

FLOWERS FOODS INC  
Form DEF 14A  
April 24, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities**  
**Exchange Act of 1934**

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 Pursuant to ss.240.14a-12

**FLOWERS FOODS, INC.**

*(Name of Registrant as Specified In Its Charter)*

*(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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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**Dear Shareholder:**

We would like to extend an invitation for you to join us at our annual meeting of shareholders on June 5, 2015 at 11:00 a.m. at the Thomasville Municipal Auditorium in Thomasville, Georgia for the following purposes, as more fully described in this proxy statement:

1. to approve amendments to our Restated Articles of Incorporation ( Articles of Incorporation ) and Amended and Restated Bylaws ( Bylaws ) to provide that, beginning in 2017, all directors will be elected on an annual basis for a term of one year (the Declassification Amendments );
2. to elect as directors of the company the five nominees identified in this proxy statement, each to serve for a term of one year (or, if the Declassification Amendments are not approved, four nominees as Class II directors to serve until the annual meeting of shareholders for 2018 and one nominee as a Class III director to serve until the annual meeting of shareholders for 2016);
3. to hold an advisory vote on the compensation of the company s named executive officers;
4. to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for Flowers Foods, Inc. for the fiscal year ending January 2, 2016;
5. to hold a vote on a shareholder proposal regarding the vesting of equity awards of executive officers upon a change of control, if properly presented at the annual meeting; and
6. to hold a vote on a shareholder proposal regarding shareholder approval of certain future severance agreements for senior executives, if properly presented at the annual meeting.

In addition, Flowers Foods senior management team will report on the performance of the company and respond to questions from shareholders.

The company has implemented the Notice and Access rule of the Securities and Exchange Commission (the SEC ) that permits companies to send their shareholders a Notice that proxy materials are available in electronic form on the Internet or in printed form by request instead of mailing a printed proxy statement and annual report to every shareholder. By utilizing Notice and Access, we are able to speed delivery of the proxy materials, lower our distribution costs and reduce the environmental impact of proxy delivery. On or about April 24, 2015, we mailed to our shareholders a notice that contains instructions on how to access our 2015 proxy statement and 2014 annual report and vote online or to affirmatively elect to receive the proxy materials by mail.

Please carefully review the proxy materials. Your vote is important to us and to our business. We encourage you to vote using telephone or Internet voting prior to the annual meeting, so that your shares of Flowers Foods common stock will be represented and voted at the annual meeting even if you cannot attend. If you elected to receive paper copies of the proxy materials by mail, you may vote by signing, dating and mailing the proxy card in the envelope

provided.

We hope to see you in Thomasville.

**April 24, 2015**

Thomasville, Georgia

**George E. Deese**

*Non-Executive Chairman of the Board*

**Allen L. Shiver**

*President and Chief Executive Officer*

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be held on June 5, 2015**

Flowers Foods, Inc.'s 2015 proxy statement and 2014 annual report are available at [www.proxyvote.com](http://www.proxyvote.com).

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**Notice of Annual Meeting of Shareholders**

**June 5, 2015**

**11:00 a.m. Eastern Time**

***Thomasville Municipal Auditorium, 144 East Jackson Street, Thomasville, Georgia***

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of Flowers Foods, Inc. will be held on June 5, 2015 at 11:00 a.m. Eastern Time at the Thomasville Municipal Auditorium, 144 East Jackson Street, Thomasville, Georgia, for the following purposes:

- (1) to approve the Declassification Amendments to provide that, beginning in 2017, all directors will be elected on an annual basis for a term of one year;
  - (2) to elect as directors of the company the five nominees identified in this proxy statement, each to serve for a term of one year (or, if the Declassification Amendments are not approved, four nominees as Class II directors to serve until the annual meeting of shareholders for 2018 and one nominee as a Class III director to serve until the annual meeting of shareholders for 2016);
  - (3) to hold an advisory vote on the compensation of the company's named executive officers;
  - (4) to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for Flowers Foods, Inc. for the fiscal year ending January 2, 2016;
  - (5) to hold a vote on a shareholder proposal regarding the vesting of equity awards of executive officers upon a change of control, if properly presented at the annual meeting; and
  - (6) to hold a vote on a shareholder proposal regarding shareholder approval of certain future severance agreements for senior executives, if properly presented at the annual meeting.
- and to transact any other business as may properly come before the meeting and at any adjournment or postponement thereof; all as set forth in the proxy statement accompanying this notice.

Only record holders of issued and outstanding shares of our common stock at the close of business on April 2, 2015 are entitled to notice of, and to vote at, the annual meeting, or any adjournment or postponement thereof. A list of such shareholders will be open for examination by any shareholder at the annual meeting.

