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October 15, 2003

VIA HAND DELIVERY

Grace K. Lee, Esq.
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
Response to Franklin Mutual October 2, 2003 Letter

Dear Ms. Lee:

We are counsel to Farmer Bros. Co., a California corporation (the "Company"). On September 12, 2003 we notified you of the intention of the Company to exclude 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"). In our letter to you of September 12, 2003 (the "Request Letter") we requested the concurrence of the staff of the Division of Corporation Finance (the "Staff") that it would not recommend enforcement action if the Company omitted the Proposal and Supporting Statement from its proxy statement and form of proxy for the 2003 Shareholders Meeting (collectively, the "2003 Proxy Materials").

On October 2, 2003, we received by electronic mail a copy of a letter from the Proponent to the Staff dated October 2, 2003 (the "Shareholder Response"). We are of the opinion that the Proponent has misunderstood, mischaracterized or simply ignored the arguments that we presented in the Request Letter. We therefore continue to believe that the Company may exclude the Proposal from the 2003 Proxy Materials for each of the reasons given in the Request Letter, but we feel compelled to bring to the Staff's attention in this letter some of the false or misleading arguments presented in the Shareholder Response.

Pursuant to Rule 14a-8(j), enclosed are six (6) copies of this letter. As required by Rule 14a-8(j), a copy of this letter is being mailed on this date to the Proponent.

1. Indemnification Requires a Pending or Threatened Action.

The Proponent in the Shareholder Response argues that shareholders may deny a director, indemnification pursuant to California Corporations Code ("CCC") Section 317(e)(3) without a pending or threatened claim against such director. This argument is clearly false based on the plain meaning of CCC Section 317. Both CCC Section 317(b) and CCC Section 317(c) provide that the corporation "shall have the power to indemnify any person who was or is a party to any **proceeding** [emphasis added] . . ." CCC Section 317(a) defines a "proceeding" as "any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative." CCC Section 317(e) provides four different methods by which a corporation may obtain the requisite authorization for it to make an indemnification payment to a person entitled to indemnity under the statute. See Marsh's California Corporation Law, Section 11.22(D) (hereinafter "Marsh"). *It is obvious from the plain meaning of the statute that a director must be a party to a "proceeding" before a corporation acting under CCC Section 317(e) can determine whether the applicable standard of conduct has been satisfied under CCC Section 317(a) or 317(b), as applicable.*

2. CCC Section 317(h) Provides That a Shareholder Resolution May Limit the Right to Indemnification.

The Proponent cites CCC Section 317(h)(1) in the Shareholder Response as support for the proposition that shareholders have the right to limit the right of the Company to indemnify its directors. CCC Section 317(h)(1) provides that:

"No indemnification or advance shall be made under this Section. . . , in any circumstance where it appears:

- (1) That it would be inconsistent with a provision of the articles, bylaws, a resolution of the shareholders, or an agreement **in effect at the time of the accrual of the alleged cause of action** [emphasis added] asserted in the **proceeding** [emphasis added] in which the expenses were incurred or other amounts paid, which prohibits or otherwise limits its indemnification.

The Proposal seeks to deny indemnification for conduct of the directors of the Company from July 2002 until the date of the Proposal (i.e., on a retroactive basis). However, *no cause of action exists in any proceeding* prior to the date of the Proposal; therefore Section 317(h) is inapposite as it only applies where indemnification is sought in a proceeding and for actions brought after the resolution limiting indemnification. This is entirely consistent with common sense as it would be highly prejudicial for a director with rights to indemnification to be denied those rights retroactively. While a shareholder resolution enacted under 317(h) could limit a director's right to indemnification for actions taken by the directors after the date of the resolution, if the proposed resolution is sought to be enacted under CCC Section 317(h), then such resolution would be subject to a vote of all shareholders, not a limited group of shareholders. For this reason, we did not address CCC Section 317(h) in our Request Letter because the Proponent explicitly brought the Proposal under CCC Section 317(e)(3) so that it could exclude the vote of shares held by affected directors.

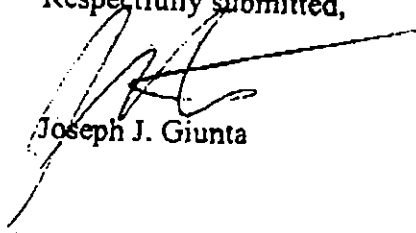
3. The Proposal Denies the Directors their Powers

The Proponent in the response letter argues that CCC 317(e)(3) is intended to allow the shareholders to void all of the existing indemnity protections provided by the Company's articles of incorporation, bylaws and under California law and afforded to directors except where a director is successful on the merits. Contrary to proponent's assertion in the Response Letter, the Company's bylaws explicitly say in Article VI, Section 10 that the indemnification protections granted by the bylaws "shall be a binding contract between the Company and each Indemnitee. . . ." As stated above by Marsh, CCC Section 317(e) provides four different methods by which a corporation may obtain the requisite authorization for it to make an indemnification payment to a person entitled to indemnity under the statute. It would appear that the intention of the statute is to provide the directors, as managers of the corporation, with a choice as to whether or not they wish to pursue authorization to make an indemnification payment by a vote of the shareholders or

by other means such as a vote of disinterested directors, a legal opinion, or by a court. The directors have not sought such authorization from the shareholders as there is no cause of action pending against the named directors in their capacities as such¹ and, therefore, the Proposal, if brought under CCC 317(e)(3), would not be a proper subject for the shareholders under California law.

If you have any questions or require any other information, please do not hesitate to contact me by telephone at 213-687-5040 or by email at jgiunta@skadden.com. Thank you for your consideration.

Respectfully submitted,



Joseph J. Giunta

JJG:C

¹ Proponent's assertion that a proceeding is pending is absurd given that the court action referred to has no relevance to any of the named individuals in the resolution save one, and with respect to that director, only in his capacity as a trustee, not as a director. Moreover, he has not sought indemnification from the Company for anything in connection with that proceeding.