

1 LOEB & LOEB LLP
ANDREW S. GARB (State Bar No. 041355)
2 DAVID C. NELSON (State Bar No. 126060)
ADAM F. STREISAND (State Bar No. 155662)
3 10100 Santa Monica Boulevard, Suite 2200
Los Angeles, California 90067-4164
4 Telephone: 310-282-2000
Facsimile: 310-282-2200
5 E-Mail: astreisand@loeb.com

6 Attorneys for Petitioner
STEVEN D. CROWE, a beneficiary

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**LOS ANGELES
SUPERIOR COURT**

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 FOR THE COUNTY OF LOS ANGELES

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In the Matter of the)
ROY E. FARMER I CHILDREN'S TRUST,)
pursuant to Children's Trust Agreement,)
dated October 24, 1957.)

Case No. **EP079060**
PETITION TO REMOVE AND
SURCHARGE ROY F. FARMER,
TRUSTEE OF CHILDREN'S TRUST,
UNDER PROBATE CODE SECTIONS
17200 AND 15642

*June 11, 2003
Dept 11 9:15 AM*

1 Petitioner Steven D. Crowe, a beneficiary of the Roy E. Farmer I Children's
2 Trust (the "Children's Trust"), a true and correct copy of which is attached hereto as
3 Exhibit 1, complains of its trustee, Roy F. Farmer ("Roy II"), and hereby alleges on the
4 basis of Mr. Crowe's personal knowledge or information and belief as follows:

5 **INTRODUCTION**

6 1. Roy E. Farmer I ("Roy I") founded a coffee company in 1912. In
7 1923, he incorporated Farmer Bros. Co. ("Farmer Bros.") in California. Farmer Bros.
8 went public in 1951 when the Farmer family sold approximately 44% of the company to
9 the public to establish a value and pay the estate taxes of Roy I at his death. Farmer Bros.
10 roasts coffee beans and now distributes 300 different coffee and food-related products to
11 hotels, restaurants, fast-food chains, convenience stores and hospitals in 28 states.

12 2. Roy I was married to Elizabeth H. Farmer. They had two children,
13 Roy II and Catherine Crowe. Both Roy I and Elizabeth Farmer always intended that the
14 fortune they amassed, consisting mainly of stock in Farmer Bros., would be shared
15 equally as between their two children, and their children's children. But as the elder child
16 and the only son, Roy II was entrusted with responsibility over Farmer Bros. and the
17 various trusts that were created to benefit Roy II, Catherine Crowe and the grandchildren.

18 3. This Petition is merely a sketch of what is a long and sordid tale of
19 treachery by Roy II. He took advantage of his mother, then his sister, and finally, his
20 niece and nephew, to make absolutely certain that the company that Roy I and Elizabeth
21 Farmer founded would end up firmly in the hands of Roy II's family. Roy II believes as
22 surely as he is Roy I's namesake that he has every right and entitlement to use and to
23 misuse the family trusts to benefit the Farmer side of the family and to freeze out the
24 Crowes.

25 4. Petitioner Steven Crowe is therefore left with no choice. He brings
26 this Petition to Remove and Surcharge Roy II based on the facts alleged hereafter. Similar
27 petitions have been filed concurrently to remove Roy II as trustee of related trusts.

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THE PARTIES AND JURISDICTION OF THE COURT

5. Petitioner Steven D. Crowe is an individual who resides in Los Angeles County. He is an income and residual beneficiary under Trust B of the Children's Trust. Petitioner is also a beneficiary of related trusts of which Roy II is trustee.

6. Respondent Roy F. Farmer (Roy II) is an individual who resides in Los Angeles County. He is the trustee of the Children's Trust, including Trust B thereof. Los Angeles County is the principal place of administration of the Children's Trust. Roy II is also the trustee of other trusts that benefit Petitioner and the Crowe side of the family. Roy II is Chairman of the Board of Directors of Farmer Bros.

7. Pursuant to Probate Code sections 17000, 17003, 17005, and 17200, this Court has jurisdiction over Respondent and the subject matter of this Petition, and this Court is the proper venue for such proceedings.

THE CHILDREN'S TRUST

8. When Roy I died, he was survived by his wife, Elizabeth, and their two children, Roy II and Catherine E. Farmer (now Catherine Crowe). At Roy I's death, half of the 56% of Farmer Bros. Retained by the Farmers after going public was owned by Elizabeth as her share of community property. The other half of the stock was distributed to a trust (the "Roy I Trust"). Elizabeth was the trustee and income beneficiary of the Roy I Trust during her lifetime. At Elizabeth's death, the corpus of the Roy I Trust was to be divided equally between Roy II and Catherine Crowe. It was Roy I's clear intention that his two children, Roy II and Catherine, be treated equally under his estate plan.

9. In 1957, the Court terminated the Roy I Trust, and ordered Elizabeth Farmer to distribute Farmer Bros. stock in the trust to Roy II and Catherine Crowe personally in equal amounts. The Court also ordered Elizabeth Farmer and Roy II to create the Children's Trust for the benefit of Roy I's grandchildren funded with Farmer Bros. stock from the Roy I Trust. Roy II executed the Children's Trust Agreement on October 24, 1957. The Court also ordered Elizabeth to turn over 195,153 shares of Farmer Bros. to Roy II, as trustee of the Children's Trust. Under the terms of the Children's Trust

1 Agreement, the Children's Trust is divided into two mirror-image trusts, one for the
2 benefit of the children of Roy II (Trust A), and one for the benefit of Catherine Crowe's
3 children (Trust B). Roy II is the trustee of both Trust A and Trust B.

4 10. Catherine Crowe has two children: Janis and Petitioner Steven
5 Crowe. The trust estate of Trust B is divided in half as between Janis and Steven. As
6 trustee, Roy II is required to make monthly or other convenient installments of net
7 income to Janis and Steven Crowe. The Children's Trust terminates upon the last to die
8 of Roy II and Catherine Crowe. If Janis or Steven Crowe die before termination, the
9 deceased child's share is divided among his or her children, and those children receive the
10 monthly or other convenient installments of net income. If Janis or Steven were to die
11 before termination without issue, the deceased child's share augments the survivor's
12 share. Upon termination, the principal and undistributed income of Trust B is to be
13 distributed out of trust in proportion to the persons then entitled to receive income
14 distributions from Trust B.

