

TASTY BAKING CO
Form DEF 14A
March 31, 2004

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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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

Confidential, for Use of the
Commission Only (as
permitted
by Rule 14a-6(e)(2))

TASTY BAKING COMPANY

(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:

2. Aggregate number of securities to which transaction applies:

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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**TASTY BAKING COMPANY
2801 Hunting Park Avenue
Philadelphia, Pennsylvania 19129**

March 31, 2004

Dear Shareholder:

You are cordially invited to attend the 2004 Annual Meeting of Shareholders of Tasty Baking Company which will be held at The Union League of Philadelphia, 140 South Broad Street, Philadelphia, Pennsylvania 19102, on Friday, May 7, 2004 at 11:00 a.m. Please note that this is a new location for our Annual Meeting and directions to The Union League are provided on the last page of the Proxy Statement.

At the meeting, shareholders will be asked to elect three Class 3 directors to hold office until the Annual Meeting of Shareholders in 2007, to approve an amendment to the Company's Articles of Incorporation to increase the number of authorized shares of common stock, to ratify the appointment of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 25, 2004, and to transact such other business as may properly come before the meeting. The accompanying Notice of Annual Meeting and Proxy Statement describe in more detail the business to be transacted at the Annual Meeting. Also enclosed is a copy of our 2003 Annual Report.

Your participation in the Annual Meeting of the Company is important, regardless of the number of shares you own. In order to insure that your shares are represented at the Annual Meeting, whether you plan to attend or not, please complete and return the enclosed proxy card as soon as possible. If you choose to attend the meeting and wish to modify your vote, you may revoke your proxy and vote in person at the meeting.

The Board of Directors appreciates your time and attention in reviewing the accompanying Proxy Statement. Thank you for your continued interest in Tasty Baking Company. We look forward to seeing you at the meeting.

Sincerely,

James E. Ksansnak
Chairman of the Board

Charles P. Pizzi
President and Chief Executive Officer

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DEF 14A FOR TASTY BAKING COMPANY

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**TASTY BAKING COMPANY
2801 Hunting Park Avenue
Philadelphia, Pennsylvania 19129**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on May 7, 2004

To Our Shareholders:

The Annual Meeting of Shareholders of Tasty Baking Company (the Company) will be held at The Union League of Philadelphia, 140 South Broad Street, Philadelphia, Pennsylvania 19102, on Friday, May 7, 2004 at 11:00 a.m., for the following purposes:

- (1) to elect three directors in Class 3 to hold office until the Annual Meeting of Shareholders in 2007, and until their successors are elected and qualified;
- (2) to approve the amendment to the Company's Articles of Incorporation to increase the number of authorized shares of common stock from 15,000,000 to 30,000,000;
- (3) to ratify the selection of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 25, 2004; and
- (4) to transact any other business that may properly come before the meeting or any adjournment or adjournments thereof.

Only shareholders of record at the close of business on February 16, 2004, will be entitled to vote at the meeting.

By Order of the Board of
Directors

Ronald O. Whitford, Jr.
Secretary

March 31, 2004
Philadelphia, Pennsylvania

**PLEASE SIGN, MARK, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE
ADDRESSED REPLY ENVELOPE WHICH IS FURNISHED FOR YOUR CONVENIENCE. THIS
ENVELOPE NEEDS NO POSTAGE IF MAILED WITHIN THE UNITED STATES.**

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**TASTY BAKING COMPANY
2801 Hunting Park Avenue
Philadelphia, Pennsylvania 19129
215-221-8500**

**PROXY STATEMENT FOR THE
ANNUAL MEETING OF SHAREHOLDERS
MAY 7, 2004**

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Tasty Baking Company (the Company) to be used in voting at the Annual Meeting of Shareholders to be held on Friday, May 7, 2004 at 11:00 a.m., at The Union League of Philadelphia, 140 South Broad Street, Philadelphia, Pennsylvania 19102, or at any adjournment or adjournments thereof. This Proxy Statement, the Notice of Annual Meeting, the Proxy and the Company's 2003 Annual Report, including Consolidated Balance Sheets as of December 27, 2003 and December 28, 2002 and Consolidated Statements of Operations and Retained Earnings, Changes in Capital Accounts and Cash Flows for the fiscal years ended December 27, 2003, December 28, 2002 and December 29, 2001 have been mailed on or about March 31, 2004 to each shareholder of record at the close of business on February 16, 2004.

Please sign, mark and complete the enclosed Proxy and return it in the addressed reply envelope which is furnished for your convenience. If any matters that are not specifically set forth on the Proxy and in this Proxy Statement properly come before the Annual Meeting, the proxies intend to vote on those matters in accordance with their reasonable business judgment.

A Proxy in the form enclosed, if duly signed, marked, and received in time for voting, will be voted in accordance with the directions of the shareholders. The persons designated as the proxies shall have the discretionary authority to vote cumulatively for the election of directors and to distribute such votes among the nominees standing for election (except as otherwise instructed by a shareholder in the accompanying Proxy) to assure the election of the nominees of the Board of Directors. The giving of a Proxy does not prevent you from voting in person should you so desire. Under Pennsylvania law, a shareholder may revoke a Proxy by giving written notice to the Secretary of the Company at the address of the principal executive offices or in open meeting, but the revocation will not affect any vote previously taken.

