

SECURITIES AND EXCHANGE COMMISSION

FORM DEF 14A

Definitive proxy statements

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FILER

**TOOTSIE ROLL INDUSTRIES INC**

CIK: **98677** | IRS No.: **221318955** | State of Incorpor.: **VA** | Fiscal Year End: **1231**  
Type: **DEF 14A** | Act: **34** | File No.: **001-01361** | Film No.: **99574515**  
SIC: **2060** Sugar & confectionery products

Business Address  
7401 S CICERO AVE  
CHICAGO IL 60629  
3128383400

SCHEDULE 14A INFORMATION  
(RULE 14A-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO. )

Filed by the Registrant /X/  
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))  
/X/ Definitive Proxy Statement  
/ / Definitive Additional Materials  
/ / Soliciting Material Pursuant to Rule-11(c) or Rule 14a-12

TOOTSIE ROLL INDUSTRIES, 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):

/X/ 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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(2) Aggregate number 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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(4) Proposed maximum aggregate value of transaction:  
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(5) Total fee paid:  
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/ / Fee paid previously with preliminary materials.  
/ / Check box if any part of the fee is offset as provided by Exchange Act Rule  
0-11(a)(2) and identify the filing for which the offsetting fee was paid  
previously. Identify the previous filing by registration statement number,  
or the Form or Schedule and the date of its filing.  
(1) Amount Previously Paid:  
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(2) Form, Schedule or Registration Statement No.:  
-----  
(3) Filing Party:  
-----  
(4) Date Filed:  
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TOOTSIE ROLL INDUSTRIES, INC.  
7401 SOUTH CICERO AVENUE, CHICAGO, ILLINOIS 60629

March 26, 1999

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of  
your Company to be held on Monday, May 3, 1999, at 9:00 A.M., Eastern Daylight  
Savings Time, in Room 1200, Mutual Building, 909 East Main Street, Richmond,  
Virginia.

At the meeting, in addition to the election of four directors and a proposal  
to ratify the appointment of PricewaterhouseCoopers LLP as independent auditors  
of the Company, you are being asked to consider and vote upon a proposal to  
amend the Company's Articles of Incorporation to increase the number of  
authorized shares of Common Stock and Class B Common Stock.

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,

[SIG]

Melvin J. Gordon  
CHAIRMAN OF THE BOARD AND  
CHIEF EXECUTIVE OFFICER

[SIG]

Ellen R. Gordon  
PRESIDENT AND  
CHIEF OPERATING OFFICER

TOOTSIE ROLL INDUSTRIES, INC.  
7401 SOUTH CICERO AVENUE, CHICAGO, ILLINOIS 60629

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 3, 1999

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 3, 1999, at 9:00 A.M., Eastern Daylight Savings Time, for the following purposes:

1. To elect the full board of four directors;
2. To consider and vote upon a proposal to amend Article FOURTH of the Company's Articles of Incorporation to (i) increase the number of authorized shares of Common Stock from 50,000,000 shares to 120,000,000 shares and (ii) increase the number of authorized shares of Class B Common Stock from 20,000,000 shares to 40,000,000 shares;
3. To consider and act upon ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for the Company for the fiscal year ending December 31, 1999; and
4. 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 9, 1999 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 1998 Annual Report of Tootsie Roll Industries, Inc.

By Order of the Board of Directors  
G. Howard Ember Jr., ASSISTANT  
SECRETARY

Chicago, Illinois  
March 26, 1999

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.

TOOTSIE ROLL INDUSTRIES, INC.  
7401 SOUTH CICERO AVENUE  
CHICAGO, ILLINOIS 60629  
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PROXY STATEMENT  
ANNUAL MEETING OF SHAREHOLDERS -- MAY 3, 1999  
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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 3, 1999, and at any adjournments thereof. The purpose of the meeting is for the shareholders of the Company to: (1) elect four directors to terms of office

