

TOOTSIE ROLL INDUSTRIES INC  
Form DEF 14A  
March 24, 2005

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**SCHEDULE 14A**  
**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.        )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

**TOOTSIE ROLL INDUSTRIES, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:

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- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

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**Tootsie Roll Industries, Inc.**  
7401 South Cicero Avenue, Chicago, Illinois 60629

March 25, 2005

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of your Company to be held on Monday, May 2, 2005, at 9:00 A.M., Eastern Daylight Savings Time, in Room 1200, Mutual Building, 909 East Main Street, Richmond, Virginia.

At the meeting, you will be asked to consider and vote upon the election of five directors and a proposal to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company.

The formal Notice of the Annual Meeting of Shareholders and the Proxy Statement follow. It is important that your shares be represented and voted at the meeting, regardless of the size of your holdings. Accordingly, please promptly mark, sign and date the enclosed proxy and return it in the enclosed envelope, whether or not you intend to be present at the Annual Meeting of Shareholders.

Sincerely,

Melvin J. Gordon  
*Chairman of the Board and  
Chief Executive Officer*

Ellen R. Gordon  
*President and  
Chief Operating Officer*

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**Tootsie Roll Industries, Inc.**

7401 South Cicero Avenue, Chicago, Illinois 60629

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 2, 2005**

To the Shareholders:

Notice is hereby given that the Annual Meeting of Shareholders of **TOOTSIE ROLL INDUSTRIES, INC.** will be held in Room 1200, Mutual Building, 909 East Main Street, Richmond, Virginia, on Monday, May 2, 2005, at 9:00 A.M., Eastern Daylight Savings Time, for the following purposes:

1. To elect the full board of five directors;
2. To consider and act upon ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2005; and
3. To transact such other business as may properly come before the meeting or any adjournments thereof.

Only shareholders of record at the close of business on March 11, 2005 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments thereof. The relative voting rights of the Company's Common Stock and Class B Common Stock in respect of the Annual Meeting and the matters to be acted upon at such meeting are described in the accompanying Proxy Statement.

Your attention is directed to the accompanying Proxy, Proxy Statement and 2004 Annual Report of Tootsie Roll Industries, Inc.

By Order of the Board of Directors  
G. Howard Ember Jr., *Assistant  
Secretary*

Chicago, Illinois  
March 25, 2005

**NOTE:** *Please mark, date and sign the enclosed Proxy and return it promptly in the enclosed envelope whether or not you plan to attend the Annual Meeting in person. You may revoke your Proxy at any time before it is voted.*

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**Tootsie Roll Industries, Inc.**

7401 South Cicero Avenue  
Chicago, Illinois 60629

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**PROXY STATEMENT**  
**Annual Meeting of Shareholders May 2, 2005**

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**SOLICITATION OF PROXIES**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Tootsie Roll Industries, Inc. of the accompanying proxy for the Annual Meeting of Shareholders of the Company to be held on Monday, May 2, 2005, and at any adjournments thereof. The purpose of the meeting is for the shareholders of the Company to: (1) elect five directors to terms of office expiring at the 2006 Annual Meeting of Shareholders; (2) consider and act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2005; and (3) transact such other business as may properly come before the meeting and any adjournments thereof.

Proxies in the accompanying form, properly executed and received by the Company prior to the meeting and not revoked, will be voted as directed therein on all matters presented at the meeting. In the absence of a specific direction from the shareholder, proxies will be voted for the election of all named director nominees and for ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm. The Board of Directors does not know of any other matters to be brought before the meeting; however, if other matters should properly come before the meeting it is intended that the persons named in the accompanying proxy will vote thereon at their discretion. Any shareholder may revoke his or her proxy by giving written notice of revocation to the Assistant Secretary of the Company at any time before it is voted, by executing a later-dated proxy which is voted at the meeting or by attending the meeting and voting his or her shares in person.

The Board of Directors has fixed the close of business on March 11, 2005 as the record date for the determination of shareholders of the Company entitled to receive notice of and to vote at the Annual Meeting of Shareholders to be held on May 2, 2005, and at any adjournments thereof. As of the close of business on March 11, 2005, there were outstanding and entitled to vote 34,764,970 shares of Common Stock and 17,509,979 shares of Class B Common Stock. Each share of Common Stock is entitled to one vote and each share of Class B Common Stock is entitled to ten votes, and therefore the Common Stock will be entitled to a total of 34,764,970 votes and the Class B Common Stock will be entitled to a total of 175,099,790 votes. The Common Stock and the Class B Common Stock will vote together as a single class with respect to the election of directors and all other matters submitted to the Company's shareholders at the meeting. This Proxy Statement and the enclosed form of proxy are being mailed to shareholders of the Company on or about March 25, 2005.

The entire cost of soliciting proxies in the accompanying form will be borne by the Company. Proxies will be solicited by mail, and may be solicited personally by directors, officers or regular employees of the Company who will not receive special compensation for such services. Upon request, the Company will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy material to beneficial owners of shares of the Company's Common Stock and Class B Common Stock.

