employment agreement, in calculating Mr. Keown's fiscal 2012 bonus award the Compensation Committee assigned a level of achievement of 100% to individual goals.

Although Mr. Criteser did not receive a fiscal 2012 bonus award, he received an amount equal to his fiscal 2012 (4) target award prorated through his separation date (\$191,973) as part of his severance pursuant to the terms of his employment agreement with the Company.

Although Mr. Garrett did not receive a fiscal 2012 bonus award, he received an amount equal to his fiscal 2012 (5) target award (\$135,000) as part of his severance pursuant to the terms of his resignation agreement with the Company.

In making final awards for fiscal 2012, the Compensation Committee first considered the Company's financial performance for fiscal 2012 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. After finding that threshold operating cash flow of \$16.0 million had been achieved in fiscal 2012, the Compensation Committee determined the percentage of achievement of operating cash flow to be 101.9%. Next, the Compensation Committee determined the achievement by each Named Executive Officer eligible to receive a bonus of his or her individually assigned goals. The Compensation Committee then multiplied the financial bonus percentage and the individual bonus percentage by the target awards, and approved the bonuses set forth in the table above. Total incentive compensation awards paid to the Company's Named Executive Officers for fiscal 2012 were \$575,897 (excluding amounts paid in severance to Messrs. Criteser and Garrett based in part on their target bonus awards as described in the footnotes to the table above), as compared to \$0 in fiscal 2011 due to the failure of the Company to meet threshold operating cash flow levels in fiscal 2011. The corporate and individual target levels for fiscal 2012 are considered confidential, the disclosure of which could cause competitive harm to us. 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.

#PageNum#

---

### Long-Term Incentives

The Omnibus Plan provides for the grant or issuance of long-term incentive awards including stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, performance-based awards, stock payments, cash-based awards or other incentives payable in cash or shares of stock, or any combination thereof. Each award is set forth in a separate agreement with the person receiving the award and indicates the type, terms and conditions of the award. The total number of shares available for issuance under the Omnibus Plan is 1,000,000, subject to amendment of the Omnibus Plan set forth in Proposal No. 4 below, to increase the number of shares authorized for issuance thereunder, 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 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. The Company generally expects to make annual long-term incentive awards under the Omnibus Plan to our executive officers, subject to approval of the amendment to the Omnibus Plan to increase the number of shares available for issuance thereunder at the Annual Meeting. 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 executives 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 that are subject to certain forfeiture restrictions. Restricted stock is designed as a retention device and to directly align the interests of the recipient and the Company's stockholders. The restricted stock is expected generally to vest at the end of three 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 2011, 65% of the value of each award consisted of stock options and 35% of the value of each award consisted of restricted stock.

While the Compensation Committee considers options to be an appropriate performance based vehicle given that the stock options have no value unless the stock increases above the price on the date of grant, the Compensation Committee intends to evaluate the use of other performance based vehicles, such as performance shares, in connection with future equity awards beginning in fiscal 2014.



On December 8, 2011, 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 2012 Annual Stock Option Grant (# of Shares of Common Stock Issuable Upon Exercise)	Fiscal 2012 Annual Restricted Stock Grant (# of Shares)
Michael H. Keown (1)	—	—
Jeffrey A. Wahba (2)	—	—
Patrick G. Criteser (2)	—	—
Mark A. Harding	12,138	6,900
Thomas W. Mortensen	3,035	1,070
Hortensia R. Gómez	3,468	2,300
Larry B. Garrett (3)	12,138	6,900

(1) Mr. Keown joined the Company as President and Chief Executive Officer on March 23, 2012.

(2) Pursuant to the terms of their employment agreements with the Company, Messrs. Wahba and Criteser received certain equity awards in fiscal 2011 in lieu of any additional equity awards in calendar 2011.

(3) Unvested and forfeited upon Mr. Garrett's separation from the Company on June 15, 2012.

The stock options shown in the table above have an exercise price per share of \$7.32, 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 8, 2018 and vest in one-third increments on each anniversary of the date of grant. The shares of restricted stock vest on December 8, 2014.

