

TYSON FOODS INC  
Form DEF 14A  
December 22, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to §240.14a-12

**Tyson Foods, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(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):

(4) Proposed maximum aggregate value of transaction:

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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:

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

(3) Filing Party:

(4) Date Filed:

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**Tyson Foods, Inc.**

**2200 Don Tyson Parkway**

**Springdale, Arkansas 72762-6999**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**February 3, 2012**

To Tyson Foods, Inc. Shareholders:

Notice is hereby given that the Annual Meeting of Shareholders ( Annual Meeting ) of Tyson Foods, Inc., a Delaware corporation ( Company ), will be held at the Holiday Inn Northwest Arkansas Convention Center, 1500 South 48<sup>th</sup> Street, Springdale, Arkansas, on Friday, February 3, 2012 at 10:00 a.m., Central time, for the following purposes:

1. To elect the nine nominees named in the attached Proxy Statement to the Company s Board of Directors;
2. To reapprove the performance goals set forth in the Tyson Foods, Inc. 2000 Stock Incentive Plan;
3. To ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the fiscal year ending September 29, 2012; and
4. To consider and act upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Only shareholders of record at the close of business on December 5, 2011, the record date for the Annual Meeting, will be entitled to attend or vote at the Annual Meeting and any adjournments or postponements thereof. **If you plan to attend the Annual Meeting, an admission ticket is required and can be obtained by contacting Tyson Foods Investor Relations via email at [ir@tyson.com](mailto:ir@tyson.com) or by telephone at (479) 290-4524. The Annual Meeting will also be webcast live at 10:00 a.m., Central time, Friday, February 3, 2012 at <http://ir.tyson.com>.**

This year we will again take advantage of the rules of the Securities and Exchange Commission that allow us to furnish our proxy materials over the Internet. As a result, we are sending a Notice of Internet Availability of Proxy Materials to our shareholders rather than a full paper set of the proxy materials. The Notice of Internet Availability of Proxy Materials contains instructions on how to access our proxy materials on the Internet, as well as instructions on how shareholders may obtain a paper copy of the proxy materials. This process will substantially reduce the costs associated with printing and distributing our proxy materials.

To make it easier for you to vote, Internet and telephone voting are available. The instructions on the Notice of Internet Availability of Proxy Materials or your proxy card describe how to use these convenient services.

By Order of the Board of Directors

R. Read Hudson

*Secretary*

Springdale, Arkansas

December 22, 2011

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**YOUR VOTE IS IMPORTANT**

**WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO VOTE AS SOON AS POSSIBLE BY INTERNET, TELEPHONE OR MAIL SO THAT YOUR SHARES MAY BE VOTED IN ACCORDANCE WITH YOUR WISHES. THE GIVING OF A PROXY DOES NOT AFFECT YOUR RIGHT TO REVOKE IT LATER OR VOTE YOUR SHARES IN PERSON IN THE EVENT YOU SHOULD ATTEND THE ANNUAL MEETING.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON FEBRUARY 3, 2012: The Company's Proxy Statement and Annual Report on Form 10-K for the fiscal year ended October 1, 2011 are also available at <http://ir.tyson.com> or <http://www.proxyvote.com>.**

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**Tyson Foods, Inc.**

**2200 Don Tyson Parkway**

**Springdale, Arkansas 72762-6999**

**PROXY STATEMENT**

**For**

**ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held**

**February 3, 2012**

**SOLICITATION AND REVOCATION OF PROXY**

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors ( **Board** ) of Tyson Foods, Inc., a Delaware corporation ( **Company** ). It is for use only at the Annual Meeting of Shareholders ( **Annual Meeting** ) to be held at the Holiday Inn Northwest Arkansas Convention Center, 1500 South 48<sup>th</sup> Street, Springdale, Arkansas, on Friday, February 3, 2012 at 10:00 a.m., Central time, and any adjournments or postponements thereof.

Any shareholder executing a proxy retains the right to revoke it at any time prior to the final vote at the Annual Meeting. You may revoke your proxy by voting again on a later date via the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the Annual Meeting will be counted), by signing and returning a new proxy card or voting instruction form with a later date, or by attending the Annual Meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the Annual Meeting or specifically request that your prior proxy be revoked by delivering to the Company's corporate secretary at 2200 Don Tyson Parkway, Mail Stop CP004, Springdale, Arkansas 72762-6999 a written notice of revocation prior to the Annual Meeting.

As permitted by rules adopted by the Securities and Exchange Commission ( **SEC** ), the Company has elected to provide shareholders with access to our proxy materials over the Internet rather than providing them in paper form. Accordingly, the Company will send a Notice of Internet Availability of Proxy Materials with instructions for accessing the proxy materials via the Internet, rather than a printed copy of the proxy materials, to shareholders of record as of the close of business on December 5, 2011. We expect to send the Notice of Internet Availability of Proxy Materials to shareholders entitled to vote at the Annual Meeting on or about December 22, 2011. Shareholders may also obtain a copy of these proxy materials in printed form by following the procedures set forth in the Notice of Internet Availability of Proxy Materials.

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**INFORMATION ABOUT THIS PROXY STATEMENT AND THE ANNUAL MEETING**

**Why am I receiving these proxy materials?**

The Company has made these materials available to you in connection with the Board's solicitation of proxies for use at the Annual Meeting, to be held at the Holiday Inn Northwest Arkansas Convention Center, 1500 South 48<sup>th</sup> Street, Springdale, Arkansas, on Friday, February 3, 2012 at 10:00 a.m., Central time. You are invited to attend the Annual Meeting and are requested to vote on the proposals described in this Proxy Statement.

**What is included in the proxy materials?**

These materials include:

This Proxy Statement for the Annual Meeting; and

The Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2011.

If you request printed versions of these materials be sent to you by mail, these materials will also include the proxy card and voting instructions form for the Annual Meeting.

**Why did I receive a one-page notice in the mail regarding the Internet availability of the proxy materials instead of a full set of the proxy materials?**

Pursuant to rules adopted by the SEC, the Company has elected to provide access to its proxy materials over the Internet. Accordingly, we have sent a Notice of Internet Availability of Proxy Materials to our shareholders. All shareholders will have the ability to access the proxy materials on the website referred to in the Notice of Internet Availability of Proxy Materials or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice of Internet Availability of Proxy Materials. We encourage you to take advantage of the availability of the proxy materials on the Internet in order to help reduce our costs and the environmental impact of the Annual Meeting.

**How can I get electronic access to the proxy materials?**

The Notice of Internet Availability of Proxy Materials will provide you with instructions regarding how to view the Company's proxy materials for the Annual Meeting on the Internet and how to instruct the Company to send future proxy materials, including the Notice of Internet Availability of Proxy Materials, to you electronically by email. The Company's proxy materials are also available on the Company's website at <http://ir.tyson.com>.

If you choose to receive future proxy materials by email, you will receive an email message next year with instructions containing a link to those materials and a link to the proxy voting website. Your election to receive proxy materials electronically will remain in effect until you terminate it.

**What items will be voted on at the Annual Meeting?**

The following proposals will be presented for shareholder consideration and voting at the Annual Meeting:

To elect the nine nominees named in this Proxy Statement to the Board;

To reapprove the performance goals set forth in the Tyson Foods, Inc. 2000 Stock Incentive Plan;

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To ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the fiscal year ending September 29, 2012; and

To consider and act upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

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### **What are the Board's voting recommendations?**

The Board recommends that you vote your shares:

FOR each of the nominees to the Board;

FOR reapproval of the performance goals set forth in the Tyson Foods, Inc. 2000 Stock Incentive Plan; and

FOR the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending September 29, 2012.

### **What is the difference between a shareholder of record and a beneficial owner of shares held in street name?**

*Shareholder of Record.* If your shares are registered directly in your name with the Company's transfer agent, Computershare, Inc., you are considered the shareholder of record with respect to those shares, and the Notice of Internet Availability of Proxy Materials was sent directly to you by the Company. If you request printed copies of the proxy materials by mail, you will receive a proxy card.

*Beneficial Owner of Shares Held in Street Name.* If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in street name, and the Notice of Internet Availability of Proxy Materials was forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account. If you request printed copies of the proxy materials by mail, you will receive a voting instruction form from the organization holding your shares.

### **If I am a shareholder of record of the Company's shares, how do I vote?**

There are four ways to vote:

*Via the Internet.* You may vote by proxy via the Internet by following the instructions provided in the Notice of Internet Availability of Proxy Materials.

*By telephone.* You may vote by proxy by calling the toll-free number found on the Notice of Internet Availability of Proxy Materials or, if you request printed copies of the proxy materials be sent to you by mail, you may vote by proxy by calling the toll-free number found on the proxy card.

*By mail.* If you request printed copies of the proxy materials be sent to you by mail, you may vote by proxy by filling out the proxy card and sending it back in the envelope provided.

*In person.* If you are a shareholder of record, you may vote in person at the Annual Meeting. If you desire to vote in person at the Annual Meeting, please request a ballot when you arrive.