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**VOTING INFORMATION**

A shareholder may, with respect to the election of directors (i) vote for the election of all named director nominees, (ii) withhold authority to vote for all named director nominees or (iii) vote for the election of all named director nominees other than any nominee with respect to whom the shareholder withholds authority to vote by so indicating in the appropriate space on the proxy. A shareholder may, with respect to each other proposal to be considered and voted upon at the meeting (i) vote "FOR" the proposal, (ii) vote "AGAINST" the proposal or (iii) "ABSTAIN" from voting on the proposal. Proxies properly executed and received by the Company prior to the meeting and not revoked will be voted as directed therein on all matters presented at the meeting. If a proxy indicates that all or a portion of the votes represented by such proxy are not being voted with respect to a particular matter, such non-votes will not be counted in connection with the vote on such matter, although such votes may be counted in connection with the vote on other matters and will count for purposes of determining the presence of a quorum.

The affirmative vote of a plurality of the votes present in person or by proxy at the meeting and entitled to vote in the election of directors is required to elect directors. Thus, assuming a quorum is present, the five persons receiving the greatest number of votes will be elected to serve as directors. Withholding authority to vote for a director(s) and non-votes with respect to the election of directors will not affect the outcome of the election of directors. If a quorum is present at the meeting, in order to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm, the number of votes cast favoring the action must exceed the number of votes cast opposing the action. Accordingly, non-votes and abstentions with respect to such matter will not affect the determination of whether such matter is approved.

## PROPOSAL 1

## ELECTION OF DIRECTORS

It is the intention of the persons named in the accompanying proxy to vote for the election of each of the five persons named in the table below as a director of the Company to serve until the 2006 Annual Meeting of Shareholders and until his or her successor is duly elected and qualified. With the exception of Barre A. Seibert, all of such nominees are now directors of the Company, having been previously elected as directors by the shareholders of the Company or appointed by the Board of Directors. In the event any of the nominees, all of whom have expressed an intention to serve if elected, fail to stand for election, the persons named in the proxy presently intend to vote for a substitute nominee designated by the Board of Directors. The information concerning the nominees and their shareholdings has been furnished by them to the Company.

The following table sets forth information with respect to the five nominees for election as directors:

Name, Age and Other Positions, if any, with Company	Period Served As Director and Business Experience During Past 5 Years
Melvin J. Gordon, 85; Chairman of the Board and Chief Executive Officer(1)(2)	Director since 1952; Chairman of the Board since 1962; Director and President of HDI Investment Corp., a family investment company.
Ellen R. Gordon, 73, President and Chief Operating Officer(1)(2)	Director since 1969; President since 1978; Director and Vice-President of HDI Investment Corp., a family investment company.
Barre A. Seibert, 63(5)	First Vice-President of Washington Mutual Savings Bank since December 2003; Vice-President from August 2001 to December 2003; Chief Financial Officer of TransAlliance LP from 1995 to 2001.
Lana Jane Lewis-Brent, 58(3)(4)	Director since 1988; President of Paul Brent Designer, Inc. since 1992; former President of Sunshine-Jr. Stores, Inc.
Richard P. Bergeman, 67(3)(4)	Director since December, 2001; retired; Senior Vice-President of Unilever Bestfoods through February 2001; Senior Vice-President of Bestfoods through October 2000.

- (1) Member of the Executive Committee. When the Board of Directors is not in session, the Executive Committee has the powers of the Board in the management of the business and affairs of the Company, other than certain actions which under the laws of the Commonwealth of Virginia must be approved by the Board of Directors.
- (2) Melvin J. Gordon and Ellen R. Gordon are husband and wife.
- (3) Member of the Audit Committee.
- (4) Member of the Compensation Committee.
- (5) Mr. Barre A. Seibert, who is the son of Mr. Charles W. Seibert (who is retiring from the Board), was recommended for nomination by the President.

*Director Independence and Corporate Governance.* The Company has determined that its non-management directors are independent under the New York Stock Exchange ("NYSE") listing standards because they have no material relationship to the Company other than through

their service on the Board of Directors. Shareholders and other interested parties who wish to communicate with the



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non-management members of the Board of Directors may do so by writing to Tootsie Roll Industries, Inc., 7401 South Cicero Avenue, Chicago, Illinois 60629, Attention: Audit Committee Chairman, c/o Corporate Secretary. The company's Corporate Governance Guidelines, which are posted on the Company's website at [www.tootsie.com](http://www.tootsie.com) and are available in print to any shareholder who requests a copy, provide that the Chair of the Audit Committee shall preside over executive sessions of the non-management directors. The Company has also adopted a Code of Business Conduct and Ethics, which applies to all of the Company's directors and employees, and which meets the SEC's criteria for a "code of ethics." The Code of Business Conduct and Ethics is posted on the Company's website and is available in print to any shareholder who requests a copy.

*Audit Committee.* The Audit Committee operates under a written charter approved by the full Board, a copy of which is posted on the Company's website and is available in print to any shareholder who requests a copy. The Audit Committee held seven meetings during 2004. The Audit Committee is composed of three directors who qualify as "independent" under the NYSE listing standards. The Board of Directors has determined that no member of the Audit Committee qualifies as an "audit committee financial expert" as such term is defined by rules of the Securities and Exchange Commission ("SEC") and the Company does not believe that given the capabilities of the members of the Audit Committee it has been necessary to have a member who would qualify as an audit committee financial expert as defined by the SEC.

