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August 26, 2002

VIA HAND DELIVERY

Paula Dubberly, Esq.
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 Mutual Beacon Fund and Mutual Discovery Fund, each a series of Franklin Mutual Series Fund Inc.

Securities Exchange Act of 1934 -- Rule 14a-8

Dear Ms. Dubberly:

This letter is to inform you that it is the intention of our client, Farmer Bros. Co. (the "Company"), to omit from its proxy statement and form of proxy for the Company's 2002 Annual Meeting of Stockholders (collectively, the "2002 Proxy Materials") a shareholder proposal (the "Proposal") and statement in support thereof (the "Supporting Statement") received from Mutual Beacon Fund and Mutual Discovery Fund, each a series of Franklin Mutual Series Fund Inc., by Franklin Mutual Advisers, LLC proposing that the Company's bylaws be amended to provide that the Company conduct its business as an investment company subject to the Investment Company Act of 1940 (the "ICA"). The Proposal and Supporting Statement are attached hereto as Exhibit 1.

On behalf of our client, we hereby notify the Division of Corporation Finance of the Company's intention to exclude the Proposal and Supporting Statement from its 2002 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 herewith are six (6) copies of this letter and its attachments. Also in accordance with Rule 14a-8(j), a copy of this letter and its attachments is being mailed on this date to the proponents, informing them of the Company's intention to omit the Proposal and the Supporting Statement from the 2002 Proxy Materials. The Company intends to begin distribution of its definitive 2002 Proxy Materials on or after November 26, 2002. Accordingly, pursuant to Rule 14a-8(j), this letter is being submitted not less than 80 days before the Company files its definitive materials and form of proxy with the Securities and Exchange Commission.

We believe that the Proposal and the Supporting Statement may properly be excluded from the 2002 Proxy Materials pursuant to the following rules:

1. Rule 14a-8(i)(3), because the Proposal is impermissibly vague, rendering it false and misleading in violation of the proxy rules;

2. Rule 14a-8(i)(2), because adoption of the Proposal would result in the Company being in violation of the federal securities laws; and

3. Rule 14a-8(i)(7), because the Proposal relates to the Company's ordinary business operations.

I. The Proposal may be excluded under Rule 14a-8(i)(3) because it is overly vague in violation of the proxy rules.

Rule 14a-8(i)(3) permits companies to exclude a proposal if "the proposal or supporting statement is contrary to any of the Commission's proxy rules . . . prohibit[ing] materially false or misleading statements in proxy soliciting materials." A proposal is sufficiently vague and indefinite to justify its exclusion where "neither the shareholders voting on the proposal, nor the Company in implementing the proposal (if adopted), would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires."[1] The Staff has determined that one respect in which a proposal may be considered sufficiently vague to warrant its exclusion is where "the standards under the proposal may be subject to differing interpretations."[2] In Jos. Schlitz Brewing Co. (March 21, 1977), the Staff took particular note of the fact that "any resultant action by the Company would have to be made without guidance from the proposal and, consequently, in possible contravention of the intentions of the shareholders who voted on the proposal."

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[1] Philadelphia Electric Co., SEC No-Action Letter (July 30, 1992); *see also* Bristol-Meyers Squibb Co., SEC No-Action Letter (Feb. 1, 1999).

[2] Hershey Foods Corp., SEC No-Action Letter (Dec. 27, 1988).

The Proposal and Supporting Statement are overly vague and materially misleading for at least four reasons: (i) it is unclear whether the adoption of the Proposal would require the Company to *register* as an investment company or merely conduct its business *as if it were* an investment company; (ii) the Proposal and Supporting Statement assume as fact, yet with no factual support, that the Company meets the definition of "investment company" set out in Section 3 of the ICA; (iii) assuming the Proposal will require the Company to register as an investment company, it is unclear what steps would be necessary and what, exactly, the Company would register as; and (iv) it is unclear whether the Supporting Statement implies a complete corporate reorganization to separate the Company into an operating company and an "investment company."[3] In addition, the Supporting Statement is materially misleading because it implies that the Company's filings are not subject to the regulatory oversight of the SEC and fails to mention *any* of the adverse consequences to registering as an investment company under the ICA.