Shareholders can listen to a live audio webcast of the annual meeting on our website at [www.flowersfoods.com](http://www.flowersfoods.com). This webcast also will be archived on our website.

**April 24, 2015**

1919 Flowers Circle

Thomasville, Georgia 31757

By order of the Board of Directors,

**Stephen R. Avera**

*Executive Vice President,*

*Secretary and General Counsel*

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4 FLOWERS FOODS, INC. - *2015 Proxy Statement*

**Table of Contents****Proxy Summary**

*To assist you in reviewing Flowers Foods' 2014 performance and executive compensation, this summary highlights certain key elements of our financial performance and our proxy statement that are discussed in more detail elsewhere in the proxy materials. This summary does not contain all of the information that you should consider, and you should carefully review Flowers Foods' Annual Report on Form 10-K for the year ended January 3, 2015 and the entire proxy statement before voting. Page references ( XX ) are supplied to help you find further information in this proxy statement.*

**2015 Annual Meeting of Shareholders**

Date and Time: Friday, June 5, 2015 at 11:00 a.m.

Location: Thomasville Municipal Auditorium

Record Date: April 2, 2015

**Voting Matters and Board Recommendations (page 47)**

|   | <b>Board Vote Recommendation</b> | <b>Page Reference<br/>(for more<br/>detail)</b> |
|---|----------------------------------|---|
| Approve Declassification Amendments to Provide that, Beginning in 2017, All Directors will be Elected on an Annual Basis for a Term of One Year | FOR                              | 47  |
| Election of Five Director-Nominees  | FOR each Director-Nominee        | 49  |
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| Ratification of Independent Registered Public Accounting Firm   | FOR                              | 51  |
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| Shareholder Proposal Regarding Shareholder Approval of Future Severance Agreements  | AGAINST                          | 55  |

**Business Highlights**

*(For more details, please see our Annual Report on Form 10-K for the fiscal year ended January 3, 2015 filed with the Securities and Exchange Commission on February 25, 2015)*

During 2014, the Flowers Foods team focused on growing sales in our expansion markets and streamlining our operations. Sales growth in our expansion markets increased our total 2014 sales by over 2%. To support these increased volumes we added a bread line in our Modesto, California bakery during the first quarter, and during the

second quarter, both added a bun line in our Henderson, Nevada bakery and opened a bakery in Knoxville, Tennessee, which was part of the group of assets we acquired in the Hostess bankruptcy liquidation.

We made good progress evaluating the other acquired facilities and disposing of non-strategic assets. During 2014 we realized net proceeds of \$24.2 million from the sale of five bakeries and 17 warehouses. Ongoing carrying costs were also reduced, as we expect carrying costs in 2015 to be approximately \$4.5 million less than in 2014. Looking ahead, we continue to see strength in our expansion markets and we anticipate utilizing another acquired facility during 2015.

Initiatives to improve operations resulted in better gross margins. At Lepage, we improved training to address issues experienced during the transition to independent distributors. These training programs began to bear fruit in the fourth quarter of 2014 and we anticipate further improvement throughout 2015. Additionally, we took advantage of opportunities to exit certain low-margin store brand and

foodservice business. For example, we divested our Leo's Foods operations, which allowed us to exit the low-margin corn tortilla business and focus on the retail flour tortilla business, which is well positioned to benefit from changing consumer tastes.

We utilized our strong cash flow to reduce risk and deliver value to our shareholders. In 2014, we paid down debt by \$167.9 million, decreased our future pension liabilities by approximately 10%, repurchased over 2 million shares of our common stock, and increased our annualized dividend per share by 17.8%, as compared to a year ago. In 2015, we anticipate strong cash flow that will allow us to not only invest as necessary in our current operations, but also position us to consider future acquisition opportunities as they arise.

Financial highlights from the 53-week fiscal 2014:

Sales increased 0.4% to \$3,749 million, reflecting positive net price/mix of 1.1%, decreased volume of 2.8%, contribution from the *Sara Lee* California acquisition of 0.4%, and the impact of the 53rd week, which increased sales by 1.7%.

Adjusted EBITDA margin was 11.4% of sales.<sup>(1)</sup>

Adjusted net income margin for the year was 5.1% of sales, or \$0.90 per diluted share.<sup>(1)</sup> The extra week during fiscal 2014 added \$0.01 per diluted share. Carrying costs related to the facilities acquired in the Hostess transaction negatively affected adjusted EPS by \$0.06.