The expense of soliciting Proxies for the Annual Meeting, including the cost of preparing, assembling and mailing the Notice of Annual Meeting, Proxy and Proxy Statement, will be paid by the Company. The solicitation will be made by the use of the mails and through brokers and banking institutions and may also be made by officers and regular employees of the Company. Proxies may be solicited by personal interview, mail, telephone and possibly by facsimile transmission. In addition, the Company may choose to use the services of an independent proxy solicitation firm to assist with the solicitation of proxies. At the Annual Meeting, in accordance with past practice, shareholders will be requested to approve the minutes of the 2003 Annual Meeting of Shareholders. The approval requested will be for the minutes, and not the underlying actions taken by the shareholders at that meeting.

In this Proxy Statement, and unless otherwise provided, the term executive officers refers to the President and Chief Executive Officer; the Senior Vice President and Chief Financial Officer; the Senior Vice President and Chief Marketing Officer; the Senior Vice President, Supply Chain; the Vice President, Human Resources; the Vice President, Sales; and the Chief Information Officer.

Table of Contents**VOTING SECURITIES****General**

Each holder of record of the Company's Common Stock, par value \$0.50 per share, at the close of business on February 16, 2004, is entitled to one vote per share on matters that come before the meeting, except that cumulative voting rights may be exercised with respect to the election of directors. At the close of business on February 16, 2004, there were outstanding 8,095,886 shares of the Company's Common Stock entitled to vote at the Annual Meeting.

Under the Pennsylvania Business Corporation Law of 1988, as amended, and the Company's By-Laws, the presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast on a particular matter constitutes a quorum to take action at a shareholders' meeting. Shares which are present, or represented by a proxy, will be counted for quorum purposes regardless of whether the holder of the shares or proxy fails to vote on a matter (Abstentions) or whether a broker with discretionary authority fails to exercise its discretionary authority to vote shares with respect to the matter (Broker Non-Votes). The nominees for election as directors receiving the highest number of votes, up to the number of directors to be elected (three), will be elected. The affirmative vote of at least a majority of the votes cast at the Annual Meeting of Shareholders by all shareholders entitled to vote thereon is required to adopt any other proposal. For voting purposes, only shares voted either for or against the adoption of a proposal or the election of directors, and neither Abstentions nor Broker Non-Votes, will be counted as voting in determining whether a proposal is approved or a director is elected. As a consequence, Abstentions and Broker Non-Votes will have no effect on the adoption of a proposal or the election of a director.

Cumulative Voting

A shareholder wishing to exercise cumulative voting rights in the election of directors may multiply the number of shares which he or she is entitled to vote by the total number of directors to be elected (three) to determine the total number of votes he or she may cast. The shareholder may then distribute the total number of votes among one or more nominees in the proportion he or she desires. The proxies shall have the discretionary authority to vote cumulatively and to distribute such votes among the nominees so as to assure the election of the nominees of the Board of Directors, except for nominees as to whom a shareholder withholds authority to vote and except where a shareholder has directed that votes be cast cumulatively by specific instructions to the proxies.

PRINCIPAL HOLDERS OF VOTING SECURITIES

The following table sets forth, as of February 16, 2004, the shares of the Company's Common Stock held by shareholders of the Company who were known by the Company to own beneficially more than 5% of its outstanding Common Stock, by the directors and nominees, by the named executive officers, and by all directors and executive officers of the Company as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)		Percent of Shares (1)
	Direct	Indirect	

DePrince, Race & Zollo, Inc. 201 S. Orange Ave., Suite 850 Orlando, FL 32801		641,600	7.9%
The TCW Group, Inc. 865 South Figueroa Street Los Angeles, CA 90017		591,779	7.3%
Philip J. Baur, Jr. 509 Twin Silo Dr. Blue Bell, PA 19422	44,269(5)	477,125(2)(3)(4)	6.4%
Wachovia Bank, N. A. One Wachovia Center Charlotte, NC 28288		468,449(2)	5.8%

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Name of Director, Nominee and/or Executive Officer	Amount and Nature of Beneficial Ownership (1)		Percent of Shares(1)
	Direct	Indirect	
Fred C. Aldridge, Jr.	72,295(6)		*
Philip J. Baur, Jr.	44,269(6)	477,125(2)(3)(4)	6.4%
G. Fred DiBona, Jr.	18,575(6)		*
Ronald J. Kozich	2,250		*
James E. Ksansnak	21,000		*
Charles P. Pizzi	39,000(7)		*
Judith M. von Seldeneck	27,186(6)		*
David J. West			*
David S. Marberger	12,500(7)		*
Vincent A. Melchiorre	12,700(7)		*
Nancy K. O Toole	14,000(7)		*
John M. Pettine (8)	44,816(7)	35,302(9)	*
All Directors, Nominees and Executive Officers as a Group (14 persons)	308,591(6)(7)	512,427(2)(3)(4)(9)	10.1%

* Representing less than 1% of the outstanding stock.