#PageNum#

---

On February 13, 2012, pursuant to employment agreements between the Company and each of Messrs. Wahba and Criteser, and a letter agreement between the Company and Mr. Harding, the Compensation Committee made the following grants of non-qualified stock options and restricted stock under the Omnibus Plan (collectively, the “February 2012 Grants”):

Name	Stock Option Grant (# of Shares of Common Stock Issuable Upon Exercise)	Restricted Stock Grant (# of Shares)
Jeffrey A. Wahba (1)	65,000	20,000
Patrick G. Criteser (2)	85,000	—
Mark A. Harding (3)	20,000	—

Restricted stock and stock options vest on the first anniversary of the grant date, subject to certain acceleration (1) provisions set forth in the employment agreements between Mr. Wahba and the Company and the applicable award agreement.

Of the 85,000 shares, 50,000 unvested shares were cancelled upon Mr. Criteser’s separation from the Company on (2) June 29, 2012, and 35,000 shares the vesting of which was accelerated to June 29, 2012 pursuant to the terms of Mr. Criteser’s employment agreement, were not exercised within the terms of the award and cancelled.

Stock options vest on the first anniversary of the grant date, subject to certain acceleration provisions set forth in a (3) letter agreement between the Company and Mr. Harding and the applicable award agreement.

The stock options shown in the table above have an exercise price per share of \$10.82, 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 February 13, 2019. The restricted stock and stock options vest as indicated in the footnotes to the table above. These equity awards were granted to Messrs. Wahba, Criteser and Harding to retain the services of and motivate these officers during the CEO transition period

On May 11, 2012, pursuant to employment agreements between the Company and each of Messrs. Keown and Mortensen, the Compensation Committee made the following grants of non-qualified stock options and restricted stock under the Omnibus Plan (collectively, the “May 2012 Grants”):

Name	Stock Option Grant (# of Shares of Common Stock Issuable Upon Exercise)	Restricted Stock Grant (# of Shares)
Michael H. Keown(1)	70,000	33,314
Thomas W. Mortensen(2)	20,000	10,000

14,584 shares of restricted stock vest on May 11, 2013; 10,560 shares of restricted stock vest on May 11, 2014; (1) 8,170 shares of restricted stock vest on May 11, 2015; and all of the stock options vest ratably over three years on the anniversary of the grant date, in each case, subject to certain acceleration provisions set forth in the employment agreement between Mr. Keown and the Company and the applicable award agreement.

Restricted stock vests on May 11, 2015 and stock options vest ratably over three years on the anniversary of the (2) grant date, subject to certain acceleration provisions set forth in the applicable award agreement.

The stock options shown in the table above have an exercise price per share of \$6.96, 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 11, 2019. The restricted stock and stock options vest as indicated in the footnotes to the table above. The equity awards shown in the table above granted to Mr. Keown were an inducement to his joining the Company. The equity awards shown in the table above granted to Mr. Mortensen were granted in connection with his promotion to Senior Vice President of Route Sales.

None of the stock options previously granted by the Company have been exercised, and 239,581 of the 543,769 stock options outstanding as of October 17, 2012 are “in the money.”

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

#PageNum#

---



service to the Company within twelve consecutive months. A participant's interest in the ESOP becomes one hundred percent vested after five years of service to the Company. Benefits are distributed from the ESOP at such time as a participant retires, dies or terminates service with the Company in accordance with the terms and conditions of the ESOP. Benefits may be distributed in cash or in shares of Common Stock. No participant contributions are allowed to be made to the ESOP.

Company contributions to the ESOP may be in the form of Common Stock or cash. Alternatively, the ESOP can borrow money from the Company or an outside lender and use the proceeds to purchase Common Stock. Shares acquired with loan proceeds are held in a suspense account and are released from the suspense account as the loan is repaid. The loan is repaid from the Company's annual contribution to the ESOP. The shares of Common Stock that are released are then allocated to participants' accounts in the same manner as if they had been contributed to the ESOP by the Company. The allocation of ESOP assets is determined by a formula based on participant compensation during the calendar year. The ESOP is intended to satisfy applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the Employee Retirement and Income Security Act of 1974. Pursuant to a Schedule 13G/A filed with the SEC on February 13, 2012, as of December 31, 2011, the ESOP owned of record 2,675,341 shares of Common Stock, including 1,763,742 allocated shares and 911,599 shares as yet unallocated to plan participants. An unaffiliated bank is trustee of the ESOP. The present members of the ESOP Administrative Committee are Jeffrey A. Wahba, Hortensia R. Gómez and Patrick Quiggle.