15 11. If Roy II ceases to be trustee for any reason, two successor trustees
16 shall be appointed: Security First National Bank in Los Angeles (which no longer exists)
17 and a person appointed by the Farmer Bros. Board of Directors. The Board has the right
18 to discharge the corporate trustee and to replace it with a national bank headquartered in
19 Los Angeles of the Board's own choosing.

20 ALLEGATIONS COMMON TO ALL CLAIMS

21 A. ROY II HATCHES HIS PLAN

22 12. Roy I died in 1951. Following Roy I's death, the Court ordered his
23 stock distributed to Roy II and Catherine Crowe. The Court also ordered Roy I stock
24 distributed to a Children's Trust to benefit the children of Roy II and Catherine Crowe,
25 including Petitioner and his sister, Janis. In the same year, Roy II pressured Catherine
26 Crowe to execute a Voting Trust Agreement on the bogus threat that she would otherwise
27 not receive her share of her father's stock. The Voting Trust gave Roy II control over the
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1 voting rights of Mrs. Crowe's stock for a period of 21 years, the longest period then legally
2 permissible for such agreements.

3 13. In 1964, Elizabeth Farmer wanted to create trusts to benefit all of her
4 grandchildren. It was her stated intention to Petitioner on several occasions that all her
5 stock in Farmer Bros. be inherited equally by her grandchildren. At the request of Roy II,
6 Mr. Harlan Moore, a Farmer Bros. employee, drafted mirror image trusts for the
7 grandchildren, including the 1964 Trust. Elizabeth Farmer established the 1964 Trust to
8 benefit her grandson, Petitioner Steven D. Crowe. The 1964 Trust has been funded with
9 32,175 shares of Farmer Bros. stock. Elizabeth Farmer designated Roy II, Petitioner's
10 uncle, as trustee. The 1964 Trust directs Roy II to pay net income quarterly to Petitioner.

11 14. The trusts created by Elizabeth Farmer in 1964 for Roy II's children,
12 empowered Roy II to appoint the remainder of the trusts to his children or grandchildren.
13 Remarkably, the 1964 Trust, which is supposed to benefit Petitioner, also inexplicably
14 empowered Roy II to appoint the remainder of the 1964 Trust only to his own children.

15 15. In 1965, Elizabeth Farmer had to sue Roy II, as trustee of the 1964
16 Trust, and obtain a court judgment against him, in order to force a change. Mr. Harlan
17 Moore submitted a declaration under oath claiming that he made a mistake in the
18 drafting. The court judgment, which is attached hereto as Exhibit 2, reformed the 1964
19 Trust to require Roy II to exercise the power of appointment in favor of Catherine Crowe's
20 children or grandchildren.

21 16. Notwithstanding Mr. Moore's claim that this was a drafting mistake,
22 when Elizabeth Farmer created a new trust in 1969 to benefit Petitioner, the instrument
23 once again granted Roy II with a limited power of appointment of the remainder of the
24 trust to exercise only in favor of his own children. After this new fraud was uncovered,
25 Roy II purported to make amends by exercising his power of appointment under the 1969
26 trust in favor of Catherine Crowe's children. On April 26, 1970, Roy II executed a most
27 peculiar document.

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1 17. Roy II exercised the power of appointment in favor of Petitioner's
2 children, or if none, Janis, or if she were not living, to her children. Not only does the
3 document violate the terms of the 1969 trust, it is also a farce, as it would appoint these
4 beneficiaries to receive only income, and only an amount accruing between Petitioner's
5 death and Roy II's death. Of course, Roy II is a generation older than Petitioner; Roy II
6 would almost certainly predecease Petitioner. Thus, it would almost undoubtedly be the
7 case that Mrs. Crowe's issue would get nothing. Petitioner is informed and believes that
8 Elizabeth Farmer again found out that Roy II had played tricks with her estate plan, and
9 that Roy II used this worthless document to convince Elizabeth that this "error" had been
10 corrected and to dissuade her from suing again.

11 18. In 1972, Elizabeth Farmer again executed a trust to benefit
12 Petitioner, and incredibly (or perhaps not so incredibly) it had the same "mistake" all over
13 again. This time, Petitioner discovered the "mistake," confronted Roy II about it, and the
14 1972 trust was modified to provide Catherine Crowe a power of appointment in favor of
15 her children, as Elizabeth Farmer always intended.

16 19. Roy II's abuse of his own mother is itself shocking. But, Roy II's
17 ruthless, cold-hearted conduct to benefit the Farmers over the Crowe side of the family
18 has continued unabated. In 1974, Roy II requested a meeting with Catherine Crowe,
19 Petitioner, and Roy II's trust lawyer. At that meeting, Roy II stated that he wanted the
20 Farmers and the Crowes to buy the remainder of Elizabeth Farmer's stock in Farmer
21 Bros. Roy II demanded that Catherine, Petitioner and Petitioner's sister, Janis, use their
22 own money to buy the shares from Mrs. Farmer, but turn the voting rights for the stock
23 over to him in trust. When Catherine and the Petitioner balked, Roy II stormed out in a
24 rage. The trust lawyer asked Catherine and Petitioner to attend to follow-up meeting
25 several weeks later where he repeated the request. Roy II did not even bother to attend
26 the follow-up meeting.

27 20. In 1976, Roy II had Petitioner fired from Farmer Bros. Petitioner
28 had been working at Farmer Bros. since 1969 in various line and management capacities.

1 When Petitioner returned to work from a serious illness to attend an important meeting,
2 his immediate superior, Guenter Berger, terminated Petitioner without explanation. Mr.
3 Berger was later promoted to Vice President and appointed to the Board of Directors of
4 Farmer Bros. by Roy II. When Petitioner called Roy II to discuss the matter, Roy II
5 refused to come to the telephone or to schedule a meeting with Petitioner.

