

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

**DIEDRICH COFFEE INC**

CIK: **947661** | IRS No.: **330086628** | State of Incorpor.: **CA** | Fiscal Year End: **0630**  
Type: **8-K** | Act: **34** | File No.: **000-21203** | Film No.: **06511777**  
SIC: **5400** Food stores

Mailing Address  
28 EXECUTIVE PARK  
SUITE 200  
IRVINE CA 92614

Business Address  
28 EXECUTIVE PARK  
SUITE 200  
IRVINE CA 92614  
9492601600

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

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 1, 2006

**DIEDRICH COFFEE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**0-21203**  
(Commission  
File Number)

**33-0086628**  
(IRS Employer  
Identification No.)

**28 Executive Park, Suite 200  
Irvine, California 92614**

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (949) 260-1600

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry Into A Material Definitive Agreement.**

The information provided under Item 5.02 hereof is incorporated herein by reference.

**Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

Effective January 1, 2006, Martin A. Lynch retired as the Chief Financial Officer of Diedrich Coffee, Inc. (the "Company"). Mr. Lynch's planned retirement was not the result of any disagreement with the Company. On the same day, the Company appointed Sean M. McCarthy, Vice President - Controller of the Company, as its Chief Financial Officer.

In connection with his appointment, the terms of Mr. McCarthy's employment were modified to provide for an annual base salary of \$200,000. In addition, Mr. McCarthy will: continue to be eligible to receive a bonus equal to up to 25% of his annual base salary, which is paid based upon achievement of specific financial goals; continue to be eligible to receive equity incentive awards as determined from time to time by the board of directors; and continue to be eligible for all other benefit plans at the vice president level. A copy of Mr. McCarthy's letter agreement is set forth on Exhibit 10.1 attached hereto and is incorporated herein.

Mr. McCarthy, 44, joined the Company in April 2004 as Vice President - Controller. From February 2003 to April 2004, Mr. McCarthy was Vice President of ASM Hospitality Group, a privately owned consulting company. From June 1998 to February 2003, Mr. McCarthy served in various financial capacities for FRD Acquisition Company, Inc. (d/b/a Coco's & Carrows Restaurants), a subsidiary of Advantica Restaurants Group, Inc., a publicly traded food service company, first as Manager, Field Finance, then Manager, Financial Planning & Analysis, and finally as Director, Finance. From May 1997 to June 1998, Mr. McCarthy was a Business Analyst for Taco Bell, Inc. From August 1986 through May 1997, Mr. McCarthy served in various accounting and financial capacities for El Torito Restaurants, a subsidiary of Family Restaurants, Inc. Mr. McCarthy earned a B.S. degree in business management from Pepperdine University and a masters degree in business administration from the University of Southern California.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

The following exhibits are furnished with this Current Report on Form 8-K:

<u>Exhibit No.</u>	<u>Description</u>
10.1	Letter Agreement with Sean M. McCarthy, effective January 1, 2006
99.1	Press Release, dated January 3, 2006

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 4, 2006

**DIEDRICH COFFEE, INC.**

By: /s/ Stephen V. Coffey

\_\_\_\_\_  
Stephen V. Coffey

Chief Executive Officer

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## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Letter Agreement with Sean M. McCarthy, effective January 1, 2006
99.1	Press Release, dated January 3, 2006

December 30, 2005

Sean McCarthy  
[Address]

Dear Sean:

We're pleased to offer you the position of Chief Financial Officer with Diedrich Coffee, Inc. The offer is as follows:

Base salary: \$7,692.31 per pay period (paid on a bi-weekly basis) that equates to \$200,000 annually at the completion of one full year of employment.

Incentive/Bonus plan: You will continue to participate in our Vice President level incentive plan up to 25% of your annual base salary, which is paid based upon achievement of specific financial goals.

Stock Options: You will be eligible to participate at the Vice President level as our Board of Directors awards stock options. The Board reviews issuance of additional stock options annually.

Vacation: You will begin earning three weeks of vacation per year of employment as of the effective date of your promotion. Additional vacation time will be earned as plan eligibility requirements are met.