*Compensation Committee.* The Compensation Committee's function is limited to the administration of the Tootsie Roll Industries, Inc. 2001 Bonus Incentive Plan and in this capacity makes awards under such plan. The Compensation Committee held one meeting during 2004. The Compensation Committee is composed of three directors who qualify as "independent" under the NYSE listing standards. As a "controlled company" under the NYSE listing standards (see "Controlled Company Status" below), the Company chooses to avail itself of an exemption afforded under the NYSE listing rules with regard to a compensation committee. Accordingly, the Compensation Committee does not maintain a written charter and does not have responsibility for making all compensation decisions with regard to the Chief Executive Officer or making recommendations regarding the other executive officers to the Board. Instead, except for the limited function of the Compensation Committee noted above, the entire Board of Directors is responsible for determining the compensation structure and amounts for the executive officers of the Company, including the Chief Executive Officer.

*Director Nominations.* The Company does not have a nominating or corporate governance committee. As a "controlled company" under NYSE listing standards, the Company chooses to avail itself of the exemption that allows the entire Board of Directors discuss and determine the Company's nominees for election to the Board and oversee the Company's corporate governance. The Company does not believe that given the current size and composition of its Board that it needs to have a separately-designated nominating committee to perform this function. The Board will consider director candidates recommended by shareholders, but the Board does not otherwise have a policy with regard to the consideration of director candidates recommended by shareholders, nor has it established any specific minimum qualifications that it believes must be met by a nominee for director, whether recommended by it or by a shareholder, or any specific qualities or skills that it believes are necessary for one or more of its directors to possess, as it believes that it can adequately consider the suitability and qualifications of any such candidates on a case by case basis. The Board does not currently have a policy for identifying or evaluating nominees for director, including nominees recommended by shareholders. If a candidate for nomination is recommended by a shareholder the Board would evaluate that candidate in the same manner as all other candidates to be nominees for director. Any shareholder wishing to submit such a recommendation should do so in writing addressed to Tootsie Roll Industries, Inc., 7401 South Cicero Avenue, Chicago, Illinois 60629, Attention: Ellen R. Gordon, President. See "Shareholder Proposals For 2006 Annual Meeting" below in this proxy statement for information regarding procedures that must be followed by shareholders in order to nominate directors at the 2006 annual meeting.

*Controlled Company Status.* The Company is a "controlled company" under the NYSE listing standards since the Gordon family collectively holds more 50% of the total voting power of the outstanding capital stock of the Company as of the Record Date.

*Board Meetings and Compensation.* The Board of Directors held four meetings during 2004. Mr. and Mrs. Gordon do not receive fees for their service on the Board of Directors or committees. Non-management directors receive an annual fee of \$40,000, \$1,250 per meeting attended, a \$5,000 annual retainer for serving on the Audit Committee and \$1,250 for attending each meeting of the Compensation Committee. The Chairman of the Audit Committee receives an additional annual fee of \$5,500. During 2004, all of the directors attended at least 75 percent of the meetings of the Board of Directors and the Committees of which they were members. Mr. and Mrs. Gordon attended the Company's 2004 Annual Meeting of Shareholders.

**The Board of Directors recommends a vote FOR the election of all named director nominees.**

#### OWNERSHIP OF COMMON STOCK AND CLASS B COMMON STOCK BY CERTAIN BENEFICIAL OWNERS

The following table sets forth, as of March 11, 2005, information with respect to the beneficial ownership of the Company's Common Stock and Class B Common Stock by each person known to the Company to be the beneficial owner of more than five percent of such Common Stock or Class B Common Stock. The information has been furnished to the Company by such persons or derived from filings with the SEC.

Name		Number of Shares of Common Stock and Class B Common Stock Owned Beneficially and Nature of Beneficial Ownership(1)		Percentage of Outstanding Shares of Class
		Direct	Indirect	
Melvin J. Gordon	Common	1,208,529		3.5%
	Class B	1,208,529		6.9%
Ellen R. Gordon	Common	7,499,183	94,673(2)	21.8%
	Class B	8,046,826	36,710(2)	46.2%
Melvin J. Gordon and Ellen R. Gordon, jointly as fiduciaries	Common		5,073,587(3)	14.6%
	Class B		4,694,547(3)	26.8%
Leigh R. Weiner	Common	1,209,244	278,963(4)	4.3%
	Class B	2,048,645	445,464(4)	14.2%

The address of Mr. and Mrs. Gordon is c/o Tootsie Roll Industries, Inc., 7401 South Cicero Avenue, Chicago, Illinois 60629. The address of Mr. Weiner is c/o Becker Ross, LLP, 317 Madison Ave., New York, New York 10017-5372.

- (1) The persons named in the above table have sole investment and voting power over the shares indicated therein as being owned directly and share investment and voting power over the shares indicated therein as being owned indirectly. Shares of Class B Common Stock are at all times convertible into shares of Common Stock on a share-for-share basis. Shares and percent of class indicated for Common Stock do not reflect the shares of Common Stock that could be acquired upon the conversion of the shares of Class B Common Stock.