### **If I am a beneficial owner of shares held in street name, how do I vote?**

There are four ways to vote:

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*Via the Internet.* You may vote by proxy via the Internet by visiting <http://www.proxyvote.com> and entering the control number found in the Notice of Internet Availability of Proxy Materials.

*By telephone.* You may vote by proxy by calling the toll-free number found on the Notice of Internet Availability of Proxy Materials or, if you request printed copies of the proxy materials be sent to you by mail, you may vote by proxy by calling the toll-free number found on the voting instruction form you received from the organization holding your shares.

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*By mail.* If you request printed copies of the proxy materials be sent to you by mail, you may vote by proxy by filling out the voting instruction form you received from the organization that holds your shares and sending it back in the envelope provided.

*In person.* If you are a beneficial owner of shares held in street name and you wish to vote in person at the Annual Meeting, you must obtain a legal proxy from the organization that holds your shares.

### **Can I change my vote after I have voted?**

You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting. You may vote again on a later date via the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the Annual Meeting will be counted), by signing and returning a new proxy card or voting instruction form with a later date, or by attending the Annual Meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the Annual Meeting or specifically request that your prior proxy be revoked by delivering to the Company's corporate secretary at 2200 Don Tyson Parkway, Mail Stop CP004, Springdale, Arkansas 72762-6999 a written notice of revocation prior to the Annual Meeting.

### **Is my vote confidential?**

Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Company or to third parties, except:

as necessary to meet applicable legal requirements;

to allow for the tabulation and certification of votes; and

to facilitate a successful proxy solicitation.

Occasionally, shareholders provide written comments on their proxy cards, which may be forwarded to the Company's management and the Board.

### **Where can I find the voting results of the Annual Meeting?**

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be tallied by the inspector of election and published within four business days following conclusion of the Annual Meeting.

### **How can I attend the Annual Meeting?**

Only persons owning shares at the close of business on December 5, 2011, the record date for the Annual Meeting, will be entitled to attend or vote at the Annual Meeting and any adjournments or postponements thereof. If you plan to attend the Annual Meeting, an admission ticket is required and can be obtained by contacting Tyson Foods Investor Relations via email at [ir@tyson.com](mailto:ir@tyson.com) or by telephone at (479) 290-4524. The Annual Meeting will also be webcast live at <http://ir.tyson.com>.

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**OUTSTANDING STOCK AND VOTING RIGHTS**

As of December 5, 2011, the outstanding shares of the Company's capital stock consisted of 299,408,416 shares of Class A Common Stock, \$0.10 par value ( Class A Common Stock ), and 70,019,755 shares of Class B Common Stock, \$0.10 par value ( Class B Common Stock ). The holders of record of the shares of Class A Common Stock and Class B Common Stock outstanding at the close of business on December 5, 2011, the record date for the Annual Meeting, will vote together as a single class on all matters hereby submitted to shareholders and such other matters as may properly come before the Annual Meeting and any adjournments or postponements thereof. Each share of Class A Common Stock will entitle the holder to one vote on all such matters and each share of Class B Common Stock will entitle the holder to ten votes on all such matters.

A majority of votes represented by the holders of the Company's outstanding Class A Common Stock and Class B Common Stock, treated as a single class, must be present in person or represented by proxy to hold the Annual Meeting. A majority of the votes cast at the Annual Meeting is required to elect any director, to reapprove the performance goals set forth in the Tyson Foods, Inc. 2000 Stock Incentive Plan and to ratify the selection of PricewaterhouseCoopers LLP ( PwC ) as the independent registered public accounting firm for the Company for the fiscal year ending September 29, 2012.

The form of proxy provides a method for shareholders to grant or withhold authority to vote for any one or more of the nominees for director. The names of all nominees are listed on the proxy card. If you wish to grant authority to vote for all nominees, check the box marked FOR ALL. If you wish to withhold authority to vote for all nominees, check the box marked WITHHOLD ALL. If you wish your shares to be voted for some nominees and not for one or more of the others, check the box marked FOR ALL EXCEPT and indicate the nominee(s) for whom you are withholding the authority to vote by listing such nominee(s) in the space provided. If you checked the box marked WITHHOLD ALL, your vote will be treated as an abstention and accordingly, your shares will neither be voted for nor against a director but will be counted for quorum purposes.

The form of proxy also provides a method for shareholders to vote for, against or to abstain from voting with respect to (i) the reapproval of the Company's performance goals set forth in the Tyson Foods, Inc. 2000 Stock Incentive Plan and (ii) the ratification of the selection of PwC as the Company's independent registered public accounting firm. By abstaining from voting, shares would not be voted either for or against, but would be counted for quorum purposes. While there may be instances in which a shareholder will wish to abstain, the Board encourages all shareholders to vote their shares in their best judgment and to participate in the voting process to the fullest extent possible.

Under the current rules of the New York Stock Exchange ( NYSE ), brokers, banks or other similar organizations holding shares in street name for customers who are beneficial owners of such shares are prohibited from giving a proxy to vote such customers' shares on non-routine matters in the absence of specific instructions from such customers. This is commonly referred to as a broker non-vote. As with abstentions, with respect to the proposals in question, broker non-votes will be counted for quorum purposes but will not be counted as votes cast either for or against such proposals. In other words, abstentions and broker non-votes are not considered votes cast.

The election of directors and the reapproval of the performance goals set forth in the Tyson Foods, Inc. 2000 Stock Incentive Plan are considered non-routine matters under applicable NYSE rules and, therefore, if you hold your shares through a bank, broker or other similar organization, the organization may not vote your shares on these matters absent specific instructions from you. As such, there may be broker non-votes with respect to this matter. However, broker non-votes will have no impact on the outcome of these matters because, as stated above, they are not considered votes cast for voting purposes. On the other hand, the ratification of the selection of PwC as the Company's independent registered public accounting firm is considered a routine matter under the current rules of the NYSE, therefore, the organization that holds your shares may vote on this matter without instructions from you and no broker non-votes will occur with respect to this matter.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The table below sets forth certain information as of December 1, 2011 regarding the only persons known by the Company to own, directly or indirectly, more than 5% of either of its two classes of Common Stock:

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount And Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Class B Common Stock	Tyson Limited Partnership  2200 Don Tyson Parkway  Springdale, AR 72762-6999	70,000,000(1)	99.97%
Class A Common Stock	AllianceBernstein LP  1345 Avenue of the Americas  New York, NY 10105	23,203,179(2)	7.75%
Class A Common Stock	The Vanguard Group, Inc.  100 Vanguard Blvd.  Malvern, PA 19355	15,921,178(3)	5.32%

- (1) 70,000,000 shares of Class B Common Stock and 3,000,000 shares of Class A Common Stock are owned of record by the Tyson Limited Partnership, a Delaware limited partnership ( TLP ). The Tyson 2009 Family Trust has a 53.4881% interest as a limited partner in the TLP and the Randal W. Tyson Testamentary Trust has a 45.2549% interest as a limited partner in the TLP. The descendants of Don Tyson, including Mr. John Tyson, Chairman of the Board of the Company, are the sole beneficiaries of the Tyson 2009 Family Trust. Ms. Barbara A. Tyson, the widow of Randal W. Tyson and a director of the Company, is the sole income beneficiary of and has limited dispositive power with respect to the Randal W. Tyson Testamentary Trust. Mr. John Tyson is one of the contingent beneficiaries of the Randal W. Tyson Testamentary Trust. The general partners of the TLP, who in the aggregate have a 1.257% interest, are Mr. John Tyson, Ms. Tyson, Mr. Harry C. Erwin, III and the Tyson Partnership Interest Trust ( TPIT ), whose trustees are Mr. Erwin, Mr. Thomas B. Schueck and Mr. Leland E. Tollett. A managing general partner of the TLP has the exclusive right, subject to certain restrictions, to do all things on behalf of the TLP necessary to manage, conduct, control and operate the TLP's business, including the right to vote all shares or other securities held by the TLP, as well as the right to mortgage, pledge or grant security interests in any assets of the TLP. However, the TLP has no managing general partner at this time. Until a new managing general partner is selected, the management rights of the managing general partner may be exercised by a majority of the percentage interests of the general partners, which no single general partner currently possesses. The percentage of general partnership interests of the TLP are as follows: TPIT (44.44%); Mr. John Tyson (33.33%); Ms. Tyson (11.115%); and Mr. Erwin (11.115%). The TPIT terminates on December 31, 2016. Upon termination, the general partnership interests held by the TPIT will transfer to the Donald J. Tyson Revocable Trust of which Mr. John Tyson, Mr. Schueck and Mr. Erwin are the trustees. The TLP terminates December 31, 2040. Additionally, the TLP may be dissolved upon the occurrence of certain events, including (i) a written determination by the managing general partner that the projected future revenues of the TLP will be insufficient to enable payment of costs and expenses, or that such future revenues will be such that continued operation of the TLP will not be in the best interest of the partners, (ii) an election to dissolve the TLP by the managing general partner that is approved by the affirmative vote of a majority in percentage interest of all general partners, or (iii) the sale of all or substantially all of the TLP's assets and properties. The withdrawal of the managing general partner or any other general partner (unless such partner is the sole remaining general partner) will not cause the dissolution of the TLP. Upon dissolution of the TLP, each partner, including all limited partners, will receive in cash or otherwise, after payment of creditors, loans from any partner, and return of capital account balances, their respective percentage interests in the TLP assets.
- (2) The information provided is based solely on information obtained from a Schedule 13F filed with the SEC on or about November 14, 2011. According to the Schedule 13F, with respect to the 23,203,179 shares reported to be beneficially owned as of September 30, 2011, AllianceBernstein LP has sole voting power





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with respect to 18,520,775 shares, no voting power with respect to 4,682,404 shares and sole dispositive power with respect to 23,203,179 shares. The foregoing information has been included solely in reliance upon, and without independent investigation of, the disclosures contained in such Schedule 13F.