expiring at the 2000 Annual Meeting of Shareholders; (2) consider and vote upon a proposal to amend Article FOURTH of the Company's Articles of Incorporation to (i) increase the number of authorized shares of Common Stock from 50,000,000 shares to 120,000,000 shares and (ii) increase the number of authorized shares of Class B Common Stock from 20,000,000 shares to 40,000,000 shares; (3) consider and act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as independent auditors of the Company for the fiscal year ending December 31, 1999; and (4) 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, for the proposal to amend the Articles of Incorporation and for ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors. 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 9, 1999 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 3, 1999, and at any adjournments thereof. As of the close of business on March 9, 1999, there were outstanding and entitled to vote 32,474,713 shares of Common Stock and 15,386,543 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 32,474,713 votes and the Class B Common Stock will be entitled to a total of 153,865,430 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, except with respect to the proposal to amend Article FOURTH of the Company's Articles of Incorporation ("Proposal 2"). The approval of Proposal 2 will require the affirmative vote of more than two-thirds of the outstanding shares of Common Stock and Class B Common Stock voting separately. This Proxy Statement and the enclosed form of proxy are being mailed to shareholders of the Company on or about March 26, 1999.

1

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. In addition, the Company has retained D.F. King & Co., Inc. to assist in the solicitation of proxies and will pay such firm a fee, estimated to be \$5,000, plus reimbursement of direct out-of-pocket expenses incurred by such firm in soliciting proxies. 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.

#### 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. In the absence of a specific direction from the shareholder, proxies will be voted for the election of all named director nominees, for the proposal to amend Article FOURTH of the Company's Articles of Incorporation and for ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors. 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 four 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. The affirmative vote of the holders of more than two-thirds of the outstanding shares of Common Stock and of the Class B Common Stock, each class voting separately, is required to approve and adopt the proposal to amend Article FOURTH of the Company's Articles of Incorporation. Therefore, non-votes and abstentions with respect to such matter have the legal effect of a vote against such matter. If a quorum is present at the meeting, in order to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors, 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 four persons named in the table below as a director of the Company to serve until the 2000 Annual Meeting of Shareholders and until his or her successor is duly elected and qualified. All of such nominees are now directors of the Company, having been previously elected as directors by the shareholders of the Company. 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 four nominees for election as directors:

<TABLE>  
<CAPTION>

NAME, AGE AND OTHER POSITIONS, IF ANY, WITH COMPANY	PERIOD SERVED AS DIRECTOR AND BUSINESS EXPERIENCE DURING PAST 5 YEARS
<S> Melvin J. Gordon, 79; Chairman of the Board and Chief Executive Officer (1) (2)	<C> Director since 1952; Chairman of the Board since 1962; Director and President of HDI Investment Corp., a family investment company.
Ellen R. Gordon, 67, 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; director of Bestfoods (formerly CPC International) since 1991.
Charles W. Seibert, 84(3) (4)	Director since 1978; retired; Vice-President of Citibank through February, 1974 and consultant to several banks since 1974.
Lana Jane Lewis-Brent, 52(3) (4)	Director since 1988; President of Paul Brent Designer, Inc. since 1992 (art publishing); former President of Sunshine-Jr. Stores, Inc. (convenience stores).

</TABLE>

(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. The Executive Committee held two meetings in 1998.

(2) Melvin J. Gordon and Ellen R. Gordon are husband and wife.

(3) Member of the Audit Committee. The Audit Committee (a) annually recommends to the Board of Directors the appointment of independent public accountants for the Company and subsidiaries; (b) reviews the scope of audits; (c)

approves the non-audit services of the independent public accountants for the Company and subsidiaries and their fees for audit and non-audit services; and (d) receives, reviews and takes action deemed appropriate with respect to audit reports submitted. The Audit Committee held two meetings during 1998.

(4) Member of the Compensation Committee. The Compensation Committee administers the Tootsie Roll Industries, Inc. Bonus Incentive Plan and in this capacity will make or recommend awards under such plan. The Compensation Committee held one meeting during 1998.

The Company does not have a nominating committee.

The Board of Directors held four meetings during 1998. Mr. and Mrs. Gordon do not receive fees for their service on the Board of Directors or committees. Other directors received an annual fee of \$21,500 plus \$1,250 per meeting attended for service on the Board of Directors during 1998. Each member of the Audit Committee and the Compensation Committee received \$1,250 per meeting attended. Mr. Seibert, as the Chairman of the Audit Committee, received an additional annual fee of \$5,500. During 1998, all of the

directors attended at least 75 percent of the meetings of the Board of Directors and (if they were members of the Executive Committee, Audit Committee or Compensation Committee) the Executive Committee, Audit Committee and Compensation Committee.