- (1) Based on information furnished to the Company by the respective shareholders, or contained in filings made with the Securities and Exchange Commission. For purposes of this table, if a person has or shares voting or investment power with respect to any shares, they are considered beneficially owned by that person under rules of the Securities and Exchange Commission. As a result, in some cases, the same shares are listed opposite more than one name in the table. The table also includes shares which are the subject of stock options granted to certain officers and directors of the Company under stock option plans or grants by the Company to the extent presently exercisable or exercisable within sixty days of February 16, 2004. Those shares are deemed outstanding for the purpose of computing the percentage ownership of those officers and directors individually and in the aggregate.
- (2) A total of 365,542 shares are held in two trusts created under the will of Philip J. Baur, deceased, of which Wachovia Bank, National Association, and Philip J. Baur, Jr. are co-trustees. Philip J. Baur, Jr. shares investment power with the bank and has sole power to vote all of the shares held in the two trusts.
- (3) Includes 87,070 shares held in a trust created by Emma M. Baur, deceased. Philip J. Baur, Jr. is a co-trustee and shares voting and investment power with an individual co-trustee.
- (4) Includes (i) 13,000 shares owned by the Philippian Foundation, a charitable foundation of which Mr. Baur is trustee and has sole voting and investment power, and (ii) 11,513 shares owned by Mr. Baur's spouse.
- (5) Includes 15,271 shares held in revocable trust under deed of Philip J. Baur, Jr. dated June 3, 1983, as amended.
- (6)

Includes (i) presently exercisable replacement options for 20,046 shares granted to Mr. Aldridge under the Company's 1993 Replacement Option Plan (P & J Spin-Off) and (ii) presently exercisable options granted by the Board of Directors of 16,875 shares each to Messrs. Aldridge, Baur and DiBona and Ms. von Seldeneck.

- (7) Includes presently exercisable options of 30,000, 10,000, 10,000, 10,000 and 4,000 shares for Messrs. Pizzi, Marberger, Melchiorre and Pettine and Ms. O Toole, respectively, granted to them under the Company's 1985 Stock Option Plan, 1991 Long Term Incentive Plan, 1994 Long Term Incentive Plan, 1997 Long Term Incentive Plan and 2003 Long Term Incentive Plan.

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- (8) During fiscal 2003, Mr. Pettine was Executive Vice President and Chief Financial Officer until February 6, 2003. Thereafter, he served as Executive Vice President until December 27, 2003. Mr. Pettine entered into a Personal Leave Agreement on December 27, 2003, pursuant to the terms of which he resigned from the Board of Directors and went on personal leave status until December 31, 2004 (see p. 15).
- (9) Represents 35,302 shares owned by Mr. Pettine's spouse.

DIRECTORS AND EXECUTIVE OFFICERS PROPOSAL NO. 1

At the Annual Meeting, three persons will be elected to the Board of Directors as Class 3 directors to serve for three years until the Annual Meeting in 2007 and their successors are elected and qualified. The Company's Articles of Incorporation and By-Laws, as amended by the Shareholders at the Annual Meeting held on April 24, 1998, provide for three classes of directors with staggered terms of three years each. At present, Class 1 directors will hold office until the Annual Meeting in 2005 and Class 2 directors will hold office until the Annual Meeting in 2006, with the members of each class to hold office until their successors are elected and qualified.

Listed below are the nominees for the Board of Directors, as well as the remaining directors and executive officers of the Company. Ms. von Seldeneck and Messrs. Baur and West are incumbent directors nominated by the Board of Directors upon the recommendation of the Nominating and Corporate Governance Committee. The Board of Directors elected Mr. West to serve as a Class 3 Director filling a vacancy on December 5, 2003. Any Proxy not specifically marked will be voted by the named proxies for the election of the nominees named below, except as otherwise instructed by the shareholders, provided that, as set forth above, the proxies have discretionary authority to cumulate their votes. It is not contemplated that any of the nominees will be unable or unwilling to serve as a director, but, if that should occur, the Board of Directors reserves the right to nominate another person.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** THE ELECTION OF THE FOLLOWING NOMINEES:

NOMINEES FOR DIRECTORS CLASS 3 (TERM EXPIRES AT ANNUAL MEETING IN 2007):

Philip J. Baur, Jr. (age 73) Mr. Baur has served as a Director of the Company since 1954 and served as Chairman of the Board from April, 1981 to January, 1998. On December 31, 1987, Mr. Baur retired as President of Tastykake, Inc., a position he had held for more than fourteen years.

Judith M. von Seldeneck (age 63) Ms. von Seldeneck has served as a Director of the Company since July, 1991. She is the Chairman of Diversified Search Companies, a general executive search firm and subsidiary of MPS Group, Inc. Ms. von Seldeneck is also a Director of Citizens Bank of Pennsylvania, Teleflex Incorporated, Caron Foundation and the Greater Philadelphia Chamber of Commerce, and Chair of the Hyde School, the Association of Executive Search Consultants, and the National Association of Corporate Directors, Philadelphia.

David J. West (age 40) Mr. West has served as a Director of the Company since December, 2003. Since December, 2002, Mr. West served as Senior Vice President, Sales of Hershey Foods Corp. From June, 2001 to December, 2002, Mr. West has served as Hershey Foods Corp.'s Senior Vice President, Business Planning and Development. Prior to joining Hershey Foods Corp., Mr. West was employed by Kraft Foods Inc. as Senior Vice President, Finance from November, 1999 to June, 2001 and as Vice President, Planning from February, 1997 to November, 1999.