- (3) The information provided is based solely on information obtained from a Schedule 13F filed with the SEC on or about November 15, 2011. According to the Schedule 13F, with respect to the 15,921,178 shares reported to be beneficially owned as of September 30, 2011, The Vanguard Group, Inc. has sole voting power with respect to 392,387 shares, no voting power with respect to 15,528,791 shares, sole dispositive power with respect to 15,528,791 shares and shared dispositive power with respect to 392,387 shares. The foregoing information has been included solely in reliance upon, and without independent investigation of, the disclosures contained in such Schedule 13F.

**Table of Contents****SECURITY OWNERSHIP OF MANAGEMENT**

The table below sets forth information with respect to the beneficial ownership of Class A Common Stock, as of December 1, 2011, by the Company's directors, nominees for election as directors, named executive officers and by all directors and executive officers as a group (who, individually or collectively, do not directly own any shares of Class B Common Stock):

<b>Name of Beneficial Owner</b>	<b>Amount and Nature Of Beneficial Ownership(#)(1)</b>	<b>Percent of Class</b>
John Tyson(2)	4,176,900(3)	1.40%
Kathleen M. Bader	0	*
Gaurdie E. Banister Jr.	0	*
Jim Kever(4)	11,421	*
Kevin M. McNamara(4)	10,668	*
Brad T. Sauer(4)	0	*
Robert Thurber(4)	10,000	*
Barbara A. Tyson(2)	170,334	*
Albert C. Zapanta(4)	0	*
Donnie King	238,531	*
Dennis Leatherby	200,431	*
James V. Lochner	675,477	*
Donnie Smith	617,251	*
Noel White	308,018	*
All Directors and Executive Officers as a Group (17 persons)	6,926,430	2.31%

\* Indicates percentage of less than 1%.

- (1) The amounts in this column include beneficial ownership of shares with respect to which voting or investment power may be deemed to be directly or indirectly controlled. Accordingly, the shares shown in the table include shares owned directly, shares held in such person's account under the Company's Employee Stock Purchase Plan, unvested restricted shares, shares owned by certain of the individual's family members and shares held by the individual as a trustee or in a fiduciary or other similar capacity, unless otherwise disclaimed and/or described below. The amounts in this column also include shares subject to options exercisable on or within 60 days of December 1, 2011, held by the directors and executive officers as a group in the amount of 4,332,509, and held by the named individuals in the following amounts: Mr. Tyson (2,700,000); Mr. Kever (6,000); Mr. King (160,246); Mr. Leatherby (106,401); Mr. Lochner (473,335); Mr. Smith (402,071); Mr. White (211,302); and the other executive officers (273,154). The amounts in this column do not include performance stock awards. The 2011 performance stock awards are described under the table titled "Grants of Plan Based Awards During Fiscal Year 2011" in this Proxy Statement.
- (2) The amounts in these rows do not include any shares of Class A Common Stock or Class B Common Stock owned by the TLP, of which Mr. Tyson and Ms. Tyson are general partners. The TLP owns 99.97% of the outstanding Class B Common Stock and 1.00% of the outstanding Class A Common Stock, which results in the TLP controlling 70.34% of the aggregate vote of Class A Common Stock and Class B Common Stock. When combined with the total ownership of directors and executive officers as a group, the aggregate voting percentage increases to 71.03%. The TLP and its ownership of such stock are further described in Footnote 1 to the table titled "Security Ownership of Certain Beneficial Owners" in this Proxy Statement.
- (3) This amount includes 449,351 shares of Class A Common Stock pledged as security for a loan.
- (4) The amounts in these rows do not include grants of deferred stock awards of Class A Common Stock made on the date(s) of election to the Board by shareholders (see the section titled "Director Compensation for Fiscal Year 2011" in this Proxy Statement) to each of Mr. Kever (39,813); Mr. McNamara (24,162); Mr. Sauer (18,364); Mr. Thurber (9,887); and Mr. Zapanta (39,813).

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**ELECTION OF DIRECTORS**

The number of directors that will serve on the Board for the ensuing year is currently set at nine but may be changed from time to time in the manner provided in the Company's by-laws. Directors are elected for a term of one year or until their successors are duly elected and qualified. Our by-laws provide that no person shall be nominated to serve as a director after he or she has passed his or her 70<sup>th</sup> birthday (the Retirement Age By-law), unless the Board has voted, on an annual basis, to waive or continue to waive the Retirement Age By-law for a nominee.

Set forth below is biographical information for each nominee chosen by the Board to stand for election at the Annual Meeting. The slate consists of seven independent directors and two non-independent directors. Each of the nominees is currently serving as a director of the Company, and, with the exceptions of Kathleen M. Bader and Gaurdie E. Banister Jr., was elected at the 2011 Annual Meeting of Shareholders (2011 Annual Meeting). Ms. Bader and Mr. Banister were elected as directors by the Board, effective August 3, 2011 and November 17, 2011, respectively. Ms. Bader and Mr. Banister were recommended to the Nominating Committee for election by the Board by a third party search firm. The Board recommends that each nominee be elected at the Annual Meeting.

**John Tyson**

John Tyson, 58, is Chairman of the Board. Mr. Tyson has been a member of the Board since 1984, has served as Chairman since 1998, and served as Chief Executive Officer from 2001 until 2006. Mr. Tyson was first elected an executive officer in 1989. In 2007, the Board determined that the Chairman of the Board would no longer be considered an executive officer. On November 17, 2011, however, as part of its annual determination of executive officers, the Board designated Mr. Tyson in his capacity as Chairman of the Board as an executive officer. Mr. Tyson has devoted his professional career to the Company and brings extensive understanding of the Company, its operations and the protein and food processing industries to the Board. Through his leadership experience gained as a recent Chief Executive Officer of the Company, Mr. Tyson provides the Board with critical insight into the Company's business. In addition, Mr. Tyson, through his association with the TLP, has a substantial personal interest in the Company. The Board believes that Mr. Tyson's leadership experience and knowledge of the Company acquired through his years of service to the Company and his personal stake in its success qualify him to serve on the Board.

**Kathleen M. Bader**

Kathleen M. Bader, 61, is the retired President and Chief Executive Officer of NatureWorks LLC, which manufactures fibers and packaging materials from renewable sources, having served in that capacity from 2004 to 2006. Ms. Bader also spent more than 30 years with Dow Chemical, holding various management positions in the company's global and North American operations, including global business president of a \$4.2 billion plastics portfolio. She has served on the board of directors of Textron Inc. since 2004 and was previously a director for Halliburton Company. She also served on the President's Homeland Security Advisory Council and currently serves on the board for Habitat for Humanity International. Ms. Bader has been a member of the Board since August 3, 2011. The Board believes Ms. Bader's extensive leadership experience, including her exposure to commodities and international business, qualifies her to serve on the Board.

**Gaurdie E. Banister Jr.**

Gaurdie E. Banister Jr., 54, is currently the President and Chief Executive Officer of Aera Energy LLC, a \$4 billion oil and gas producer that is jointly owned by Shell and ExxonMobil, a position he has held since 2007. Prior to joining Aera Energy in 2007, Mr. Banister held a number of management positions with Shell where he had responsibility for, among other things, strategic planning and mergers and acquisitions. His most recent position there was as Technical Vice President, in which capacity he had responsibility for Shell International's Asia Pacific region. Mr. Banister has been a member of the Board since November 17, 2011. The

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Board believes his more than 30 years in the oil and gas industry, which included significant involvement in international business, along with his leadership experience as CEO of one of California's largest oil and gas producers, qualify him to serve on the Board.

### **Jim Kever**

Jim Kever, 59, is the founding partner of Voyent Partners, LLC, an investment partnership founded in 2001. Mr. Kever is also a director of 3D Systems Corporation and Luminex Corporation and has served as a director of ACI Worldwide, Inc. and Emdeon Corporation. Mr. Kever has been a member of the Board since 1999. Mr. Kever has extensive knowledge of capital markets and corporate finance and qualifies as an audit committee financial expert within the meaning of the regulations of the SEC. His experience as the director of various companies across a diverse range of industries provides him a unique perspective of, and the ability to understand and address, the challenges and issues facing the Company. The Board believes that his professional experience, financial expertise and service on the boards of other public companies qualify him to serve on the Board.