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 9, 1999, 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 Securities and Exchange Commission.

<TABLE>  
<CAPTION>

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	
<S>	<C>	<C>	<C>	<C>
Melvin J. Gordon.....	Common	1,012,128	--	3.1%
.....	Class B	1,012,128	--	6.6%
Ellen R. Gordon.....	Common	6,501,530	30,746 (2)	20.1%
.....	Class B	6,501,530	30,746 (2)	42.5%
Melvin J. Gordon and Ellen R. Gordon, jointly as fiduciaries.....	Common	--	4,090,342 (3)	12.6%
.....	Class B	--	4,090,342 (3)	26.6%
Leigh R. Weiner.....	Common	1,257,368	283,652 (4)	4.7%
.....	Class B	1,715,710	373,086 (4)	13.6%

</TABLE>

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 Stone DeStefano & Klein, 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.

- (2) Held as co-trustee of the Company's pension plan.
- (3) Includes 3,639,398 shares each of Common Stock and Class B Common Stock held by Mr. and Mrs. Gordon as fiduciaries for their children and 450,944 shares each of Common Stock and Class B Common Stock owned by a charitable foundation in which members of the Gordon family are interested.
- (4) Includes 59,482 shares of Common Stock and 36,442 shares of Class B Common Stock held by Mr. Weiner's wife (of which he disclaims beneficial ownership), 150,748 shares of Common Stock and 110,928 shares of Class B Common Stock held by Mr. Weiner or by his wife as custodian for their children and 73,422 shares of Common Stock and 225,716 shares of Class B Common Stock held by a charitable foundation in which Mr. Weiner and members of his family are interested.

4

OWNERSHIP OF COMMON STOCK AND CLASS B COMMON STOCK BY MANAGEMENT

The following table sets forth, as of March 9, 1999, 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.

<TABLE>  
<CAPTION>

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	
<S>	<C>	<C>	<C>	<C>
Melvin J. Gordon.....	Common	(2)	(2)	(2)
.....	Class B	(2)	(2)	(2)
Ellen R. Gordon.....	Common	(2)	(2)	(2)
.....	Class B	(2)	(2)	(2)
Charles W. Seibert.....	Common	1,034	--	(3)
.....	Class B	1,034	--	(3)
Lana Jane Lewis-Brent.....	Common	3,438	14,086	(3)
.....	Class B	--	--	(3)
John W. Newlin, Jr.....	Common	9,368	1,158	(3)
.....	Class B	9,368	1,158	(3)
Thomas E. Corr.....	Common	--	--	(3)
.....	Class B	--	--	(3)
G. Howard Ember Jr.....	Common	--	8,070	(3)
.....	Class B	--	--	(3)
All directors and executive officers as a group (9 persons).....	Common	7,527,498	4,147,402	36.0%
.....	Class B	7,524,060	4,122,246	75.7%

</TABLE>

- (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.
- (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 Securities and Exchange Commission and New York Stock Exchange. 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 1998, except for Lana Jane Lewis-Brent who inadvertently filed one late report with respect to 8 shares of Common Stock.

5

## 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 1998.

## SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION	
		SALARY	BONUS	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK AWARDS	OPTIONS/ SARS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Melvin J. Gordon..... Chairman and CEO	1998	\$ 955,000	\$ 930,000	\$ 0	\$ 0	0
	1997	875,000	760,000	0	0	0
	1996	804,000	595,000	0	0	0
Ellen R. Gordon..... President and Chief Operating Officer	1998	\$ 870,000	\$ 870,000	\$ 0	\$ 0	0
	1997	798,000	755,000	0	0	0
	1996	733,000	590,000	0	0	0
John W. Newlin, Jr..... Vice President/ Manufacturing	1998	\$ 516,000	\$ 285,000	\$ 0	\$ 0	0
	1997	473,000	246,000	0	0	0
	1996	434,000	195,000	0	0	0
Thomas E. Corr..... Vice President/ Marketing and Sales	1998	\$ 475,000	\$ 300,000	\$ 0	\$ 0	0
	1997	404,000	260,000	0	0	0
	1996	370,000	225,000	0	0	0
G. Howard Ember Jr..... Vice President/Finance	1998	\$ 315,000	\$ 212,000	\$ 0	\$ 0	0
	1997	275,000	185,000	0	0	0
	1996	250,000	152,000	0	0	0