The Proposal offers a bylaw amendment that, by its terms, does not require the Company to register as an investment company under the ICA. Indeed, the Proposal would adopt a bylaw amendment requiring the Company to "conduct its business as an investment company subject to the Investment Company Act of 1940." It is unclear whether the Proposal would require the Company to register or, rather, merely conduct its business subject to certain rules. Furthermore, while the Supporting Statement at points seems to indicate the Proposal would require registration under the ICA ("Registering as an investment company . . . will provide shareholders with significant benefits . . ."), at other points, it disclaims any intent to "advocate a particular restructuring objective." Second, because only "investment companies" as defined in Section 3 of the ICA are permitted to register under the ICA, the Proposal apparently assumes that the Company is an "investment company" under one or more of the definitions in Section 3; however, by failing to state that assumption expressly or to provide any factual support for that conclusion, the Proposal and Supporting Statement are materially incomplete and misleading. If the Proposal is intended to require compliance with the ICA whether or not the Company is an "investment company," that intention cannot be determined from the Proposal or the Supporting Statement. Third, the Proposal gives no indication as to what action the Company would be required to take if the Proposal were approved by shareholders and what type of "investment company" the Company would be. For example, as the Staff is no doubt aware, the ICA regulates both open-end and closed-end investment companies, and the regulatory implications and requirements differ between the two. Regardless of how one interprets the Proposal (*i.e.*, whether it requires registration or merely compliance), neither management nor the shareholders expected to vote on the Proposal have any way of knowing whether the Company would register

[3] The Supporting Statement goes on later to state that it is not "intended to advocate a particular restructuring objective." This, in itself, further demonstrates that the Proposal is impermissibly vague, and shareholders would not be able to determine what actions the Company would have to take to comply with the Proposal.

under, or be subject to the parts of, the ICA as an open-end or closed-end fund.

Furthermore, and perhaps most importantly, neither the Proposal nor the Supporting Statement sufficiently discloses the considerations necessary to change the fundamental business of the Company by electing to register as an investment company. While the proponent goes to great lengths to sing the praises of registration under the ICA, there is no hint about, much less a discussion of, the massive restructuring and expense that would necessarily be required to register under the ICA and the enormous impact registration would have on the Company's business and its shareholders.[4]

Because the Proposal uses broad and ambiguous terms and because the Supporting Statement is inconsistent with the language of the proposed bylaw itself, the Company's shareholders are being asked to approve a proposal that provides no guidelines as to what steps the Company is expected to take. Moreover, any resultant action by the Company would have to be made without guidance and, consequently, in possible contravention of the intention of the stockholders who voted in favor of the Proposal. In sum, the Proposal is so vague and indefinite that neither the Company's shareholders nor its management can be certain of what they are being asked to approve or implement, respectively. As such, the Proposal can properly be excluded pursuant to Rule 14a-8(i)(3).

II. The Proposal may be excluded under Rule 14a-8(i)(2) because it would result in the Company violating the federal securities laws.

If the Company were required to register under the ICA, given its current capital structure and assets, it would be in violation of Sections 18, 17, and 23 of the ICA upon registering as an investment company.

Section 18 of the ICA places substantial restriction on an investment company's ability to issue "senior securities." As reflected in the Company's most recent filing on Form 10-Q, the Company has over $14 million in accounts payable: a senior security within the meaning of Section 18 of the ICA. In addition, the Company sponsors an employee stock option plan (an "ESOP") to which it makes loans and engages in other business which would be in violation of the affiliated transaction prohibitions in Section 17 of the ICA. Finally, Section 23 of the ICA provides that a registered closed-end fund[5] is prohibited from selling its common stock below the

[4] To cite one example, the Supporting Statement makes a passing, and misleading, reference to "potentially more favorable tax treatment" upon registration. The Supporting Statement fails to note that the Company is currently taxed under Subchapter C of the Internal Revenue Code (the "Code"); whereas, most investment companies are taxed under Subchapter M of the Code. Certain provisions of the Code prevent a company from unilaterally switching from Subchapter C treatment to Subchapter M unless certain conditions are met. *See* I.R.C. § 841 (CCH 2002).

[5] As noted above, while the Proposal is vague as to exactly whether the bylaw amendment would require the Company to register, and if so, what type of investment company, we presume the Proposal intends that the Company would register as a closed-end fund.

current net asset value of such stock. The Company currently sells its stock to the ESOP at market values, a value that might well be below the "net asset value" of the Company's stock if the Company's assets were valued in the manner required by Section 2(a)(41).

III. The Proposal involves "ordinary business" decisions of the Company and is, therefore, excludable under Rule 14a-8(i)(7).