6 B. THE PROXY FIGHT

7 21. In 1978, the Voting Trust that allowed Roy II to exercise control over
8 Catherine Crowe's stock terminated by its terms. Both Catherine and Petitioner believed
9 that Roy II had kept them increasingly isolated from Farmer Bros. while the Voting Trust
10 was in effect. As a result, Mrs. Crowe expressed to her brother, Roy II, an interest in
11 occupying a seat on the Board of Directors to participate in the company and represent
12 the interests of her family. Roy II responded angrily and in writing to Mrs. Crowe's
13 attorney that he would never allow it. Roy II issued this decree, despite the fact that (a)
14 Catherine Crowe was the largest individual shareholder of the company, (b) she
15 represented 23 percent of the stock in combination with her children, (c) she had
16 sufficient experience based on her years of employment with the company, (d) at the
17 time, that there was no family member in management or on the Board to represent the
18 Farmer and Crowe family's 56 percent combined interest if Roy II died, and (e) Catherine
19 Crowe was his only sibling.

20 22. So in 1981, Catherine Crowe (with Petitioner's active support)
21 decided to assert her rights. She mounted a proxy fight to win a seat on the Board.
22 Several large public shareholders supported Mrs. Crowe's candidacy. Before
23 campaigning for a seat on the Board, Catherine Crowe and Petitioner met with Elizabeth
24 Farmer, the family matriarch, to ask for her blessing. Mrs. Crowe explained that she had
25 no interest in ever attempting to wrest control of the company from Roy II or his side of
26 the family, but she did believe that it was about time that she have an opportunity to
27 represent her own interests and those of her children. Elizabeth Farmer gave her
28 blessing. The Crowes published their objectives and reasons for the proxy battle in a

1 public statement to the shareholders in 1981. In that statement, the Crowes explained
2 that they did not want to take control of the company away from the Farmers.

3 **23. Remarkably, Roy II, as trustee of the Children's Trust (and**
4 **related trusts), voted the Crowe shares against Catherine Crowe's candidacy.**

5 24. Notwithstanding, the shareholders elected Catherine Crowe to a seat
6 on the Board. Consistent with her promise, Mrs. Crowe never made any attempt in her
7 20 years on the Board to take control away from her brother or his family.

8 25. Nevertheless, Roy II was enraged and his anger has never subsided.
9 Immediately after the proxy fight, Roy II forced the two members aligned with him on the
10 Board to increase Roy II's salary tenfold. By the next Board meeting, Roy II had come to
11 realize the ramifications of his rash behavior, and the Board agreed to rescind the salary
12 increase and to expunge the entire matter from the Board minutes.

13 26. During the 1981 proxy fight to elect Catherine to the Board, Roy II
14 convinced Elizabeth Farmer to change her Will. Even though Elizabeth Farmer had given
15 her blessing to Catherine Crowe and to Petitioner, the Will was changed so that Janis and
16 Steven Crowe inherited none of Elizabeth Farmer's remaining 85,000 shares of Farmer
17 Bros. stock. Roy II never disclosed these events. Catherine Crowe and her children only
18 found out when Elizabeth Farmer died in 1985.

19 27. In 1993, at his mother's request, Petitioner wrote to Roy II and asked
20 to be allowed to come back to the company in some capacity. Petitioner received no
21 response. He called and spoke to Roy III, who told him it would never happen, that Roy
22 II had not forgiven Petitioner for the proxy fight that occurred 12 years earlier.

23 28. In 1999, Roy II caused the Farmer Bros. Board of Directors to vote
24 him a \$3.5 million bonus in a year when the company stock price declined 25% over the
25 objection of Catherine Crowe. Roy III told Petitioner that the Board intended to vote two
26 more such bonuses the next two years. The public shareholders objected so vigorously to
27 the 1999 bonus that the subsequent bonuses were not enacted.

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1 29. Catherine Crowe remained on the Board until August 2001. She
2 resigned because she simply could no longer take the pressure and emotional terror that
3 Roy II and the other Board members aligned with him visited upon Mrs. Crowe regularly
4 any time she deigned to challenge Roy II's will or authority. Catherine was forced, on two
5 separate occasions, to go to the extreme of having her lawyer write to the company to
6 correct the reporting of her voting in the minutes of the Board.

7 C. ROY II'S EFFORTS TO FORCE THE CROWES TO SELL

8 30. Roy II and Roy III have engaged in an ongoing scheme to pressure
9 Catherine Crowe to sell all of her stock to the Farmers at a deeply discounted price from
10 its true economic value. Playing on Mrs. Crowe's fear that the company that has been in
11 her family since 1912 could be lost to strangers, Roy II told his sister in 1995 that, when
12 she dies, her estate will have to dump a large proportion of her stock on the public market
13 to pay her estate taxes. Beginning in 1998, Roy III, Catherine Crowe, and Petitioner met
14 on numerous occasions over a 12-month period with Ernst & Young, Farmer Bros.'s
15 outside accountants and auditors, ostensibly to discuss estate planning and succession
16 issues. During those meetings, Roy III tried to pressure Mrs. Crowe to agree to sell her
17 shares to the Farmers. He told the group that Catherine Crowe could sell now or at her
18 death at a discount of 30 to 40 percent below the prevailing market price, which is below
19 the true economic value of the company.

20 31. When Roy II's and Roy III's direct efforts failed, the Board of Farmer
21 Bros. established an ESOP in 1999. The Company funded it with \$50 million to buy up to
22 15 percent of the outstanding shares of the company from the public market and
23 potentially Catherine Crowe's estate, and to create liquidity for Roy II's own estate taxes.

24 32. Roy II currently controls an arithmetic majority of the company as
25 follows: (a) 33.1 percent of the outstanding shares of Farmer Bros. stock owned outright
26 or in trust by members of the Farmer side of the family; (b) 12.5 percent through trusts
27 that are supposed to benefit the Crowe family, including the Children's Trust; (c) 7.4
28 percent of Farmer Bros. owned by the company's ESOP.

1 33. But here is the rub. The Farmers' arithmetic majority could be short-
2 lived. Roy II is 86 and in failing health. When Roy II dies, the Farmers may lose control
3 of Trust B of the Children's Trust, and when Roy II and Catherine Crowe die, the
4 Children's Trust will terminate. At that time, Janis and Steven Crowe will obtain
5 ownership and control over their 7.6 percent in Trust B. Catherine Crowe owns outright
6 10.6 percent of the stock. 36.4 percent of the company's outstanding shares are in the
7 hands of non-family member public shareholders. Most of the public shareholders are
8 angered by the Farmer's refusal to appoint independent Board members, to provide
9 information necessary to evaluate company performance and value, to create liquidity for
10 large blocks of stock, to work to increase share price, or in short, to act like a public
11 company instead of a private one. If the Crowe family were to combine forces with the
12 public shareholders, they would have the arithmetic majority of the ownership.