&lt;CAPTION&gt;

NAME AND PRINCIPAL POSITION	PAYOUTS		ALL OTHER COMPENSATION		
	LTIP PAYOUTS		(1)	(2)	(3)
<S>	<C>	<C>	<C>	<C>	<C>
Melvin J. Gordon..... Chairman and CEO	\$	0	\$ 936,595		
		0	940,852		
		0	760,014		
Ellen R. Gordon..... President and Chief Operating Officer	\$	0	\$ 929,805		
		0	934,145		
		0	734,816		
John W. Newlin, Jr..... Vice President/ Manufacturing	\$	0	\$ 302,923		
		0	293,621		
		0	314,637		
Thomas E. Corr..... Vice President/ Marketing and Sales	\$	0	\$ 280,666		
		0	272,795		
		0	292,121		
G. Howard Ember Jr.....	\$	0	\$ 192,448		



Vice President/Finance	0	185,961
	0	230,461

</TABLE>

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- (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).
  - (2) For 1998, (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: \$140,311, \$0 and \$796,284 for Melvin J. Gordon; \$133,521, \$0 and \$796,284 for Ellen R. Gordon; \$95,323, \$190,000 and \$17,600 for John W. Newlin, Jr.; \$87,733, \$184,000 and \$8,933 for Thomas E. Corr; and \$59,581, \$125,000 and \$7,867 for G. Howard Ember Jr.
  - (3) In 1993, the Board of Directors approved a split dollar life insurance plan for Melvin J. Gordon and Ellen R. Gordon that replaced benefits that were already earned under the Company's CAP and previous split dollar insurance programs 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 for Mr. and Mrs. Gordon, a portion of which replaced benefits previously earned under deferred compensation and excess benefit plans. Although the Company will fully recover all premiums paid for the split dollar life insurance after approximately 17 years, the plan includes a compensation element for the additional benefits attributable to the Company's after-tax cost for advancing the premium payments. The compensation element represents the total expected after-tax cost of the benefits provided allocable to the service provided by Melvin J. Gordon and Ellen R. Gordon during the year.

6

#### 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. The executive would also be eligible for three years of coverage under the Company's health, life and disability benefit plans and for a "gross-up" payment as reimbursement of any federal excise (but not income) taxes payable. 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 CAP Plan. 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 1998, 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 (the "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 1998.

#### 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 to the Company's Career Achievement Plan ("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; and
- Historical compensation and performance levels for the Company.

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

7

such companies is based on a variety of factors, including market capitalization 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 Bonus Incentive Plan. The 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. In 1998, the eligible employees for the Bonus Incentive Plan included the Chairman and Chief Executive Officer and the President and Chief Operating Officer. Performance goals were based on the measures, objectives and financial criteria discussed below.

In addition, annual incentive bonuses to other executive officers and CAP and split-dollar insurance awards are made at the discretion of the Board of Directors to executive corporate officers in order to recognize and reward each individual executive officer's 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. Although the Board of Directors does not use a fixed formula for determining annual

incentive and other awards, the following measures of Company performance were considered in the determination of 1998 bonuses and awards:

- Earnings per share;
- Increase in sales of core brands and total sales;
- Return on assets;
- Return on equity; and
- Net earnings as a percentage of sales.

The awards for 1998 recognize the Company's achievement of record profitability for the year and the high level of achievement on other measures of financial performance.

#### 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. A substantial portion of his compensation was at risk, in the form of annual cash incentive bonus. As discussed above, the Compensation Committee determined pre-established objective performance goals to determine

8

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

The Internal Revenue Code limits the tax deductibility of executive compensation in certain circumstances. In the event a portion of executive compensation were not tax deductible, the Board of Directors may require the executive to defer the non-deductible portion of compensation until such time the compensation may be deductible by the Company. In order to enable the Company to receive federal income tax deductions for the compensation paid to the executive officers of the Company in 1998 and in future years, the Compensation Committee established the Bonus Incentive Plan.