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(2) Includes 36,710 shares of each of Common Stock and Class B Common Stock held as co-trustee of the Company's pension plan, and 57,963 shares of Common Stock held as co-trustee of the Company Stock Trust.

(3) Includes 4,345,619 shares each of Common Stock and Class B Common Stock held by Mr. and Mrs. Gordon as fiduciaries for their children and 727,968 shares of Common Stock and 348,928 shares of Class B Common Stock owned by a charitable foundation in which members of the Gordon family are interested.

(4) Includes 69,040 shares of Common Stock and 43,511 shares of Class B Common Stock held by Mr. Weiner's wife (of which he disclaims beneficial ownership), 186,536 shares of Common Stock and 132,442 shares of Class B Common Stock held by Mr. Weiner or by his wife as custodian for their children and 23,387 shares of Common Stock and 269,511 shares of Class B Common Stock held by a charitable foundation in which Mr. Weiner and members of his family are interested.

**OWNERSHIP OF COMMON STOCK AND CLASS B COMMON STOCK BY MANAGEMENT**

The following table sets forth, as of March 11, 2005, information with respect to the beneficial ownership of the Company's Common Stock and Class B Common Stock by each director, by each executive officer who is named in the summary compensation table included in this proxy statement, and by all directors and executive officers of the Company as a group.

Name		Number of Shares of Common Stock and Class B Common Stock Owned Beneficially and Nature of Beneficial Ownership(1)		Percentage of Outstanding Shares of Class
		Direct	Indirect	
Melvin J. Gordon	Common	(2)	(2)	(2)
	Class B	(2)	(2)	(2)
Ellen R. Gordon	Common	(2)	(2)	(2)
	Class B	(2)	(2)	(2)
Barre A. Seibert	Common	2,462		(3)
	Class B			(3)
Richard P. Bergeman	Common	1,123		(3)
	Class B			(3)
Lana Jane Lewis-Brent	Common	4,485	22,705	(3)
	Class B			(3)
John W. Newlin, Jr.	Common	11,184	1,379	(3)
	Class B	12,509	1,379	(3)
Thomas E. Corr	Common			(3)
	Class B			(3)
G. Howard Ember, Jr.	Common	1,325	8,293	(3)
	Class B			(3)
All directors and executive officers as a group (10 persons)	Common	8,728,291	5,200,637	40.1%
	Class B	9,267,864	4,732,636	80.0%

(1) The persons named in the above table have sole investment and voting power over the shares indicated therein as being owned directly and share investment and voting power over the shares indicated therein as being owned indirectly. Shares of Class B Common Stock are at all times convertible into shares of Common Stock on a share-for-share basis. Shares and percent of class indicated for Common Stock do not reflect the shares of Common Stock that could be acquired upon the conversion of the shares of Class B Common Stock.

(2) See the table under the caption "Ownership of Common Stock and Class B Common Stock by Certain Beneficial Owners" above for shareholdings of Mr. and Mrs. Gordon.

(3)

Less than 1% of the outstanding shares.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers and persons who own more than ten percent of the Company's Common Stock or Class B Common Stock to file reports of ownership and changes in ownership with the SEC and NYSE. Such persons are also required to furnish the Company with copies of all such reports.

Based solely on its review of the copies of such reports received by the Company, and written representations from certain reporting persons, the Company is pleased to note that its directors, executive officers and greater than ten percent shareholders filed all required reports during or with respect to fiscal year 2004 on a timely basis, except for John Majors who failed to file a Form 3 to report that he owned no shares of the Company's stock upon joining the Company in October 2004.

**EXECUTIVE COMPENSATION AND OTHER INFORMATION**

The following summary compensation table sets forth the compensation for the last three calendar years of the Chairman and Chief Executive Officer of the Company and the four other most highly compensated executive officers of the Company serving at the end of 2004.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (1)(2)(3)
		Salary	Bonus	Other Annual Compensation(4)	Awards	Payouts		
					Restricted Stock Awards	Options SARs	LTIP Payouts	
Melvin J. Gordon Chairman and CEO	2004	\$ 999,000	\$ 1,666,000	\$ 402,255	\$ 0	0	\$ 0	\$ 1,158,968
	2003	999,000	1,577,000	340,630	0	0	0	1,354,374
	2002	999,000	1,499,000	322,061	0	0	0	2,023,035
Ellen R. Gordon President and Chief Operating Officer	2004	\$ 999,000	\$ 1,532,000	\$ 402,255	\$ 0	0	\$ 0	\$ 1,147,873
	2003	999,000	1,447,000	340,630	0	0	0	1,343,610
	2002	999,000	1,371,000	316,361	0	0	0	2,012,437
John W. Newlin, Jr. Vice President/Manufacturing	2004	\$ 871,000	\$ 331,000	\$ 0	\$ 0	0	\$ 0	\$ 383,850
	2003	822,000	331,000	0	0	0	0	361,104
	2002	760,000	333,000	0	0	0	0	354,695
Thomas E. Corr Vice President/Marketing and Sales	2004	\$ 817,000	\$ 349,000	\$ 0	\$ 0	0	\$ 0	\$ 361,556
	2003	771,000	349,000	0	0	0	0	345,972
	2002	711,000	351,000	0	0	0	0	339,967
G. Howard Ember, Jr. Vice President/Finance	2004	\$ 616,000	\$ 246,000	\$ 0	\$ 0	0	\$ 0	\$ 268,672
	2003	581,000	246,000	0	0	0	0	254,688
	2002	537,000	247,500	0	0	0	0	250,259