### **Kevin M. McNamara**

Kevin M. McNamara, 55, is the retired Vice Chairman of Leon Medical Centers, a healthcare provider for medicare patients in Miami-Dade County, Florida, having served in that capacity from April 2010 to June 2011. He previously served as Executive Vice President, Chief Financial Officer and Treasurer of HealthSpring, Inc., a managed care company, from 2005 to 2009. Mr. McNamara is a director of Luminex Corporation, and has served as a director of COMSYS IT Partners, Inc. (f/k/a Personnel Group of America, Inc.) and Emdeon Corporation. Mr. McNamara has been a member of the Board since 2007. Mr. McNamara's financial expertise and professional experience are critical to the Board and the Audit Committee. His experience overseeing financial reporting processes, internal accounting and financial controls, as well as managing independent auditor engagements, qualifies him as an audit committee financial expert within the meaning of the regulations of the SEC. The Board believes that Mr. McNamara's financial expertise and management experience as both a principal financial officer and director of other public companies qualify him to serve on the Board.

### **Brad T. Sauer**

Brad T. Sauer, 52, is Executive Vice President, Health Care Business for 3M Company and has served in that capacity since 2004. Mr. Sauer has been a member of the Board since 2008. Mr. Sauer's career and management expertise spans many disciplines, including sales and marketing, technology and product innovation, and manufacturing quality and processes, which allows him to bring an extensive, multi-disciplined perspective to the Board. In addition, Mr. Sauer's experience as an executive officer of a Fortune 500 company helps him understand the Company's challenges in a global marketplace. The Board believes that Mr. Sauer's diverse management experience qualifies him to serve on the Board.

### **Robert Thurber**

Robert Thurber, 64, currently retired, served as Vice President of purchasing for Sysco Corporation from 1987 to 2007. Mr. Thurber is also a director of Capstone Bancshares, Inc. Mr. Thurber has been a member of the Board since 2009. Mr. Thurber's experience at a leading marketer and distributor of food products to the foodservice industry is particularly relevant given the Company's position as a leading supplier of high quality protein to the foodservice industry. The Board benefits greatly from Mr. Thurber's extensive understanding of the foodservice industry, which provides him the insight necessary to address the challenges, opportunities and operations of the Company's complex business operations. The Board believes these attributes qualify him to serve on the Board.

### **Barbara A. Tyson**

Barbara A. Tyson, 62, served as Vice President of the Company until 2002, when she retired and became a consultant to the Company. She ceased serving as a consultant on November 30, 2011. Ms. Tyson has been a member of the Board since 1988. Through her years of experience as both an officer and director of the

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Company, Ms. Tyson developed an understanding of the Company and its operations, which allows her to assist the Board in its development of the Company's long-term strategy. Ms. Tyson, as the sole income beneficiary of the Randal W. Tyson Testamentary Trust, also has a substantial personal interest in the Company. The Board believes that Ms. Tyson's management experience, understanding of the Company and personal interest in the Company's success qualify her to serve on the Board.

### **Albert C. Zapanta**

Albert C. Zapanta, 70, is President and Chief Executive Officer of the United States-Mexico Chamber of Commerce and has served in that capacity since 1993. Mr. Zapanta has been a member of the Board since 2004. After a distinguished military career, Mr. Zapanta entered the private sector, where he served as a senior corporate officer for 18 years. He also has an extensive public service career, which includes various presidential appointments. The Board believes that Mr. Zapanta's broad management and leadership experiences, in both the private and public sectors, allow him to understand the Company's challenges in a global marketplace and qualify him to serve on the Board. In consideration of these qualities and Mr. Zapanta's tenure on the Board, the Board waived the Retirement Age By-law and nominated him to serve on the Board for the coming year.

*Family and Other Relationships.* Ms. Tyson is the aunt of Mr. Tyson. There are no other family relationships among the foregoing nominees. By reason of its beneficial ownership of the Company's common stock, the TLP is deemed to be a controlling person of the Company. Other than the TLP, none of the companies or organizations listed in the director nominees' biographies above is a parent, subsidiary or affiliate of the Company.

*Director Independence.* After reviewing all relevant relationships of the directors, the Board has determined that each of Ms. Bader, Mr. Banister, Mr. Keever, Mr. McNamara, Mr. Sauer, Mr. Thurber and Mr. Zapanta qualify as independent directors in accordance with the NYSE corporate governance rules. In making its independence determinations, the Board considered all relevant transactions, relationships or arrangements disclosed in this Proxy Statement under the section titled "Certain Transactions" and the following:

Mr. Tyson has investments in two privately held companies. Mr. Keever is a director of and investor in one of the companies and is an investor in the other company. Neither the Company nor Mr. Tyson presently has any business relationship with, and Mr. Tyson does not serve as a director or an officer of, either of these companies. Based on the foregoing facts, the Board has determined that these relationships do not affect Mr. Keever's independence.

Mr. Sauer is Executive Vice President, Health Care Business of 3M Company. During fiscal years 2011, 2010 and 2009, the Company paid 3M Company \$1,327,648, \$1,596,291 and \$1,389,951 for direct purchases of lab-related supplies and materials, which in each year was less than 2 percent (2%) of 3M Company's gross revenues. Under the NYSE rules, a director may be considered independent if payments made to an entity with which the director is affiliated are less than the greater of \$1,000,000 or two percent (2%) of the affiliated entity's gross revenues in any of the last three fiscal years. Mr. Sauer did not personally benefit from any of the payments. Based on the foregoing facts, the Board has determined that Mr. Sauer did not have a direct or indirect material interest in the transactions and this relationship does not affect Mr. Sauer's independence.

*Additional Directors.* During fiscal year 2011 until the 2011 Annual Meeting, Dr. Lloyd V. Hackley served as a director of the Company. Dr. Hackley did not stand for re-election at the 2011 Annual Meeting due to the Retirement Age By-law.

### **Information Regarding the Board and its Committees**

*Board Meetings.* The Board held five meetings during fiscal year 2011. All directors attended at least 75% of the Board and committee meetings they were eligible to attend during fiscal year 2011 with the exception of Dr. Hackley. The Company expects all directors to attend each annual meeting of shareholders. All persons who were then directors, with the exception of Dr. Hackley, attended the 2011 Annual Meeting.

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*Executive Session; Lead Independent Director.* Independent directors meet in executive session without management present each time the Board holds its regularly scheduled quarterly meetings, and Mr. Kever, who has been designated by the Board as the Lead Independent Director, presides over these sessions. Executive sessions occurred four times during fiscal year 2011.

*Leadership Structure.* The Board's current leadership structure consists of a Chairman of the Board and a Lead Independent Director. Pursuant to the Company's Corporate Governance Principles, the Board is permitted to either separate or combine the positions of Chief Executive Officer and Chairman of the Board as it deems appropriate from time to time. Since 2006, these positions have been held by separate individuals. The Lead Independent Director is annually selected by the Board from among the independent directors. The Lead Independent Director is a member of the Executive Committee of the Board. The Board reviews the continued appropriateness and effectiveness of this leadership structure at least annually. At the present time, the Board believes that separation of the positions of Chief Executive Officer and Chairman, combined with the role of the Lead Independent Director, improves the ability of the Board to exercise its oversight role over management, provides multiple opportunities for discussion and evaluation of management decisions and the direction of the Company, and ensures a significant role of the Board's non-management directors in the oversight and leadership of the Company. The Board understands that maintaining qualified independent and non-management directors on the Board is an integral part of effective corporate governance. Accordingly, it believes its current board leadership structure strikes an appropriate balance between independent directors and directors affiliated with the TLP, the Company's controlling shareholder, which allows the Board to effectively represent the best interests of the Company's entire shareholder base.

*Risk Oversight.* Management has the primary responsibility for identifying and managing the risks facing the Company, subject to the oversight of the Board. The Board's committees assist in discharging its risk oversight role by performing the subject matter responsibilities outlined below in the descriptions of each committee. The Board retains full oversight responsibility for all subject matters not specifically assigned to a committee, including risks presented by the Company's business strategy, competition, regulation, general industry trends and capital structure and allocation. On a periodic basis, management conducts an enterprise risk assessment as well as an evaluation and alignment of its risk mitigation activities. Management reviews the results of this periodic process with the appropriate committees of the Board.

The Board's administration of its risk oversight function has not specifically affected the Board's leadership structure. In establishing the Board's current leadership structure, risk oversight was one factor among many considered by the Board, and the Board believes that its current leadership structure is conducive of and appropriate for its risk oversight function. As stated above, the Board regularly reviews its leadership structure and evaluates whether it, and the Board as a whole, is functioning effectively. If in the future the Board believes that a change in its leadership structure is required to, or potentially could, improve the Board's risk oversight function, it may make any change it deems appropriate.

