MICROMET, INC.
Form 10-K
March 14, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 0-50440

Micromet, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**52-2243564**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
6707 Democracy Boulevard, Suite 505 Bethesda, MD	**20817**
(Address of principal executive offices)	*(Zip Code)*

(240) 752-1420
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, par value $0.00004 per share	Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Note- checking the box above will not relieve any registrant required to file reports pursuant to Section 13 of 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of June 30, 2007, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was approximately $65.7 million, based on the closing price of the registrant s common stock on that date as reported by the NASDAQ Global Market.

The number of outstanding shares of the registrant s common stock, par value $0.00004 per share, as of March 5, 2008 was 40,778,258 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after registrant s fiscal year ended December 31, 2007 are incorporated by reference into Part III of this report.

MICROMET, INC.

ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2007

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PART I

Item 1. *Business*

INFORMATION REGARDING MICROMET S BUSINESS

Company Overview

We are a biopharmaceutical company developing novel, proprietary antibodies for the treatment of cancer, inflammation and autoimmune diseases. Three of our antibodies are currently in clinical trials, while the remainder of our product pipeline is in preclinical development. MT103, also known as MEDI-538, the most advanced antibody in our product pipeline developed using our BiTE® antibody technology platform, is being evaluated in a phase 2 clinical trial for the treatment of patients with acute lymphoblastic leukemia and in a phase 1 clinical trial for the treatment of patients with non-Hodgkin s lymphoma. BiTE antibodies represent a new class of antibodies that activate a patient s own cytotoxic T cells, considered the most powerful killer cells of the human immune system, to eliminate cancer cells. We are developing MT103 in collaboration with MedImmune, Inc., a subsidiary of AstraZeneca plc. Our second clinical stage antibody is adecatumumab, also known as MT201, a human monoclonal antibody which targets epithelial cell adhesion molecule (EpCAM) expressing solid tumors. We are developing adecatumumab in collaboration with Merck Serono in a phase 1b clinical trial evaluating adecatumumab in combination with docetaxel for the treatment of patients with metastatic breast cancer. MT293, also known as TRC093, our third clinical stage antibody, is licensed to TRACON Pharmaceuticals, Inc., and is being developed in a phase 1 clinical trial for the treatment of patients with cancer. MT110, a BiTE antibody targeting EpCAM-expressing tumors, has completed preclinical development and we plan to initiate clinical development in 2008. In addition, we have established a collaboration with Nycomed for the development and commercialization of MT203, our human antibody neutralizing the activity of granulocyte/macrophage colony stimulating factor (GM-CSF), which has potential applications in the treatment of various inflammatory and autoimmune diseases, such as rheumatoid arthritis, psoriasis, or multiple sclerosis. Further, we have used and will continue to use our proprietary BiTE antibody technology platform to generate additional antibodies for our product pipeline. To date, we have incurred significant research and development expenses and have not achieved any product revenues from sales of our product candidates.

Corporate History

On May 5, 2006, CancerVax Corporation completed a merger with Micromet AG, a privately-held German company. CancerVax was incorporated in the State of Delaware on June 12, 1998, and completed an initial public offering on November 4, 2003. Following its merger with CancerVax, former Micromet AG security holders owned, as of the closing of the merger, approximately 67.5% of the combined company on a fully-diluted basis and former CancerVax security holders owned, as of the closing, approximately 32.5% of the combined company on a fully-diluted basis. CancerVax was renamed Micromet, Inc. and our NASDAQ Global Market ticker symbol was changed to MITI. As former Micromet AG security holders owned approximately 67.5% of the voting stock of the combined company immediately after the merger, Micromet AG was deemed to be the acquiring company for accounting purposes and the transaction was accounted for as a reverse acquisition under the purchase method of accounting for business combinations. Accordingly, unless otherwise noted, all pre-merger financial information is that of Micromet AG, and all post-merger financial information is that of Micromet, Inc. and its wholly owned subsidiaries, including Micromet AG.

Unless specifically noted otherwise, as used throughout this report and the consolidated financial statements, Micromet , we, us, and our refers to the business of the combined company after the closing of the merger and the

business of Micromet AG prior to the closing of the merger, and CancerVax refers to the business, operations, and financial results of CancerVax Corporation prior to the closing of the merger, and collaborator refers to the counterparties to our collaboration agreements as well as the counterparties to our license agreements.

Market Overview

Cancer is among the leading causes of death worldwide. The World Health Organization estimates that more than 10 million people were diagnosed with cancer worldwide in the year 2000 and that this number will increase to

15 million by 2020. In addition, the World Health Organization estimates that 7.6 million people died from the disease in 2005, representing 13% of all deaths worldwide. The American Cancer Society (ACS) estimates that over 1.4 million people in the U.S. were newly diagnosed with cancer in 2007 and over 559,000 people died from the disease in the U.S. in 2007. Also according to the ACS, in the U.S. one in every four deaths is due to cancer, and as a result it has become the second leading cause of death in all people (exceeded only by heart disease), and the leading cause of death in people over age 85.

The increasing number of people diagnosed with cancer and the approval of new cancer treatments are factors that are expected to continue to fuel the growth of the worldwide market for cancer drugs. The U.S. National Health Information Business Intelligence Reports states that, on a world-wide basis, the revenues for cancer drugs are expected to grow from $35.5 billion in 2003 to $53.1 billion in 2009. The therapeutic antibody subset of the cancer market is driving much of the cancer market growth. According to various market analyses, the monoclonal antibody market represents the fastest-growing segment within the pharmaceutical industry. In 2005, it was worth $13 to $14 billon worldwide, and Datamonitor forecasts a compound annual growth rate of up to 14% between 2006 to 2012 (in: Datamonitor, Monoclonal Antibodies Report Part II, September 26, 2007).

Immunotherapy for the Treatment of Cancer

Background

The body s immune system is a natural defense mechanism tasked with recognizing and combating cancer cells, viruses, bacteria and other disease-causing factors. This defense is carried out by the white blood cells of the immune system through cytolytic, or cell-killing, enzymes that either assemble on specific antibodies bound to the cell surface of target cells, or are discharged by certain white blood cells in a highly specific fashion. Specific types of white blood cells, known as T cells and B cells, are responsible for carrying out cell-mediated immune responses and humoral, or antibody-based, immune responses, respectively.

Cancer cells produce molecules known as tumor-associated antigens, which can also be present in normal cells but are frequently over-produced or modified in cancer cells. T cells and B cells have receptors on their surfaces that enable them to recognize the tumor-associated antigens. For instance, once a B cell recognizes a tumor-associated antigen, it triggers the production of antibodies that can bind and kill the tumor cells. T cells play more diverse roles, including the identification and destruction of tumor cells by direct cell-to-cell contact.

The human body has developed numerous immune suppression mechanisms to prevent the immune system from destroying the body s normal tissues. Cancer cells have been shown to utilize these same mechanisms to suppress the body s natural immune response against cancer cells. Thus, the response of the body s immune system may not be sufficient to eradicate or control the cancer cells, and even with an activated immune system, the number and size of tumors can overwhelm the body s immune response.

BiTE Antibody Technology Platform

BiTE antibodies represent a novel class of antibodies designed to direct the body s cytotoxic, or cell-destroying, T cells against tumor cells. BiTE antibodies enable temporary synapses between T cells and tumor cells in the same manner as can be observed during naturally-occurring T cell attacks. During the temporary synapse, T cells deliver cytotoxic proteins into tumor cells, ultimately inducing a self-destruction process in the tumor cell referred to as apoptosis, or programmed cell death. In the presence of BiTE antibodies, a T cell acts as a serial killer of tumor cells, which explains the activity of BiTE antibodies at low concentrations and at low ratios of T cells to target tumor cells. In addition, through the process of killing tumor cells, T cells proliferate, which leads to an increased number of T cells at the site of attack.

Compared to conventional antibodies, BiTE antibodies appear to provide a superior search and destroy mechanism for eradication of disseminated tumor cells. Moreover, BiTE antibodies direct T cells to attack larger tumor masses with a potency that is comparable, or may even exceed, the cytotoxic activity of chemotherapies. For example, in our phase 1 clinical trial with MT103, we have observed complete responses in late-stage NHL patients at 18 pM MT103 concentration in serum. In preclinical studies with MT110, we have shown a high efficacy of the antibody in mice against human tumors derived either from cancer cell lines or by surgery from ovarian cancer

patients. Based on the potency of BiTE antibodies at low doses shown in clinical trials and preclinical studies, we believe that BiTE antibodies may prove to be more convenient and effective in the treatment of indolent or adjuvant disease settings than currently available therapies, which typically rely on a combination of chemotherapeutics and conventional antibodies and have severe associated side effects but often fail to provide a lasting cure.

Several antibodies in our product pipeline are BiTE antibodies and have been generated based on our proprietary BiTE antibody technology platform. In addition to MT103, which is in clinical development, we have completed preclinical development for MT110, a BiTE antibody targeting EpCAM, and we plan to initiate clinical development with this product candidate in 2008. We have additional BiTE antibodies targeting carcinoembryonic antigen (CEA), EPH receptor A2 (EphA2), melanoma chondroitin sulfate proteoglycan (MCSP) and other targets in various stages of preclinical development and lead optimization.

Cancer Indications Targeted by Our Product Candidates

Non-Hodgkin s Lymphoma and Acute Lymphoblastic Leukemia

Our lead product candidate, MT103, is being developed for the treatment of non-Hodgkin s lymphoma (NHL) and acute lymphoblastic leukemia (ALL).