(1) "All Other Compensation" includes (i) contributions to the Company's pension, profit-sharing and excess benefit plans, (ii) annual awards to the Company's Career Achievement Plan ("CAP") in the form of deferred compensation with vesting and forfeiture provisions and (iii) benefits under the Company's split-dollar life insurance plan (see note 3 below). The Company has no stock options or other stock-based compensation.

(2) For 2004, (i) contributions to the Company's pension, profit-sharing and excess benefit plans, (ii) CAP awards and (iii) split-dollar life insurance benefits were, respectively, as follows: \$226,968, \$0 and \$932,000 for Mr. Gordon; \$215,873, \$0 and \$932,000 for Mrs. Gordon; \$161,350, \$200,000 and \$22,500 for John W.



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Newlin, Jr.; \$156,056, \$193,000 and \$12,500 for Thomas E. Corr; and \$114,072, \$144,000 and \$10,600 for G. Howard Ember, Jr.

(3)

In 1993, the Board of Directors approved a split-dollar life insurance program for Mr. Gordon and Mrs. Gordon that replaced benefits that were already earned under the Company's CAP and a previous split-dollar insurance program pursuant to which Mr. and Mrs. Gordon received awards during the years 1982 through 1992. In 1993, 1996 and 1997, the Board of Directors approved additional split-dollar life insurance arrangements for Mr. and Mrs. Gordon, a portion of which replaced benefits previously earned under deferred compensation and excess benefit plans. The Company is entitled to fully recover all premiums paid by it for the split-dollar life insurance upon termination of the respective arrangement or sooner upon death of the insured or otherwise under the terms of the arrangements.

(4)

The Company believes that the incremental cost of perquisites and other personal benefits furnished to any of the named executives, excluding personal benefits provided to all employees generally, was less than the reporting thresholds set forth in SEC rules (the lesser of \$50,000 or 10% of the individual's cash compensation). Mr. and Mrs. Gordon conduct Company business from executive offices in multiple locations and use both commercial and Company aircraft to travel between these offices. The Company's Board of Directors has approved the use of Company aircraft and an apartment by Mr. and Mrs. Gordon for this travel for business purposes. The Company is voluntarily including in this column the aggregate incremental costs (i) associated with the travel between office locations, exclusive of other business travel made by Mr. and Mrs. Gordon on behalf of the Company, in the amount of \$310,900 each during 2004, \$256,600 each during 2003, and \$244,000 and \$238,300, respectively, during 2002 and (ii) in the amount of \$59,100 in 2004, \$52,400 in 2003 and \$46,900 in 2002 for each of Mr. and Mrs. Gordon for use of the apartment.

### Change in Control Agreements

The Company has entered into severance agreements (the "Agreements") with five executive officers, excluding Mr. and Mrs. Gordon but including the other executive officers named in the Summary Compensation Table. The Agreements generally provide that in the event the executive's employment is terminated by the Company without "cause" or by the executive for "good reason" within two years after a "change in control" (as such terms are defined in the Agreements), the executive will receive a pro-rated bonus for the year of termination plus three times his annual base salary and three times the higher of his incentive bonus for the last fiscal year or his average incentive bonus over the prior three fiscal years. In addition, if any payment or benefit the Company provides under the Agreements become subject to the "excise tax" imposed under Section 4999 of the Internal Revenue Code, the Company would be required to make an additional cash "gross-up payment" to the affected executives in an amount such that after payment by the executive of all taxes (except income taxes), including any excise tax imposed upon the gross-up payment and any related interest or penalties, the executive would retain an amount of the gross-up payment equal to the excise tax. The executive would also become vested in, and be paid, any unvested accrued benefits under the Company's Pension, Profit Sharing and Excess Benefit Plans and the maximum award under the Company's CAP. In the event of such a termination, each executive has agreed to a noncompetition and nonsolicitation covenant applicable for one year following the termination of his employment. The Board of Directors believes that the foregoing arrangements are frequently part of executive compensation practices at major public corporations. Mr. and Mrs. Gordon have advised the Board of Directors that the Gordon family intends to maintain voting control of the Company and, therefore, the Board of Directors believes that it is unlikely that the Agreements would be utilized.

## Report on Executive Compensation

During 2004, the entire Board of Directors was responsible for determining the compensation structure and amounts for the executive officers of the Company. The Compensation Committee of the Board of Directors (the "Compensation Committee") was responsible for administering the Tootsie Roll Industries, Inc. Bonus Incentive Plan. This report describes the policies and rationale for the Board and the Compensation Committee in establishing the principal components of compensation for the executive officers during 2004.