*Audit Committee.* The Board has an Audit Committee ( Audit Committee ) whose primary function is to assist the Board in fulfilling its responsibilities through regular review and oversight of the Company's financial reporting, audit and accounting processes. See the section titled Report of the Audit Committee in this Proxy Statement. During fiscal year 2011, the Audit Committee consisted of independent directors Mr. Kever, who serves as Chairman of the Audit Committee, Mr. McNamara and Mr. Sauer. Effective November 17, 2011, Ms. Bader was appointed to the Audit Committee. Each of these individuals qualifies as an independent director under the regulations adopted by the SEC pursuant to the Sarbanes-Oxley Act of 2002 and the NYSE listing standards relating to audit committees. The Board has determined each member of the Audit Committee is knowledgeable and qualified to review financial statements. In addition, the Board has determined that Messrs. Kever and McNamara each qualify as an audit committee financial expert within the meaning of the regulations of the SEC. The Audit Committee held four meetings in fiscal year 2011.

*Compensation Committee.* The Board has a Compensation Committee ( Compensation Committee ) whose primary functions are to (i) establish the Company's compensation policies and (ii) oversee the administration of

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the Company's employee benefit plans. The Company qualifies as a controlled company due to the ownership by the TLP of shares allowing it to cast more than 50% of votes eligible to be cast for the election of directors. Therefore, the Company has elected not to implement NYSE corporate governance rules that provide that the Compensation Committee has the power to determine the compensation of the Chief Executive Officer. However, the Compensation Committee has approved the employment contracts and total compensation for our Chief Executive Officer since 2003. For more information regarding the duties of the Compensation Committee, see the subsection titled "How We Determine Compensation Role of the Compensation Committee" in this Proxy Statement under the section titled "Compensation Discussion and Analysis." During fiscal year 2011, the Compensation Committee consisted of independent directors Mr. McNamara, who served as Chairman, Mr. Sauer and Mr. Thurber. The Compensation Committee held six meetings in fiscal year 2011.

*Governance Committee.* The Board has a Governance Committee ( Governance Committee ) whose primary functions are to (i) oversee and review related party and other special transactions between the Company and its directors, executive officers or their affiliates; (ii) review and recommend to the Board Corporate Governance Principles applicable to the Company; and (iii) review and recommend to the Board a Code of Conduct applicable to the Company. During fiscal year 2011, the Governance Committee consisted of independent directors Dr. Hackley, who served as Chairman of the Governance Committee until replaced on November 18, 2010, Mr. Thurber, who replaced Dr. Hackley as Chairman of the Governance Committee, Mr. Kever and Mr. Zapanta. Effective November 17, 2011, Mr. Banister was appointed to the Governance Committee. The Governance Committee held four meetings during fiscal year 2011.

*Nominating Committee.* The Board has a Nominating Committee ( Nominating Committee ) whose primary function is to identify, evaluate, and recommend individuals qualified to be directors of the Company for either appointment to the Board or to stand for election at a meeting of the shareholders. While the Company has not established minimum qualifications for director nominations, the Company has established, and the Nominating Committee charter contains, criteria by which the Nominating Committee is to evaluate candidates for recommendation to the Board. In evaluating candidates, the Nominating Committee takes into account the applicable requirements for directors under the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder and the listing standards of the NYSE. The Nominating Committee may also take into consideration the factors and criteria set forth in the Company's Corporate Governance Principles and such other factors or criteria that the Nominating Committee deems appropriate in evaluating a candidate, including but not limited to the applicable requirements for members of committees of the Board. While the Nominating Committee does not have a formal policy on diversity with regard to its consideration of nominees, it considers diversity in its selection process and seeks to nominate candidates that have a diverse range of views, backgrounds and leadership and business experience.

The Nominating Committee may (but is not required to) consider candidates suggested by management or other members of the Board. In addition, the Nominating Committee may (but is not required to) consider shareholder recommendations for candidates to the Board. In order to recommend a candidate to the Board, shareholders should submit the recommendation to the Chairman of the Nominating Committee in the manner described in the section of this Proxy Statement titled "Shareholder Communications." Shareholders who wish to nominate a candidate to the Board must submit the name of the proposed candidate to the then current Board on or before September 30 of any year in accordance with the Company's by-laws. During fiscal year 2011, the Nominating Committee consisted of Mr. Zapanta, who served as Chairman of the Nominating Committee, Mr. Kever and Mr. Thurber. The Nominating Committee held two meetings during fiscal year 2011.

*Executive Committee.* The Board has an Executive Committee ( Executive Committee ) whose primary function is to act on behalf of the Board during intervals between regularly scheduled meetings of the Board. The Executive Committee may exercise all powers of the Board, except as otherwise provided by law and the Company's by-laws; however, its actions are typically ministerial, such as approving (i) the sale or purchase of property, (ii) the opening and closing of bank accounts, and (iii) amendments to benefit plans for which Compensation Committee approval is not required. All actions taken by the Executive Committee between



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meetings of the Board are reviewed for ratification by the Board at the following Board meeting. The members of the Executive Committee are Mr. Tyson, Ms. Tyson and Mr. Keever. The Executive Committee took action by written consent in lieu of a meeting four times during fiscal year 2011.

*Corporate Governance Principles; Committee Charters; Code of Conduct.* The Board has adopted Corporate Governance Principles, and each of the Audit Committee, Compensation Committee, Governance Committee and Nominating Committee has adopted a written charter. The Board has also adopted a Code of Conduct applicable to all directors, officers and employees. Copies of these corporate governance documents are available on the Company's Investor Relations website at <http://ir.tyson.com> and in print to any shareholder who sends a request to Tyson Foods, Inc., Attention: Secretary, 2200 Don Tyson Parkway, Mail Stop CP004, Springdale, Arkansas 72762-6999.

**Compensation Committee Interlocks and Insider Participation**

At the end of fiscal year 2011, the Compensation Committee consisted of Mr. McNamara (Chairman), Mr. Sauer and Mr. Thurber. All members of the Compensation Committee during fiscal year 2011 were independent directors, and no member was an officer or employee of the Company or a former officer or employee of the Company. No member of the Compensation Committee serving during fiscal year 2011 was party to a transaction, relationship or arrangement requiring disclosure under Item 404 of Regulation S-K. During fiscal year 2011, none of our executive officers served on the compensation committee (or its equivalent) or board of directors of another entity whose executive officer served on our Compensation Committee or Board.

**Board Recommendation**

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE SLATE OF DIRECTORS NOMINATED BY THE BOARD.**

**PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR EACH NOMINEE UNLESS SHAREHOLDERS SPECIFY A CONTRARY VOTE.**

**Vote Required**

Approval of a nominee for director requires the affirmative vote of a majority of the votes cast at the Annual Meeting, with the holders of shares of Class A Common Stock and Class B Common Stock voting together as a single class.

Shareholders are not entitled to cumulate voting with respect to the election of directors. The Board contemplates that all of the nominees will be able to stand for election, but should any nominee become unavailable for election, all proxies will be voted for the election of a substitute nominated by the Board (unless the Board chooses to reduce the number of directors on the Board).

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**REAPPROVAL OF THE PERFORMANCE GOALS SET FORTH IN THE  
TYSON FOODS, INC. 2000 STOCK INCENTIVE PLAN**

Shareholders are being asked to reapprove the performance goals set forth in the Tyson Foods, Inc. 2000 Stock Incentive Plan, as amended to date (the Stock Incentive Plan ) for the purpose of complying with certain requirements of the Internal Revenue Code. Shareholder reapproval of the performance goals under the Stock Incentive Plan is required every five years in order to qualify the Stock Incentive Plan under Section 162(m) of the Code, thereby allowing the Company to deduct for federal income tax purposes compensation paid under the plan. If shareholders do not reapprove the performance goals under the Stock Incentive Plan, it will not be available for the Company to continue to grant performance-based awards to its key employees and executive officers. If that happens, we may not be entitled to a tax deduction for some or all of the incentive cash compensation paid to our Chief Executive Officer and our other most highly compensated executive officers.

The following description of the Stock Incentive Plan is qualified in its entirety by reference to the applicable provisions of the plan documents. A full and complete copy of the Stock Incentive Plan is attached to this Proxy Statement as Appendix A.

**Purpose**

The purpose of the Stock Incentive Plan is to attract and retain highly qualified persons to serve as directors, officers and employees, thereby more closely aligning their interest with that of the Company's shareholders. The Stock Incentive Plan also provides for grants of stock-based awards to consultants and other service providers; however, no such grants are currently outstanding.

**General Description of the Stock Incentive Plan**

The Stock Incentive Plan was originally approved by the shareholders of the Company on January 12, 2001, was amended and restated on November 19, 2004, and was amended on February 2, 2007, August 13, 2007 and November 20, 2009.

The Stock Incentive Plan permits awards of a variety of equity-based incentives, including stock awards, options to purchase shares of Class A Common Stock, stock appreciation rights, dividend equivalent rights, performance unit awards and phantom shares to purchase or acquire shares of Class A Common Stock (collectively, Stock Incentives ).