DIRECTORS CLASS 1 (TERM EXPIRES AT ANNUAL MEETING IN 2005):

Fred C. Aldridge, Jr. (age 70) Mr. Aldridge has served as a Director of the Company since April, 1981. He retired as a partner from the Philadelphia law firm of Stradley, Ronon, Stevens & Young, LLP, counsel to the Company, on December 31, 1997. Mr. Aldridge continues to practice law and had previously represented the Company as outside legal counsel. On February 28, 2003, Mr. Aldridge resigned as counsel and no longer provides legal services to the Company. Mr. Aldridge is President of The Grace S. and W. Linton Nelson Foundation, a charitable foundation, and Vice President/Special Counsel to the Independent Trustees/Directors of each of the Funds in the Delaware Investments Family of Funds.

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G. Fred DiBona, Jr. (age 53) Mr. DiBona has served as a Director of the Company since April, 1996. He has been President and Chief Executive Officer and a Director of Independence Blue Cross since 1990. He is also a Director of Aqua America, Inc. (formerly Philadelphia Suburban Corporation), Crown Holdings, Inc., Exelon Corporation, Eclipsys Corporation and The GEO Group, Inc. (formerly Wackenhut Corrections Corporation), and a past Chairman of the Blue Cross and Blue Shield Association. Independence Blue Cross is the principal provider of health insurance to the Company's employees.

DIRECTORS CLASS 2 (TERM EXPIRES AT ANNUAL MEETING IN 2006):

Ronald J. Kozich (age 64) Mr. Kozich has served as a Director since December, 2000. Mr. Kozich retired as a partner from Ernst & Young LLP on September 30, 1999. Prior to his retirement, he was the managing partner of Ernst & Young LLP, Philadelphia. Mr. Kozich is a member of the Board of Directors of CDI Corporation, Board of Directors of IPR International, LLC and a Director of the Greater Philadelphia Chamber of Commerce.

James E. Ksansnak (age 64) Mr. Ksansnak has served as a Director and Chairman of the Board of Directors since May, 2003. Mr. Ksansnak is a Director of ARAMARK Corporation and was Vice Chairman of ARAMARK from May, 1997 until February, 2001. Prior to May, 1997, he was Executive Vice President and Chief Financial Officer of ARAMARK. He is also a Director of CSS Industries, Inc.

Charles P. Pizzi (age 53) Mr. Pizzi has served as a Director, President and Chief Executive Officer of the Company since October, 2002. Prior to joining the Company, Mr. Pizzi served as President and Chief Executive Officer of the Greater Philadelphia Chamber of Commerce from April, 1989 until October, 2002. He serves on the Boards of Directors for Vestaur Securities, Inc. and Independence Blue Cross, the Board of Trustees for Brandywine Realty Trust and the Board of Advisors for The Day & Zimmerman Group, Inc.

EXECUTIVE OFFICERS (Not Also Directors):

Autumn R. Bayles (age 33) Ms. Bayles joined the Company as Chief Information Officer on August 1, 2003. Prior to joining the Company, Ms. Bayles was Managing Principal Consultant for IBM Business Consulting Services, a division of IBM, from October, 2002 to August, 2003; Managing Principal Consultant for PwC Consulting, a division of PricewaterhouseCoopers LLP, from November, 2001 to October, 2002 when IBM Business Consulting Services acquired PwC Consulting; Director of Consulting at Destiny Websolutions from March, 2001 to October, 2001; Technology Management Consultant at Safeguard Scientifics, Inc. from March, 2000 to March, 2001; and various consultant positions, including Staff Consultant, Senior Consultant, Managing Consultant, Senior Management Consultant and Principal Consultant, at PwC Consulting from 1992 to March, 2000.

Robert V. Brown (age 45) Mr. Brown rejoined the Company in February, 2003 and was elected Vice President, Sales in August, 2003. Prior to joining the Company, Mr. Brown was District Sales Manager for Lance, Inc. from January, 2002 to February, 2003. Mr. Brown was previously employed by the Company from 1984 to December, 2001 and served as Director, Route Sales, from 1993 to 2001.

David S. Marberger (age 39) Mr. Marberger was elected Senior Vice President and Chief Financial Officer on February 5, 2003. Prior to joining the Company, Mr. Marberger was employed by Campbell Soup Company as Vice President, Finance, Food and Beverage Division, from September, 2001 until February, 2003; Vice President, Finance, Away from Home Division, from August, 2000 until September, 2001; Finance Director, U.S. Soup Division, from August, 1999 until August, 2000; Worldwide Audit Director from April, 1998 until August, 1999; and Manager Financial Planning and Analysis, Corporate Development from April, 1997 until April, 1998.

Vincent A. Melchiorre (age 43) Mr. Melchiorre was elected Senior Vice President and Chief Marketing Officer on January 21, 2003. Prior to joining the Company, Mr. Melchiorre was employed by Campbell Soup Company as Vice President, Biscuit Marketing for Pepperidge Farm from May, 2000 until January, 2003 and Business Director, Red and White Soup, from 1997 until May, 2000.

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Nancy K. O Toole (age 49) Ms. O Toole was elected Vice President, Human Resources, on March 3, 2003. Prior to joining the Company, Ms. O Toole was Director, Human Resources, for Stroehmann Bakeries, L.C. from May, 1996 until February, 2003.

Blake W. Thompson (age 49) Mr. Thompson was elected Senior Vice President, Supply Chain, on February 16, 2004. Prior to joining the Company, Mr. Thompson was Region Vice President of Operations, Northeast Region, from November, 2001 to February, 2004, and Director of Operations, Carolinas Region, from May, 1996 to November, 2001 for Frito Lay, Inc., a division of PepsiCo.

