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July 27, 2006

VIA FEDERAL EXPRESS

Farmer Bros. Co.
20333 South Normandie Avenue
Torrance, CA 90502

Re: Proposed Stockholder Resolution
Submitted By Leonard Rosenthal

Gentlemen:

You have requested our opinion as to whether the stockholder proposal (the "Proposal") submitted to Farmer Bros. Co., a Delaware corporation (the "Company"), by Leonard Rosenthal (the "Proponent"), would, if adopted and implemented, contravene the provisions of the Delaware General Corporation Law (the "DGCL"), and whether the Proposal is a proper subject for action by the Company's stockholders under Delaware law.

In connection with your request for our opinion, you have furnished us with copies of the Proponent's letter to the Company, dated June 26, 2006, and the Proposal and supporting statement which accompanied such letter. We also have reviewed the Company's Certificate of Incorporation (the "Certificate of Incorporation"), the Company's Bylaws (the "Bylaws") and the form of indemnification agreement entered into by the directors, each in their current form, and such other documents as we deemed necessary. We have assumed the conformity to the original documents of all documents submitted to us as copies and the authenticity of the originals of such documents.

The Proponent has proposed a binding stockholder resolution to preclude indemnification of all of the Company's current directors with respect to certain types of claims that may arise in the future related to the Investment Company Act of 1940 (the "ICA"). The text of the proposed stockholder resolution is as follows:

PROPOSAL: INDEMNIFICATION OF DIRECTORS

RESOLVED, that in relation to any threatened, pending or completed action, suit or proceeding of the Securities and Exchange Commission ("SEC"), whether civil, criminal, administrative or investigative, concerning the failure of Farmer Bros. Co. (the "Company") to register and otherwise comply with the Investment Company Act of 1940 ("ICA"), and based on the Company's public record of deliberately rejecting actions to comply with the ICA since August 2002, the Company's stockholders have determined pursuant to Delaware General Corporation Law ("DGCL") Section 145(d)(4) that the Company's current directors have NOT met the applicable standard of conduct for indemnification established in DGCL 145(a), requiring that a director must have acted "in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful."

The Proposal was accompanied by a statement of the Proponent in support thereof (the "Supporting Statement"). A copy of the Proposal and the Supporting Statement are attached as Exhibit A.

Members of our firm are admitted to the bar of the State of Delaware, and we do not express any opinion as to the laws of any jurisdiction other than the laws of the State of Delaware.

Analysis of Invalidity of Proposal Under Delaware Law

In our opinion, based upon and subject to the qualifications set forth in this letter, the Proposal contravenes Delaware law, and the Proposal is not a proper subject for action by the Company's stockholders. Therefore, the Proposal is invalid and improper under the laws of the State of Delaware.

1. The Proposal Would Contravene DGCL Section 145(d)

In our opinion, the Proposal contravenes DGCL Section 145(d) for at least two reasons: (a) it not only seeks to deny indemnification under DGCL Section 145(d) prior to the resolution of any Action (as defined below), it seeks to do so prior to the commencement of an Action that may result in a claim for indemnification, and (b) it seeks to exclude improperly other lawful methods of indemnification under DGCL Section 145(d).

- (a) DGCL Section 145(d) provides, in part, as follows:

Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized **in the specific case** [emphasis added] upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person **has met the applicable standard of conduct** [emphasis added] set forth in subsections (a) and (b) of this Section.

According to the Supporting Statement, "This proposed resolution provides an opportunity to exercise our stockholder's right to determine whether the conduct of the Company's current directors met the standards required for a Delaware corporation to authorize what is called 'permissive' indemnification pursuant to DGCL Section 145(d)." To our knowledge based on representations from the Company, and for purposes of this opinion, we assume that no threatened, pending or completed action, suit or proceeding of the Securities and Exchange Commission ("SEC"), whether civil, criminal, administrative or investigative, (collectively, "Actions") have been brought against any of the directors concerning the failure of the Company to register and otherwise comply with the ICA.