The number of shares of Class A Common Stock reserved for issuance under the Stock Incentive Plan is 60,660,000, of which approximately 10,827,710 were available as of December 1, 2011 for future grants thereunder. As of December 1, 2011, the market value for Class A Common Stock was \$20.33 per share. The Stock Incentive Plan has an indefinite term.

The number of shares of Class A Common Stock as to which any Stock Incentive is granted and the persons to whom any Stock Incentive are granted is determined by the Compensation Committee, subject to the provisions of the Stock Incentive Plan. To the extent not inconsistent with the terms of the Stock Incentive Plan, the Compensation Committee may establish the terms of any Stock Incentive, including exercise or settlement price and terms of forfeiture. Stock Incentives generally are not transferable or assignable during a holder's lifetime, subject to such terms as may be established by the Compensation Committee.

No eligible employee may be granted during any single calendar year rights to shares of Class A Common Stock under performance-based Stock Incentives which, in the aggregate, exceed 1,000,000 shares of Class A Common Stock, subject to future adjustment as provided in the Stock Incentive Plan for certain changes in the Company's capital structure.

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### **Eligibility**

Officers, employees, directors, consultants and other service providers of the Company and its subsidiaries are eligible for awards under the Stock Incentive Plan. However, only employees of the Company and its subsidiaries will be eligible to receive incentive stock options under the Stock Incentive Plan. As of December 1, 2011, there were approximately 1,500 officers, employees and directors that were approved by the Compensation Committee to receive awards under the Stock Incentive Plan. Because consultants and other service providers may not be directly employed by the Company, it is not possible to approximate the number of such consultants and other service providers that are eligible to participate in the Stock Incentive Plan.

### **Performance Criteria**

Under the Stock Incentive Plan, at the time a Stock Incentive is granted, the Compensation Committee may establish performance measures, if any, attributable to the payment, vesting or other settlement of the Stock Incentive. Performance measures will be established by the Compensation Committee under an objective formula or standard consisting of one or any combination of the following criteria:

earnings per share and/or growth in earnings per share in relation to target objectives, excluding the effect of extraordinary or nonrecurring items;

operating cash flow and/or growth in operating cash flow in relation to target objectives;

cash available in relation to target objectives;

net income and/or growth in net income in relation to target objectives, excluding the effect of extraordinary or nonrecurring items;

revenue and/or growth in revenue in relation to target objectives;

total shareholder return (measured as the total of the appreciation of, and dividends declared on, Class A Common Stock) in relation to target objectives;

return on invested capital in relation to target objectives;

return on shareholder equity in relation to target objectives;

return on assets in relation to target objectives;

return on common book equity in relation to target objectives;

operating income in relation to target objectives;

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EBIT, EBITDA or EBITDAR or any adjusted version thereof in relation to target objectives;

Company stock price performance as compared against a peer group of companies selected by the Compensation Committee; or

any combination of the foregoing.

The Compensation Committee may amend or adjust the performance measures of an outstanding award in recognition of unusual or nonrecurring events affecting the Company or its financial statements, such as changes in the business, operations or corporate or capital structure of the Company, changes in law or changes in accounting principles, except where such action would result in the loss of a tax deduction to the Company under Section 162(m) of the Internal Revenue Code.

The Compensation Committee may, but is not required to, structure any Stock Incentive so as to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code.

### **Federal Income Tax Consequences**

The following discussion outlines generally the federal income tax consequences of participation in the Stock Incentive Plan. Individual circumstances may vary and each participant should rely on his or her own tax counsel for advice regarding federal income tax treatment under the Stock Incentive Plan.

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*Incentive Stock Options.* A participant who exercises an incentive stock option will not be taxed at the time he or she exercises his or her option or a portion thereof. Instead, the participant will be taxed at the time he or she sells the shares of Class A Common Stock purchased pursuant to the incentive stock option. The participant will be taxed on the difference between the price he or she paid for the Class A Common Stock and the amount for which he or she sells the Class A Common Stock. If the participant does not sell the shares of Class A Common Stock prior to two years from the date of grant of the incentive stock option and one year from the date the stock is transferred to him or her, any subsequent gain on sale of the shares will be capital gain and the Company will not receive a corresponding deduction. If the participant sells the shares of stock at a gain prior to that time, the difference between the amount the participant paid for the Class A Common Stock and the lesser of fair market value on the date of exercise or the amount for which the stock is sold will be taxed as ordinary income, and the Company will receive a corresponding deduction. If the participant sells the shares of Class A Common Stock for less than the amount he or she paid for the stock prior to the one- or two-year period indicated, no amount will be taxed as ordinary income and the loss will be taxed as a capital loss. Exercise of an incentive stock option may subject a participant to, or increase a participant's liability for, the alternative minimum tax.

*Nonqualified Stock Options.* A participant will not recognize income upon the grant of a nonqualified option without a readily ascertainable market value or at any time prior to the exercise of the option or a portion thereof. At the time the participant exercises a nonqualified option or portion thereof, he or she will recognize compensation taxable as ordinary income in an amount equal to the excess of the fair market value of the Class A Common Stock on the date the option is exercised over the price paid for the stock, and the Company will then be entitled to a corresponding deduction.

Depending upon the time period shares of Class A Common Stock are held after exercise, the sale or other taxable disposition of shares acquired through the exercise of a nonqualified option generally will result in a short- or long-term capital gain or loss equal to the difference between the amount realized on such disposition and the fair market value of such shares when the nonqualified option was exercised.

Special rules apply to a participant who exercises a nonqualified option by paying the exercise price, in whole or in part, by the transfer of shares of Class A Common Stock to the Company.

*Other Stock Incentives.* A participant will not recognize income upon the grant of a stock appreciation right, dividend equivalent right, performance unit award or phantom share (collectively, the "Other Equity Incentives"). Generally, at the time a participant receives payment under any Other Equity Incentive, he or she will recognize compensation taxable as ordinary income in an amount equal to the cash or fair market value of the Class A Common Stock received, and the Company will then be entitled to a corresponding deduction.

A participant will not be taxed upon the grant of a stock award if such award is subject to a substantial risk of forfeiture, as defined in the Internal Revenue Code. When the shares of Class A Common Stock that are subject to the stock award are no longer subject to a substantial risk of forfeiture; however, the participant generally will recognize compensation taxable as ordinary income in an amount equal to the fair market value of the stock subject to the award, less any amount paid for such stock, and the Company will then be entitled to a corresponding deduction. If a participant so elects at the time of receipt of a stock award, he or she may include the fair market value of the stock subject to the award, less any amount paid for such stock, in income at that time and the Company will also be entitled to a corresponding deduction at that time.

## **Withholding Taxes**

A participant may be liable for federal, state and local tax withholding obligations as a result of the grant, exercise, vesting or settlement of a Stock Incentive. The tax withholding obligations may be satisfied by payment in the form of cash, certified check, previously-owned shares of the Company's Class A Common Stock or, if a participant elects with the permission of the Compensation Committee, by a reduction in the number of shares to be received by the participant under the award.

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**Board Recommendation**

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS THAT SHAREHOLDERS VOTE FOR REAPPROVAL OF THE PERFORMANCE GOALS SET FORTH IN THE TYSON FOODS, INC. 2000 STOCK INCENTIVE PLAN.**

**PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR REAPPROVAL OF THE PERFORMANCE GOALS SET FORTH IN THE TYSON FOODS, INC. 2000 STOCK INCENTIVE PLAN UNLESS SHAREHOLDERS SPECIFY A CONTRARY VOTE.**

**Vote Required**

Reapproval of the performance goals set forth in the Tyson Foods, Inc. 2000 Stock Incentive Plan requires the affirmative vote of a majority of the votes cast at the Annual Meeting, with the holders of shares of Class A Common Stock and Class B Common Stock voting together as a single class.

**Table of Contents****PLAN BENEFITS**

Set forth below is a table that shows equity grants pursuant to the Stock Incentive Plan in fiscal year 2011. These are the same amounts as would have been paid pursuant to the Stock Incentive Plan if shareholders had reapproved the performance goals set forth in the Stock Incentive Plan prior to fiscal year 2011. Future benefits to be received by a person or group under the Stock Incentive Plan are not fully determinable at this time and will depend on individual and corporate performance and other determinations to be made by the Compensation Committee during fiscal 2012.