Current Therapies for NHL

NHL is among the fastest growing of all cancers. Indolent, or slow growing, NHL tumors are divided into several subtypes, of which follicular lymphomas are the most common. Approximately 10% of patients with indolent lymphoma are diagnosed at stage I or localized stage II, and are potentially curable with radiotherapy. Patients diagnosed with stage II, III, or IV disease are often asymptomatic and remain under periodic observation. Treatment is generally initiated when patients become symptomatic or when biological evidence of increasingly active disease such as rapidly enlarging lymph nodes occurs. First-line treatment for patients with indolent NHL is usually chemotherapy, although recent data indicate that rituximab (Genentech s, Biogen Idec s and Roche s Rituxan® and MabThera®) added to chemotherapy may provide additional long-term benefit. Rituximab is a monoclonal antibody that targets CD20, an antigen widely expressed on B cells. Patients often cycle between remission and relapse, and may survive for as long as eight to ten years following initial diagnosis. Upon relapse, patients may receive chemotherapy plus rituximab, rituximab alone, or chemotherapy alone. Over time, an increasing proportion of patients become refractory, or resistant, to treatments with chemotherapy or rituximab. Refractory patients may then receive radio-labeled monoclonal antibodies targeting CD20 (so-called radioimmunotherapy) or experimental regimens including bone marrow transplantation.

Aggressive NHL tumors are rapidly growing tumors and are divided into various subtypes, the largest subtype being diffuse large B-cell lymphomas (DLBCL). Current standard first-line treatment for DLBCL is a chemotherapy regimen plus rituximab, and may result in a cure for approximately 50% of patients treated. The overall survival of patients who do not respond to first-line therapy is generally limited to a few years. Young patients and those with good clinical status may benefit from bone marrow transplantation, but most are treated with combinations of chemotherapy and rituximab or radioimmunotherapy. If patients do not respond to primary treatment or if patients relapse, experimental therapies or combination chemotherapy may be attempted. Altogether, despite recent advances in treatment choices, overall prognosis for survival of non-responding or relapsed patients with aggressive NHL remains poor.

Mantle cell lymphoma (MCL) is a B cell malignancy which presents with features of both aggressive and indolent NHL. Although the introduction of rituximab in combination with chemotherapy regimens has improved response rates, including complete responses, the majority of patients relapse within a few years. Second-line treatments

included bortezomib (Millennium s and Johnson & Johnson s Velcade®), some experimental product candidates currently in clinical development, and stem cell transplantations. Altogether, despite recent advances in treatment choices, the overall prognosis for survival of non-responding or relapsed patients with MCL remains poor and new therapeutic options are urgently needed.

Current Therapies for ALL

ALL is an extremely aggressive form of B-cell leukemia. Currently, patients with ALL are initially treated with complex and highly toxic chemotherapy regimens which may be followed by bone marrow stem cell transplantation for eligible patients. After chemotherapy, patients may have low numbers of residual tumor cells in their bone marrow (which is also referred to as minimal residual disease, or MRD). These patients are at a very high risk of early relapse. Improved treatments and the reduction of relapse rates in patients with MRD-positive ALL represent a high medical need, especially when bone marrow stem cell transplantation is not an option.

Our Approach with MT103

MT103 is a BiTE antibody targeting CD19, which is exclusively expressed on B cells and B-cell derived B lymphoma cells. Preclinical and clinical data indicate that MT103 has activity in the treatment of indolent NHL, MCL, and chronic lymphocytic leukemia (CLL). In addition, clinical activity observed with MT103 included the removal of cancer cells from bone marrow and other tumor-infiltrated organs which suggests that MT103 may also be active against aggressive NHL as well as ALL. The activity against ALL is being investigated in a phase 2 clinical trial. Based on the observed clinical activity, MT103 has the potential to treat advanced disease as well as to remove residual tumor cells in consolidation therapy. While conceivable in the future, at this point in time we do not plan to co-administer MT103 with other therapeutics, but rather use MT103 as a single agent.

Micromet has selected the CD19 target for MT103 for a number of reasons. First, the CD19 antigen is used in the clinic to distinguish lymphoma derived from B cells from those derived from T cells. CD19 serves as a co-receptor of the B cell receptor and is highly specific for the B cells and tumors derived from those B cells. Second, by not binding to CD20, which is the target for a number of antibody-based therapies (Rituxan®, GlaxoSmithKline s Bexxar®, Cell Therapeutics s Zevalin®), it may be possible to use MT103 in advance of, in sequence with, or in combination with anti-CD20 therapies. Third, certain human B cell malignancies express CD19 but no or only modest levels of CD20, such as those derived from early stages of B cell development. In addition to the treatment of CD20-positive lymphomas, we believe that MT103 will provide an opportunity to treat B cell malignancies that lack CD20, that have a low level of CD20 expression, or that have lost CD20 expression during treatment with rituximab, and if approved, may offer patients additional benefit in the treatment of NHL and ALL.

Breast Cancer and other EpCAM-expressing Solid Tumors

Our product candidates adecatumumab (MT201) and MT110 target EpCAM-expressing tumors and have the potential to treat solid tumors, including breast and colorectal cancer.

EpCAM as a Target for Antibody Therapies

EpCAM is a cell surface protein that is overexpressed on most solid tumor types, including prostate, breast, colon, gastric, ovarian, pancreatic and lung cancers. In one study with approximately 1,700 subjects, a high level of EpCAM expression was found in approximately 42% of patients with primary breast cancer. Patients with node-positive breast cancer whose tumor cells are expressing EpCAM have been shown to have a significantly reduced time and rate of survival. EpCAM expression has also been associated with decreased survival in a number of other cancer indications, including breast, gall bladder, bile duct, ovarian and ampullary pancreatic cancers. In addition, EpCAM has been shown to promote the proliferation, migration and invasiveness of breast cancer cells.

A series of recent studies has shown that EpCAM is highly and frequently expressed on tumor cells of the most frequent human carcinomas, including colon, lung, breast, prostate, gastric, ovarian and pancreas cancers. In these studies, EpCAM was also reported to be expressed on so-called cancer stem cells, which has thus far been

demonstrated for colon, breast, pancreas and prostate cancers. Cancer stem cells are thought to continuously repopulate bulk tumors with new cancer cells, a feature most cancer cells do not exhibit. Cancer stem cells have also been shown to be relatively resistant to chemotherapy. Novel EpCAM-targeting therapies are intended to eradicate cancer stem cells and slow or stop tumor growth, and may also eliminate the root cause for chemoresistance and metastasis of cancer.

Overview of Current Therapies

For most solid tumors, the current standard of care consists of surgery, radiotherapy and treatment with chemotherapy, hormonal therapy, and targeted therapy, such as monoclonal antibodies or anti-angiogenic agents, such as bevacizumab (Genentech s and Roche s Avastin®), either as a single treatment or as a combination of the aforementioned therapy options. Despite advances in treating these malignancies over the last two decades, we believe that a tremendous need for further improvement of cancer therapy exists. Depending on the disease type and stage, major medical needs include improved survival, increased cure rates, prolonged disease-free survival, and improved control of symptoms. The recent approval of various monoclonal antibodies directed against certain tumor antigens, such as trastuzumab (Genentech s and Roche s Herceptin®) and cetuximab (Bristol-Myers Squibb s and Merck KGaA s Erbitux®) in various indications has confirmed the prospects of targeted therapy.

Current Therapies for Breast Cancer

Breast cancer is the most common cancer in women and the second most common cause of malignancy-related deaths worldwide. Although the incidence of breast cancer is rising in many developed countries, primarily because of the growing number of elderly women, more women are surviving the disease, and those who are not cured are living longer. These achievements are the result of improved screening methods allowing earlier diagnosis, targeted surgery, treatments after surgery (known as adjuvant therapy), and the use of successive hormonal and cytotoxic treatments for patients with metastatic disease, as well as the introduction of new targeted anti-cancer therapies. In stage III locally-advanced tumors, treatment before surgery (known as neoadjuvant therapy) is being increasingly used in order to reduce the size of tumors before surgery and radiation therapy.

Although there is a consensus with regard to the approach to the diagnosis and treatment of patients with breast cancer, medical practice varies in the treatment of low-risk, early-stage patients. As a consequence of wide-spread mammography screening, more than 80% of all invasive breast tumors are diagnosed in stage I or II. In these stages, the primary treatment is surgery, often combined with radiation. The additional treatment regimen is dependent on several factors, including whether the cancer has infiltrated the patient s lymph nodes. More aggressive therapy, often including chemotherapy, is used to treat patients with a high risk of relapse or who have lymph node metastases. Patients with hormone receptor positive disease usually receive additional anti-hormonal treatment with tamoxifen (AstraZeneca s Nolvadex®) alone or tamoxifen followed by other agents such as aromatase inhibitors.

Research has found that the over-expression of the human epidermal growth factor receptor-2 (HER-2) gene contributes to the uncontrolled growth of tumor cells. It is estimated that approximately one in five breast cancer patients is HER-2 positive, and that these patients are likely to have a more aggressive form of cancer. As a result, patients with breast cancer are routinely tested for over-expression of HER-2, and those who test positive are typically treated with trastuzumab (Herceptin®).