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

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

As indicated above under "Report on Executive Compensation," during 1998 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.

9

#### 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, 1988 to December 31, 1998) and a five-year period (December 31, 1993 to December 31, 1998) 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

#### EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>

<CAPTION>

<S>	TOOTSIE ROLL <C>	S&P 500 <C>	PEER GROUP <C>
1988	\$100.00	\$100.00	\$100.00
1989	\$126.21	\$131.68	\$138.08
1990	\$145.99	\$127.58	\$152.82
1991	\$271.97	\$166.47	\$211.48
1992	\$297.01	\$179.20	\$214.32
1993	\$281.62	\$197.26	\$209.22
1994	\$252.93	\$199.87	\$222.28
1995	\$337.91	\$274.98	\$276.86
1996	\$350.69	\$338.12	\$324.45
1997	\$573.33	\$450.93	\$449.84
1998	\$743.22	\$579.79	\$491.43

FIVE-YEAR CUMULATIVE TOTAL RETURN

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>

<CAPTION>

<S>	TOOTSIE ROLL <C>	S&P 500 <C>	PEER GROUP <C>
1993	\$ 100.00	\$ 100.00	\$ 100.00
1994	89.81	101.32	106.11
1995	119.99	139.40	132.19
1996	124.53	171.41	155.79
1997	203.59	228.59	215.59
1998	263.91	293.92	235.23

</TABLE>

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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.

10

PROPOSAL 2

PROPOSAL TO AMEND ARTICLE FOURTH OF THE COMPANY'S  
ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF  
AUTHORIZED SHARES OF COMMON STOCK AND CLASS B COMMON STOCK

GENERAL

At its meeting of February 23, 1999, the Company's Board of Directors unanimously approved and recommended for adoption by the shareholders an amendment to Article FOURTH of the Company's Articles of Incorporation ("Article FOURTH"), which would (i) increase the number of authorized shares of Common Stock, par value 694/9 cents per share, from 50,000,000 shares to 120,000,000 shares and (ii) increase the number of authorized shares of Class B Common Stock, par value 694/9 cents per share, from 20,000,000 shares to 40,000,000 shares. While the proposed amendment to Article FOURTH will affect the number of shares of Common Stock and Class B Common Stock authorized to be issued, no rights, preferences, powers, qualifications, limitations or restrictions as currently exist for either class of common stock will be affected in any way by the proposed amendment.

BACKGROUND AND PURPOSE OF THE PROPOSED AMENDMENT

As of March 9, 1999, there were 32,474,713 shares of Common Stock and 15,386,543 shares of Class B Common Stock issued and outstanding. In addition, as of that date, there were 15,386,543 shares of Common Stock reserved for issuance upon the conversion of the outstanding shares of Class B Common Stock. Therefore, the Company has only 2,138,744 shares of Common Stock and 4,613,457 shares of Class B Common Stock available for future issuance as of March 9, 1999.

Although there are no current plans to issue further shares of either class of common stock other than the annual three percent (3%) stock dividend on outstanding shares of Common Stock and Class B Common Stock and issuances which may be made upon the conversion of Class B Common Stock, the Board of Directors believes the proposal to increase the number of authorized shares of both classes of common stock is in the best interests of the Company and its shareholders. If the proposed amendment to Article FOURTH is approved by the

shareholders, the Company would have additional shares available for issuance, and the Board of Directors would have the flexibility to act in a timely manner to take advantage of favorable market conditions and other opportunities with respect to stock splits, stock dividends, financings, acquisitions or other appropriate corporate actions. Such availability of an increased number of authorized shares will eliminate the delays and expense involved in first conducting a special meeting of shareholders in order to issue additional shares when needed.

#### DESCRIPTION OF COMMON STOCK AND CLASS B COMMON STOCK

Each share of Common Stock and Class B Common Stock is equal in respect of rights to dividends and other distributions in cash, stock or property of the Company (including distributions in liquidation), and neither the Common Stock nor the Class B Common Stock carries preemptive rights. However, the two classes of common stock differ in several respects as is more fully described below.