DIRECTOR ATTENDANCE AND COMPENSATION

Attendance

During the fiscal year ended December 27, 2003, seven meetings of the Board of Directors were held. In addition, an aggregate of seventeen meetings of the committees of the Board of Directors were held in that period. During 2003, each incumbent director attended at least 94% of the regularly scheduled and special meetings of the Board and its committees on which he or she served. The average attendance of all directors at all Board and committee meetings during 2003 was 99%. While the Company does not have a formal, written attendance policy requiring directors to attend the annual meeting of shareholders, the Board of Directors strongly encourages all directors to attend the annual meeting. All incumbent directors of the Company who were directors as of the meeting date attended the 2003 Annual Meeting of Shareholders.

Executive Sessions

The Board of Directors meets at least once annually in an executive session of the independent directors of the Board. Mr. Ksansnak, the independent Chairman of the Board, presides over the executive sessions of the independent directors.

Compensation

During fiscal year 2003, the Company paid an annual retainer fee of \$15,000 to non-officer directors and an additional annual retainer fee of \$1,000 for each committee on which a non-officer director served as chairman. Non-officer directors were paid a fee of \$1,000 for each Board and committee meeting attended. As of January 1, 2004, the Company will pay an annual retainer fee of \$15,000 to non-officer directors and an additional retainer fee of \$5,000 for the independent Chairman of the Board, \$4,000 for the Chair of the Audit Committee, \$2,500 for the Chair of the Compensation Committee and \$2,500 for the Chair of the Nominating and Corporate Governance Committee. Non-officer directors will be paid a fee of \$1,000 for each Board and committee meeting attended.

During the Company's last fiscal year, the Company paid Mr. Aldridge, a Director of the Company, \$18,750 in consideration for legal services rendered to the Company. Mr. Aldridge resigned as counsel to the Company on February 28, 2003 and no longer provides legal services to the Company.

On August 7, 2003, upon the approval of the Board of Directors, the Compensation Committee awarded stock options to all non-officer directors pursuant to the 2003 Long Term Incentive Plan. Messrs. Aldridge, Baur, DiBona, Kozich and Ksansnak and Ms. von Seldeneck were awarded 7,000, 5,000, 7,000, 10,000, 15,000 and 7,000 stock options, respectively with an exercise price of \$10.78 equal to the closing price for the Company's Common Stock on the date of grant. On December 5, 2003, Mr. West was elected to the Board of Directors, and on February 4, 2004 he was granted 5,000 stock options with an exercise price of \$10.32 equal to the closing price for the Company's

Common Stock on the date of grant. These option grants will vest in equal one-third increments on the first, second and third anniversaries of the date of grant. In addition, any shares obtained through the exercise of these options may not be sold or transferred, other than for the payment of taxes incurred in the exercise of such options, for a five-year holding period which ends on the fifth anniversary of the date of grant.

Non-officer directors who have ceased to be directors and who have reached age 65 with five or more years of service on the Board of Directors are entitled to receive an annual retirement benefit equal to the amount of the annual retainer fee in effect on the date the director ceases to be a director (but not less than \$16,000 for directors serving on June 30, 1993). This benefit will be paid monthly to the retired director until

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the earlier of the death of the retired director or for the number of years of credited service of such director as a member of the Board of Directors of the Company.

The Company has entered into a Trust Agreement with Wachovia Bank, N. A. for the benefit of directors. Under this Trust Agreement the Company is obligated to deposit sufficient funds with the Trustee to enable it to purchase annuity contracts to fund the directors' retirement benefits in the event of a change in control of the Company.

Director Independence

The Board has determined that, except for Charles P. Pizzi, President and Chief Executive Officer of the Company, none of the Directors, including the nominees for election to the Board of Directors at the 2004 Annual Meeting of Shareholders, has a material relationship with the Company under the New York Stock Exchange listing standards, and that each is an independent director. Accordingly, seven of the eight Directors and nominees are independent.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has a standing Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee consisting of directors who the Board has affirmatively determined are independent as defined in the New York Stock Exchange Listing Standards. Mr. Ksanskak, the independent Chairman of the Board, participates on each committee as an *ex officio* member. Each Committee operates pursuant to a charter approved by the Board of Directors, copies of which will be available on the Company's website at www.tastykake.com, under the Investor Relations-Corporate Governance captions, on or before the date of the Annual Meeting or upon written request directed to the Secretary of the Company at 2801 Hunting Park Avenue, Philadelphia, Pennsylvania 19129. A copy of the Company's Audit Committee Charter is also attached as Appendix A to this Proxy Statement.

The Audit Committee has the responsibility to assist the Board of Directors in its oversight of the integrity of the Company's financial statements, the qualification and independence of the Company's independent auditors, and the performance of the independent auditors and the Company's internal audit personnel. The Committee oversees the Company's financial reporting process, hires and sets the compensation of the Company's independent auditors, pre-approves all audit and non-audit engagements of the Company's independent auditors, reviews reports from the Company's independent auditors and the Company's financial statements, monitors and informs the Board of the Company's accounting policies and internal controls, reviews the scope of the audit, and monitors the quality and objectivity of the Company's financial statements and the independence of the Company's independent auditors. In addition, pursuant to its Charter, the Committee performs an annual evaluation of its performance and the adequacy of the Committee's Charter. Ronald J. Kozich is Chairman of the Audit Committee and Fred C. Aldridge, Jr., and Philip J. Baur, Jr. are members of the Committee. James E. Ksanskak is an *ex officio* member of the Committee. G. Fred DiBona, Jr. was also a member of the Committee until March 26, 2003 at which time he resigned from the Committee to chair the Nominating and Corporate Governance Committee. The Board of Directors has determined that each member of the Committee is independent and financially literate as the Board of Directors has interpreted such qualifications in its business judgment, all as required by the applicable New York Stock Exchange Listing Standards. The Board of Directors has also determined that each member of the Committee is independent as defined under Section 301 of the Sarbanes-Oxley Act of 2002, and the regulations thereunder. In addition, the Board of Directors has determined that Ronald J. Kozich is an audit committee financial expert as defined by the rules under the Securities Exchange Act of 1934 (the Exchange Act) and is independent as defined in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act. During the fiscal year ended December 27, 2003, there were eight meetings of the Audit Committee.