Our executive officers participate in the ESOP in the same manner as all other participants. In calendar 2012, the Company's Named Executive Officers received the following ESOP allocations based on compensation earned during calendar 2011:

Name	2012 ESOP Allocation(# of Shares)
Michael H. Keown(1)	—
Jeffrey A. Wahba	545
Patrick G. Criteser	545
Mark A. Harding	434
Thomas W. Mortensen	425
Hortensia R. Gómez	545
Larry B. Garrett(2)	545

(1) Mr. Keown joined the Company as President and Chief Executive Officer on March 23, 2012, and therefore did not receive an ESOP allocation in calendar 2012.

(2) Unvested and forfeited upon Mr. Garrett's separation from the Company on June 15, 2012.

#### 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, 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

#PageNum#

---

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 available to employee executive officers include an automobile allowance. In addition, certain executive officers who were employed prior to the freeze of the plan are entitled to benefits under an executive life insurance plan. Additionally, during fiscal 2012, pursuant to their employment agreements with the Company, the Board of Directors approved relocation payments to Mr. Keown and Mr. Garrett of \$27,705 (including a related tax gross-up of \$10,205) and \$2,576, respectively, and a total temporary housing allowance to Mr. Garrett of \$3,803, 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 agreements with Messrs. Critser and Garrett automatically expired in connection with their separation from the Company. In connection with his employment by the Company, the Company and Mr. Keown entered into a change in control agreement effective March 23, 2012. In connection with his promotion to Senior Vice President of Route Sales, the Company entered into a change in control agreement with Mr. Mortensen on April 4, 2012.

Pursuant to the terms of their employment agreements, Messrs. Keown, Wahba 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 Messrs. Critser and Garrett in connection with their separation from the Company in fiscal 2012, is set forth below under the heading “Executive Compensation—Change in Control and Termination Arrangements.”

##### Equity Awards

Under the terms of the stock option and restricted stock awards, in the event of death or disability a prorata portion (determined based on the actual number of service days during the vesting period divided by the total number of days during the vesting period) of any unvested stock options and restricted stock will be deemed to have vested immediately prior to the date of death or disability and, in the case of the restricted stock, will no longer be subject to forfeiture. 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, 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

#PageNum#

---

Company, or a Successor Entity (as defined in the Omnibus Plan), 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 February 2012 Grants to Messrs. Wahba, Criteser and Harding and the May 2012 Grant to Mr. Keown are 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 their respective employment agreements or arrangements 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, and to retain the services of and motivate Messrs. Wahba, Criteser and Harding during the CEO transition period.

#### 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.

Stock that counts toward satisfaction of these guidelines includes: (i) shares of Common Stock owned outright by the officer or non-employee director and his or her immediate family members who share the same household, whether held individually or jointly; (ii) restricted stock or restricted stock units (whether or not the restrictions have lapsed); (iii) ESOP shares; and (iv) shares of Common Stock held in trust for the benefit of the officer or non-employee director or his or her family. Until the applicable guideline is achieved, each officer and non-employee director is required to retain all “profit shares,” which are those shares remaining after payment of taxes on earned equity awards under the Omnibus Plan, such as shares granted pursuant to the exercise of vested options and restricted stock that has vested. Officers and non-employee directors are expected to continuously own sufficient shares to meet these guidelines once attained.

##### 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

#PageNum#

---

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 Section 162(m) of the Internal Revenue Code

Section 162(m) of the Code places a \$1 million limit on the amount of compensation the Company may deduct for tax purposes in any year with respect to each of the Named Executive Officers, except that performance-based compensation that meets applicable requirements is excluded from the \$1 million limit. The Company's executive compensation program is designed to maximize the deductibility of compensation. However, when warranted due to competitive or other factors, the Compensation Committee may decide in certain circumstances to exceed the deductibility limit under Section 162(m) or to otherwise pay non-deductible compensation. There were no such circumstances in fiscal 2012.

##### Section 409A of the Internal Revenue Code

Section 409A of the Code requires that "nonqualified deferred compensation" be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of deferral elections, timing of payments and certain other matters. Failure to satisfy these requirements can expose employees and other service providers to accelerated income tax liabilities and penalty taxes and interest on their vested compensation under such plans. Accordingly, as a general matter, 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 either 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 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.

#PageNum#

---

## 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	50	President and Chief Executive Officer	2012
Jeffrey A. Wahba	56	Treasurer and Chief Financial Officer	2010
Mark A. Harding	52	Senior Vice President of Operations	2010
Thomas W. Mortensen	59	Senior Vice President of Route Sales	2012
Hortensia R. Gómez	55	Vice President, Controller and Assistant Treasurer	2009
John M. Anglin	65	Secretary	2003

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.