The Common Stock is entitled to one vote for each share outstanding on all matters, and the Class B Common Stock is entitled to ten votes for each share outstanding on all matters. Each action submitted to a vote of shareholders (including the election of directors) is generally voted on by holders of the Common Stock and the Class B Common Stock voting together as a single class. However, the affirmative vote of the holders of more than two-thirds of the outstanding shares of Common Stock and of the Class B Common Stock, each voting separately as a class, is required to authorize (i) additional shares of either class of common stock, (ii) any merger or consolidation of the Company with or into any other corporation or any statutory exchange of shares to which the Company is a party or (iii) any dissolution of the Company; provided that, in the case of any such merger or consolidation, the holders of the Common Stock and of the Class B Common Stock will not each be entitled to vote separately as a class on any such matter if the other party to such merger or consolidation is a majority-owned subsidiary of the Company.

11

The affirmative vote of the holders of the Common Stock and of the Class B Common Stock, each voting separately as a class, is also required to approve other amendments to the Articles of Incorporation of the Company that alter or change the powers, preferences or special rights of their respective class of stock so as to affect them adversely and any other matters as may require class votes under the Virginia Stock Corporation Act. There is no provision in the Company's Articles of Incorporation permitting cumulative voting.

Article FOURTH further provides that Class B Common Stock is generally not transferrable by a holder; however, each holder of shares of Class B Common Stock has the right at any time to convert each such share into one share of Common Stock, which shares are fully transferrable. In addition, the Class B Common Stock is transferrable by a holder to or among "Permitted Transferees," which are principally the Class B shareholder's spouse or children (including adopted children); any lineal descendant of a great grandparent of such Class B shareholder (and their spouses); an executor, administrator, guardian or conservator of the Class B shareholder; trusts for the sole benefit of the Class B shareholder's family members; and certain types of charitable and other organizations.

The Company may not issue additional shares of Class B Common Stock except in connection with stock splits, stock dividends or similar distributions. In addition, the Company's Board of Directors may not declare a stock split or dividend on the Class B Common Stock without declaring a similar stock split or dividend on the Common Stock.

If at any time the number of "outstanding" shares of Class B Common Stock as reflected on the stock transfer books of the Company falls below 14% of the aggregate number of "outstanding" shares of Common Stock and Class B Common Stock, then, immediately upon the occurrence of such event, all the outstanding shares of Class B Common Stock shall be automatically converted into shares of Common Stock, on a share-for-share basis. For purposes of the immediately preceding sentence: (1) the number of shares of Common Stock "outstanding" at any time shall not include any shares of Common Stock which, after May 15, 1987, are (a) issued in exchange for the assets or stock of other entities (including pursuant to a merger or other business combination), (b) sold by the Company for value, (c) issued upon conversion of convertible securities issued in exchange for the assets or stock of other entities or sold by the Company for value or (d) issued as a stock split or dividend with respect to shares issued or sold pursuant to clauses (a), (b) or (c) above; and (2) any shares of Common Stock or Class B Common Stock repurchased by the Company shall no longer be deemed "outstanding" from and after the date of repurchase.

In the event the Common Stock is delisted from the New York Stock Exchange ("NYSE") or the NYSE commences proceedings for delisting and the Common Stock will be precluded by rule or law from being quoted on the National Association of Securities Dealers Automated Quotation System or a successor automated quotation system, the Board of Directors will have the right to immediately convert each share of Class B Common Stock into one share of Common Stock.

#### POSSIBLE EFFECTS OR CONSEQUENCES OF THE PROPOSED AMENDMENT

If the proposed amendment is approved by the shareholders, the authorized but unissued and unreserved shares of Common Stock may be issued by the Board of Directors at such times, to such persons and for such consideration as the Board may deem appropriate without further shareholder approval, except as may be required by Virginia law, the rules of any national securities exchange on which the shares of Common Stock are listed at the time, or other applicable laws or regulations as may be in effect from time to time. As indicated above, additional shares of Class B Common Stock may not be issued except in connection with stock splits, stock dividends or similar distributions with respect to both classes of common stock. The Company has regularly paid an annual three percent (3%) stock dividend on outstanding shares of Common Stock and Class B Common Stock. There are no commitments relating to the issuance of additional shares at this time except those shares of Common Stock to be issued upon conversions of Class B Common Stock. The Company does, from time to time, investigate possible acquisitions, but it is not possible to state whether any such acquisition will materialize or, if so, whether the issuance of additional stock would be desirable or required.