Treatment of patients with metastatic, or stage IV, breast cancer generally aims to prolong the time until the progression of the disease and to improve quality of life. Within this group of patients, prognosis and therapy depend on the presence of hormone receptors for estrogen and progesterone (ER +/PR +). Patients with a positive hormone receptor status usually receive hormone therapy (e.g., aromatase inhibitors). Depending on the speed of progression, these patients then either undergo an additional course of hormone therapy or they are switched to chemotherapy. Patients with more advanced or symptomatic disease or with hormone receptor negative status (ER -/PR -) will typically receive chemotherapy. Radiation therapy may be used in specific cases with symptomatic metastases. Herceptin has been marketed since 1998 in the U.S. and since 2000 in the EU for the treatment of patients with HER-2 positive metastatic breast cancer either in combination with chemotherapy, such as with paclitaxel after anthracycline pre-treatment, or as monotherapy in second or third-line metastatic breast cancer patients.

Current Therapies for Colorectal Cancer

Colon and rectal cancers, collectively referred to as colorectal cancer (CRC), are two of the most common forms of cancer worldwide. In 2002, more than 1 million cases of CRC were diagnosed worldwide, making it the fourth most common cancer among men and the third most common among women. In the United States, it is the

third most common form of cancer in both men and women, and the U.S. Department of Health and Human Services estimates that 55,000 people died from the disease in the U.S. in 2006.

Surgery is the primary treatment for localized CRC (stages I-III), and experts estimate that more than 90% of these patients undergo surgery to remove the primary tumor. Depending on the stage of the disease, patients undergo chemotherapy regimens before or after the surgery, typically with 5-FU, fluoropyrimidine capecitabine, FOLFOX, or 5-FU/LV combined with oxaliplatin.

Certain patients with metastatic colorectal cancer also undergo surgery, but only if the metastases are limited to isolated sites in the liver or lungs. Chemotherapy (e.g., 5-FU/LV, oxaliplatin) following surgery has been shown to reduce the risk of recurrence of the disease by approximately 16% at five years compared with surgery alone. However, the efficacy achieved by chemotherapy comes at the cost of significant toxicity. The current chemotherapy regimens can cause severe adverse effects in most patients. For example, 5-FU/LV can cause mucositis, neutropenia, and diarrhea. Oxaliplatin can cause peripheral neuropathy, which, although largely reversible, is painful and debilitating and may limit its use in the adjuvant setting.

Unmet Medical Need

Despite recent advances, current therapies still do not sufficiently address patients needs. In particular, the following therapies are still needed:

- Therapies that more effectively prolong survival and improve quality of life for patients;
- Less toxic, more convenient secondary therapies to prolong time to disease progression, reduce disease-related symptoms, and improve quality of life;
- Therapies that increase the overall survival of patients, such as neoadjuvant treatment regimens; and
- Therapies that are effective in patients who do not respond to currently available therapies, for example, because their tumor cells do not express HER-2 and are thus not responsive to the treatment with Herceptin®.

Our Approach with Adecatumumab and MT110

We have two product candidates that target EpCAM and that we believe may address some or all of the above unmet medical needs. Our product candidate adecatumumab (MT201) is being tested in a phase 1 clinical trial in combination with docetaxel for the treatment of metastatic breast cancer. We expect to initiate a further phase 2 clinical trial in an additional indication in the second half of 2008. In addition, we have completed preclinical development with MT110 and plan to initiate clinical development in 2008. By eliminating tumor cells that express high levels of EpCAM, we believe that treatment with an anti-EpCAM compound such as adecatumumab or MT110 may result in an increased time to disease progression, and if added to standard chemotherapy, such as taxanes, may also result in increased response rates or time to progression. In addition, these product candidates may be effective in patients whose tumors express EpCAM but not HER-2 and thus are not responsive to the treatment with Herceptin®.

Our Product Pipeline

Our current product pipeline consists of antibodies representing different approaches to treating cancer, inflammation and autoimmune diseases. The following table summarizes the current status of our product candidates in clinical and preclinical development:

Product Candidate	Primary Indication	Status
BiTE Antibodies		
MT103	Acute Lymphoblastic Leukemia	Phase 2
	Non-Hodgkin s Lymphoma	Phase 1
MT110	Adenocarcinoma	IMPD/IND Stage
MT111	Selected Cancers	Preclinical
EphA2 BiTE antibody	Selected Cancers	Preclinical
MCSP BiTE antibody	Melanoma	Preclinical
Conventional Antibodies		
Adecatumumab (MT201)	Metastatic Breast Cancer and other Adenocarcinoma	Phase 2 completed
	Metastatic Breast Cancer in combination with Docetaxel	Phase 1b
MT293	Solid Tumors	Phase 1
MT228	Melanoma	Preclinical
MT203	Inflammatory Diseases	Preclinical
MT204	Inflammatory Diseases	Preclinical

MT103

Overview

Our BiTE antibody MT103 is a recombinant antibody consisting of four immunoglobulin variable domains assembled into a single polypeptide chain. Two of the variable domains form the binding site for CD19, a cell surface antigen expressed on all B cells and most B tumor cells, but not on other types of blood cells or healthy tissues. The other two variable domains form the binding site for the CD3 present on all T cells. The resulting recombinant molecule is produced by fermentation in eukaryotic cells. MT103 has received an orphan drug designation for certain types of indolent B-cell lymphoma from the U.S. Food and Drug Administration (FDA), and for MCL and CLL from the European Medicines Agency (EMEA).

We and MedImmune are developing MT103 (also known as MEDI-538) under the terms of a 2003 agreement (see License Agreements and Collaborations below) in which MedImmune has obtained exclusive development and commercialization rights for MT103 in North America. We have retained all development and commercialization rights to MT103 outside of North America, and we are eligible to receive milestone and royalty payments from MedImmune with respect to the development and sales of MT103 in North America. MT103 is being investigated in a phase 2 clinical trial for the treatment of patients with ALL, and in a phase 1 clinical trial for the treatment of patients with NHL.

At the December 2007 annual meeting of the American Society of Hematology (ASH), interim results of the ongoing phase 1 clinical trial for MT103 were presented. The results indicated dose-dependent clinical activity with complete and partial responses in late stage, relapsed indolent NHL and MCL patients and that the treatment was generally well-tolerated by patients, with the majority of adverse side effects having been fully reversible and in many cases

resolved without discontinuation of MT103 administration.

Mechanism of Action

BiTE antibodies such as MT103 represent a novel class of antibodies designed to direct the body s cytotoxic, or cell-destroying, T cells against tumor cells, BiTE antibodies enable temporary synapses between T cells and tumor cells in the same manner as can be observed during naturally-occurring T cell attacks. During the temporary synapse, T cells deliver cytotoxic proteins into tumor cells, ultimately inducing a self-destruction process in the

tumor cell referred to as apoptosis, or programmed cell death. In the presence of BiTE antibodies, a T cell acts as a serial killer of tumor cells, which explains the activity of BiTE antibodies at low concentrations and at low ratios of T cells to target tumor cells. In addition, through the process of killing tumor cells, T cells proliferate, which leads to an increased number of T cells at the site of attack.

Clinical Trials

Phase 2 Clinical Trial in ALL

Following encouraging data from the ongoing phase 1 clinical trial described below showing potent single-agent activity of MT103 in patients with late-stage NHL, we expanded the development program to include patients with ALL, a very aggressive form of leukemia. Currently, patients with ALL are initially treated with complex and highly toxic chemotherapy regimens, which may be followed by bone marrow stem cell transplantation for eligible patients. Patients with minimal residual disease (MRD) have a low number of residual tumor cells in their bone marrow after chemotherapy and are at a very high risk of early relapse. Improved treatments and reduction of relapse rate in patients with MRD-positive ALL represent a high medical need, especially when stem cell transplantation is not an option. Although CD19 is widely expressed in ALL, no treatments targeting CD19 are available yet. This phase 2 clinical trial is designed to determine whether MRD-positive ALL patients can be treated with MT103. Currently, patients are being screened for enrollment in this clinical trial.

Phase 1 Clinical Trial in Relapsed-Refractory NHL

We are conducting a phase 1 dose-finding clinical trial designed to evaluate the safety and tolerability of the continuous intravenous infusion of MT103 over 4-8 weeks at different dose levels in patients with relapsed or refractory NHL. The phase 1 clinical trial protocol is an open-label, multi-center, dose escalation study, which is being conducted by investigators in Germany. Patients are being enrolled sequentially into cohorts with increasing doses. A maximum tolerated dose has not yet been reached.

Of 12 patients in dose cohort numbers 1 through 3 who have received at least two weeks of treatment and who have passed the first control x-ray computerized axial tomography scan (CT scan) at week 4, nine patients have shown stable disease and one patient a minor response (which is defined in the protocol as a 25 to 50 percent decrease in tumor mass). No patient in cohort numbers 1 through 3 has shown a partial or complete tumor response, based on reference radiology assessment according to standardized Cheson criteria for tumor response assessment of NHL. However, partial and complete responses were observed in patients treated with higher doses (dose levels 4-5 = 15-60 $\mu g/m^2/24$ h). As presented at the annual meeting of ASH in 2007, seven of the 18 evaluable patients at the three highest dose levels tested so far in this clinical trial showed a clinically relevant reduction in tumor lesions (3 complete responses, 4 partial responses). These responses were observed in various cancer types including follicular lymphoma (FL), MCL, and CLL. Investigators also observed a reduction of circulating B cells, which appeared to be correlated with increasing doses, with full depletion of B cells observed in all evaluable patients from dose level 3 to 5. Furthermore, 8 out of 9 patients at dose levels 4 and 5 with bone marrow infiltration at initial screening showed a reduction or complete disappearance of lymphoma cells from bone marrow after treatment with MT103.