### Executive Compensation Policy

The Company's compensation program is designed to encourage and reward both individual effort and teamwork leading to improvement in the Company's financial performance and attainment of the Company's principal long-term objective of profitably building the Company's well-known brands. The Company's executive officer compensation program is balanced between short-term and long-term compensation and incentives. The program is comprised of base salary, annual cash incentive bonuses, annual awards under the Company's CAP, split-dollar insurance plans, and pension, profit-sharing and excess benefit plans generally available to employees of the Company. The Board of Directors believes that this program will lead to increased shareholder value on a long-term basis.

### Base Salary

The Board of Directors annually reviews each executive officer's salary. The Board considers the following with respect to the determination of an individual executive officer's base salary:

Performance and contribution to the Company, including length of service in the position;

Comparative compensation levels of other companies, including periodic compensation studies performed by independent compensation and benefit consultants;

Overall competitive environment for executives and the level of compensation considered necessary to attract and retain executive talent;

Historical compensation and performance levels for the Company; and

A desire to adhere to Internal Revenue Code Section 162(m) regulations on deductible compensation, thus maximizing the Company's ability to receive federal income tax deductions.

Companies used in comparative analyses for the purpose of determining each executive officer's salary are selected periodically with the assistance of professional compensation consultants. Selection of such companies is based on a variety of factors, including market capitalization, revenue size and industry classification. The companies used in these comparative analyses include some of the companies in the Peer Group used in the Performance Graph, as well as other companies. The Board of Directors believes that the Company's primary competitors for executive talent are companies with a similar market capitalization and, accordingly, relies on a broad array of companies in various industries for comparative analyses.

### Annual Incentives and Other Awards

Effective January 1, 1997, the Compensation Committee established the Tootsie Roll Industries, Inc. Bonus Incentive Plan. In 2001, the shareholders approved the 2001 Bonus Incentive Plan to replace the previous Bonus Incentive Plan for 2001 and future years. The 2001 Bonus Incentive Plan was adopted to ensure the tax deductibility of the annual bonus that may be earned by executive officers of the Company. Under the Plan, certain key employees (including employees who are also directors) designated by the Compensation Committee may receive annual incentive compensation determined by pre-established objective performance goals. This year, all executive officers named in the summary compensation table



included in this proxy statement were eligible for the 2001 Bonus Incentive Plan. Performance goals were based on the measures, objectives and financial criteria discussed below.

The Board of Directors provides executive officers, in its sole discretion, annual incentive awards, CAP awards (except for Mr. and Mrs. Gordon) and split-dollar life insurance in order to recognize and reward their contribution to the Company's overall performance in terms of both financial results and attainment of individual and Company goals.

The annual cash incentive bonus is designed to reward executives, as well as other management personnel, for their contributions to the Company's financial performance during the recently completed year.

The annual CAP award and split-dollar life insurance program is principally designed to provide an incentive to executive officers to achieve both short-term and long-term financial and other goals, including strategic objectives. These programs are also designed to provide an incentive for the executive to remain with the Company on a long-term basis. These awards are determined by the Board of Directors based on the performance of the Company and the executive's contribution to the growth and success of the Company.

The Board of Directors considers both achievement of strategic objectives and financial performance measures in determining compensation levels. The following measures of Company performance were considered in the determination of 2004 bonuses and awards:

Earnings per share;

Increase in sales of core brands and total sales;

Return on assets;

Return on equity;

Net earnings as a percentage of sales;

Performance in accomplishing successful acquisitions;

Compliance with the requirements of the Sarbanes-Oxley Act including the documentation and assessment of internal controls, and

Other strategic objectives that may be determined from time to time.

The awards for 2004 recognize the Company's achievement of the Company's second highest year of profitability as measured by earnings per share, highest level of sales, and the high level of achievement on other measures of financial performance in 2004. The Company's earnings per share in 2004 were higher than in 2003, and the Board believes that the Company's return on equity and return on sales continue to be high and that the Company out-performed most competitors on important financial performance indicators.

#### **Rationale of CEO Compensation**

The Board of Directors established the compensation of Melvin J. Gordon, Chairman of the Board of Directors and Chief Executive Officer, using the same criteria that were used to determine the other executive officers' compensation as discussed above. In addition, the Board considered Mr. Gordon's leadership of the Company in achieving the Company's strategic and long-term objectives. Mr. Gordon did not receive any salary increase during 2004. Instead, the Compensation Committee increased the amount of pay at risk through his bonus opportunity. A substantial portion of Mr. Gordon's compensation is at risk. As discussed above, the Compensation Committee determined pre-established objective performance goals to determine Mr. Gordon's bonus. It is the Board's opinion that Mr. Gordon's compensation package



was based on an appropriate assessment of the Company's performance, his individual performance and competitive standards.

#### **Tax Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code limits the tax deductibility of compensation paid to certain executives, unless certain exemptions apply. One of the exemptions is performance-based compensation. The 2001 Bonus Incentive Plan, which was approved by the stockholders, is designed to qualify for this exemption. The Compensation Committee's policy is to preserve corporate tax deductions attributable to the compensation of executives while maintaining flexibility to approve, when appropriate, compensation arrangements that it deems to be in the best interest of the Company and its stockholders, but which may not always qualify for full tax deductibility.