12

Although it is not the purpose of the proposed amendment to Article FOURTH, the unissued and unreserved shares of Common Stock could be used by the Board of Directors in an attempt to discourage or make more difficult a change in control of the Company or otherwise be used to defend against a merger or takeover attempt. For example, additional shares of Common Stock could be issued by the Company, thereby diluting the stock ownership of all existing shareholders (including that of management and of persons seeking to obtain control of the Company) and increasing the cost of acquiring a given percentage of the Company's outstanding stock. The Board of Directors has no knowledge of any effort by any person or group to obtain control of the Company.

Depending on the purpose, terms and conditions of any issuance of stock, the issuance of additional shares of Common Stock could have the effect of diluting earnings and book value per share of both the Common Stock and the Class B Common Stock and the shareholders' proportionate interests in the Company. In addition, stock splits or dividends on the Common Stock and the Class B Common Stock will have an effect on the relative voting power of the classes of common stock as to matters which are voted on by holders of the Common Stock and the Class B Common Stock voting together as a single class. However, as indicated above, certain extraordinary matters require the affirmative vote of both classes of common stock, each voting separately by class.

#### PROPOSED AMENDMENT

Only the first paragraph of Article FOURTH of the Company's Articles of Incorporation is proposed to be amended. All of the other provisions of Article FOURTH will remain unchanged. If the proposed amendment is approved by the shareholders, the first paragraph of Article FOURTH will be as follows:

1. AUTHORIZED SHARES. The total number of shares of all classes of capital stock which the corporation shall have authority to issue is 160 million (160,000,000), consisting of 120 million (120,000,000) shares of Common Stock, par value 694/9 cents per share ("Common Stock"), and 40 million (40,000,000) shares of Class B Common Stock, par value 694/9 cents per share ("Class B Common Stock").

The proposed amendment to Article FOURTH of the Articles of Incorporation requires the affirmative vote of more than two-thirds of the outstanding shares of Common Stock and Class B Common Stock, each voting separately as a class.

It is anticipated that Mr. and Mrs. Gordon and the officers and directors of the Company, who may be deemed to own beneficially 36.0% and 75.7% of the Common Stock and the Class B Common Stock, respectively, will vote in favor of the proposed amendment. In light of the importance of the proposed amendment, the Board of Directors urges all shareholders to vote.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE PROPOSED

PROPOSAL 3  
RATIFICATION OF THE APPOINTMENT OF  
PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT AUDITORS

The Board of Directors has appointed PricewaterhouseCoopers LLP, independent public accountants, as the independent auditors for the Company for the fiscal year ending December 31, 1999. PricewaterhouseCoopers LLP has been the Company's independent auditors 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 INDEPENDENT AUDITORS.

SHAREHOLDER PROPOSALS FOR 2000 ANNUAL MEETING

In order to be considered for inclusion in the Company's proxy materials for the 2000 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 December 1, 1999. 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 1999 Annual Meeting of Shareholders may consider shareholder proposals or nominations brought by a shareholder of record on March 12, 1999, who is entitled to vote at the 1999 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 1999 Annual Meeting of Shareholders must have been received by the Assistant Corporate Secretary on or after February 2, 1999 and on or prior to March 4, 1999. The Assistant Corporate Secretary did not receive notice of any shareholder proposals or nominations relating to the 1999 Annual Meeting of Shareholders. The 2000 Annual Meeting of Shareholders is expected to be held on May 1, 2000. A shareholder proposal or nomination intended to be brought before the 2000 Annual Meeting of Shareholders must be received by the Assistant Corporate Secretary on or after February 1, 2000 and on or prior to March 2, 2000.

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, 1998 is being mailed herewith.

A COPY OF THE COMPANY'S 1998 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 26, 1999