Overall, MT103 showed acceptable tolerability in this ongoing clinical trial, and a maximum tolerated dose has not yet been reached. So far, most all side effects were fully reversible and most resolved under treatment. The most frequent adverse side effects related to the administration of MT103 were lymphopenia, leukopenia, fever and elevation of liver enzymes. The most frequent adverse events of grade 3 or higher (regardless of relationship) were lymphopenia in 20 patients (64.5%) and leukopenia in 11 patients (35.5%). Based on patients in cohort numbers 1 through 5 in our ongoing clinical trial, in which MT103 is administered by continuous infusion, the frequency of adverse events has been lower when compared to previously tested short-term infusion regimens, despite the fact that

MT103 was present for four to eight weeks in patients in the continuous infusion study, while it was only present for a few hours in the patients in the short-term infusion studies. Less common adverse events included central nervous system (CNS) events, which were fully reversible after discontinuation of the infusion.

Regulatory Pathway

MT103 is currently under clinical development in Europe. In addition, our collaborator MedImmune has submitted an Investigational New Drug (IND) application to commence clinical testing of MT103 in the United States and anticipates starting a clinical trial in patients with CLL during the first half of 2008. Depending on the final outcome of the currently ongoing phase 1 trial, additional efficacy studies will be considered.

We have received orphan drug designation from the EMEA for the use of MT103 as a treatment for MCL and CLL. Orphan drug designation from the EMEA is designed to encourage manufacturers to develop drugs intended for rare diseases or conditions affecting fewer than 5 in 10,000 individuals in the European Union. Orphan drug designation also qualifies the applicant for tax credits and marketing exclusivity for ten years following the date of the drug s marketing approval by the EMEA. In addition, MedImmune has received orphan drug designation from the FDA for the use of MT103 in the treatment of indolent B-cell lymphoma, excluding CLL and NHL with CNS involvement.

MT110

MT110 is a BiTE antibody binding to EpCAM, which is a cell surface antigen that is over-expressed by many types of solid tumors.

Preclinical Activities

In preclinical tests, MT110 has shown cytotoxic efficacy against EpCAM-positive tumor cells at very low concentrations and at low ratios of T cells to tumor target cells in preclinical tests using cell culture and mouse models. Of note, MT110 and other EpCAM-specific BiTE antibodies were capable of inducing durable elimination of established tumors in mouse models. Likewise, human metastatic tissue from ovarian cancer patients implanted under the skin of mice was eliminated by low doses of intravenously administered MT110. We believe that this suggests that MT110 penetrated the human tumor and re-directed human tumor-infiltrating T cells for the destruction of tumor cells.

Clinical Trials

We have completed preclinical development with MT110 and expect to initiate clinical development in 2008. The planned clinical trial will investigate the safety and tolerability of increasing doses of MT110 in patients with locally advanced, recurrent, or metastatic solid tumors known to regularly express EpCAM. Secondary objectives include various pharmaco-dynamic and -kinetic measurements and clinical activity.

MT111

MT111 is a BiTE antibody targeting the carcinoembryonic antigen (CEA), which is expressed in a number of tumors of epithelial origin, such as colorectal carcinoma, lung adenocarcinoma, mucinous ovarian carcinoma and endometrial adenocarcinoma. Furthermore, CEA is expressed in gastric carcinoma and possibly also in colorectal carcinoma. Therefore, we believe that CEA is an excellent molecule candidate for a targeted therapeutic antibody approach for the treatment of cancer with a BiTE antibody. In the progression of cancer, members of the CEA family may play a role as contact-mediating adhesion molecules when tumor cells are moving to new sites. CEA has been shown that increased adhesion enhances the spread of cancer. Therefore, we believe that a BiTE antibody may hold promise for the treatment of many cancer types that overexpress CEA.

MT111 is currently in preclinical development under our collaboration with MedImmune (see License Agreements and Collaborations below). Under the terms of the collaboration agreement with MedImmune, we have retained the

commercialization rights to MT111 in Europe.

EphA2 BiTE Antibody

We have a BiTE antibody targeting EphA2 in preclinical development. EphA2 is a cell surface membrane-associated receptor tyrosine kinase that, in normal cells, is thought to function in suppressing cell growth and migration. Studies have indicated that EphA2 may be a molecule candidate for a targeted therapeutic antibody

approach for the treatment of cancer. EphA2 is frequently overexpressed in a number of different tumor types, including renal cell carcinoma, breast, prostate, colon, esophageal, cervical, lung, ovarian and bladder cancers and melanoma. The highest levels of EphA2 expression are observed in the most aggressive tumor cells, suggesting that it may play a role in disease progression. High levels of EphA2 have also been correlated with poor survival in patients with non-small cell lung, esophageal, cervical, and ovarian cancers. Additionally, in preclinical models, it has been demonstrated that the addition of EphA2 is sufficient to make non-tumorous cells tumorous in both *in vitro* and *in vivo* settings. Therefore, we believe that an EphA2 BiTE antibody has the potential to effectively treat many cancer types that overexpress EphA2.

Our BiTE antibody binding to EphA2 is being developed under our collaboration with MedImmune (see License Agreements and Collaborations below). Under the terms of the collaboration agreement with MedImmune, we have retained certain co-promotion rights to the EphA2 BiTE antibody in Europe.

BiTE Antibodies in Early Development

A number of new BiTE antibodies have been generated that target antigens validated by conventional antibody therapies. Several preclinical BiTE antibody candidates are available awaiting further characterization by *in vitro* assays and in animal models, including a BiTE antibody binding to MCSP for the treatment of melanoma.

Adecatumumab (MT201)

Our product candidate adecatumumab, which we also refer to as MT201, is a recombinant human monoclonal antibody of the IgG1 subclass that targets the EpCAM molecule. EpCAM is a cell surface protein that is overexpressed on most solid tumor types, including prostate, breast, colon, gastric, ovarian, pancreatic and lung cancers. Overexpression of EpCAM has been shown to promote the proliferation, migration and invasiveness of breast cancer cells. Moreover, human breast, colon, and pancreas cancer stem cells are characterized by expression of EpCAM. In addition, expression of EpCAM has been shown to be associated with decreased survival in a number of cancer indications, including breast, gall bladder, bile duct, ovarian and ampullary pancreatic cancers.

Adecatumumab is administered intravenously. The anticipated treatment regimen consists of intravenous application over a 60-minute period every one to three weeks, either as a monotherapy or in combination with standard chemotherapy. Adecatumumab is expected to bind to EpCAM on tumor tissue and recruit natural killer cells and other immune cells to the tumor. Complement-dependent and antibody-dependent cellular cytotoxicity are believed to be the key modes of action of adecatumumab that trigger tumor cell destruction.

As discussed further under License Agreements and Collaborations below, adecatumumab has been the subject of an exclusive worldwide collaboration with Merck Serono since December 2004.

Clinical Trials

Phase 1 Clinical Trial in Metastatic Breast Cancer (Adecatumumab in Combination with Docetaxel)

Our ongoing phase 1 clinical trial in patients with metastatic breast cancer is an open-label, multi-center study to investigate the safety and tolerability of intravenous infusions of a combination of increasing doses of adecatumumab and a standard dose of docetaxel in patients with EpCAM-positive advanced-stage breast cancer. We are conducting this clinical trial currently in six locations, of which four are in Germany and two are in Austria. We expect that this clinical trial will be completed in 2009.

Safety Profile and Lack of Immunogenicity

Since the initiation of the clinical development of adecatumumab, we have conducted two phase 1 clinical trials, one of which is still ongoing, and two phase 2 clinical trials. In these clinical trials, we have treated more than 160 patients with adecatumumab. The overall safety profile indicates that adecatumumab is well tolerated by patients. Side effects have been mostly infusion-related (e.g., pyrexia, flush) and gastrointestinal (e.g., nausea, diarrhea). Some increases in the pancreatic enzymes lipase and amylase were observed, but no clear dose-dependency could be determined, nor was any acute clinical pancreatitis reported. Also, we have not observed any

neutralizing reaction to adecatumumab, indicating that it does not appear to provoke any immune response in patients.

Additional Clinical Trials

In 2006, we completed a phase 2 clinical trial with adecatumumab in patients with metastatic breast cancer. While the primary endpoint of the study was not reached, our secondary endpoint analysis showed a significant prolongation of time-to-progression in patients treated with the higher dose of adecatumumab with tumors expressing a high level of EpCAM, which we believe may be the result of a reduction of the formation and outgrowth of metastatic lesions observed in these patients. Together with the overall good tolerability of adecatumumab, we believe this product candidate may have applications in earlier stage disease settings, including adjuvant treatment. We expect to initiate a further phase 2 clinical trial in an additional indication in the second half of 2008.

MT293

Overview

MT293 (also known as TRC093) is a humanized, anti-metastatic and anti-angiogenic monoclonal antibody for the treatment of patients with solid tumors. MT293 binds specifically to hidden, or cryptic, binding sites on extracellular matrix proteins that become exposed as a result of the denaturation of collagen that typically occurs during tumor formation. The extracellular matrix is a molecular network that provides mechanical support to cells and tissues but also contains biochemical information important to cellular processes such as cell proliferation, adhesion and migration. Binding of MT293 to these denatured extracellular matrix proteins has the potential to inhibit angiogenesis, the formation of blood vessels in solid tumors, and the growth, proliferation and metastasis of tumor cells.