Benefits: You will continue to be eligible for all other benefit plans at the Vice President level. These benefits programs may be modified from time to time.

Position reports to Steve Coffey, Chief Executive Officer.

The effective date of this promotion is January 1, 2006.

Employment at will: I acknowledge that my employment at the Company is "at-will", meaning that the terms of employment may be changed with or without notice, with or without cause, including, but not limited to termination, demotion, promotion, transfer, compensation, benefits, duties, and location of work. There is no agreement express or implied between the Company and me for continuing or long-term employment. While supervisors and managers have certain hiring authority, no supervisor or manager or representative of the Company has any authority to alter the "at-will relationship."

Please confirm your acceptance of this offer by signing and returning an executed copy to me.

Sincerely,

/s/ Stephen V. Coffey  
\_\_\_\_\_  
Stephen V. Coffey  
Chief Executive Officer

I accept the position of Chief Financial Officer, Diedrich Coffee, Inc. on the above terms and conditions.

/s/ Sean M. McCarthy  
\_\_\_\_\_  
Sean M. McCarthy

Date: January 1, 2006



**DIEDRICH COFFEE ANNOUNCES APPOINTMENT OF  
NEW CHIEF FINANCIAL OFFICER**

IRVINE, Calif., Jan. 3 – Diedrich Coffee, Inc. (Nasdaq: DDRX) announced today that Sean M. McCarthy has been appointed to serve as the new Chief Financial Officer of the Company following the planned retirement of Martin A. Lynch on January 1, 2006.

“On behalf of the Board of Directors, I would like to take this opportunity to thank Marty for his leadership over the past two and a half years,” commented Paul C. Heeschen, Chairman of the Board of Directors. “During his term, Marty guided us through a number of challenging issues. At the same time, I am pleased to announce the appointment of Sean McCarthy as our new Chief Financial Officer. Sean was hired by Marty as the company’s Controller in April 2004 and has served under Marty’s leadership since that time. Sean’s experience working alongside Marty should ensure a smooth transition and I believe Sean will prove to be an extraordinary asset to Steve Coffey in facilitating the growth of our company.”

Prior to becoming Vice President, Controller of Diedrich Coffee, Mr. McCarthy served as Director, Finance for FRD Acquisition Company, Inc. (d/b/a Coco’s & Carrows Restaurants), a subsidiary of Advantica Restaurants Group, Inc., a publicly traded foodservice company. Mr. McCarthy also previously served in various accounting and financial capacities for Taco Bell, Inc. and El Torito Restaurants, Inc. Mr. McCarthy earned a B.S. degree in business management from Pepperdine University and a masters degree in business administration from the University of Southern California.

**About Diedrich Coffee**

With headquarters in Irvine, California, Diedrich Coffee specializes in sourcing, roasting and selling the world’s highest quality coffees. The Company’s three brands are Gloria Jean’s Coffees, Diedrich Coffee and Coffee People. The Company’s 206 domestic retail outlets, the majority of which are franchised, are located in 33 states. Diedrich Coffee also sells its coffees through more than 460 wholesale accounts including office coffee service distributors, restaurants and specialty retailers, via mail order and the Internet. For more information about Diedrich Coffee, call 800-354-5282, or visit the Company’s Web sites at [www.diedrich.com](http://www.diedrich.com), [www.gloriajeans.com](http://www.gloriajeans.com) and [www.coffeepeople.com](http://www.coffeepeople.com).

**Forward-Looking Statements**

Statements in this news release that relate to future plans, financial results or projections, events or performance are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and fall under the safe harbor. Actual results and financial position could differ

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materially from those anticipated in the forward-looking statements as a result of a number of factors, including, but not limited to, the successful management of Diedrich Coffee' s growth strategy, risks that arise in the context of operating a business with significant franchise operations, the impact of competition, the availability of working capital and other risks and uncertainties described in detail under "Risk Factors and Trends Affecting Diedrich Coffee and its Business" in the Company' s annual report on Form 10-K/A for the fiscal year ended June 29, 2005.

For further information, please contact Stephen V. Coffey, Chief Executive Officer, at (949) 260-1600.

SOURCE:

Diedrich Coffee, Inc.