The Compensation Committee has the responsibility to evaluate the performance of the President and Chief Executive Officer and other executive officers; to review, determine and approve, together with the independent directors of the Board, the compensation of the President and Chief Executive Officer and the other executive officers of the Company, including salary, bonus and benefits under the various compensation plans maintained by the Company; to administer, determine and grant options and awards under the 1994 Long Term Incentive Plan, 1997 Long Term Incentive Plan and 2003 Long Term Incentive Plan; and to oversee the administration and performance of all employee benefit retirement plans offered by

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the Company. Judith M. von Seldeneck is Chairperson of the Compensation Committee and G. Fred DiBona, Jr. and Ronald J. Kozich are members of the Committee. James E. Ksansnak is an *ex officio* member of the Committee. During the fiscal year ended December 27, 2003, the Committee held six meetings and met on December 5, 2003 and February 4, 2004 to review and make recommendations for bonuses under the Management Incentive Plan for 2003, bonus targets under the Management Incentive Plan for 2004, and salary adjustments for 2004.

The Nominating and Corporate Governance Committee has the responsibility to review, consider and make recommendations to the Board concerning the size, function and needs of the Board and its committees; no less frequently than annually, to review and make recommendations to the Board of Directors with respect to the Company's Corporate Governance Guidelines; to establish the criteria and qualifications for Board and committee membership; and to identify, consider and recommend to the Board candidates for election as directors to fill vacancies on the Board and for submission annually to shareholders for whom proxies shall be solicited by the Board. G. Fred DiBona is Chairman of the Nominating and Corporate Governance Committee and Fred C. Aldridge, Jr. and Philip J. Baur, Jr. are members of the Committee. James E. Ksansnak is an *ex officio* member of the Committee. During the fiscal year ended December 27, 2003, there were four meetings of the Committee. The Committee met on March 10, 2004 to consider and recommend the candidates to be nominated for election as directors at the 2004 Annual Meeting.

CORPORATE GOVERNANCE

Code of Business Conduct

Each of the Company's directors, officers and employees are required to comply with the Tasty Baking Company Code of Business Conduct adopted by the Company. The Code of Business Conduct sets forth policies covering a broad range of subjects and requires strict adherence to laws and regulations applicable to the Company's business. The Code of Business Conduct will be available on the Company's website at www.tastykake.com, under the Investor Relations-Corporate Governance captions, on or before the date of the Annual Meeting. A copy of the Company's Code of Business Conduct may also be obtained, without charge, by any shareholder upon written request directed to the Secretary of the Company at 2801 Hunting Park Avenue, Philadelphia, Pennsylvania 19129. The Company will post to its website any amendments to the Code of Business Conduct, or waiver from the provisions thereof for principal executive officers or directors, under the Investor Relations-Corporate Governance-Code of Business Conduct-Waivers caption.

Corporate Governance Guidelines

The Board of Directors has adopted the Tasty Baking Company Corporate Governance Guidelines which outline the responsibilities of the Board of Directors, director selection criteria and procedures, board composition criteria and various policies and procedures designed to ensure effective governance. These Guidelines will be reviewed annually by the Nominating and Corporate Governance Committee to determine effective compliance and implementation and may be revised from time to time. The Corporate Governance Guidelines will be available on the Company's website at www.tastykake.com, under the Investor Relations-Corporate Governance captions, on or before the date of the Annual Meeting or upon written request directed to the Secretary of the Company at 2801 Hunting Park Avenue, Philadelphia, Pennsylvania 19129.

Nomination Process and Qualifications for Director Nominees

The Nominating and Corporate Governance Committee has established certain procedures and criteria for the selection of nominees for election to the Board of Directors. The Committee determines, and reviews with the Board

on an annual basis, the desired skills and characteristics for directors as well as the composition of the Board as a whole. Nominees should satisfy at a minimum the following criteria in order to qualify for consideration to serve on the Board of Directors: possess the highest personal and professional ethics, integrity and judgment; have the ability and willingness to commit the necessary time and energy to prepare for, attend and participate in the meetings of the Board and one or more of its standing committees; have relevant background and experience that complement the background and

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experience of the other directors; have a proven record of competence and accomplishment through demonstrated leadership in a profession, business, education or government service as a director, chief executive officer or senior management executive, including financial, accounting, legal, sales, marketing and other relevant experience, that will enhance the perspective and effectiveness of the Board, including perspectives resulting from diversity in the experience and background of such nominee; be a shareholder or be willing to become a shareholder of the Company; and have the willingness and ability to represent the interests of all shareholders rather than any special interest or constituency while keeping in perspective the interests of the Company's employees, customers, local communities and other constituencies.