13 34. In response, Roy II is seeking to make certain that the Farmers
14 eliminate any chance that the Crowes and the public shareholders might acquire control
15 over the company. The company is hoarding cash without explanation or conceivable
16 justification, now up to about \$300 million, over 80 percent of which is invested in low
17 yielding, government securities. **As a consequence, the company's cash and**
18 **treasuries currently comprise about 70 percent of the total assets of the**
19 **company.** Petitioner is informed and believes that, in breach of his fiduciary duties, Roy
20 II, in concert with Roy III and the rest of the members of the Board, are intentionally
21 hoarding cash. By hoarding cash, and ensuring that Farmer Bros. fails to declare
22 dividends, Roy II is depriving income beneficiaries like Petitioner from distributions to
23 which they are entitled. By hoarding cash, Roy II (with the active participation of Roy III
24 and the rest of the Board) is intentionally scheming to benefit the remaindermen over the
25 income beneficiaries. By hoarding cash, the company is also managing to keep the stock
26 price below its true economic value. An undervalued stock price will reduce the amount
27 of estate taxes that will be owed at Roy II's death. An undervalued stock price also allows

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1 the ESOP to buy back stock in non-Farmer family hands at a discount in order to
2 maintain and expand the Farmer family's control over the company.

3 35. Moreover, Roy II and Roy III are exploiting the lack of liquidity in
4 Catherine Crowe's estate, which is tied up in Farmer Bros. stock, in order to pressure her
5 or her heirs to sell out to the Farmers or the ESOP at below market price and economic
6 value. These actions are part and parcel of a scheme to ensure that the Farmers benefit at
7 the expense of the Crowes.

8 FIRST CLAIM FOR REMOVAL AND SURCHARGE

9 BREACH OF TRUST UNDER P.C. 15642(b)(1)

10 36. Petitioner realleges and incorporates by this reference the allegations
11 of paragraphs 1 through 35, inclusive, as though fully set forth herein.

12 37. Petitioner alleges that Roy II should be removed as trustee of the
13 Children's Trust, and surcharged according to proof, including without limitation,
14 because Roy II is abusing his fiduciary duties of impartiality to all beneficiaries;
15 breaching his duty of loyalty to all beneficiaries; breaching his duty not to use trust
16 property for his own purposes; abusing his dual roles as Chairman of Farmer Bros. and
17 trustee of the Children's Trust out of hostility toward Petitioner and to further his own
18 self-interest; and abusing his position as trustee of related trusts of which Petitioner is a
19 beneficiary in a manner that is adverse to Petitioner, thus automatically disqualifying him
20 from serving as trustee of the Children's Trust, pursuant to Probate Code section 16005.

21 38. Furthermore, Roy II has failed to exercise reasonable and
22 appropriate discretion in retaining the Farmer Bros. stock. The principal of the
23 Children's Trust continues to be solely invested in the common stock of Farmer Bros., a
24 relatively small company engaged in a volatile commodity-based business. Roy II has
25 ignored Petitioner's repeated requests to diversify the principal of the trust, as any
26 prudent person would do, to protect the value of the principal for the beneficiary from
27 unforeseen, negative business circumstances to this one business.

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1 39. Petitioner has and will continue to sustain damages as a proximate
2 result of his wrongful conduct, including without limitation, by the diminution in the
3 value of the Farmer Bros. stock, the inadequate dividends declared by the company, the
4 lack of offsetting distributions of income, and the inappropriate personal benefits in the
5 form of excess compensation and other perquisites which Roy II and his family are
6 extracting from the company by Roy II's abuse of his fiduciary duties.

7 40. Respondent acted at all times with malice, oppression and fraud, as
8 alleged hereinabove. The court should award punitive damages to punish and deter such
9 conduct by fiduciaries in the future.

10 SECOND CLAIM FOR REMOVAL AND SURCHARGE

11 HOSTILITY UNDER P.C. 15642(b)(3)

12 41. Petitioner realleges and incorporates by this reference the allegations
13 of paragraphs 1 through 40, inclusive, as though fully set forth herein.

14 42. Roy II's hostility toward the Crowes remains acute. For example,
15 Roy II refuses to take or return Petitioner's calls. For instance, when his sister, Janis
16 Crowe, was recently in the hospital and near death, Petitioner left detailed messages that
17 he needed Roy II's assistance to cash checks made payable from the trusts to Janis to pay
18 her bills. Callously, Roy II never responded. As Roy II is aware, Petitioner currently has
19 no other certain source of income. Moreover, Roy II has refused to acknowledge, respond
20 to or comply with repeated requests by Petitioner for trust accountings. Roy II recently
21 barred Petitioner from addressing the Board at the Farmer Bros. annual meeting of
22 December 26, 2002. Roy II's hostility has substantially impaired the administration of
23 the Children's Trust, in that it has motivated Roy II's acts, which are themselves designed
24 to diminish the value of the trust corpus and to thwart any influence, participation, or
25 control of Farmer Bros. by the Crowes.

26 43. Petitioner has and will continue to sustain damages as a proximate
27 result of Respondent's conduct, including without limitation, by the diminution in the
28 value of the Farmer Bros. stock, the inadequate dividends declared by the company, the

1 lack of offsetting distributions of income, and the inappropriate personal benefits in the
2 form of excess compensation and other perquisites which Roy II and his family are
3 extracting from the company by Roy II's abuse of his fiduciary duties.

4 44. Respondent acted at all times with malice, oppression and fraud, as
5 alleged hereinabove. The court should award punitive damages to punish and deter such
6 conduct by fiduciaries in the future.

7 THIRD CLAIM FOR REMOVAL AND SURCHARGE

8 UNFIT TO ADMINISTER UNDER P.C. 15642(b)(2)

9 45. Petitioner realleges and incorporates by this reference the allegations
10 of paragraphs 1 through 44, inclusive, as though fully set forth herein.