Clinical Trials

In March 2007, we entered into an agreement with TRACON Pharmaceuticals, Inc. under which we have granted TRACON an exclusive, worldwide license to develop and commercialize MT293 (see License and Collaboration Agreements below). MT293 is currently being developed by TRACON in a phase 1 clinical trial designed to assess the safety, tolerability and pharmacokinetics, as well as preliminary anti-tumor activity, of MT293 in patients with cancer.

Mechanism of Action

We believe that our approach to inhibiting angiogenesis and metastasis with MT293 may have several therapeutic advantages. Because MT293 binds preferentially to extracellular matrix proteins that have been denatured during angiogenesis and tumor growth rather than to the native, undenatured forms of collagen, we believe that the MT293 antibody may have greater specificity for the tumor site than other therapies. Additionally, denatured proteins in the extracellular matrix may provide a better therapeutic target for long-term treatment than binding sites found directly on tumor cells since the proteins in the extracellular matrix represent a stable structure and are less likely to undergo mutations that are typical for cancer cells. Due to the specific mechanism through which MT293 inhibits angiogenesis and metastasis, we believe that it may have the potential to be used in combination with other anti-angiogenic agents or with treatments such as chemotherapy and radiation. We believe that MT293 may be also useful in other pathological conditions associated with angiogenesis, such as choroidal neovascularization, an ophthalmologic condition caused by excess growth of blood vessels within the eye, which is the major cause of severe visual loss in patients with age-related macular degeneration.

MT228

In October 2002, CancerVax signed an agreement with M-Tech Therapeutics, Inc. (now Human Monoclonals International, Inc.), by which it obtained the worldwide exclusive rights and a license to develop and commercialize a human IgM monoclonal antibody binding to an antigen that has been identified as a cell-surface antigen present on human melanomas and tumors of neuroectodermal origin. In December 2004, CancerVax entered into an agreement

with Morphotek, Inc., a wholly owned subsidiary of Esai Co., pursuant to which it granted Morphotek the right to evaluate this antibody, and an option to obtain a license from us. In December 2006, Morphotek exercised its option and obtained an exclusive sublicense to the intellectual property rights and property rights associated with this monoclonal antibody. We understand that Morphotek plans to file an IND in 2008. As discussed under License Agreements and Collaboration Agreements below, our agreement with Morphotek entitles us to certain milestone payments, royalties and re-acquisition rights.

MT203

MT203 is a human antibody that we believe has the potential to treat a wide variety of acute and chronic inflammatory diseases, including rheumatoid arthritis, asthma, psoriasis and multiple sclerosis. It neutralizes GM-CSF, a pro-inflammatory cytokine controlling the innate arm of the immune system. Using an antibody to neutralize GM-CSF has been shown to have the potential to prevent or even cure symptoms in numerous animal models.

Mechanism of Action and Preclinical Activities

Like marketed antibody drugs Humira®, Avastin®, and Remicade®, MT203 acts by neutralizing a soluble protein ligand, thereby preventing it from binding to its high-affinity cell surface receptor. We believe that this therapeutic principle is well-validated. MT203 is one of the first human antibodies neutralizing the biological activity of human and non-human primate GM-CSF. The binding characteristics of MT203 to GM-CSF have been characterized in a number of studies, and MT203 has shown biological activity in numerous cell-based assays. We have used a surrogate antibody neutralizing mouse GM-CSF to demonstrate that inhibition of GM-CSF is highly potent in preventing rheumatoid arthritis in a mouse model in which tumor necrosis factor (TNF) neutralization is largely ineffective and in preventing other inflammatory and autoimmune diseases, such as asthma and multiple sclerosis. This surrogate antibody has comparable binding characteristics to MT203, and therefore we believe that MT203 could have similar positive effects.

In May 2007, we entered into a collaboration agreement with Nycomed (see License and Collaboration Agreements below) under which we have granted to Nycomed a license to develop and commercialize MT203 on a worldwide basis. MT203 is in preclinical development and our development costs are being reimbursed by Nycomed.

MT204

MT204 is a humanized antibody that we believe has the potential to treat a wide variety of acute and chronic inflammatory diseases, including rheumatoid arthritis, asthma, acute transplant rejection, uveitis, psoriasis and multiple sclerosis. We designed MT204 to neutralize interleukin-2 (IL-2), an inflammation-causing cytokine which controls activation of T cells and natural killer cells. Interference with IL-2 signaling is a well-validated anti-inflammatory therapeutic approach as exemplified by small molecule drugs, such as cyclosporine or tacrolimus, and by antibodies blocking the high-affinity IL-2 receptor such as Simulect® and Zenapax®. MT204 is the first humanized antibody targeting soluble human and non-human primate IL-2 by a unique mode of action, and has been shown in preclinical models to have inhibitory properties superior to those of Zenapax®.

Mechanism of Action and Preclinical Activities

Like marketed antibody drugs Humira®, Avastin®, and Remicade®, MT204 acts by neutralizing a soluble protein ligand. MT204 prevents binding of IL-2 to its intermediate-affinity receptor on natural killer cells, and also inactivates the high-affinity receptor with bound IL-2. This is a novel mode of antibody action, which we believe could cause MT204 to have potent anti-inflammatory activity. The binding characteristics of MT204 to IL-2 and IL-2 receptors have been characterized in studies using various assay systems. MT204 is in preclinical development.

Our Business Strategy

Our objective is to establish a position as a leader in the research, development and commercialization of highly active, antibody-based drugs for the treatment of patients with cancer, inflammation and autoimmune diseases. Key aspects of our corporate strategy include the following:

Co-develop Compounds with Established Pharmaceutical and Biopharmaceutical Companies. We are collaborating with Merck Serono, MedImmune and Nycomed on ongoing clinical and preclinical development programs.

Maintain Commercialization Opportunities in Collaborations. We retained full commercialization rights for MT103 outside of North America and for MT111 in Europe. In addition, we have retained an option to co-promote adecatumumab in Europe and the U.S., and the EphA2 BiTE antibody in Europe. We intend to continue to pursue this partnering strategy in future cthe quotation agent as having a maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

The term comparable treasury price means, with respect to any redemption date, (i) the average of three reference treasury dealer quotations for such redemption date, after excluding the highest and lowest such reference treasury dealer quotations or (ii) if the Trustee obtains fewer than five such reference treasury dealer quotations, the average of all such quotations.

The term notice of redemption means a notice identifying the notes to be redeemed and describing the terms of such redemption in accordance with the indenture.

The term quotation agent means the reference treasury dealer appointed by us.

The term redemption date, when used with respect to any note to be redeemed, means the date fixed for such redemption by or pursuant to the indenture and specified in the notice of redemption.

The term redemption price, when used with respect to any note to be redeemed, means the price (including premium, if any, and interest, if any) at which it is to be redeemed pursuant to the indenture and specified in the notice of redemption.

The term reference treasury dealer means any primary U.S. government securities dealer in the United States selected by the Trustee after consultation with us.

The term reference treasury dealer quotations means, with respect to each reference treasury dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such reference treasury dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

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The term treasury rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the comparable treasury issue, assuming a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of the notes to be redeemed. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions thereof called for redemption. If less than all of the notes are to be redeemed, the Trustee will select the notes to be redeemed pro rata, or by lot, or by another method compliant with applicable legal and securities exchange requirements, if any, and that the Trustee deems to be fair and appropriate. See the information contained under the caption Book Entry System.

No Sinking Fund

The notes will not be entitled to the benefits of, or be subject to, any sinking fund.

Repurchase Upon Change of Control Triggering Event

If a change of control triggering event (as defined below) occurs, unless we have exercised our option to redeem the notes as described under Optional Redemption , we will be required to make an offer (the change of control offer) to each holder of the notes to repurchase all or any part (equal to a principal amount of $2,000 or an integral multiple of $1,000 in excess thereof) of such holder s notes on the terms set forth in such notes. In a change of control offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of the notes plus unpaid interest, if any, accrued to, but not including, the date of repurchase (a change of control payment), subject to the rights of holders of notes on a record date to receive interest due to the related interest payment date.

Within 30 days following any change of control triggering event or, at our option, prior to any change of control (as defined below), but after public announcement of the transaction that constitutes or may constitute the change of control, we will mail a notice to each holder of notes, with a copy to the Trustee, describing the transaction that constitutes or may constitute the change of control triggering event and offering to repurchase the notes on the date specified in such notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed to holders (a change of control payment date). The notice, if mailed prior to the date of consummation of the change of control, will state that the change of control offer is conditioned upon the change of control triggering event occurring on or prior to the change of control payment date.

On the change of control payment date, we will, to the extent lawful:

- accept for payment all notes or portions of notes properly tendered pursuant to the change of control offer;
- deposit with the paying agent an amount equal to the change of control payment in respect of all notes or portions of notes properly tendered; and

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deliver or cause to be delivered to the Trustee the notes properly accepted together with an officers certificate stating the aggregate principal amount of notes or portions of notes being repurchased.

The paying agent will promptly transmit to each holder of properly tendered notes the change of control payment for the notes being repurchased, and the Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new note equal in principal amount to any unrepurchased portion, if any, of any notes surrendered; provided that each new note will be in a principal amount of $2,000 or an integral multiple of $1,000 in excess thereof.

