SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3144

(213) 687-5000
FAX: (213) 687-5600
http://www.skadden.com

DIRECT DIAL
(213) 687-5040
DIRECT FAX
(213) 621-5040
E-MAIL ADDRESS
JGIUNTA@SKADDEN.COM

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September 12, 2003

VIA HAND DELIVERY

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Farmer Bros. Co.
Shareholder Proposal of Franklin Mutual Advisers, LLC
Securities Exchange Act of 1934 – Rule 14a-8

Ladies and Gentlemen:

We are counsel to Farmer Bros. Co., a California corporation (the "Company"). The Company has received a shareholder proposal concerning indemnification of directors (the "Proposal") and a supporting statement (the "Supporting Statement") from Franklin Mutual Advisers, LLC on behalf of its advisory clients Mutual Beacon Fund and Mutual Discovery Fund, each a series of Franklin Mutual Series Fund Inc. (collectively the "Proponent") in connection with Company's 2003 Annual Meeting of Shareholders (the "2003 Shareholders Meeting"). On behalf of the Company, we hereby notify the Division of Corporation Finance of the Company's intention to exclude the Proposal and Supporting Statement from its proxy statement and form of proxy for the 2003 Shareholders Meeting (collectively, the "2003 Proxy Materials") on the bases set forth below, and we respectfully request that the Staff of the Division (the "Staff") concur in our view that the Proposal and Supporting Statement are excludable on the bases set forth below.

Pursuant to Rule 14a-8(j), enclosed are six (6) copies of this letter and its attachments. As required by Rule 14a-8(j), a copy of this letter and its attachments is being mailed on this date to the Proponent informing them of the Company's intention to omit the Proposal and Supporting Statement from the 2003 Proxy Materials. The Company intends to begin distribution of its definitive 2003 Proxy Materials in the first week of December, 2003, and therefore this letter is being submitted more than eighty (80) days prior to the date the Company will file its definitive Proxy Materials with the Commission.

The Proposal relates to limiting indemnification of the Company's directors and would have the shareholders make a determination that none of the Company current directors, and one former director, will be entitled to indemnification from certain types of claims should they arise in the future.

We believe that the Proposal and Supporting Statement may properly be excluded from the Company's 2003 Proxy Materials pursuant to the following rules:

1. Rule 14a-8(i)(1), Rule 14a-8(i)(2) and Rule 14a-8(i)(6), because the Proposal, if implemented, would cause the Company to not comply with the legally authorized process of permissive indemnification and would otherwise contravene California Corporations Code Section 317, and, therefore, cannot be implemented by the Company.

2. Rule 14a-8(i)(1), because the Proposal conflicts with the Company's Amended and Restated Articles of Incorporation (the "Articles of Incorporation") and is, therefore, not a proper subject for action by the shareholders.

3. Rule 14a-8(i)(6), because the Proposal would cause the company to breach contracts with its directors and sets out vague and general objectives without suggesting specific means for achieving them, and, therefore, cannot be implemented by the Company.

4. Rule 14a-8(i)(3), because the Proposal and Supporting Statement contain false and misleading statements in violation of Rule 14a-9.

I. THE PROPOSAL – INTRODUCTION; SUMMARY OF ARGUMENT

A copy of the Proposal and Supporting Statement is attached hereto as Exhibit 1. Attached hereto as Exhibits 2, 3 and 4, respectively, are California Corporations Code ("CCC") Section 317, the Company's Amended and Restated Articles of Incorporation (the "Articles of Incorporation") and Article VI of the Company's Bylaws ("Bylaws").

The Proposal purports to make a determination that current and former directors of the Company are not entitled to indemnification for expenses and other amounts incurred in connection with any "threatened, pending or completed action or proceeding ... concerning violations of law or breaches of duty" from July 2002 to the date of the Proposal, relating to: "(a) disclosures of information to investors, (b) compliance with the Investment Company Act of 1940, or (c) actions to benefit the Company's controlling persons which are not in the best interests of all the Company shareholders, because these directors did not meet applicable standards of conduct under the CCC and the Company's Bylaws." These matters as to which the Proposal seeks to abrogate the directors' indemnification rights are called the "Target Issues" in this letter.