Name	Tyson Foods, Inc. 2000 Stock Incentive Plan								
	Total Number of Options(#)	Dollar Value\$(1)	Total Number of Shares of Restricted Stock(#)	Dollar Value\$(2)	Total Number of Performance Stock(#)	Dollar Value\$(3)	Total Number of Phantom Stock(#)	Dollar Value\$(4)	
Donnie Smith	400,000	\$ 1,656,000	0	0	0	0	0	0	
Dennis Leatherby	40,000	\$ 165,600	0	0	13,838	\$ 225,000	0	0	
Donnie King	117,680	\$ 487,195	0	0	0	0	0	0	
James V. Lochner	325,000	\$ 1,345,500	0	0	0	0	0	0	
Noel White	117,680	\$ 487,195	5,388	\$ 100,000	0	0	0	0	
All Executive Officers as a Group	1,111,960	\$ 4,603,514	5,388	\$ 100,000	27,676	\$ 450,000	0	0	
All Non-Executive Directors as a Group	0	0	0	0	0	0	21,552	\$ 400,000	
All Non-Executive Officer Employees as a Group	2,449,080(5)	\$ 10,139,191	372,035	\$ 6,395,000	28,598	\$ 465,000	0	0	

- (1) Calculated by subtracting the option exercise price for in-the-money options from the closing price of the Class A Common Stock on December 1, 2011 and multiplying that figure by the number of in-the money options outstanding.
- (2) Calculated by multiplying the number of shares of the awards of restricted stock by the closing price of the Class A Common Stock on the dates such awards were offered to the recipients.
- (3) Calculated by multiplying the number of shares of performance stock awarded under the officers' respective contracts by the closing price of the Class A Common Stock on October 1, 2010, the last trading day prior to the grant date.
- (4) Calculated by multiplying the total number of shares by the per share closing price of the Class A Common Stock on February 4, 2011, the date on which such phantom stock was awarded.
- (5) This number also includes stock appreciation rights.

**Table of Contents****SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following information reflects certain information about our equity compensation plans as of October 1, 2011:

	Equity Compensation Plan Information		
	(a)	(b)	(c)
	Number of Securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of Securities remaining available for future issuance under equity compensation plans (excluding Securities reflected in column (a))
Equity compensation plans approved by security holders	18,255,221	\$ 13.46	28,259,095
Equity compensation plans not approved by security holders	0	0	0
Total	18,255,221	\$ 13.46	28,259,095

(a) Outstanding options granted by the Company

(b) Weighted average price of outstanding options

(c) Shares available for future issuance as of October 1, 2011, under the Stock Incentive Plan (15,102,409), the Employee Stock Purchase Plan (5,509,078) and the Retirement Savings Plan (7,647,608)



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**RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Company's Audit Committee has appointed PricewaterhouseCoopers LLP ( PwC ) to serve as the Company's independent registered public accounting firm for the fiscal year ending September 29, 2012. Shareholders are asked to ratify this appointment at the Annual Meeting. Representatives of PwC will be present at the Annual Meeting and will have the opportunity to make a statement and respond to appropriate questions. Even if the selection is ratified, the Audit Committee, in its sole discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

**Audit Fees**

The fees for professional services rendered by PwC for the audit of the Company's annual financial statements for each of the fiscal years ended October 1, 2011 and October 2, 2010, and the reviews of the financial statements included in the Company's quarterly reports on Form 10-Q and for services that are normally provided by the independent registered public accounting firm in connection with statutory or regulatory filings or engagements for each of those fiscal years were \$3,380,341 and \$3,052,335, respectively.

**Audit-Related Fees**

Aggregate fees billed or expected to be billed by PwC for assurance and related services reasonably related to the performance of the audit or review of the Company's financial statements for the fiscal years ended October 1, 2011 and October 2, 2010, and not included in the audit fees listed above were \$178,400 and \$10,000, respectively. These services comprise engagements to perform audits of employee benefit plans and required agreed-upon procedures.

**Tax Fees**

Aggregate fees billed or expected to be billed by PwC for tax compliance, tax advice and tax planning for each of the fiscal years ended October 1, 2011 and October 2, 2010 were \$388,455 and \$272,444, respectively.

**All Other Fees**

For the fiscal years ended October 1, 2011 and October 2, 2010, PwC billed the Company \$3,600 and \$3,000, respectively, for services rendered, other than those services covered in the sections captioned Audit Fees, Audit-Related Fees and Tax Fees. These fees were for an on-line research tool for accounting (FASB and SEC) rules and guidance.

None of the services described above were approved pursuant to the *de minimis* exception provided in Rule 2-01(c)(7)(i)(C) of Regulation S-X promulgated by the SEC.

**Audit Committee Pre-Approval Policy**

The Audit Committee has adopted policies and procedures for the pre-approval of all audit and non-audit services to be performed by the Company's independent registered public accounting firm. The Audit Committee charter provides that the Audit Committee must approve in advance all audit services to be performed by the independent registered public accounting firm. The Audit Committee has approved a separate written policy for the approval of engagements for non-audit services to be performed by the independent registered public accounting firm. For non-audit services, any person requesting that such services be performed by the independent registered public accounting firm must prepare a written explanation of the project (including the scope, deliverables and expected benefits), the reason for choosing the independent registered public accounting firm over other service providers, the estimated costs, the estimated timing and duration of the project and other

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pertinent information. Non-audit services must first be pre-approved by each of the Company's Chief Accounting Officer and Chief Financial Officer before being submitted for pre-approval to the Audit Committee, and then the Audit Committee or a designated member of the Audit Committee must pre-approve the proposed engagement before the engagement can proceed. The requirement for Audit Committee pre-approval of an engagement for non-audit services may be waived only if (i) the aggregate amount of all such non-audit services provided is less than five percent (5%) of the total amount paid by the Company to the independent registered public accounting firm during the fiscal year when the services are provided; (ii) the services were not recognized by the Company at the time of the engagement to be non-audit services; and (iii) the services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit of the fiscal year in which the non-audit services were provided.

**Board Recommendation**

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS THAT SHAREHOLDERS VOTE FOR RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING SEPTEMBER 29, 2012.**

**PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR RATIFICATION OF**

**PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM UNLESS SHAREHOLDERS SPECIFY A CONTRARY VOTE.**

**Vote Required**

Ratification of PwC as the Company's independent registered public accounting firm for the fiscal year ending September 29, 2012 requires the affirmative vote of a majority of the votes cast at the Annual Meeting, with the holders of shares of Class A Common Stock and Class B Common Stock voting together as a single class. Ratification of the selection of PwC by shareholders is not required by law. However, as a matter of policy, such selection is being submitted to the shareholders for ratification at the Annual Meeting. If the shareholders fail to ratify the selection of this firm, the Board will reconsider the matter.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction**

This Compensation Discussion and Analysis provides information regarding the compensation paid to our Chief Executive Officer, Chief Financial Officer and certain other executive officers who were the most highly compensated in fiscal year 2011. These individuals, referred to as named executive officers or NEOs, are identified below:

Donnie Smith, President and Chief Executive Officer ( CEO )

Dennis Leatherby, Executive Vice President and Chief Financial Officer ( CFO )

Donnie King, Senior Group Vice President, Poultry and Prepared Foods

James V. Lochner, Chief Operating Officer ( COO )

Noel White, Senior Group Vice President, Fresh Meats

Our Board recognizes the fundamental interest our shareholders have in the compensation of our executive officers. At the 2011 Annual Meeting, our shareholders approved, on an advisory basis, the compensation of our named executive officers. Based upon the results of such advisory vote and our review of our compensation policies and decisions, we believe that our existing compensation policies and decisions are consistent with our compensation philosophy and objectives discussed below and adequately align the interests of our named executive officers with the long term goals of the Company.

Based on the advisory vote of our shareholders at the 2011 Annual Meeting, the Board determined that the Company will hold shareholder advisory votes on executive compensation once every three years. The next shareholder advisory vote on executive compensation is scheduled to occur at the Annual Meeting of Shareholders to be held in 2014.

**Compensation Philosophy and Objectives**

Our executive compensation program is designed to provide a competitive level of compensation necessary to attract, motivate and retain talented and experienced executives and to motivate them to achieve short-term and long-term corporate goals that enhance shareholder value. Consistent with this philosophy, the following are the key objectives of our compensation programs.

*Shareholder Alignment.* One of the primary objectives of our executive compensation philosophy is to ensure that an appropriate relationship exists among executive pay, the Company's financial performance and the creation of shareholder value. We believe that linking executive compensation to corporate performance results in a better alignment of compensation with corporate goals and shareholder interests.

*Attract, Motivate and Retain Key Employees.* Our executive compensation program is shaped by the competitive market for management talent in the food industry and at other public and private companies. We believe our executive compensation should be competitive with the organizations with which we compete for talent. As such, it is our goal to provide compensation at levels (both in terms of benefits provided and amounts paid) that attracts, motivates and retains superior executive talent for the long-term.

*Link Pay to Performance.* We believe that as an executive's responsibility increases, a larger portion of his or her total compensation should be at-risk incentive compensation (both short-term and long-term), subject to corporate, business unit, individual, stock price and/or earnings performance measures. Our compensation program links pay to performance by making a substantial portion of total executive compensation variable, or at-risk, through an annual bonus program based on Company earnings and performance goals. As performance



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goals are met or exceeded, executives are rewarded commensurately. The program also includes the granting of long-term incentive equity awards, including stock options and restricted stock. Historically, the Company also granted performance-based phantom stock (also referred to as performance stock); however, as of August 1, 2009, new employment contracts do not contain provisions for performance stock awards.