The foregoing report has been approved by the entire Board of Directors, the members of which are:

Melvin J. Gordon  
Ellen R. Gordon  
Charles W. Seibert  
Lana Jane Lewis-Brent  
Richard P. Bergeman

#### **Compensation Committee Interlocks and Insider Participation**

As indicated above under "Report on Executive Compensation," during 2004 the Board of Directors of the Company was responsible for determining the compensation of the executive officers of the Company. Mr. Gordon is the Chairman of the Board and Chief Executive Officer of the Company and Mrs. Gordon is President and Chief Operating Officer of the Company.

#### **Certain Relationships And Related Transactions**

The Company directs the majority of its charitable giving through a foundation in which Mr. and Mrs. Gordon are the sole directors. The foundation supports a number of medical research, educational and other charitable organizations principally located in cities where the Company has operations, as well as a matching gifts program for employees of the Company. The Company believes, due to the well-known and long-standing affiliation of Mr. and Mrs. Gordon with the Company, that any private or public recognition of them, which donee institutions sometimes give, provides a benefit to the Company. In 2004 the Board of Directors approved a donation of \$950,000 to the foundation, which is generally consistent with amounts given in prior years.

**Performance Graph**

The following performance graphs compare the Company's cumulative total shareholder return on the Company's Common Stock for a ten-year period (December 31, 1994 to December 31, 2004) and a five-year period (December 31, 1999 to December 31, 2004) with the cumulative total return of Standard & Poor's 500 Stock Index ("S&P 500") and the Dow Jones Industry Food Index ("Peer Group," which includes the Company).

**TEN-YEAR CUMULATIVE TOTAL RETURN\***

**FIVE-YEAR CUMULATIVE TOTAL RETURN**

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\*

Assumes (i) \$100 invested on December 31 of the first year of the chart in each of the Company's Common Stock, S&P 500 and the Dow Jones Industry Food Index and (ii) the reinvestment of dividends.



**PROPOSAL 2**  
**RATIFICATION OF THE APPOINTMENT OF**  
**PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT**  
**REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors has tentatively appointed PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for 2005, subject to reaching agreement with respect to fees for the engagement. PricewaterhouseCoopers LLP has been the Company's independent registered public accounting firm since 1968. Although not required by the Company's Articles of Incorporation or Bylaws, the Board of Directors deems it to be in the best interest of the Company to submit to the shareholders a proposal to ratify the appointment of PricewaterhouseCoopers LLP and recommends a vote in favor of such ratification. It is not expected that representatives of PricewaterhouseCoopers LLP will attend the Annual Meeting.

**The Board of Directors recommends a vote FOR ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm.**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND SERVICES**

The following table sets forth the approximate aggregate fees billed by PricewaterhouseCoopers, the Company's independent registered public accounting firm, for professional services in 2003 and 2004.

	<u>2003</u>	<u>2004</u>
Audit Fees(1)	\$ 349,000	\$ 684,415
Tax Fees(2)	154,514	218,715
Acquisition related services(3)		308,891
All Other Fees(4)	27,658	

- (1) The fees in this category were for services rendered in connection with the annual audit and internal control review.
- (2) The fees in this category were for services rendered for tax compliance, tax consulting, and tax planning.
- (3) The fees in this category were for due diligence and tax planning related to the acquisition of Concord Confections.
- (4) The fees in this category were for statutory services performed in connection with a Mexican subsidiary.

All audit, audit-related services, tax and other services provided by PricewaterhouseCoopers to the Company are pre-approved by the Audit Committee pursuant to a pre-approval policy adopted by the Audit Committee. Pursuant to that Policy, the Audit Committee may delegate pre-approval to one or more of its members, provided that any member to whom any such authority is delegated shall report any pre-approval of services to the full Audit committee at its next scheduled meeting.

### REPORT OF THE AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2004. The Audit Committee has discussed with the Company's independent registered public accounting firm, which is responsible for expressing opinions on (a) the conformity of the Company's audited financial statements with generally accepted accounting principles, and (b) the Company's internal control over financial reporting, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, including their judgments as to the quality of the Company's financial reporting. The Audit Committee has received from the independent registered public accounting firm written disclosures and a letter as required by the Independence Standards Board, Standard No. 1, as amended, and discussed with the independent registered public accounting firm their independence from management and the Company.

In reliance on the review and discussions described above, the Audit Committee recommended to the Board of Directors that the year-end audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 for filing with the Securities and Exchange Commission.

As stated in the Audit Committee charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. That is the responsibility of the Company's independent registered public accounting firm and management. In giving our recommendation to the Board, the Committee has relied on (i) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles, and (ii) the report of the Company's independent registered public accounting firm with respect to such financial statements.