The reference in DGCL Section 145(d) to, "any indemnification under subsection (a) and (b) of this section (unless ordered by a Court) shall be made by the corporation only if authorized **in the specific case** [emphasis added], upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person **has met the applicable standard of conduct** [emphasis added] . . .", clearly indicates that any determination regarding the propriety of indemnification under DGCL Section 145(d) must be made only after an action giving rise to a claim for indemnification is resolved. In our opinion, indemnification can clearly be neither granted or denied pursuant to DGCL Section 145(d) in advance of an actual claim where the actual circumstances can be considered.

DGCL Section 145 simply does not contemplate that the Company can make a "determination" by stockholder vote or otherwise before the resolution, much less the commencement, of an underlying action. As one leading commentator has unqualifiedly stated, "The right to indemnification is a post-judgment decision that must necessarily await the outcome of the litigation, given the limiting substantive conditions regarding indemnitee's conduct and motivation that must be met under the statute." D. Wolfe & M. Pittinger, CORPORATE AND COMMERCIAL PRACTICE IN THE DELAWARE COURT OF CHANCERY, Section 8-2 at 8-18.1 (2006).

Any reading of DGCL Section 145(d) that purports to permit a determination of indemnity rights before the disposition of an underlying Action is clearly contrary to the statute. DGCL Section 145 clearly recognizes the difference between whether deciding to pay corporate funds before and after the disposition of any underlying Action. In "advance of the final disposition" a directors expenses may be

advanced by the corporation to the director pursuant to DGCL Section 145(e).¹ Only after the disposition of an Action may the Company make the decision whether to indemnify the directors for the costs incurred in connection with the Action. See *Advanced Mining Systems v. Fricke*, 623 A.2d 82, 84 (Del. Ch. 1992) (decision to advance expenses to directors or officers prior to termination of a litigation proceeding is different than determination of whether director or officer is ultimately entitled to indemnification which is determined after the termination of such proceeding). Under DGCL Section 145(e), a corporation may advance expenses through the "final disposition" of the underlying action. Such an advancement is conditioned on an undertaking of such director to repay such amount "if it shall **ultimately be determined** [emphasis added] that such person is not entitled to be indemnified as authorized in this section." DGCL Section 145(e). The "ultimate determination" is the "determination" made pursuant to DGCL Section 145(d). Thus DGCL Section 145 clearly contemplates that the "determination" whether to indemnify directors will occur after the "final disposition" of the underlying action, at which time the corporation can also determine whether advanced expenses need to be repaid by directors pursuant to the required undertaking. See *Dunlop v. Sunbeam Corp*, 1999 Del. Ch. LEXIS 126, 17 (1999). (advances do not have to be returned until after both the completion of lawsuits and the determination that persons are not entitled to indemnification for such completed lawsuits)

The Proposal purports to make the "determination" required by DGCL Section 145(d) not only prior to the disposition of a pending Action, but also prior to the existence of any pending or threatened Action. Since there are no pending or threatened Actions against any of the directors related to the ICA and no claim for indemnification has been made, the Proposal, which purports to be brought under DGCL Section 145(d), cannot be brought properly under such statute and, therefore, contravenes such statute.

(b) In the absence of a successful defense on the merits by the director, in which case indemnification is mandatory pursuant to DGCL Section 145(c), DGCL Section 145(d) authorizes indemnification when the director has met the applicable standard of conduct as determined by any of the following four methods:

- (1) A majority vote of the directors who are not parties to such action, suit or proceeding, even though less than quorum; or
- (2) By a committee of such directors designated by a majority vote of such directors, even though less than a quorum; or

¹ Both the Certificate of Incorporation and Bylaws provide for advancement of expenses to directors.

- (3) If there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion; or
- (4) By the stockholders.