Jeffrey A. Wahba joined the Company in June 2010 as Treasurer and Chief Financial Officer. He served as Interim Co-Chief Executive Officer from April 19, 2011 to March 23, 2012. While serving as the Interim Co-Chief Executive Officer and CFO, Mr. Wahba has had direct oversight responsibility for all financial, accounting, legal, information systems, human resources, compliance and green coffee purchasing functions of the Company, as well as oversight of the Company's Spice Products division. Prior to joining Farmer Bros., Mr. Wahba was Chief Financial Officer of Nero AG, a consumer software company from 2009 through May 31, 2010. Prior to that, Mr. Wahba was Chief Financial Officer and Secretary of HireRight, Inc., an employment background screening provider, from 2006 to 2008. From 1986 to 2006, Mr. Wahba was Chief Financial Officer of the Henry Group of Companies, a manufacturer of building products and distributor of premium wines. Mr. Wahba's prior experience includes serving as Chief Financial Officer of Vault Corp., a software security firm, and as Controller of the International Division of Max Factor and Co., a cosmetics manufacturer. Mr. Wahba holds a B.S. in Industrial Engineering and an M.S. in Engineering Management and Industrial Engineering from Stanford University, and an M.B.A. from the University of Southern California.

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 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 33 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 29 years of experience in management, accounting and finance positions. Ms. Gómez graduated from the University of California at Los Angeles.

#PageNum#

---

John M. Anglin has served as Secretary of Farmer Bros. since 2003. He served as a member of the Company's Board of Directors from 1985 until 2003. In addition to his role at Farmer Bros., Mr. Anglin is a partner in the Pasadena-based law firm of Anglin, Flewelling, Rasmussen, Campbell & Trytten LLP ("AFRCT"), where his practice is concentrated in the corporate and real estate areas. Prior to this, Mr. Anglin was a partner of Walker Wright Tyler & Ward, LLP, Los Angeles, California from 1978 to 2002 (managing partner from 1994 to 2000). Mr. Anglin received his undergraduate and law degrees from the University of Southern California. AFRCT provided legal services to the Company in fiscal 2012 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 2013. Mr. Anglin has informed the Board of Directors that he intends to step down as Secretary of the Company following the Annual Meeting.

#### 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) President and Chief Executive Officer	2012	158,891	—	231,865	240,800	132,247	—	29,179	792,982
Jeffrey A. Wahba (2) Treasurer and CFO	2012	344,827	—	216,400	349,050	187,880	—	11,688	1,109,844
Former Interim Co-CEO	2011	306,693	—	81,135	419,400	—	—	4,196	811,424
Patrick G. Criteser (3) Former President and CEO of CBI	2010	47,939	—	50,340	124,080	—	—	—	222,359
Former Interim Co-CEO	2012	353,152	—	—	456,450	—	48,690	554,243	1,412,535
Mark A. Harding (4) Senior VP of Operations	2011	266,240	—	154,088	355,167	—	22,596	2,065	800,158
Thomas W. Mortensen (5) Senior VP of Route Sales	2012	260,567	—	50,508	151,582	126,621	23,699	8,116	621,093
Hortensia R. Gómez (6)	2011	249,632	—	54,090	201,567	—	20,096	5,776	531,161
	2012	210,814	—	77,432	79,847	73,424	164,175	8,616	614,308
	2012	189,974	—	16,836	12,624	55,725	33,098	6,775	315,032
	2011	184,535	—	18,030	28,334	—	21,530	6,782	259,211

Vice President, Controller and Assistant Treasurer	2010	180,073	—	9,794	21,294	—	29,263	11,269	251,693
Larry B. Garrett (7) Former General Counsel and Assistant Secretary	2012	286,609	—	50,508	44,182	—	—	364,115	745,414
	2011	145,574	—	54,090	99,167	—	—	12,026	310,858

Mr. Keown joined the Company as President and Chief Executive Officer on March 23, 2012. The amount (1) reported in column I for fiscal 2012 includes relocation assistance of \$17,500, a related tax gross-up of \$10,205 and an automobile allowance.

Mr. Wahba joined the Company as Treasurer and Chief Financial Officer on June 1, 2010. In addition to serving as Treasurer and Chief Financial Officer, Mr. Wahba served as Interim Co-Chief Executive Officer from April 19, (2) 2011 to March 23, 2012. The amounts shown in the table for fiscal 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

#PageNum#

---

2012 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 2012 and has been excluded from the table.