Although the Proposal seeks to prohibit indemnification in connection with any threatened, pending or completed action or proceeding (collectively, "Actions"), there is no threatened or pending Action against the directors with respect to any aspect of the Target Issues. Except for the unsupported statement that the directors did not meet the applicable standards of conduct, the Proposal does not describe any specific actions which could constitute violations of law or breaches of duty by the Company's directors, which specific violations or breaches of duty are necessary for the Company or shareholders to determine in the future whether or not a future claim is, or is not, within the scope of the Proposal.

The Proposal is an attempt to short-circuit the legally mandated indemnification process with respect to the Target Issues and adjudge the directors (including two directors who joined the board in April 2003) guilty of breach of duty before any accusations have been made, any legal actions brought or threatened, or any request for indemnification having been made by any director. As such, the Proposal contravenes CCC Section 317, the Articles of Incorporation, and the Bylaws and, if implemented, would cause the Company to breach its contractual indemnification duties to its directors. Attached as Exhibit 5 is our legal opinion (the "Opinion") which concludes that the Proposal, if implemented, would contravene CCC Section 317.

Finally, the Proposal contains an unsupported assertion of fact and the Supporting Statement misstates applicable law and would mislead shareholders concerning the effect of the Proposal.

II. THE PROPOSAL CONTRAVENES THE CALIFORNIA INDEMNIFICATION STATUTE, CONFLICTS WITH THE COMPANY'S ARTICLES OF INCORPORATION AND BYLAWS AND, IF IMPLEMENTED, WOULD CAUSE A BREACH OF CONTRACT, AND SETS OUT VAGUE AND GENERAL OBJECTIVES WITHOUT SUGGESTING SPECIFIC MEANS FOR ACHIEVING THEM

(1) The California Indemnification Statute.

Section 317 of the CCC provides rules for determining whether indemnification of directors, officers and other agents is proper under California law. This statute provides mandatory indemnification of a director if the director has been successful on the merits in defending an Action (subsection (d)) and provides for permissive indemnification in other cases upon a determination "in a specific case" that indemnification is proper, which determination can be made by any of four alternative means: (1) by a majority of a quorum of non-party directors, (2) by a written opinion from independent legal counsel, (3) by approval of the shareholders, or (4) by a court (subsections (e)(1)-(4)).

According to the Supporting Statement, "As shareholders, we have the right under Section 317(e)(3) of the California Corporations Code ("CCC") to decide, in the absence of a court decision, whether our Company's funds should be used to indemnify directors for their litigation expenses. (Shares owned by directors to be indemnified are not entitled to vote on this resolution)." This statement is erroneous on its face as the Proposal, which purports to act as a disapproval by the shareholders of indemnification pursuant to Section 317(e)(3), is only one of the four alternative means of authorizing indemnification where it is not otherwise mandatory.

In addition, CCC Section 317(e) states that indemnification must be authorized or not "in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct. . . ." CCC Section 317(e) is clearly intended to deal with the propriety of indemnification by determining whether the director has met the applicable standard of conduct only after there is a pending or threatened claim giving rise to a claim for indemnification, and as stated in the Opinion, it is our view that under CCC Section 317(e), indemnification can be neither granted nor denied in

advance of an actual claim for indemnification and consideration of actual circumstances. Since there is no pending or threatened Action against a director that could give rise to a claim for indemnification related to the Target Issues and no claim for indemnification has been made, in our opinion the Proposal, which purports to be brought under CCC Section 317(e)(3) cannot be brought under that statute and for this reason contravenes California law. Moreover, should such a claim be presented in the future, contrary to the assertion in the Supporting Statement, the failure to obtain a shareholder vote authorizing indemnification at this time would not preclude the other means specified by statute and (not referred to in the Supporting Statement) in which permissive indemnification can be granted, such as a written legal opinion, approval by a majority of non-party directors, or even approval at a later date by disinterested shareholders, were an actual claim for indemnification to arise in the future related to the Target Issues. No facts presently exist, since no claim has yet been asserted, on which to base any determination of the appropriateness of indemnification under CCC Section 317(e).