11 46. Respondent has failed to attend recent annual meetings of Farmer
12 Bros. and Board meetings of the company due to his failing health. On March 20, 2003,
13 in a filing with the Securities and Exchange Commission, Farmer Bros. reported that Roy
14 III has assumed control over daily operations of the company as its Chief Executive
15 Officer, although Roy II remains the titular Chairman of the Board. Petitioner is
16 informed and believes that Respondent is physically unfit to administer the Children's
17 Trust. To the extent Respondent's unfitness has caused any of the damages alleged
18 hereinabove, Petitioner prays for such damages in connection with this claim.

19 FOURTH CLAIM FOR REMOVAL AND SURCHARGE

20 OTHER GOOD CAUSE UNDER P.C. 15642(b)(7)

21 47. Petitioner realleges and incorporates by this reference the allegations
22 of paragraphs 1 through 46, inclusive, as though fully set forth herein.

23 48. For other good and just cause as may be found, Petitioner prays for
24 removal and surcharge of Respondent.

25 SUCCESSOR TRUSTEE PROVISIONS

26 49. The Children's Trust provides that the successor trustees are Security
27 First National Bank in Los Angeles, California and a person appointed by the Board of
28 Farmer Bros. Security First National Bank no longer exists. Instead, Petitioner

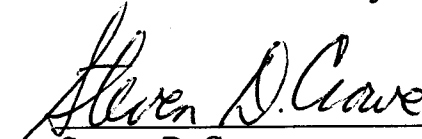
1 nominates City National Bank, which has consented to act, pursuant to the consent
2 attached hereto as Exhibit A. Petitioner prays that City National Bank be appointed as
3 sole trustee, that the Farmer Bros. Board of Directors be disqualified from choosing a
4 successor trustee, or to discharge the corporate trustee, because the Board is simply an
5 instrument of Roy II and Roy III, and complicit in the conduct alleged hereinabove.

6 50. All persons interested in this proceeding are identified on Exhibit B
7 hereto and incorporated by this reference herein.

8 WHEREFORE, Petitioner prays for an order as follows:


- 9 1. That Petitioner has given all notices required by law;
10 2. That Respondent shall be removed from the office of trustee of Trust
11 B of the Children's Trust;
12 3. That the Farmer Bros. Board of Directors be disqualified from
13 appointing successor trustees to Trust B of the Children's Trust;
14 4. That City National Bank be appointed successor trustee;
15 5. That Respondent shall be surcharged in an amount to be proven at
16 the hearing of this Petition;
17 6. That the court award punitive damages against Respondent; and
18 7. For all such other and further relief the Court deems just and proper.

19
20 Dated: April 14, 2003



Steven D. Crowe

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22 LOEB & LOEB LLP
23 ANDREW S. GARB
24 DAVID C. NELSON
25 ADAM F. STREISAND

26 By: 
27 Adam F. Streisand
28 Attorneys for Petitioner
STEVEN D. CROWE, a beneficiary

VERIFICATION

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I, Steven D. Crowe, declare as follows:

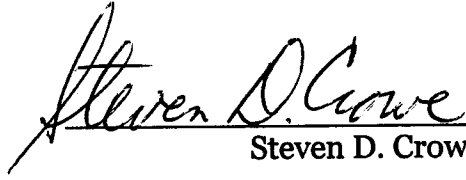
I have read the foregoing PETITION TO REMOVE AND SURCHARGE ROY F. FARMER, TRUSTEE OF CHILDREN'S TRUST, UNDER PROBATE CODE SECTIONS 17200 AND 15642 and know its contents.

I am a party to this action.

The matters stated in the foregoing document are true of my own knowledge.

Executed on April 14, 2003, at Los Angeles, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.



Steven D. Crowe

CHILDREN'S TRUST AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

That on the 11th day of October, 1957, the Honorable Newcomb Condee, Judge of the Superior Court in and for the County of Los Angeles, State of California, in Department 4 thereof, by decree of said date terminated the R. E. Farmer Trust and ordered Elizabeth H. Farmer as Trustee thereof to turn over and deliver to Roy F. Farmer as Trustee 195,153 shares of the Common Stock of Farmer Bros. Co., a California corporation, to be held in trust on the following terms:

The Trustee shall divide the trust estate into two equal shares, each of which shall constitute and be held, administered and distributed by the Trustee as a separate Trust, one of said equal shares being designated as TRUST A and the other equal share as TRUST B.

ARTICLE I

Distribution of Principal and Income

TRUST A

One-third of this trust shall be set aside for the benefit of Carol Lynn Farmer, daughter of Roy F. Farmer, and shall constitute the trust estate of her trust.

One-third of this trust shall be set aside for the benefit of Jeanne Ann Farmer, daughter of Roy F. Farmer, and shall constitute the trust estate of her trust.

One-third of this trust shall be set aside for the benefit of Roy Edward Farmer, son of Roy F. Farmer, and shall constitute the trust estate of his trust.

The entire net income of each child's trust shall be distributed in monthly or other convenient installments to or for the benefit of the child for whom the trust was set aside until the termination thereof, as provided herein.

Should any of said children die prior to the termination of this trust, leaving a child or children then surviving, then upon the death of such child the trustee shall divide such deceased child's trust into equal shares, one for each of his or her children. The entire net income of each of said shares shall be distributed in monthly or other convenient installments to or for the benefit of the child for whom said share was set aside until the termination of this trust.

Should any of said children die prior to the termination of this trust, leaving no child or children then surviving, then upon the death of such child, his or her trust shall go to augment equally the trusts then held for the benefit of the other children, excluding each of said children theretofore deceased leaving no issue then living, but including upon the principle of representation the then living issue of said other children then deceased, or if none of such other children nor their issue shall then be living, then such deceased child's trust shall go to Roy F. Farmer. In the event Roy F. Farmer be not then living, said trust shall go in equal shares to those having separate trusts under TRUST B hereunder upon the principle of representation.