Cash flow from operating activities was \$314 million.

*(1) Adjusted EBITDA margin, adjusted net income per share and adjusted net income margin differ from the measures reported under U.S. generally accepted accounting principles ( GAAP ). See Annex A for a reconciliation of non-GAAP financial measures to the nearest financial measure reported under GAAP.*



**Table of Contents****Governance of the Company (page 19)**

**Director Independence** Pursuant to our corporate governance guidelines, the nominating/corporate governance committee and the board of directors are required to annually review the independence of each director and director-nominee. The purpose of this annual review is to determine whether each director meets the applicable criteria for independence under the rules and regulations of the Securities and Exchange Commission (the SEC), the New York Stock Exchange Listed Company Manual (NYSE Rules) and our corporate governance guidelines. Only those directors who meet the applicable criteria for independence and the board of directors affirmatively determines have no direct or indirect material relationship with the company are considered independent directors. Additional guidelines apply to the members of the audit committee under the SEC rules and NYSE Rules.

**Board Leadership Structure** Effective December 31, 2014, George E. Deese retired as executive chairman of the board of directors but continues to serve as non-executive chairman. In fiscal 2014, Benjamin H. Griswold, IV was elected as presiding director. Effective January 1, 2015, Manuel A. Fernandez retired from the board of directors. Effective January 1, 2015, James T. Spear was elected to the board of directors. With the active participation by all our directors, including 10 independent directors, we believe that the board leadership structure best positions Flowers to benefit from the respective strengths of our chief executive officer, non-executive chairman of the board of directors and presiding director.

On November 21, 2014, the board of directors determined that the company would submit a proposal to shareholders at the 2015 annual meeting to declassify its board of directors. The proposal is included in this proxy statement under Proposal I Amendments to Restated Articles of Incorporation and Amended and Restated Bylaws.

**Director Nominees (page 16)**

| Name              | Director |       | Experience  | Independent | Committee Memberships        | Other Company Boards |
|-------------------|----------|-------|---|-------------|------------------------------|----------------------|
|                   | Age      | since |   |             |                              |                      |
| Joe E. Beverly    | 73       | 2001  | Retired vice chairman of Synovus Financial Corp.                                      | Yes         | Audit and Finance Committees |                      |
| Amos R. McMullian | 77       | 2001  | Chairman emeritus of Flowers Foods; retired chairman of the board and chief executive | Yes         |                              |                      |

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|                    |    |      |  |     |   |                                  |
|--------------------|----|------|--|-----|---|----------------------------------|
| J. V. Shields, Jr. | 77 | 2001 | officer of<br>Flowers Foods<br>Chairman of<br>Wellington<br>Shields & Co.,<br>LLC                    | Yes | Nominating/Corporate<br>Governance and<br>Compensation Committees |                                  |
| David V. Singer    | 59 | 2010 | Retired chief<br>executive<br>officer of<br>Snyder's Lance,<br>Inc.                                  | Yes | Compensation and<br>Nominating/Corporate<br>Governance Committees | SPX Corporation;<br>Hanes Brands |
| James T. Spear     | 60 | 2015 | Retired<br>executive vice<br>president and<br>chief financial<br>officer<br><br>of Cadence<br>Health | Yes | Audit and Finance<br>Committees                                   |                                  |

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**Executive Compensation (page 30)**

**2014 Compensation Developments**

Effective beginning with grants made in 2015, all equity incentive awards will include a double-trigger vesting mechanism upon a change of control.

**Summary of Our Compensation Practices (page 31)**

**Practices We Have Adopted**

Moderate pay targeted to the size-adjusted 50th percentile of market data

Long-term incentives that are performance-based, not merely time-vested

Multiple performance measures used in incentive plans

Capped incentives

Clawback policy

No perquisites

Stock ownership guidelines for our executives and outside directors

Moderate change of control severance arrangements

**Practices We Do Not Engage in**

No employment agreements

No dividend equivalents on unvested performance shares

No income tax gross-ups

No excise tax gross-ups on change of control severance

No backdating or repricing of stock options

No pension credited service for years not worked



Beginning with 2015 grants, double-trigger equity vesting upon a change of control