In addition to serving as President and CEO of CBI, Mr. Criteser served as Interim Co-Chief Executive Officer from April 19, 2011 to March 23, 2012. Prior to his appointment as Interim Co-Chief Executive Officer, Mr. Criteser was not considered an executive officer of the Company. Mr. Criteser separated from the Company on June 29, 2012. The amounts shown in the table for fiscal 2012 and 2011 reflect Mr. Criteser's compensation for all services rendered in all capacities to the Company and its subsidiaries for the full fiscal year. The amount reported in column I for fiscal 2012 includes: (a) amounts paid in connection with Mr. Criteser's separation from the Company pursuant to the terms of the Amended and Restated Employment Agreement, effective as of February 13, 2012 (the "Criteser Amended and Restated Employment Agreement"), between Mr. Criteser and the Company, consisting of severance payments to be made in fiscal 2013 (\$350,000), and an amount equal to his fiscal 2012 target award under the Incentive Plan prorated through his separation date (\$191,973); (b) accumulated paid days off; (c) an ESOP allocation. The total value of all perquisites and other personal benefits did not exceed \$10,000 in fiscal 2012 and has been excluded from the table.

On August 26, 2010, the Board of Directors designated Mr. Harding as an executive officer of the Company. The amount reported in column I for fiscal 2012 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 2012 and has been excluded from the table.

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 2012 includes life insurance premiums, 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 2012 and has been excluded from the table.

The amount reported in column I for fiscal 2012 includes life insurance premiums, 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 2012 and has been excluded from the table.

Mr. Garrett joined the Company as General Counsel and Assistant Secretary on December 10, 2010 and separated from the Company on June 15, 2012. The amount reported in column I for fiscal 2012 includes: (a) amounts paid in connection with Mr. Garrett's separation from the Company pursuant to the terms of the Resignation Agreement, dated July 20, 2012 (the "Garrett Resignation Agreement"), between Mr. Garrett and the Company, consisting of severance payments to be made in fiscal 2013 (\$270,000), reimbursement of applicable documentary transfer taxes and real estate broker's commissions on the sale of his residence (\$50,434), and legal fee reimbursement; (b) accumulated paid days off (\$15,629); (c) an ESOP allocation; (d) the Company's matching contribution under the 401(k) Plan; (e) an automobile allowance; and (f) relocation assistance.

#### 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 10 to our audited consolidated financial statements for the fiscal year ended June 30, 2012 included in our Annual Report on Form 10-K filed with the SEC on September 10, 2012, 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 10 to

#PageNum#

---

our audited consolidated financial statements for the fiscal year ended June 30, 2012 included in our Annual Report on Form 10-K filed with the SEC on September 10, 2012, 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 change in pension value reported in column H were generated by the combination of increases in the accrued pension benefit and change in conversion of that benefit to a present value. Accrued pension benefits for each of the Named Executive Officers eligible to participate in the pension plan were calculated based on the final average pay times years of service as of the end of the fiscal year. Accrued benefits as of the end of each fiscal year increased over accrued benefits as of the end of the prior fiscal year because an additional year of service was included and because the averages of the most recent five years of pay were greater than the averages as of one year earlier. The conversion to a present value produced a further increase because normal retirement age, the assumed commencement of benefits, was one year closer. The present value conversion can also cause an increase or decrease in value due to changes in actuarial assumptions. The discount rate used to calculate present values decreased from 5.60% as of the end of fiscal 2011 to 4.55% as of the end of fiscal 2012, producing an increase in the present value. In fiscal 2011, we significantly modified our retirement-benefit program. Specifically, we amended our defined benefit pension 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. Due to the pension freeze, Messrs. Keown, Wahba and Garrett were 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 executive life insurance plan; allocations under the ESOP; dividends on restricted stock (in fiscal 2011 and 2010 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 2012.

**GRANTS OF PLAN-BASED AWARDS**

#PageNum#

---

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	—	—	129,781	129,781(7)	—	—	—	—	—
Time Based	Omnibus Plan	05/11/12	02/08/12	—	—	—	25,144	—	—	6.96
	Omnibus Plan	05/11/12	02/08/12	—	—	—	8,170	—	—	6.96
	Omnibus Plan	05/11/12	02/08/12	—	—	—	—	70,000	6.96	3.44
Jeffrey A. Wahba	Annual Cash Incentive Bonus									