If nominations are required for election at an Annual Meeting of Shareholders, the Committee will first consider the nomination of the current directors whose terms are expiring including their past performance on the Board, along with the criteria set forth above, in determining whether to nominate them for re-election. In connection with nominations for elections at annual meetings of shareholders or to fill vacancies in the Board at annual or special meetings of shareholders, the Committee may solicit the current members of the Board for the names of potential qualified candidates. In addition, the Committee may ask the directors to pursue their own business contacts for the names of potentially qualified candidates. The Committee may retain director search firms as it determines necessary in its own discretion.

The Committee will also consider director candidates recommended by shareholders in the same manner in which the Committee would evaluate director nominees recommended through the process described above; provided that the following requirements are met: the shareholder provides documentation evidencing his or her ownership interest in the Company; the recommended individual meets the criteria set forth above; the shareholder nomination provides at a minimum comprehensive written information relating to the recommended individual's business experience and background, including but not limited to, his or her complete name, age, address, principal occupation, directorships, positions and offices held, name and principal business of any corporation or other organization in which such positions were held, affiliation with the Company; family relationships with any director, executive officer or other nominee, and any arrangements or understandings between him or her and any other person pursuant to which he or she was nominated as a director; additional written information regarding any legal proceedings in the preceding five years in which the recommended individual was involved as required in Regulation S-K, Item 401(f); and a written consent executed by the recommended individual stating that he or she desires to be considered as a nominee and, if elected, that he or she will serve as a director. All shareholder nominations must be received by the Secretary of the Company between 90 and 120 days prior to the first anniversary of the mailing date of the prior year's proxy statement for the Company's annual meeting of shareholders. In the event the annual meeting of shareholders is moved by more than 30 days from the anniversary date of the preceding annual meeting or in the case of a special meeting of shareholders called for the purpose of electing directors, then notice must be given not later than the close of business on the 5th day following the date on which public disclosure of the meeting date was made.

The Committee will consider the director candidates derived from the foregoing process and make its recommendations to the full Board of Directors for approval.

Communicating with Directors

Shareholders who wish to communicate with the Board of Directors, the non-management directors or an individual director may do so by sending a letter to the Secretary of the Company at 2801 Hunting Park Avenue, Philadelphia, Pennsylvania 19129. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Shareholder-Board Communication. The Secretary has been authorized to screen commercial solicitations and materials which pose security risks, are unrelated to the business or governance of the Company, or are otherwise inappropriate. All such letters must identify the author as a shareholder and clearly state whether the intended recipients are all or individual members of the Board. The Secretary will make copies of all such letters and circulate

them to the appropriate director or directors.

Table of Contents**COMPENSATION OF EXECUTIVE OFFICERS**

The following table discloses compensation received by the Company's Chief Executive Officer and the four other most highly paid executive officers in fiscal 2003 for the three fiscal years ended December 27, 2003, December 28, 2002 and December 29, 2001.

SUMMARY COMPENSATION TABLE (1)

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation		
		Salary	Bonus	Stock Options (2)	LTIP Payout (3)	All Other Compensation (4)
C. P. Pizzi (5) President & CEO	2003	\$400,000		85,000		\$ 8,564
	2002	92,316	\$70,350	75,000		1,084
	2001					
D. S. Marberger (6) Senior Vice President & CFO	2003	203,322		68,500		
	2002					
	2001					
V. A. Melchiorre (6) Senior Vice President & CMO	2003	207,307		68,500		131,581
	2002					
	2001					
N. K. O Toole (6) Vice President, Human Resources	2003	119,904		40,000		1,995
	2002					
	2001					
J. M. Pettine (7) Former Executive Vice President	2003	223,000				679
	2002	223,000				679
	2001	214,000	72,000		\$74,917	674

- (1) This table does not include columns for Other Annual Compensation and Restricted Stock Awards for which there are no amounts to report. The amount of Other Annual Compensation paid to the named executive officers was in each case for perquisites which are not reportable since they did not exceed the lesser of \$50,000 or 10% of salary and bonus as reported for each named executive officer.
- (2) See description on page 11. No stock options were awarded during fiscal 2001.
- (3) On December 17, 1999 the Board of Directors conditionally granted shares of Company Common Stock to executive officers and managers to be distributed in one-third installments in the event that the Company's stock price achieved the target prices of \$12, \$14 and \$16 for five consecutive trading days (the Targets) prior to December 17, 2002. On January 24, 2001 the Company's stock price equaled or exceeded the \$14 Target and the second third of the shares granted was earned by the executive officers and managers. Mr. Pettine was awarded 2,338 shares which were valued at the closing price for the Company's Common Stock on January 24,

2001 (\$15.75). On February 23, 2001 the Company's stock price equaled or exceeded the \$16 Target and the final third of the shares granted was earned by the executive officers and managers. Mr. Pettine was awarded 2,337 shares which were valued at the closing price for the Company's Common Stock on February 23, 2001 (\$16.30). In fiscal 2001, the Board of Directors approved the Restricted Stock Incentive Plan which was approved by shareholders at the 2001 Annual Meeting. On December 31, 2000 restricted stock awards were made to certain executive officers with an earnings target of an increase in the Company's cumulative earnings per share for fiscal years 2001 through 2003 (the Measurement Period) by a compound annualized rate of 10% per year over reported earnings for fiscal year 2000. Mr. Pettine was awarded 10,000 shares on December 31, 2000 under the Restricted Stock Incentive Plan. Since the restricted stock awards were subject to performance-based conditions on vesting, these shares have not been included in the table. On February 4, 2004, the Compensation Committee determined that the earnings targets were not met and all restricted stock awards were forfeited.