### **How We Determine Compensation**

*Role of the Compensation Committee.* In general, the Compensation Committee works with management to set compensation philosophy and objectives and to ensure key executives are compensated in accordance with such philosophy and objectives. More specifically, the Compensation Committee periodically reviews and approves the Company's stated compensation strategy, corporate goals and objectives relevant to management compensation and total compensation policy to ensure they support business objectives, create shareholder value, are consistent with shareholder interests, attract and retain key executive talent and link compensation to corporate performance. The Compensation Committee also periodically reviews the composition of the peer groups used for competitive pay/performance benchmarking and analyzes total compensation for the CEO and each executive band level as compared to the relevant external benchmarks. A discussion of the peer group and external benchmarks used in establishing compensation is set forth below under the heading *Role of Compensation Consultants/Benchmarking*. The Compensation Committee's charter describes additional duties and responsibilities of the Compensation Committee with respect to the administration, oversight and determination of executive compensation. A copy of the Compensation Committee's Charter can be found at the website <http://ir.tyson.com>.

The Compensation Committee works to ensure that its decisions are consistent with tax regulations, relevant law, NYSE listing requirements and handled in a manner that is mutually satisfactory to the Compensation Committee and the Company's principal shareholder. Because the Company meets the definition of a controlled company under NYSE corporate governance rules, the Compensation Committee is not required to determine the compensation of our CEO in its sole discretion. However, the Compensation Committee has approved the employment contracts and total compensation for our CEO since 2003.

*Band Structure.* Except for each of our CEO and COO, our executive officers and key employees are compensated based on the Company's band structure. Our band structure has nine levels, each of which sets forth amounts for target base salary, target annual cash bonuses, annual stock option grants and restricted stock grants, as well as eligibility to participate in the Tyson Foods, Inc. Supplemental Executive Retirement and Life Insurance Premium Plan (SERP). An executive officer's band level designation is made by the CEO subject to ratification by the Compensation Committee. The designation is based on the individual's level of responsibility and ability to affect shareholder value relative to other executive officers and key employees. Each element of compensation paid or awarded under the band structure is fixed at pre-determined amounts with the exception of base salary and annual cash bonuses. The band structure provides a target amount at each band level for base salary and annual cash bonuses, but actual salary and bonuses can be adjusted above or below such targets based on an individual's responsibility and performance as determined on a case by case basis by such individual's supervisor.

Our current band structure was established in 2004 by our human resources group and senior management based on their collective review of recommendations provided by Hay Group, a compensation consulting firm, together with market analysis and data regarding general industry trends in executive compensation (General Industry Data). The General Industry Data was selected as the benchmark for the Company's band structure because we believe it served as a stable representation of national pay levels. The Compensation Committee and the Company's human resources group periodically review the band structure and updated market analysis with senior management and suggest modifications as they deem necessary to ensure that our executive officers and key employees are generally compensated in accordance with our compensation philosophies and objectives. For more detailed discussion regarding decisions with respect to each element and amount of compensation provided for in the band structure, see the section below titled *Elements of Compensation*.

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*Interaction Between the Compensation Committee and Management.* Band level designations for all executive officers, other than our CEO and COO, and key employment contract terms are determined by the CEO (or the NEO's supervising officer) in consultation with the Company's human resources group. The Company's human resources group presents a summary of the key terms of each executive officer's contract, including band level designations, to the Compensation Committee. The Compensation Committee reviews and discusses the contracts and will meet with the Company's human resources group as it deems necessary to discuss any questions or issues it has regarding these decisions. Once all questions and issues have been addressed to the satisfaction of the Compensation Committee, the Compensation Committee will ultimately ratify these employment contracts and the band level designations.

*Role of Compensation Consultants/Benchmarking.* Since fiscal year 2001, the Company has retained Hay Group to periodically provide data and market analyses regarding compensation practices of a certain group of publicly traded companies in the protein and packaged foods industries (which we refer to as the Compensation Peer Group) and the General Industry Data. The following companies currently make up the Compensation Peer Group:

Campbell Soup Co.

ConAgra Foods, Inc.

General Mills, Inc.

H.J. Heinz Co.

Hershey Foods Corporation

Hormel Foods Corporation

Kellogg Company

McCormick & Company, Inc.

Pilgrim's Pride Corp.

Sara Lee Corporation

Smithfield Foods, Inc.

Hay Group furnishes the data and analyses to our human resources group which are then summarized and presented by our human resources group to the Compensation Committee. The Compensation Committee uses this summary information in its review of compensation for executive officers (including the NEOs) and compensation levels within our band structure to determine whether the compensation levels are consistent with our compensation philosophy and our objective of providing competitive compensation that attracts, motivates and retains executive talent. In that regard, the Compensation Committee targets total compensation at or below the 50th percentile of the Compensation Peer Group for our CEO and at or below the 50th percentile of the broader General Industry Data for the other NEOs. The Compensation Committee believes it is necessary to target our CEO's compensation based on the smaller Compensation Peer Group, which is made up exclusively of public companies in the food industry, because these are companies against which we compete for the specialized talents and experience possessed by our CEO. On the other hand, because many of the talents possessed by the other NEOs could transcend a variety of industries, the Compensation Committee believes it appropriate to use the General Industry Data in setting their compensation as it represents a cross section of consumer products and other industries, not just food industry companies.

The Compensation Committee is expressly authorized in its charter to retain independent legal, accounting or other advisors or experts at the Company's expense. In fiscal year 2011, the Compensation Committee retained Towers Watson (Towers) as its independent executive compensation consultant. Towers was instructed to provide the Compensation Committee advice and ongoing recommendations regarding material executive compensation decisions, to review compensation proposals of management and to review information and advice provided by Hay Group.



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**How NEOs Are Compensated**

Each NEO has an employment contract with the Company which, among other things, outlines the compensation payable to each. Once compensation decisions are made and an employment contract is executed, the NEO is entitled to receive the compensation provided for in his contract until it terminates or is amended. For a more detailed discussion of each NEO's employment contract, see the section titled "Employment Contracts" in this Proxy Statement.

*Donnie Smith.* Mr. Smith assumed the role of President and CEO of the Company on November 19, 2009. Mr. Smith's current employment contract was entered into on December 16, 2009. The Compensation Committee approved the final terms of the contract before it was executed. The decision to approve Mr. Smith's contract and the compensation payable thereunder was based upon:

an evaluation of historical total compensation made to individuals with similar responsibilities at companies in the Compensation Peer Group;

an evaluation of the proposed total compensation in comparison to the Company's other executive officers to ensure that compensation is commensurate with level of responsibility; and

recommendations from the Company's human resources group and advice from compensation consultants engaged by the Company and the Compensation Committee.

All elements of compensation payable to Mr. Smith under his employment contract are fixed except base salary and annual cash bonuses. Decisions regarding whether to increase Mr. Smith's salary and his participation in the Company's annual cash bonus programs are made annually by the Compensation Committee. For a more detailed analysis regarding these decisions see the section titled "Elements of Compensation" in this Proxy Statement. Mr. Smith's target and actual total compensation in fiscal year 2011 was below the 50th percentile of the Compensation Peer Group based on the most recently available published information.

*James V. Lochner.* Mr. Lochner assumed the role of COO of the Company on November 19, 2009. His employment contract was entered into on December 16, 2009. The Compensation Committee approved the final terms of Mr. Lochner's contract before it was executed. The decision to approve the contract and the compensation payable thereunder was based upon:

an evaluation of the proposed total compensation in comparison to the Company's other executive officers to ensure that compensation is commensurate with level of responsibility; and

recommendations from the Company's CEO and human resources group and advice from compensation consultants engaged by the Company and the Compensation Committee.

Source: Company filings and Park City Capital estimates.

Note: This analysis assumes conversion of convertible notes and a 100% dividend payout ratio.

Table 6 shows the current dividend yield on AdCare's senior housing REIT peer group of 5.4%, based on stock prices as of August 23, 2013.

Table 6: Senior Housing REITs Trade at a 5.4% Dividend Yield

Company	Dividend Yield
Health Care REIT	4.9%
AVIV REIT	5.5%
Sabra Health Care REIT	5.9%



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HCP	5.1%
Omega Healthcare Investors	6.3%
National Health Investors	4.8%
LTC Properties	5.1%
Average	5.4%

Source: Company filings and Park City Capital estimates.

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PARK CITY CAPITAL

AdCare is at a defining moment and I challenge you to take action. As Chairman, you have a unique opportunity and obligation to maximize shareholder value. The shareholders are depending on you and we are confident that you will do the right thing. I'll remind you that when we met we spoke a lot about how in hindsight there were many mistakes that have been made over the past couple years. When weighing the decisions and alternatives that are currently in front of you, we urge you to look into the future and make them with the benefit of what you might know 12 months from now. Now is the time for action!

Sincerely,  
/s/ Michael Fox  
Michael Fox  
Founder and CEO  
Park City Capital, LLC

cc: Chris Brogdon  
Vice Chairman, Adcare Health Systems, Inc  
Boyd Gentry  
CEO, Adcare Health Systems, Inc  
George Lee  
Partner, Lee and Stone, LLP  
Richard Heller  
Partner, Thompson Hine, LLP