If any of said children of a deceased child should die prior to the termination of this trust, then such deceased grandchild's share shall be distributed to his or her issue living at the date of such grandchild's death, or should there be no such issue, then such deceased grandchild's share shall go to augment equally the shares then held for the benefit of the other children of said deceased child, excluding each grandchild theretofore deceased leaving no issue then living, but including upon the principle of representation the then living issue of any deceased grandchild, or if none of said child's other children nor their issue shall then be living, then such

deceased grandchild's share shall go to augment equally the trusts then held for any other child of Roy F. Farmer and any of their lawful issue by right of representation. If there are no other children or lawful issue of said children then living, said trust shall go to Roy F. Farmer. In the event Roy F. Farmer be not then living, said trust shall go in equal shares to those having separate trusts under TRUST B hereunder, upon the principle of representation.

1. In the event Roy F. Farmer shall have any children born after the date of this trust agreement and during the term of this trust, then on the birth of each such child the Trustee shall unite the principal and undistributed income of all separate trusts then held hereunder and shall re-divide the trust fund then in his hands into so many equal shares that there shall be one for each child then living, and for the issue of a deceased child by the right of representation, and shall dispose of the income and principal of said trusts in the manner provided for in ARTICLE I hereof.

2. This trust shall cease and terminate on the death of the last survivor of Roy F. Farmer and Catherine E. Crowe. On its termination, the principal and undistributed net income of the trust estate shall be distributed to the beneficiary or beneficiaries who, immediately following the event on which the trust terminates, would be entitled to receive the net income of the trust if it did not terminate and in the same proportion as they would have been entitled to receive the net income of the trust if it had not been terminated.

3. Notwithstanding anything to the contrary contained herein, this trust shall not last beyond the lives of Roy F. Farmer and Catherine E. Crowe.

4. The term "child or children" as used in this agreement shall be interpreted to mean, and be confined to, the heirs of the body of R. E. Farmer and Elizabeth H. Farmer.

5. The interests of beneficiaries in principal or income shall not be subject to claims of their creditors or others, nor to legal process, and may not be voluntarily or involuntarily alienated or encumbered.

TRUST B

One-half of this trust shall be set aside for the benefit of Steven Douglas Crowe, son of Catherine E. Crowe, and shall constitute the trust estate of his trust.

One-half of this trust shall be set aside for the benefit of Janis Crowe, daughter of Catherine E. Crowe, and shall constitute the trust estate of her trust.

The entire net income of each child's trust shall be distributed in monthly or other convenient installments to or for the benefit of the child for whom the trust was set aside until the termination thereof, as provided herein.

Should either of said children die prior to the termination of this trust, leaving a child or children surviving, then upon the death of such child the trustee shall divide such deceased child's trust into equal shares, one for each of his or her children. The entire net income of each of said shares shall be distributed in monthly or other convenient installments to or for the benefit of the child for whom said share was set aside until the termination of this trust.

Should either of said children die prior to the termination of this trust, leaving no child or children surviving, then upon the death of such child, his or her trust shall go to augment the trust then held for the benefit of the other child, or, upon the principle of representation, the then living

issue of said other child if deceased, or if such other child or its issue shall not then be living, then such deceased child's trust shall go to Catherine E. Crowe. In the event Catherine E. Crowe be not then living, said trust shall go in equal shares to those having separate trusts under TRUST A hereunder, upon the principle of representation.

If any of said children of a deceased child should die prior to the termination of this trust, then such deceased grandchild's share shall be distributed to his or her issue living at the date of such grandchild's death, or should there be no such issue, then such deceased grandchild's share shall go to augment equally the shares then held for the benefit of the other children of said deceased child, excluding each grandchild theretofore deceased leaving no issue then living, but including upon the principle of representation the then living issue of any deceased grandchild, or if none of said child's other children nor their issue shall then be living, then such deceased grandchild's share shall go to augment equally the trusts then held for any other child of Catherine E. Crowe and any of their lawful issue by right of representation. If there are no other children or lawful issue of said children then living, said trust shall go to Catherine E. Crowe. In the event Catherine E. Crowe be not then living, said trust shall go in equal shares to those having separate trusts under TRUST A hereunder, upon the principle of representation.

1. In the event Catherine E. Crowe shall have any children born after the date of this trust agreement and during the term of this trust, then on the birth of each such child the Trustee shall unite the principal and undistributed income

of all separate trusts then held hereunder and shall re-divide the trust fund then in his hands into so many equal shares that there shall be one for each child then living, and for the issue of a deceased child by the right of representation, and shall dispose of the income and principal of said trusts in the manner provided for in ARTICLE I hereof.

2. This trust shall cease and terminate on the death of the last survivor of Roy F. Farmer and Catherine E. Crowe. On its termination, the principal and undistributed net income of the trust estate shall be distributed to the beneficiary or beneficiaries who, immediately following the event on which the trust terminates, would be entitled to receive the net income of the trust if it did not terminate and in the same proportion as they would have been entitled to receive the net income of the trust if it had not been terminated.

3. Notwithstanding anything to the contrary contained herein, this trust shall not last beyond the lives of Roy F. Farmer and Catherine E. Crowe.

4. The term "child or children" as used in this agreement shall be interpreted to mean, and be confined to, the heirs of the body of R. E. Farmer and Elizabeth H. Farmer.

5. The interests of beneficiaries in principal or income shall not be subject to claims of their creditors or others, nor to legal process, and may not be voluntarily or involuntarily alienated or encumbered.

ARTICLE II

Powers of the Trustee

To carry out the purposes of each of these trusts and subject to any limitations stated elsewhere in this instrument, the Trustee and his successors are vested with the following powers, in addition to any now or hereafter conferred by

law, affecting these trusts and the trust estate:

1. To retain the property described herein and any property added to the trust fund, without liability for any decrease in value. To sell, exchange, convert or dispose of the property described herein and any added property as they shall deem best in their sole discretion.

2. To sell or exchange any property comprising the trust fund and, without being restricted to property authorized by the laws of the State of California or of any other jurisdiction for trust investment, to invest in any kind of property whatsoever, real or personal, whether or not productive of income, and without regard to the proportion that such property, or property of a similar character held, may bear to the entire trust fund, but all subject to the prudent man rule as applicable to trustees.

3. To sell, exchange, lease, mortgage, partition or improve any real estate comprising the trust fund, upon such terms as they may deem proper, and to execute and deliver deeds, leases, mortgages or other instruments relating thereto. Any lease may be made for such period of time as they may deem proper without regard to the duration of the trust or any statutory restrictions on leasing and without the approval of any Court.