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- (4) Includes contributions made for Messrs. Pizzi, Melchiorre and Pettine and Ms. O Toole in the amounts of \$439, \$150, \$600 and \$150, respectively, under the Company's Thrift Plan and term life insurance premiums paid on behalf of each executive. Messrs. Pizzi, Melchiorre and Pettine and Ms. O Toole received imputed values of \$8,125, \$2,520, \$79 and \$1,845, respectively, for term life insurance premiums. In addition, this amount includes \$128,911 for costs relating to Mr. Melchiorre's relocation in 2003.
- (5) Mr. Pizzi joined the Company as President and Chief Executive Officer on October 7, 2002. As an inducement to join the Company, Mr. Pizzi was granted 4,000 shares of the Company's Common Stock which was valued at the closing price on October 7, 2002 (\$11.30). The amount appearing in the Bonus column for Mr. Pizzi represents the value of this stock award and the tax gross up.
- (6) Messrs. Melchiorre and Marberger and Ms. O Toole joined the Company on January 21, 2003, February 6, 2003 and March 3, 2003, respectively.
- (7) During fiscal 2003, Mr. Pettine was Executive Vice President and CFO until February 5, 2003. Thereafter, he served as Executive Vice President until December 27, 2003. Mr. Pettine entered into a Personal Leave Agreement on December 27, 2003, pursuant to the terms of which he resigned from the Board of Directors and went on personal leave status until December 31, 2004 (see p. 15).

OPTION/SAR GRANTS IN LAST FISCAL YEAR

The following table sets forth the options to purchase shares of the Company's Common Stock that were granted to the named executive officers during the fiscal year ended December 27, 2003.

Individual Grants					
Name (1)	Number of Securities Options/SARs	% of Total	Exercise or Base Price (\$ per share)	Expiration Date	Present Value on Grant Date (2)
	Underlying Options/SARs Granted	Granted to Employees in Fiscal Year	Granted to Employees in Fiscal Year	Granted to Employees in Fiscal Year	Granted to Employees in Fiscal Year
C. P. Pizzi	85,000	20.8%	\$ 10.78	8/7/13	\$ 186,150
D. S. Marberger	43,500	10.7%	10.78	8/7/13	92,265
	25,000	6.1%	9.52	2/3/13	57,750
V. A. Melchiorre	43,500	10.7%	10.78	8/7/13	92,265
	25,000	6.1%	8.95	1/21/13	54,750
N. K. O Toole	30,000	7.4%	10.78	8/7/13	65,700
	10,000	2.5%	7.62	3/3/13	18,500

- (1) As an inducement to join the Company, Messrs. Marberger and Melchiorre and Ms. O Toole were awarded options to purchase 25,000, 25,000 and 10,000 shares of Common Stock, respectively, upon their first date of employment with the Company with an exercise price equal to the closing price of the Company Common Stock on such date. The first date of employment for Messrs. Marberger and Melchiorre and Ms. O Toole was

February 3, 2003, January 21, 2003 and March 3, 2003, respectively. These option grants vest in equal one-fifth increments on the date of grant and each anniversary of the date of grant thereafter. On August 7, 2003, the Compensation Committee awarded Messrs. Pizzi, Marberger and Melchiorre and Ms. O Toole options to purchase 85,000, 43,500, 43,500 and 30,000 shares of Common Stock, respectively, with an exercise price equal to the closing price of the Company Common Stock on the date of grant (\$10.78). These option grants vest in equal one-third increments on the first, second and third anniversaries of the date of grant. In addition, any shares obtained through the exercise of these options may not be sold or transferred, other than for the payment of taxes incurred in the exercise of such options, for a five-year holding period which ends on the fifth anniversary of the date of grant. No other named executive officer received option grants in fiscal 2003.

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- (2) These values were calculated using the Black-Scholes option-pricing model based on the following assumptions: dividend yield of 3.31%, expected volatility of 33.81%, expected life of three years for all grants expiring on August 7, 2013 and five years for the remaining grants in the table, and risk-free interest rate of 2.83%.

**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES**

The following table provides information on option exercises in fiscal year 2003 by the named executive officers and the value of such officers' unexercised options on December 27, 2003.

Executive	Number of Options Exercised	Realized Value	Number of Unexercised Options at Fiscal Year-End			Value of Unexercised in-the-Money Options at Fiscal Year-End (1)		
			Total	Exercisable	Unexercisable	Total	Exercisable	Unexercisable
C. P. Pizzi			160,000	30,000	130,000	\$62,500	\$25,000	\$37,500
D. S. Marberger			68,500	5,000	63,500	8,250	1,650	6,600
V. A. Melchiorre			68,500	5,000	63,500	22,500	4,500	18,000
N. K. O Toole			40,000	2,000	38,000	22,300	4,460	17,840
J. M. Pettine			21,000	21,000				

- (1) These columns represent the difference on December 27, 2003 between the market price of the Company's stock (\$9.85) and the option exercise price. Stock options with an exercise price greater than the market price had no value at the end of fiscal 2003.