Annual review of tally sheets by the compensation committee

Incentives that are risk-mitigated through plan design and administration

Compensation committee comprised solely of independent directors

Independent compensation consultant who reports directly to the committee

Anti-hedging policy for executives and outside directors

**Table of Contents****2014 Executive Compensation Summary (page 39)****Named Executive Compensation**

Set forth below is a summary of the 2014 compensation for each named executive officer of the company (the Named Executives) as determined under applicable SEC rules. Base salaries reflect an increase of 22.9% for Mr. Shiver; 7.9% for Mr. Kinsey; 4.5% for Mr. Lord; 13.0% for Mr. Alexander; and a decrease of 7.9% for Mr. Deese. Stock awards made in 2014 are performance-contingent and are established at market levels based on the industry survey data discussed under Executive Compensation Compensation Discussion and Analysis Compensation Benchmarking on page 33. All other compensation consists solely of employer contributions to retirement plans, as we offer no perquisites to our Named Executives. The information below should be read in connection with the explanatory information contained on page 32 under Compensation Discussion and Analysis and page 39 under Summary Compensation Table, and is qualified in its entirety by such information.

| Name and Principal Position  | Salary  | Stock Awards | Non-Equity Incentive Plan Compensation | Change in Pension Value                         | All Other Compensation | Total     |
|--|---------|--------------|--|---|------------------------|-----------|
|  |         |              |  | and Nonqualified Deferred Compensation Earnings |                        |           |
|  | (\$)    | (\$)         | (\$)                                   | (\$)  | (\$)                   | (\$)      |
| <b>Allen L. Shiver</b><br>President and Chief Executive Officer          | 847,885 | 2,680,960    | 413,768                                | 93,207  | 66,959                 | 4,102,779 |
| <b>George E. Deese</b> <sup>(1)</sup><br>Executive Chairman of the Board | 755,385 | 2,410,592    | 368,628                                | 149,500   | 68,010                 | 3,752,115 |
| <b>R. Steve Kinsey</b><br>Executive Vice President                       | 483,074 | 624,800      | 165,018                                | 54,479  | 36,978                 | 1,364,349 |
| <b>Gene D. Lord</b><br>and Chief Financial Officer                       | 547,660 | 722,496      | 173,718                                | 74,339  | 41,641                 | 1,559,854 |
| Executive Vice President   |         |              |  |   |                        |           |

and Chief Operating  
Officer/Executive Vice  
President

|                             |         |         |         |         |        |           |
|-----------------------------|---------|---------|---------|---------|--------|-----------|
| <b>Bradley K. Alexander</b> | 454,232 | 483,936 | 149,772 | 112,645 | 33,281 | 1,233,866 |
|-----------------------------|---------|---------|---------|---------|--------|-----------|

President of Flowers  
Bakeries/Executive

Vice President and Chief  
Operating Officer

*(1) Mr. Deese retired as executive chairman effective December 31, 2014. He continues to serve the company as non-executive chairman.*

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**2014 Executive Total Compensation Mix (page 31)**

*The information below should be read in connection with the explanatory information contained on pages 31 to 32 under Compensation Discussion and Analysis – Mix of Compensation Opportunity, and is qualified in its entirety by reference to such explanatory information.*

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**FLOWERS FOODS, INC.**

1919 Flowers Circle

Thomasville, Georgia 31757

**PROXY STATEMENT FOR THE ANNUAL MEETING**

**OF SHAREHOLDERS TO BE HELD JUNE 5, 2015**

*This proxy statement and the accompanying form of proxy are being furnished to the shareholders of Flowers Foods, Inc. on or about April 24, 2015 in connection with the solicitation of proxies by the board of directors for use at the annual meeting of shareholders to be held on June 5, 2015 at 11:00 a.m. Eastern Time at the Thomasville Municipal Auditorium, 144 East Jackson Street, Thomasville, Georgia, and any adjournment or postponement of the meeting.*

**QUESTIONS AND ANSWERS ABOUT**

**THE ANNUAL MEETING AND VOTING**

**What is the purpose of the annual meeting?**

At the annual meeting, shareholders will:

- (1) vote to approve the Declassification Amendments to provide that, beginning in 2017, all directors will be elected on an annual basis for a term of one year;
- (2) vote to elect as directors of the company the five nominees identified in this proxy statement, each to serve for a term of one year (or, if the Declassification Amendments are not approved, four nominees as Class II directors to serve until the annual meeting of shareholders for 2018 and, one nominee as a Class III director to serve until the annual meeting of shareholders for 2016);
- (3) hold an advisory vote on compensation of the company's Named Executives;
- (4) vote on the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for Flowers Foods for the fiscal year ending January 2, 2016;
- (5) vote on a shareholder proposal regarding the vesting of equity awards of executive officers upon a change of control, if properly presented at the annual meeting; and
- (6) vote on a shareholder proposal regarding shareholder approval of certain future severance agreements for senior executives, if properly presented at the annual meeting.

The shareholders will also transact any other business that may properly