4. To vote in person or by proxy upon securities held by them, and in such connection to delegate their discretionary powers; to join or enter into a voting trust agreement with reference to securities held by the Trustee.

5. To advance funds to the trust for any trust purpose, such advances with interest at current rates to be a first lien on and to be repaid out of principal or income; to reimburse themselves from principal or income for any loss or expense incurred by reason of their ownership or holding of any property in the trust.

6. To borrow money for any trust purpose upon such terms and conditions as the Trustee may deem proper, and to obligate the trust estate for repayment; to encumber the trust estate or any of its property by mortgage, deed of trust, pledge or otherwise, using such procedure to consummate the transaction as the Trustee may deem advisable.

7. To have respecting securities all the rights, powers and privileges of an owner, including the power to pay assessments and other sums deemed by the Trustee necessary for the protection of the trust estate; to participate in voting trusts, pooling agreements, foreclosures, reorganizations, consolidations, mergers, liquidations and dissolutions, and in connection therewith to deposit securities with and transfer title to any protective or other committee under such terms as the Trustee may deem advisable; to exercise or sell stock subscription or conversion rights; to accept and retain as an investment any securities or other property received through the exercise of any of the foregoing powers, regardless of any limitations elsewhere in this instrument relative to investments by the Trustee.

8. To retain any property acquired in connection with the foregoing provisions whether or not such property shall be authorized by the laws of the State of California or of any other jurisdiction for trust investment.

9. Upon any division or partial or final distribution of the trust estate, to partition, allot and distribute the trust estate in undivided interests or in kind, or partly in money and partly in kind, at valuations determined by the Trustee, and to sell such property as the Trustee may deem necessary to make division or distribution; and in any trust share or trust fund, to hold as an investment an undivided interest in any share of stock or other trust asset.

10. To budget the estimated annual income and expenses of the trust in such manner as to equalize, as far as practicable, periodical income payments to beneficiaries.

11. To determine what is principal or income of the trust estate and apportion and allocate in their discretion receipts and expenses as between these accounts, including but without limiting the general application of the foregoing, the power to charge in whole or in part against principal, or to amortize out of or charge forthwith to income, as and to the extent from time to time determined by the Trustee, premiums paid on purchase of bonds or other obligations for the payment of money. Trustee shall have the absolute and uncontrolled power to determine whether stock dividends on corporate stock held hereunder shall be principal or income.

12. In his discretion, to consolidate for the purpose of investment, the principal of the separate trusts created under this Declaration of Trust, in which event such respective separate trusts shall have undivided interests in such consolidated fund.

13. Unless specifically limited, all discretions conferred upon the Trustee shall be absolute, and their exercise conclusive on all persons interested in the trust. The enumeration of certain powers of the Trustee shall not limit his general powers, the Trustee, subject always to the discharge of his fiduciary obligations, being vested with and having all of the rights, powers and privileges which an absolute owner of the same property would have.

ARTICLE III

General Provisions

The following provisions shall apply to each of the trusts created hereunder:

1. The Trustee shall make payments to any beneficiary who is a minor by making them to the guardian of the estate of such beneficiary; or if no such guardian has been appointed, and the payments to the minor do not exceed \$5,000 in any calendar year, the Trustee may, in his discretion, make payments to the guardian of such minor's person, or to the parent or other person having the care of such minor for the benefit of such minor, without intervention of any guardian or court.

2. No person or corporation dealing with the Trustee shall be required to investigate the Trustee's authority for entering into any transaction or to see to the application of the proceeds of any transaction.

3. In case the Trustee shall die, resign or be removed, or otherwise become incapable of acting, his successor trustee is hereby designated as Elizabeth H. Farmer. If Elizabeth H. Farmer be deceased or is unable to, or does not accept the position of trustee, then the successor trustees are designated as the Security First National Bank of Los Angeles and a trustee chosen by the then acting board of directors of Farmer Bros. Co. During the incumbency of the corporate trustee the then acting board of directors of Farmer Bros. Co. shall have the right and power to discharge the corporate trustee from office and to designate another corporate trustee which must, however, be a national bank or trust company having its principal office in the City of Los Angeles, California. On the exercise of this power to discharge the corporate trustee and appoint a successor corporate trustee, which power shall not be exhausted by a single exercise, but shall be continuing, the corporate trustee shall have the right to be paid the income commissions earned to the date of the discharge, together with one-half (1/2) commissions on principal, and shall be recouped for all the expenses of

administration to the date of its discharge, including counsel fees, the expenses of drafting a receipt and release, and any court costs in connection therewith. If any individual trustee chosen by said board of directors dies, resigns, or becomes incapable of acting, the board of directors shall choose his successor as such trustee. Such successor trustee or trustees shall execute and deliver to the corporation a written instrument accepting such appointment; and thereupon such new trustee or trustees shall have all of the powers, rights and privileges and shall be subject to all of the duties conferred and imposed upon the original trustee. Immediately upon the acceptance by such successor trustee or trustees, any retiring trustee shall execute and deliver to such successor trustee or trustees such assignments and other instruments as may be necessary to divest himself of all rights hereunder and to invest said successor trustee or trustees with such rights.

4. The Trustee shall pay out of principal or income as he may elect, or partially out of each in such shares as he may determine, property taxes, assessments, charges, attorneys' fees, the Trustee's compensation and other expenses incurred in the administration or protection of this trust. The discretion of the Trustee to pay these items from income or principal or partially from each may be exercised not only in the interest of the trust estate but for the benefit of any beneficiary. The income remaining after such expenditures as the Trustee shall elect to pay therefrom shall constitute net income.

ARTICLE IV

Revocation, Termination and Amendment

Each trust created hereunder is expressly declared

to be irrevocable and shall not be subject to termination or
to amendment in any manner.

EXECUTED at Los Angeles, California, on the 24th
day of October, 1957.



TRUSTEE

5490 11/18/25
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Filed
Nov 17, 1965

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MYRON E. HARPOLE
453 South Spring Street
Los Angeles, California 90013
624-1311
Attorney for Plaintiff

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

ELIZABETH H. FARMER,
Plaintiff,
vs.
ROY F. FARMER, TRUSTEE OF
THE ELIZABETH F. FARMER
TRUST, ET AL.
Defendants.