We will not be required to make a change of control offer upon the occurrence of a change of control triggering event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for the change of control offer otherwise to be made by us, and the third party purchases all notes properly tendered and not withdrawn under its offer. In addition, we will not repurchase any notes if there has occurred and is continuing on the change of control payment date an event of default under the indenture, other than a default in the payment of the change of control payment upon a change of control triggering event.

Upon the occurrence of a change of control triggering event, we may not have sufficient funds to repurchase the notes in the amount of the change of control payment in cash at such time. In addition, our ability to repurchase the notes for cash may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time. The failure to make such repurchase would result in a default under the notes.

We will comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a change of control triggering event. To the extent that the provisions of any such securities laws or regulations conflict with the change of control offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the change of control offer provisions of the notes by virtue of any such conflict.

For purposes of the change of control offer provisions of the notes, the following terms will be applicable:

The term change of control means the occurrence of any one of the following:

the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of our company and our subsidiaries (as defined below) taken as a whole to any person or group within the meaning of Section 13(d)(3) of the Exchange Act other than to our company or our subsidiaries;

the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person or group becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our outstanding voting stock or other voting stock into which our voting stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than the number of shares;

we consolidate with, or merge with or into, any person, or any person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which any of our outstanding voting stock is converted into or exchanged for cash, securities or other

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property, other than any such transaction where the shares of our voting stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the voting stock of the surviving person or any direct or indirect parent company of the surviving person immediately after giving effect to such transaction;

the first day on which a majority of the members of our board of directors are not continuing directors (as defined below); or

the adoption of a plan relating to our liquidation, dissolution or winding up (other than our liquidation into a newly formed holding company).

Notwithstanding the foregoing, a transaction will not be deemed to involve a change of control if (i) we become a direct or indirect wholly-owned subsidiary of a holding company and (ii) (A) the holders of the voting stock of such holding company immediately after giving effect to that transaction are substantially the same as the holders of our voting stock immediately prior to that transaction or (B) immediately after giving effect to that transaction, no person or group (other than a holding company) is the beneficial owner, directly or indirectly, of more than 50% of the voting stock of such holding company.

The definition of change of control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of our company and our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of our company and our subsidiaries taken as a whole to another person or group may be uncertain.

The term change of control triggering event means the occurrence of both (1) a change of control and (2) a ratings event (as defined below).

The term continuing directors means, as of any date of determination, any member of our board of directors who (1) was a member of our board of directors on the date the notes were issued or (2) was nominated for election, elected or appointed to our board of directors with the approval of a majority of the continuing directors who were members of our board of directors at the time of such nomination, election or appointment (either by a specific vote or by approval of our proxy statement in which such member was named a nominee for election as a director, without objection to such nomination).

The term Fitch means Fitch Ratings, Inc. and its successors.

The term investment grade means a rating equal to or higher than BBB- (or the equivalent) by Fitch (as defined below), Baa3 (or the equivalent) by Moody s (as defined below) and BBB- (or the equivalent) by S&P (as defined below), and the equivalent investment grade credit rating from any substitute rating agency or rating agencies selected by us.

The term Moody s means Moody s Investors Service, Inc., a subsidiary of Moody s corporation, and its successors.

The term person means any individual, partnership, corporation, limited liability company, joint stock company, business trust, trust, unincorporated association, joint venture or other entity, or a government or political subdivision or agency thereof.

The term rating agencies means (1) each of Fitch, Moody s and S&P; and (2) if any of Fitch, Moody s or S&P ceases to provide rating services to issuers or investors, a substitute rating agency.

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The term ratings event means the notes cease to be rated as investment grade by at least two out of the three rating agencies on any day within the period (which period will be extended so long as the rating of the notes is under publicly announced consideration for a possible ratings change by any of the rating agencies other than solely with positive implications) commencing on the earlier of (1) the public announcement of an intention to effect a change of control or (2) the consummation of a change of control and ending 60 days following the consummation of a change of control; provided, however, that a ratings event will not be deemed to have occurred in respect of a particular change of control (and thus such change of control will not constitute a change of control triggering event) unless at least two of the ratings agencies publicly announce or confirm or inform the Trustee that their ratings action was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, such change of control (whether or not the applicable change of control has occurred at the time of the rating event). If a rating agency is not providing a rating for the notes at the commencement of such period, the notes will be deemed to have ceased to be rated as investment grade by such rating agency during such period.

The term S&P means Standard & Poor s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

The term substitute rating agency means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by us (as certified by our Chief Executive Officer or Chief Financial Officer) as a replacement agency for Fitch, Moody s or S&P, or all of them, as the case may be, and acceptable to the Trustee.

The term voting stock means, with respect to any specified person (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date, the equity interests of such person that are at the time entitled to vote generally in the election of directors to the board of directors (or members of a comparable body) of such person.

Certain Covenants

Set forth below are certain covenants applicable to the notes. Additional covenants relating to the notes, including a covenant concerning mergers, consolidations and transfers of substantially all of our property and assets by us, are described under Description of Debt Securities in the accompanying base prospectus. You can find the definitions of certain terms used in this section under Certain Covenant Definitions.

Limitations on Liens

Neither we nor our subsidiaries may incur or otherwise create in order to secure indebtedness for borrowed money upon any principal facility (as defined below) or any shares of capital stock or other equity interests that any of our subsidiaries owning any principal facility has issued to us or any of our other subsidiaries. If we or any of our subsidiaries incur such liens, then we must secure the notes to the same extent and in the same proportion as the indebtedness that is secured by such liens. This covenant does not apply, however, to any of the following:

in the case of a principal facility, liens incurred in connection with the issuance by a state or political subdivision thereof of any securities the interest on which is exempt from United States federal income taxes by virtue of Section 103 of the Internal Revenue Code of 1986, as amended, or any other laws or regulations in effect at the time of such issuance;

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liens existing on the date of the indenture;

liens securing only debt securities issued under the indenture equally and ratably with all such debt securities;

liens on property or shares of capital stock or other equity interests existing at the time we or any of our subsidiaries acquire such property or shares of capital stock or other equity interests, including through a merger, share exchange or consolidation, or securing the payment of all or part of such purchase price or construction or improvement of such property incurred prior to, at the time of, or within 180 days after the later of the acquisition, completion of construction or improvement or commencement of full operation of such property or within 180 days after the acquisition of such shares of capital stock or other equity interests for the purpose of financing all or a portion of such purchase price or construction or improvement on such property;

liens on any principal facility in favor of a domestic or foreign governmental body to secure partial progress, advance or other payments pursuant to any contract with or statute of such governmental body;

liens securing indebtedness of a subsidiary owing to us or one of our other subsidiaries;

liens on assets which are presented on our balance sheet or the balance sheet of any of our subsidiaries because of the existence of a VIE transaction; or

liens for the sole purpose of extending, renewing or replacing in whole or in part the indebtedness secured by any lien referred to in the foregoing three bullet points or in this bullet point, provided that the principal amount of indebtedness secured thereby shall not exceed the principal amount of indebtedness so secured at the time of such extension, renewal or replacement and such extension, renewal or replacement is limited to all or a part of the property that was secured by the lien so extended, renewed or replaced (plus improvements on such property).

Notwithstanding the foregoing, we and/or any of our subsidiaries may create, assume and incur liens that would otherwise be subject to the restriction described above, without securing the notes equally and ratably, if the aggregate value of all outstanding indebtedness secured by such liens and the value of all sale and leaseback transactions (as defined below) does not at the time exceed the greater of 15% of our consolidated net tangible assets (as defined below) or 15% of our consolidated capitalization (as defined below).

Notwithstanding the foregoing, any lien securing outstanding notes granted pursuant to this covenant will be automatically and unconditionally released and discharged upon the release by all holders of the debt secured by the lien giving rise to the lien securing the outstanding notes (including any deemed release upon payment in full of all obligations under such debt) or, with respect to any particular principal facility or capital stock or other equity interests of any of our subsidiaries securing outstanding notes, upon any sale, exchange or transfer to any person that is not one of our affiliates of such principal facility or capital stock or other equity interests; provided that no holder of debt secured thereby is secured by any other principal facility or capital stock or other equity interests of any of our subsidiaries upon such sale, exchange or transfer.

Limitations on Sale and Leaseback Transactions

A sale and leaseback transaction of any principal facility by us or any of our subsidiaries is prohibited unless, within 180 days of the effective date of the arrangement, an amount equal to

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the greater of the proceeds of the sale of the property leased or the fair value of the property at the time of entering into the arrangement (as determined by our board of directors) (value) is applied by us to either (1) the acquisition, directly or indirectly, of one or more principal facilities or a portion thereof, or (2) the retirement of non-subordinated indebtedness for money borrowed with a remaining maturity of more than one year, including the notes, except that any such sale and leaseback transaction is permitted to the extent that the value thereof plus the other outstanding indebtedness secured by liens that would otherwise be subject to the restrictions described in the first paragraph under Limitations on Liens does not exceed the amount stated in the last paragraph under Limitations on Liens. This covenant will also not apply to any sale and leaseback transaction between us and one of our subsidiaries or between our consolidated subsidiaries.

No Other Restrictive Covenants

There are no other restrictive covenants in the indenture. The indenture does not require us to maintain any financial ratios, minimum levels of net worth or liquidity or restrict the incurrence of indebtedness, the makeup of asset sales, the payment of dividends, the making of other distributions on our capital stock or the redemption or purchase of our capital stock. Moreover, the indenture does not contain any provision requiring us to repurchase or redeem any debt securities, including the notes, or modify the terms thereof or afford the holders thereof any other protection in the event of a change of control (except as specified above under Repurchase Upon Change of Control Triggering Event), any highly leveraged transaction or any other transaction or event involving us that may materially and adversely affect our creditworthiness or the value of the debt securities, including the notes.