A proposal may be omitted under Rule 14a-8(i)(7) if it "deals with a matter relating to the company's ordinary business operations." As the SEC recently observed, the ordinary business exclusion under Rule 14a-8(i)(7) rests on two central considerations.[6] The first consideration relates to the subject matter of the proposal. Certain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight. Examples include the management of the workforce, such as the hiring, promotion, and termination of employees, decisions on production quality and quantity, and the retention of suppliers. Nonetheless, proposals relating to such matters but focusing on sufficiently significant social policy issues (*e.g.*, significant discrimination matters) generally would not be considered to be excludable because the proposals would transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote.

The second consideration relates to the degree to which the proposal seeks to "micro-manage" a company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment. This consideration may come into play in a number of circumstances, such as where the proposal involves intricate detail or seeks to impose specific time-frames or methods for implementing complex policies.

The Staff has acknowledged that proposals regarding certain complex business matters are properly excluded under Rule 14a-8(i)(7). For example, the Staff permitted AMCOL International Corporation to exclude a shareholder proposal that sought to request the company "take all steps appropriate" to list its shares on the New York Stock Exchange.[7] AMCOL argued that "there are multiple variables in determining the appropriate market on which to list the Company's shares" and neither the proponent "nor any other stockholder is in a position to determine the appropriate trading market for the Company's shares." The Staff concurred with AMCOL's analysis and permitted the company to exclude the proposal under former Rule 14a-8(c)(7). Similar reasoning applies even more strongly in this case: a determination of whether to register as an investment company involves a multitude of considerations (none of which are

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[6] *See* Exchange Act Release No. 40018 (May 21, 1998).

[7] AMCOL International Corp., SEC No-Action Letter (Feb. 13, 1997).

addressed in the Proposal or the Supporting Statement), and the shareholders are not in a position to appropriately decide such a complex issue.[8]

The Commission itself has noted that Rule 14a-8(i)(7) is intended to "deal with ordinary business matters of a complex nature that shareholders, as a group, would not be qualified to make an informed judgment on, due to their lack of business expertise and their lack of intimate knowledge of the issuer's business."[9] More recently, the SEC has observed that the "ordinary business" exclusion provides "management with flexibility in directing certain core matters involving the company's business and operations."[10] One can hardly conceive of a proposal that undertakes to effect management's ability to operate a business to a greater degree than the Proposal at issue here. As noted above, the Proposal is properly excluded from the 2002 Proxy Material under Rule 17a-8(i)(3) because a discussion concerning the complexity of registration under the ICA and the multitude of implications this would have on the Company's business is entirely absent from the Supporting Statement, and it is, therefore, materially misleading. For many of the same reasons, the Proposal is also properly excluded under Rule 14a-8(i)(7) because the inherent complexity of the issue is inappropriate for shareholders to consider at an annual meeting.

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[8] In those cases where the Staff has not agreed that a proposal involving an extraordinary corporate action may be excluded, the proposals generally involve the structure of the company rather than a wholesale change in how the company itself is operated. *See* Bergen Brunswig Corp., SEC No-Action Letter (Dec. 6, 2000); NCH Corp., SEC No-Action Letter (Apr. 27, 2000) (refusing no-action relief under rule 14a-8(i)(6)). Ironically, the Proposal specifically disclaims any attempt to offer a change of structure and, instead, offers a change in the way the Company is managed. The practical effect of the Proposal would be to alter the way in which the Company's assets are managed, and a long line of Staff interpretations acknowledges not only that decisions regarding the acquisition, disposition, and application of corporate assets are matters within the conduct of "ordinary business operations," *see* General Motors Corp., SEC No-Action Letter (Mar. 31, 1988); Sears, Roebuck and Co., SEC No-Action Letter (Mar. 10, 1987), but also that investment decisions are likewise within the exclusion, *see* General Dynamics Corp., SEC No-Action Letter (Mar. 23, 2000), C.R.I. Insured Mortgage Ass'n, Inc., SEC No-Action Letter (Mar. 19, 1991).

[9] Exchange Act Release No. 12999 (Nov. 22, 1976).

[10] Exchange Act Release No. 40018 (May 21, 1998).

We would be happy to provide you with any additional information and answer any questions that you may have regarding this subject. Should you disagree with the conclusions set forth in this letter, we respectfully request the opportunity to confer with you before the determination of the Staff's final position. Please do not hesitate to call me at (202) 663-6591 if I can be of further assistance in this matter.

Sincerely,

Matthew A. Chambers