No. 865, 672
JUDGMENT BY COURT
UNDER C. C. P. 2437c

The motion of the Plaintiff, Elizabeth H. Farmer, for an order striking the answers and for entry of summary judgment herein came on regularly to be heard on October 26, 1965. Myron E. Harpole appeared as counsel for Plaintiff Elizabeth H. Farmer; David D. Harriman appeared as counsel for the following Defendants: Catherine E. Crowe; Janis Crowe, a minor appearing by her guardian Catherine E. Crowe; Steven Douglas Crowe, a minor, appearing by his guardian Catherine E. Crowe; and for the unborn children and grandchildren of Catherine E. Crowe, appearing by their guardian ad litem, Catherine E. Crowe; and T. G. Dalton appeared as counsel for the following Defendants: Roy F. Farmer, Trustee of the Elizabeth F. Farmer Trust for the benefit of Janis Crowe; Roy F. Farmer, Trustee of the Elizabeth F. Farmer Trust for the benefit of Steven Douglas Crowe; Roy F. Farmer; Roy Edward Farmer, a minor, appearing by his guardian Roy F. Farmer; Carol Lynn Farmer, a minor appearing by her guardian Roy F. Farmer; Jeanne Ann Farmer, a minor, appearing by her guardian Roy F. Farmer;

1 and Richard Francis Farmer, a minor appearing by his guardian Roy F.
2 Farmer; and the unborn children and grandchildren of Roy F. Farmer
3 appearing by their guardian ad litem Roy F. Farmer; and on October 26,
4 1965 this court duly granted the said motion of Plaintiff under Section 437c
5 of the Code of Civil Procedure to strike the answers of the defendants and to
6 enter judgment for Plaintiff. In accordance with said order.

7 **IT IS HEREBY ORDERED, ADJUDGED, AND DECREED:**

8 That each of the Declarations of Trust executed by Plaintiff as Trustor
9 and Defendant Roy F. Farmer as Trustee dated 21st day of December,
10 1964, of which Exhibits A and B attached to the Complaint herein are
11 copies, in one of which trusts the Defendant Janis Crowe is the beneficiary
12 and in the other the Defendant Steven Douglas Crowe is the beneficiary,
13 are reformed in accordance with the actual intention of the parties decla-
14 ring the said trust, and each of them so that the third paragraph of
15 Article I of each Declaration of Trust shall read as follows:

16 "3. My son Roy F. Farmer shall have a limited
17 and special power of appointment with respect to the
18 remainder of this trust, which remainder includes,
19 but is not limited to, any trust income accumulated
20 after the death of the beneficiary, which he may
21 exercise at his death or during his life as he may
22 choose. Such power shall be limited to appointment
23 among the children and the grandchildren of Catherine
24 E. Crowe, and shall on no account be exercised in
25 favor of himself, his estate, his creditors, or the
26 creditors of his estate. In the event that Roy F.
27 Farmer does not fully exercise such power of
28 appointment, then the beneficiary hereunder
29 shall have a similar power of appointment
30 with regard to any remainder of the trust estate,
31 which power shall be exercisable during the
32 lifetime or at the death of the beneficiary and

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which power shall be limited to appointment among the children and grandchildren of Catherine E. Crowe, except that on no account shall the power exercisable by the beneficiary be exercised in favor of said beneficiary, or to the estate, creditors, or the creditors of the estate of the beneficiary."

Dated: Nov 17, 1965

Carlos M. Teran
JUDGE

1 LOEB & LOEB LLP
ANDREW S. GARB (State Bar No. 041355)
2 DAVID C. NELSON (State Bar No. 126060)
ADAM F. STREISAND (State Bar No. 155662)
3 10100 Santa Monica Boulevard, Suite 2200
Los Angeles, California 90067-4164
4 Telephone: 310-282-2000
Facsimile: 310-282-2200
5 E-Mail: astreisand@loeb.com

6 Attorneys for Petitioner
STEVEN D. CROWE, a beneficiary

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8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 FOR THE COUNTY OF LOS ANGELES


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In the Matter of the)
ROY E. FARMER I CHILDREN'S TRUST,) Case No.
pursuant to Children's Trust Agreement,) CONSENT OF CITY NATIONAL BANK TO
dated October 24, 1957.) SERVE AS SUCCESSOR TRUSTEE

1 If it may please the Court, City National Bank hereby consents to act as successor
2 trustee of the Roy E. Farmer I Children's Trust, dated October 24, 1957, in connection
3 with the Petition to Remove and Surcharge Roy F. Farmer, Trustee of the Children's Trust
4 under Probate Code Sections 17200 and 15642, filed herein by Steven D. Crowe, a
5 beneficiary.

6
7 Dated: April 10, 2003

CITY NATIONAL BANK

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10 By: _____
11 Name: Robert M. Franko
12 Its: Senior Vice President
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ROY E. FARMER I CHILDREN'S TRUST

INTERESTED PARTIES

Steven D. Crowe, Beneficiary
106 South Canyon View Drive
Los Angeles, CA 90049

Janis C. Crowe, Beneficiary
260 Twenty-Seventh Street
Hermosa Beach, CA 90254

Roy E. Farmer, Beneficiary
c/o Farmer Bros. Co.
20333 South Normandie Avenue
Torrance, CA 90502

Carol Lynn Farmer-Waite, Beneficiary
8502 Keel Drive
Huntington Beach, CA 92646

Jeanne Ann Farmer-Grossman, Beneficiary
3573 Terrace View Drive
Encino, CA 91436

Richard F. Farmer, Beneficiary
47 Plateau Drive
Pocatello, ID 83204

Brynn Grossman, Beneficiary
3573 Terrace View Drive
Encino, CA 91436

Scott Grossman, Beneficiary
3573 Terrace View Drive
Encino, CA 91436

Brett Grossman, Beneficiary
3573 Terrace View Drive
Encino, CA 91436

Jonathan M. Waite, Beneficiary
8502 Keel Drive
Huntington Beach, CA 92646

Roy F. Farmer, Trustee
5915 South Holt Avenue
Los Angeles, CA 90056

Kirsten A. Crowe
106 South Canyon View Drive
Los Angeles, CA 90049