Certain Covenant Definitions

The term subsidiaries means any corporation, partnership, limited liability company or other entity of which a majority of all outstanding stock, partnership interests, membership interests or other equity interests, as the case may be, having ordinary voting power (i.e., without regard to the occurrence of any contingency) in the election of directors to the board of directors (or members of a comparable body) of such corporation, partnership, limited liability company or other entity is at the time, directly or indirectly, owned or controlled by us or by one or more other subsidiaries or by us and one or more other subsidiaries.

The term principal facility means any individual facility, together with the land upon which it is erected and fixtures comprising a part thereof, used primarily for manufacturing, processing, production or distribution and located in the United States, now or hereafter owned or leased pursuant to a capital lease by us or any subsidiary, that has a gross book value (without deduction of any depreciation reserve) on the date as of which the determination is being made exceeding 4% of our consolidated capitalization, other than any property which, in the opinion of our board of directors, is not of material importance to the business conducted by us and our subsidiaries, taken as a whole.

The term sale and leaseback transaction means the sale or transfer of a principal facility with the intention of taking back a lease of the property, except a lease for a temporary period of less than three years, including renewals, with the intent that the use by us or any subsidiary will be discontinued on or before the expiration of such period.

The term consolidated net tangible assets means the excess of all assets over current liabilities appearing on our most recent quarterly or annual consolidated balance sheet, less goodwill and other intangible assets and the minority interests of others in our subsidiaries.

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The term consolidated capitalization means the total of all of the assets appearing on our most recent quarterly or annual consolidated balance sheet, less:

- current liabilities, including liabilities for indebtedness maturing more than one year from the date of the original creation thereof, but maturing within one year from the date of such consolidated balance sheet; and
- deferred income tax liabilities appearing on such consolidated balance sheet.

The term VIE transaction means a transaction between us or any of our subsidiaries and a person where such person is, because of the nature of such transaction and the relationship of the parties, a variable interest entity under Financial Accounting Standards Board Interpretation No. 46 (revised 2003), Consolidation of Variable Interest Entities, as the same may be revised, modified, amended, supplemented or restated from time to time.

Events of Default and Remedies

The indenture provides that events of default regarding the notes will be:

- default for 30 days in the payment when due of interest on the notes;
- default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the notes;
- failure by us to comply with any of non-payment covenant in the indenture (other than a covenant that has been included in the indenture solely for the benefit of a series of debt securities other than the notes) after the Trustee notifies us, or the holders of at least 25% in aggregate principal amount of the notes then outstanding voting as a single class notify us and the Trustee, of such default and we do not cure such default or such default is not waived within 60 days after the receipt of such notice;
- default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by us, whether such indebtedness now exists, or is created after the date of the indenture, if that default:
  - is caused by a failure to pay principal of, or interest or premium, if any, on, such indebtedness prior to the expiration of the grace period provided in such indebtedness following the stated maturity of such obligation (a payment default); or
  - results in the acceleration of such indebtedness prior to its stated maturity,

and, in each case, the principal amount of any such indebtedness, together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates to $50 million or more; or

- certain events of bankruptcy or insolvency described in the indenture with respect to us or any of our significant subsidiaries or any group of our subsidiaries that, taken together, would constitute a significant subsidiary.

If an event of default (other than pursuant to the bankruptcy or insolvency provisions of the indenture with respect to us) regarding the notes should occur and be continuing, either the Trustee or the holders of at least 25% in the principal amount of the then outstanding notes may declare each notes due and payable immediately. If a bankruptcy or insolvency event occurs with respect to us, the notes will immediately

become due and payable without any declaration or other act on the part of the Trustee or the holders of notes. The holders of a majority in

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principal amount of the then outstanding notes may rescind any acceleration and its consequences (other than with respect to an event of default pursuant to the bankruptcy or insolvency provisions of the indenture with respect to us) if (1) the rescission would not conflict with any judgment or decree, (2) we have paid or deposited with the Trustee a sum sufficient to pay in the currency in which the notes are payable (A) all overdue interest, if any, on all outstanding notes, (B) all unpaid principal of and premium, if any, any outstanding notes which has become due otherwise than by such a declaration of acceleration, and interest on such unpaid principal or premium at the rate or rates prescribed therefor in such notes or, if no such rate or rates are so prescribed, at the rate borne by the notes during the period of such default, and (C) to the extent that payment of such interest is enforceable under applicable law, interest upon overdue interest to that date of such payment or deposit at the rate or rates prescribed therefor in such notes, or if no such rate or rates are so prescribed, at the rate borne by the notes during the period of such default and (3) all existing events of default (other than for nonpayment of principal, premium, if any, or interest that has become due solely because of the acceleration) have been cured or waived.

The holders of a majority in aggregate principal amount of the then outstanding notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee under the indenture. The holders of a majority in aggregate principal amount of the then outstanding notes also will be entitled to waive past defaults regarding the notes, except for a default in payment of principal of or premium, if any, or interest or in respect of a covenant or provision which cannot be modified or amended under the indenture without the consent of the holder of each such note. The Trustee generally may not be ordered or directed by any of the holders of notes to take any action unless one or more of the holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it.

If the Trustee collects money from exercising the remedies under the indenture, the Trustee may fix a record date and payment date for any payment of such money to the holders of the notes.

If the Trustee collects any money in connection with an event of default regarding the notes, the Trustee may use any sums that it holds under the applicable indenture for its own reasonable compensation and expenses incurred prior to paying the holders of notes.

Before any holder of notes may institute action for any remedy, except payment on the holder s debt security when due, the holders of not less than 25% in principal amount of the notes outstanding must request the Trustee to take action. Holders must also offer and give the Trustee security or indemnity reasonably satisfactory to it against liabilities incurred by the Trustee for taking such action.

Legal Defeasance and Covenant Defeasance

We may elect at any time to have all of our obligations and certain other provisions discharged with respect to the outstanding notes (legal defeasance) except for the rights of the holders of outstanding notes to receive payments in respect of the principal of or premium, if any, or interest on, the notes when such payments are due from the trust referred to below, certain other obligations of ours and certain other rights of the trustee under the indenture.

In addition, we may elect at any time to have our obligations released with respect to certain covenants and thereafter any omission to comply with those covenants will not constitute a default or event of default with respect to the notes (covenant defeasance). In the

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event covenant defeasance occurs, failure to comply with the following covenants will no longer constitute an event of default with respect to the notes:

- the covenants previously described under Limitations on Liens; and
- the covenants previously described under Limitations on Sale and Leaseback Transactions.

In order to exercise either legal defeasance or covenant defeasance in respect of the notes, we must irrevocably deposit with the trustee for the benefit of the holders of the notes to be defeased money in amounts as will be sufficient to pay the principal of and premium, if any, and interest on the outstanding notes on the stated date for payment thereof or on the applicable redemption date, as the case may be. In addition, we must satisfy other conditions, including delivery to the trustee of an opinion of counsel and officer s certificate in connection with such defeasance, and we may not exercise such defeasance if certain defaults or events of default with respect to the notes have occurred and are continuing on the date of such deposit or if such defeasance would result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture) to which we or any of our subsidiaries is a party or by which we or any of our subsidiaries is bound.

Book-Entry System

The notes will be issued in the form of one or more fully registered global notes which will be deposited with, or on behalf of, The Depository Trust Company (DTC), New York, New York, and registered in the name of Cede & Co., as nominee of DTC. Unless and until exchanged, in whole or in part, for notes in certificated registered form, a global note may not be transferred except as a whole by DTC for such global note to a nominee of DTC, by a nominee of DTC to DTC or another nominee of DTC or by such depositary or any such nominee to a successor of DTC or a nominee of such successor.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among its participants in such securities through electronic computerized book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC s participants include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations and certain other organizations, some of whom own DTC. Access to DTC s book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Purchases of the notes within the DTC system must be made by or through direct participants, which will receive a credit for the notes on DTC s records. The ownership interest of each beneficial owner of the notes will be recorded on the direct and indirect participants records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners entered into the transaction. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners.

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To facilitate subsequent transfers, all notes deposited by participants with DTC are registered in the name of DTC s nominee, Cede & Co. The deposit of the notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the notes. DTC s records reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC or its nominee. If less than all of the notes are being redeemed, DTC will reduce the amount of the interest of direct participants in the notes in accordance with its procedures.

A beneficial owner of notes shall give notice to elect to have its notes repurchased or tendered, through its participant, to the trustee and shall effect delivery of such notes by causing the direct participant to transfer the participant s interest in such notes, on DTC s records, to the Trustee. The requirement for physical delivery of notes in connection with a repurchase or tender will be deemed satisfied when the ownership rights in such notes are transferred by direct participants on DTC s records and followed by a book-entry credit of such notes to the trustee s DTC account.

In any case where a vote may be required with respect to the notes, neither DTC nor Cede & Co. will give consents for or vote a global note. Under its usual procedures, DTC will mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those direct participants to whose accounts the notes are credited on the record date identified in a listing attached to the omnibus proxy.