As such, the Proposal (i) is not a proper subject for the shareholders under California law (Rule 14a-8(i)(1)), because it seeks to deny directors the right to permissive indemnification prior to any claim for indemnification being made, (ii) contravenes California Corporations Code Section 317, as confirmed in the Opinion (Rule 14a-8(i)(2)), and (iii) cannot be implemented by the Company (Rule 14a-8(i)(6)). For these reasons, the Proposal may be excluded under Rule 14a-8(i)(1), Rule 14a-8(i)(2) and Rule 14a-8(i)(6).

In *Occidental Petroleum Corp.*, March 19, 1982, the Staff agreed that Occidental could omit a proposal under what is now Rule 14a-8(i)(2), that would limit indemnification for legal fees in criminal cases to $100,000, because such proposal was in violation of California law, since the proposal could cause a violation of mandatory indemnification under CCC Section 317(d) or a violation of permissive court approved indemnification under what is now CCC Section 317(e)(4). Also in *Travelers Group*, January 29, 1998, the Staff agreed that a proposal which would prohibit indemnification for defense costs despite a successful defense on the merits and would alter the procedures for authorizing indemnification of corporate agents violated the Delaware indemnification statute and could be excluded under what is now Rule 14a-8(i)(2). Similarly, in *Western Union*, July 22, 1987, the Staff concurred that Western Union could exclude a proposal to limit indemnification in a manner contrary to the Delaware statute under what are now Rules 14a-8(i)(2) and 14a-8(i)(6).

(2) Conflict with Articles of Incorporation.

Article Fifth, Section 2 of the Articles of Incorporation states in pertinent part: "The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with the agents, vote of shareholders or disinterested directors, or otherwise in excess of the indemnification otherwise permitted by Section 317 . . ." Section 317 of the CCC specifically permits a California corporation to provide indemnification in its articles of incorporation in excess of that provided by other provisions of the CCC, with certain limitations. In addition, Article Fifth, Section 1 of the Articles of Incorporation, consistent with Section 204.5 of the CCC provides that: "The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law."

The Proposal is in conflict with the Company's Articles of Incorporation because it purports to revoke or limit the Company's authority to indemnify directors relative to the Target Issues and limit their liability to the fullest extent possible, provided in the Articles of Incorporaion. Indeed the Proposal also seeks to do so on a retroactive basis, which, as explained above, would deny the directors certain protections already afforded them under California law contained in CCC Section 317 and in the Articles of Incorporation. The Proposal, therefore, may be excluded under Rule 14a-8(i)(1) because it does not present a proper subject for action by the Company's shareholders. See *Purepac Laboratories Corporation*, April 11, 1974, where the Staff concurred that Purepac could exclude under what is now Rule 14a-8(i)(1) a proposed bylaw amendment that was in conflict with the certificate of incorporation on the ground that it did not present a proper subject for action by such company's shareholders.

(3) Breach of Contract.

Article VI, Section 2(d) of the Company's Bylaws provides for mandatory indemnification of a director if the director has been successful on the merits in defending an indemnifiable action. Article VI, Section 4 of the Bylaws provides that a director has a right to bring legal action to obtain indemnity and that the Company has the burden of proof that indemnity is not proper because the director did not meet the required standard of conduct under the CCC.

In addition, Article VI, Section 10 of the Bylaws provides: "This Article [VI] shall be a binding contract between the Company and each Indemnitee made in partial consideration of the Indemnitee's ongoing services to the Company .