The foregoing report has been approved by the Audit Committee, the members of which are:

Richard P. Bergeman, Chairman  
Lana Jane Lewis-Brent  
Charles W. Seibert

### SHAREHOLDER PROPOSALS FOR 2006 ANNUAL MEETING

In order to be considered for inclusion in the Company's proxy materials for the 2006 Annual Meeting of Shareholders, any shareholder proposals should be addressed to Tootsie Roll Industries, Inc., 7401 South Cicero Avenue, Chicago, Illinois 60629, Attention: Ellen R. Gordon, President, and must be received no later than November 25, 2005. In addition, the Company's Bylaws establish an advance notice procedure for shareholder proposals to be brought before any annual meeting of shareholders, including proposed nominations of persons for election to the Board of Directors. Shareholders at the 2005 Annual Meeting of Shareholders may consider shareholder proposals or nominations brought by a shareholder of record on March 11, 2005, who is entitled to vote at the 2005 Annual Meeting of Shareholders and who has given the Assistant Corporate Secretary timely written notice, in proper form, of the shareholder's proposal or nomination. A shareholder proposal or nomination intended to be brought before the 2005 Annual Meeting of Shareholders must have been received by the Assistant Corporate Secretary on or after February 1, 2005 and on or prior to March 3, 2005. The Assistant Corporate Secretary did not receive notice of any shareholder proposals or nominations relating to the 2005 Annual Meeting of Shareholders. The 2006 Annual Meeting of Shareholders is expected to be held on May 1, 2006. A shareholder proposal or nomination intended to be brought before the 2006 Annual Meeting of Shareholders must be received by the Assistant Corporate Secretary on or after January 31, 2006 and on or prior to March 2, 2006.

Shareholders may communicate to the Board of Directors or any individual director in writing, by regular mail, addressed to the Board of Directors or an individual director, care of Tootsie Roll

Industries, Inc., 7401 South Cicero Avenue, Chicago, Illinois 60629, Attention: Ellen R. Gordon, President. Mrs. Gordon and her staff will compile any such communications and relay them to the applicable Board member or members.

**GENERAL**

The Board of Directors does not know of any matters other than the foregoing that will be presented for consideration at the Annual Meeting. However, if other matters should be properly presented at the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote thereon in accordance with their best judgment pursuant to the discretionary authority granted in the proxy.

A copy of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2004 is being mailed herewith.

*A copy of the Company's 2004 Annual Report on Form 10-K without exhibits may be obtained without charge upon written request to Tootsie Roll Industries, Inc., 7401 South Cicero Avenue, Chicago, Illinois 60629, Attention: G. Howard Ember Jr., Vice President/Finance and Assistant Secretary. A reasonable charge will be made for requested exhibits.*

By Order of the Board of Directors  
G. Howard Ember Jr.  
*Assistant Secretary*

Chicago, Illinois  
March 25, 2005



The Board of Directors recommends a vote FOR the nominees listed in Proposal 1 and FOR Proposal 2.

Please //  
Mark Here  
for Address  
Change or  
Comments

SEE REVERSE SIDE

(1)- Election of Directors: 01 Melvin J. Gordon, 02 Ellen R. Gordon, 03 Lana Jane Lewis-Brent, 04 Barre A. Seibert, 05 Richard P. Bergeman.

FOR all nominees  
listed above  
(except  
as marked to the  
contrary above)  
//

WITHHOLD  
AUTHORITY  
to vote for all  
nominees  
listed above  
//

**Instructions: To withhold authority to vote for any individual nominee, strike a line through the nominee's name in the list above.)**

(2)- Ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the fiscal year 2005.

FOR  
//

AGAINST  
//

ABSTAIN  
//

(3)- In their discretion on any other business that may properly come before such meeting.

Signature

Signature

Date

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Please date and sign exactly as name appears hereon. Executors, Administrators, Trustees, etc. should so indicate when signing. If shares are held jointly, both shareholders should sign.

^ FOLD AND DETACH HERE ^



**TOOTSIE ROLL INDUSTRIES, INC.**  
**ANNUAL MEETING OF SHAREHOLDERS**  
**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS**

The undersigned shareholder of TOOTSIE ROLL INDUSTRIES, INC. (the "Company") hereby appoints ELLEN R. GORDON, MICHAEL L. SOFFIN and ROBERT A. GOULDIN, and each of them, as the undersigned's proxies (with the power of substitution) to vote all the shares of Common Stock and /or Class B Common Stock of the Company which the undersigned would be entitled to vote at the annual meeting of shareholders of such Company to be held on May 2, 2005, at 9:00 A.M. (EDST) and any adjournment thereof, on the matters set forth on the reverse side hereof.

This Proxy will be voted in accordance with instructions specified on the reverse side, but in the absence of any instructions will be voted "FOR" Items (1) and (2). If any other business is presented at the meeting, the proxies are authorized to vote thereon in their discretion. The undersigned hereby revokes any proxy heretofore given.

**THIS PROXY IS CONTINUED ON THE REVERSE SIDE.**

**PLEASE DATE AND SIGN ON THE REVERSE SIDE AND RETURN PROMPTLY.**  
**A RETURN ENVELOPE IS ENCLOSED.**

Address Change/Comments (Mark the corresponding box on the reverse side)

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^ FOLD AND DETACH HERE ^

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