However, the Supporting Statement only refers to one of the four methods, stockholder approval (subparagraph (4) above). The Proposal seeks to preemptively deny the other three methods that are specifically authorized by the statute, and, neither the Proposal, nor the Supporting Statement, refers to the three alternative methods for granting indemnification described in DGCL Sections 145(d)(1), 145(d)(2) and 145(d)(3), namely by a majority vote of a disinterested directors, or committee thereof, even though less than a quorum, and if there are no such directors or such directors so direct, by independent legal counsel in a written opinion. Nothing in DGCL Section 145(d) suggests that failure to approve indemnification under one subsection would preclude indemnification under the other authorized means. Therefore, the Proposal improperly seeks to deny the ability of the Company to grant indemnification to the directors pursuant to DGCL Sections 145(d)(1), 145(d)(2) and 145(d)(3) with respect to any Actions related to the ICA should they arise in the future. Moreover, the Proposal purports to deny the stockholders of the Company the ability to grant indemnification pursuant to DGCL Section 145(d)(4), as warranted under the circumstances, at a later date, in the event a specific case arises related to the ICA. In our opinion, this denial of a statutory right to indemnification, in the absence of a resolved Action and a claim for indemnification, would also contravene DGCL Section 145(d) because there are no facts on which to base a determination of whether the applicable standards have been met.

2. The Proposal is Not a Proper Subject for Action by the Stockholders

In our opinion, the Proposal is not a proper subject of action by the stockholders for at least two reasons: (a) It seeks to deny the directors of the Company the ability to determine which of the four permissible methods for determining whether an indemnification claim is proper, as provided by statute, and (b) it conflicts with a provision in the Certificate of Incorporation that is intended to indemnify directors to the maximum extent permitted by law.

As described above DGCL Section 145(d)(1) and 145(d)(2) provides that non-party directors or a committee thereof, even though less than a quorum may determine the propriety of a director's claim for indemnification, and if there are no such directors, or if such directors so elect, the Company may seek to obtain the written opinion of legal counsel in accordance with DGCL Section 145(d)(3). DGCL Section 141(a) provides that the "business and affairs of every corporation . . . shall be managed by or under the direction of a board of directors . . ." Determining which of the four permissible methods for determining whether an indemnification claim is proper, is within such power and duties of the directors to manage the affairs of the Company provided such directors comply with DGCL Section 145(d). The Proposal is not a proper

action for the stockholders because, if implemented, it would improperly intrude on such power and duties of the directors as expressly contemplated by statute and the Company's Certificate of Incorporation.

Article Seventh of the Certificate of Incorporation states that "The Corporation shall indemnify its directors . . . to the fullest extent permitted by law, as now or hereinafter in effect . . ." The Proposal is in conflict with the Company's Certificate of Incorporation because it purports to revoke or limit the Company's authority to indemnify directors with respect to any Actions related to the ICA to the fullest extent permitted by Delaware law. Indeed the proposal also seeks to do so on a retroactive and a prospective basis, which would deny the directors certain protection already afforded them in the Certificate of Incorporation. In our view the Proposal is in conflict with this provision in the Certificate of Incorporation, and since the Certificate of Incorporation may not be amended without the approval of both the Company's board of directors and stockholders in accordance with DGCL Section 242, the Proposal does not present a proper subject for action by the Company's stockholders.

* * *

Based upon and subject to the foregoing, it is our opinion that the stockholder resolution contemplated by the Proposal contravenes Delaware law and is not a proper subject for action by the Company's stockholders at the Annual Meeting and that a Delaware court, presented with the question of the resolution's validity, would so conclude.

This opinion is furnished to you solely for your benefit in connection with the Proposal and, except as set forth in the next sentence, is not to be used, circulated, quoted or otherwise referred to for any other purpose or relied upon by any other person without our express written permission. We hereby consent to your furnishing a copy of this opinion to the Staff of the SEC in connection with a no-action request with respect to the Proposal.

Very truly yours,

SK [Signature] - ACP, State [Signature]