. . ." "Indemnitee" is defined in Article VI, Section 1(c) of the Company's bylaws to include all directors.

The Proposal conflicts with Article VI of the Company's Bylaws because it makes no provision for mandatory indemnification when a director has successfully defended himself or herself. Moreover, the Proposal on its face purports to nullify the right of a director to bring a legal action to determine his or her right to indemnification relative to the Target Issues, on both a prospective and a retroactive basis, and to nullify the requirement that the Company bear the burden of proving that one or more of the statutory grounds for denying indemnification exists. Since Article VI of the Bylaws creates a "binding contract" between the Company and the directors named in the Proposal, and since the Proposal contravenes Article VI of the Bylaws, giving effect to the Proposal would cause the Company to breach its existing contractual obligations with its directors. For this reason, the Proposal may be excluded by the Company under Rules 14(a)-8(i)(2) and 14(a)-8(i)(6). See *Western Union*, July 22, 1987, in which the Staff permitted exclusion under what are now Rules 14a-8(i)(2) and 14a-8(i)(6) of a proposal which both violated the Delaware indemnification statute and would have caused a breach of a contract to indemnify.

In Staff Legal Bulletin No. 14, dated July 13, 2001, at Question E.5, the Staff states that, with respect to Rules 14a-8(i)(2) and 14a-8(i)(6),"[I]f implementing the proposal would require the company to breach existing contractual obligations, we may permit the shareholder to revise the proposal so that it applies only to the company's future contractual obligations." However, the contract in question derives from the Bylaws which will not expire. Accordingly, the Proposal cannot be revised to cure this problem and is excludable under Rule 14a-8(i)(2) and Rule 14a-8(i)(6).

(4) Vague and General Objectives.

In order to implement the Proposal, the Company will need to determine whether an Action relates to a Target Issue and is, therefore, within the scope of the Proposal. All of the three Target Issues are extremely vague and unsupported by any factual foundation since they do not allege what actions, if any, were taken or failed to be taken by each director so that a determination can be made as to whether the applicable condition has been met. Although the general objective of the Proposal is to retroactively prohibit indemnification relating to the Target Issues, in the absence of a specific allegation of facts that would establish a breach of duty relating to the Target Issues, neither the Company nor shareholders have sufficient guidance to know whether or not a future claim will fall within the scope

of the Proposal. This is particularly true at present since no claims have been asserted and no directors have sought indemnification. In fact, two directors were not even on the Board during most of the period covered by the resolution. Accordingly, the Proposal is vague and sets forth general objectives without providing sufficient guidance for its application, and, therefore, the Proposal may be omitted pursuant to Rule 14a-8(i)(6). See *General Motors Corp.*, March 9, 1981 where the proposal would have required General Motors, before making a donation to a school, to determine how many avowed Communists, Marxists, Leninists, and Maoists were on its faculty or administration, without providing specific guidance as to how to accomplish this.

III. THE PROPOSAL AND SUPPORTING STATEMENT ARE FALSE AND MISLEADING

The Proposal contains an unsupported assertion of fact:

"[T]hese directors did not meet the applicable standards of conduct established by the California Corporations Code and the Company's Bylaws."

The Proposal did not provide any factual support for this statement, because no such support for this statement exists, and because the Proposal is phrased in sweeping generalities and purports to prejudge unstated actions occurring in the past or with respect to further actions which have not yet occurred, the statement cannot be supported. See Staff Legal Bulletin No. 14 July 13, 2001, Paragraph G, Substantive Issues 4: "In drafting a proposal and supporting statement, shareholders should avoid making unsupported assertions of fact." This unsupported statement is misleading and violates Rule 14a-9. The Note to Rule 14a-9 states that "misleading" materials include "[m]aterial which directly or indirectly ... makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation." The Proponent provides no facts to support the above statement and it should be excluded under Rule 14a-8(i)(3) as misleading in violation of Rule 14a-9.

The misstatements in the Supporting Statement include:

(1) "(Shares owned by the directors to be indemnified are not entitled to vote on the resolution)." This statement erroneously assumes that this proposal is itself an action by shareholders pursuant to CCC Section 317(e)(3) which excludes shares owned by persons to be indemnified from voting. However, there is no action pending or even threatened against the directors, and no request to authorize indemnification has been placed before the shareholders. Since this

cannot be a CCC Section 317(e)(3) action, all outstanding shares are eligible to vote.

(2) "As shareholders, we have the right to decide, in the absence of a court decision, whether or not Company funds should be used to indemnify directors for this litigation expense." This statement is false and misleading. The shareholders have no right to deny indemnification if there has been a successful defense on the merits, nor do they have a right to contravene the Articles of Incorporation, Bylaws or contracts of the Company. Only if a matter of permissive indemnification is submitted to them for approval under Section 317(e)(3) do they have a right to vote. The statement also ignores the fact that indemnification can also be authorized under Section 317 by a vote of a majority of a quorum of non-party directors and by the written opinion of independent legal counsel. In addition, indemnification can be provided under the Bylaws independently of Section 317 inasmuch as Section 317(g) states that Section 317 does not affect other rights to indemnification by contract or otherwise.

(3) "This resolution gives you, the shareholders, the ability to exercise that right." Whatever rights the shareholders have to approve or disapprove indemnification of agents are derived from and limited by Section 317, the Articles of Incorporation and the Bylaws. Additionally, because the resolution is in violation of the Articles of Incorporation, Bylaws and contravenes California law, the resolution, if passed, would be a nullity and confer no legal rights.

(4) "Without this resolution, the directors themselves could choose lawyers (and pay them with your Company's funds) to determine whether the Company should indemnify the directors." This resolution cannot retroactively deprive the Company directors of any right conferred by statute, the Articles of Incorporation or Bylaws. The implication that the Proposal can retroactively change the rules governing indemnification is erroneous.

(5) The omission from the third paragraph of reference to the authorization of indemnification by written opinion of independent legal counsel or pursuant to the Bylaws is misleading. Similarly, since there are no proceedings pending against the directors, the right of a majority of a quorum of non-party directors to authorize indemnification of other corporate agents in future proceedings under

Section 317(e)(1) remains potentially available, and the omission of reference to that option is also misleading.

(6) "If you believe [the directors have not acted in the best interests of the shareholders], you should vote for this resolution and prevent them from being able to use your money to pay their costs of claims unless a court decides they have a right to it." Again, the Supporting Statement is misleading because it omits references to all the other methods of authorizing indemnification and states that the Proposal will have an effect which it cannot have.

All of these misstatements result from Proponent's failure to comprehend the fact that the Proposal cannot change the rules governing indemnification as provided by Section 317 of the California Corporations Code, the Articles of Incorporation and Bylaws and, therefore, the Proposal cannot achieve its intended result. Accordingly, the Proponent's statements concerning the effect of the Proposal are false and misleading.

Please take note that the Proponent is a large institutional investor with ample resources to have researched applicable law and drafted a proper proposal. Although the Company does not believe this Proposal can be salvaged by revisions, the Company submits that affording this Proponent any further opportunity to make a proper proposal would be inappropriate and deleterious to the efficient operation of the shareholder proposal process. See *Pacific Enterprises*, March 9, 1990, in which the Staff, without comment, declined to permit a sophisticated investor represented by counsel to cure defects in his proposal. The request for a no-action letter in Pacific Enterprises contains citations to a number of other no-action letters on this point. If the Staff determines that the Proposal can be salvaged by revisions, it is the Company's position that shares owned by the Company's directors should be eligible to vote on any revised Proposal, because no Proposal can be brought under CCC Section 317(e)(3) for the reasons described above.

Would you kindly advise us by fax at 213-687-5600 of your response.

Thank you for your consideration.

Respectfully submitted,

Joseph J. Giunta