We will make payments due on the notes to Cede & Co., as nominee of DTC, in immediately available funds. DTC s practice is to credit direct participants accounts, upon DTC s receipt of funds and corresponding detailed information, on the relevant payment date in accordance with their respective holdings shown on DTC s records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in street name, and will be the responsibility of such participants and not our responsibility or the responsibility of DTC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. is our responsibility. Disbursement of such payments to direct participants is the responsibility of Cede & Co. Disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants.

Except as provided herein, a beneficial owner of an interest in a global note will not be entitled to receive physical delivery of certificated notes. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the notes. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in certificated form. Such laws may impair the ability to transfer beneficial interests in a global note.

As long as DTC, or its nominee, is the registered holder of a global note, DTC or such nominee will be considered the sole owner and holder of the notes represented thereby for all purposes under the notes and the indenture. Except in the limited circumstances referred to below, owners of beneficial interests in a global note will not be entitled to have such global

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note or any notes represented thereby registered in their names, will not receive or be entitled to receive physical delivery of certificated notes in exchange for the global note and will not be considered to be the owners or holders of such global note or any notes represented thereby for any purpose under the notes or the indenture. Accordingly, each person owning a beneficial interest in such global note must rely on the procedures of DTC and, if such person is not a participant, on the procedures of the participant through which such person owns its interest to exercise any rights of a holder under the indenture.

If DTC is at any time unwilling or unable to continue as depositary for a global note and a successor depositary is not appointed by us within 90 days, we will issue notes in certificated form in exchange for all of the notes represented by such global note. In addition, we may at any time and in our sole discretion determine not to have the notes represented by a global note and, in such event, we will issue the notes in certificated form in exchange for all of the notes represented by the global note. Finally, if an event of default, or an event which with the giving of notice or lapse of time or both would constitute an event of default, with respect to the notes represented by a global note has occurred and is continuing, then we will issue notes in certificated form in exchange for all of the notes represented by the global note.

Although DTC has agreed to the procedures provided above in order to facilitate transfers, it is under no obligation to perform these procedures, and these procedures may be modified or discontinued at any time.

Holding through Euroclear and Clearstream

You may hold interests in a global note through Clearstream Banking, *société anonyme* (Clearstream), or Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear), in each case, as a participant in DTC. Euroclear and Clearstream will hold interests, in each case, on behalf of their participants through customers securities accounts in the names of Euroclear and Clearstream on the books of their respective depositaries, which in turn will hold such interests in customers securities in the depositaries names on DTC s books.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the notes made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants, and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on the one hand, and other participants in DTC, on the other hand, would also be subject to DTC s rules and procedures.

You will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, if you are a U.S. investor who holds your interests in the notes through these systems and wish on a particular day to transfer your interests, or to receive or make a payment or delivery or exercise any other right with respect to your interests, you may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, if you wish to exercise rights that expire on a particular day, you may need to act before the expiration date. In addition, if you hold your interests through both DTC and Euroclear or Clearstream, you may need to make special arrangements to finance any purchases or sales of your interests between the U.S. and European clearing systems, and those transactions may settle later than transactions within one clearing system.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain United States federal income tax considerations relating to the purchase, ownership and disposition of the notes. This summary is based upon current provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable Treasury regulations promulgated thereunder, judicial decisions and administrative interpretations, all of which are subject to change, possibly on a retroactive basis, at any time by legislative, judicial or administrative action. We cannot assure you that the Internal Revenue Service (the IRS) will not challenge the conclusions stated below; and no ruling from the IRS or an opinion of counsel has been (or will be) sought on any of the matters discussed below.

This summary is limited to beneficial owners who purchase the notes on original issuance at their initial offering price and who will hold the notes as capital assets within the meaning of Section 1221 of the Code (generally, for investment). In addition, it does not address all the potential U.S. federal income tax considerations that may be applicable to holders particular circumstances or to holders that may be subject to special tax rules, such as, for example, dealers and certain traders in securities or currencies, insurance companies, financial institutions, thrifts, regulated investment companies, real estate investment trusts, tax-exempt entities, U.S. Holders (as defined below) whose functional currency is not the U.S. dollar, certain former citizens or residents of the United States, persons who hold notes as part of a straddle, hedge, conversion transaction, restructure sale or other risk reduction or integrated investment transaction, investors in securities that elect to use a mark-to-market method of accounting for their securities holdings, individual retirement accounts or qualified retirement plans, controlled foreign corporations, passive foreign investment companies, and investors in pass-through entities, including Subchapter S corporations, partnerships and other entities or arrangements classified as partnerships for U.S. federal income tax purposes. If a partnership holds notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. As a result, partnerships and partners in such partnerships should consult their own tax advisors regarding the tax consequences of the purchase, ownership and disposition of the notes. This summary does not address the effect of any U.S. state or local income or other tax laws, any U.S. federal estate and gift tax laws, or any foreign tax laws.

Certain Additional Payments

In certain circumstances, we may be obligated to pay amounts in excess of stated interest or principal on the notes. For example, we are required to pay 101% of the principal amount of any note purchased by us at the holder s election after a change of control, as described above under the heading Description of Notes Repurchase Upon Change of Control Triggering Event. In addition, we may be required to pay amounts in redemption of the notes in addition to the stated principal amount of and interest on the notes as described under Description of the Notes Optional Redemption. The obligation to make these payments may implicate the provisions of the Treasury regulations relating to contingent payment debt instruments. Treasury regulations provide special rules for contingent payment debt instruments which, if applicable, could cause the timing, amount and character of a holder s income, gain or loss with respect to the notes to be different from the consequences discussed herein. Although the issue is not free from doubt, we believe that the possibility of the payment of such additional amounts ought not result in the notes being treated as contingent payment debt instruments under the applicable Treasury regulations. This position is not binding on the IRS, which may take a contrary position and treat the notes as contingent payment debt instruments. If the notes were deemed to be contingent payment debt instruments, a holder would generally be required to treat any gain recognized on the sale or other disposition of the notes as ordinary income rather than as capital gain. Furthermore, a holder would be required to accrue interest income

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on a constant yield basis at an assumed yield determined at the time of issuance of the notes, with adjustments to such accruals when any payments are made that differ from the payments calculated based on the assumed yield. The remainder of this discussion assumes that the notes are not treated as contingent payment debt instruments. Holders are urged to consult their own tax advisors regarding the potential application to the notes of the rules regarding contingent payment debt instruments and the consequences thereof.

Tax Consequences to U.S. Holders

For purposes of this discussion, the term U.S. Holder means a beneficial owner of a note who is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) a valid election is in effect under applicable Treasury regulations to treat the trust as a United States person.

Interest on a Note

It is anticipated, and this discussion assumes, that the notes will be issued at par or at a discount that is de minimis for U.S. federal income tax purposes. Stated interest on a note generally will be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with the U.S. Holder s regular method of accounting for U.S. federal income tax purposes.

Sale, Exchange or Other Taxable Disposition of a Note

A U.S. Holder will generally recognize capital gain or loss on a sale, exchange, redemption, retirement or other taxable disposition of a note measured by the difference, if any, between (1) the amount realized on such disposition and (2) the U.S. Holder s adjusted tax basis in the note. The amount realized is the sum of the cash and the fair market value of any other property received by the U.S. Holder in such disposition, but does not include any amount attributable to accrued but unpaid interest, which if not previously included in income will be treated as interest as described under Interest on a Note above. A U.S. Holder s adjusted tax basis in a note generally will be equal to the price the U.S. Holder paid for the note. Such capital gain or loss will be treated as a long-term capital gain or loss if, at the time of the sale or exchange, the note has been held by the U.S. Holder for more than one year; otherwise, the capital gain or loss will be short-term. Long-term capital gains of individuals and other non-corporate taxpayers are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Additional Medicare Tax on Net Investment Income

For taxable years beginning after December 31, 2012, if you are a U.S. Holder other than a corporation, you generally will be subject to a 3.8% additional tax (the Medicare tax) on the lesser of (a) your net investment income for the taxable year, and (b) the excess of your

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modified adjusted gross income for the taxable year over a certain threshold. Your net investment income generally will include any income or gain recognized by you with respect to our notes, unless such income or gain is derived in the ordinary course of the conduct of your trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisor regarding the applicability of the Medicare tax to your income and gains in respect of the senior notes.

Information Reporting and Backup Withholding for U.S. Holders

In general, information reporting requirements will apply to certain payments of principal, premium (if any) and interest on and the proceeds of certain sales of senior notes unless the U.S. Holder is an exempt recipient. A backup withholding tax (currently at a 28% rate) may apply to such payments if the U.S. Holder fails to provide its taxpayer identification number or certification of exempt status or has been notified by the IRS that payments to the U.S. Holder are subject to backup withholding. Backup withholding is not an additional tax. Any amount withheld from a payment to a U.S. Holder under the backup withholding rules will generally be allowed as a credit against such U.S. Holder s U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is timely furnished to the IRS. U.S. Holders are urged to consult their own tax advisors regarding the application of backup withholding rules in their particular situations, the availability of an exemption from backup withholding and the procedure for obtaining such an exemption, if applicable.

Tax Consequences to Non-U.S. Holders

The following is a summary of the U.S. federal income tax consequences that will generally apply to you if you are a Non-U.S. Holder of a note. For purposes of this discussion, the term Non-U.S. Holder means a beneficial owner of a note who is for U.S. federal income tax purposes:

- a nonresident alien individual;
- a foreign corporation; or
- a foreign estate or trust.

Payments of Interest

Subject to the discussion of backup withholding below, payments of interest on a note generally will be exempt from U.S. federal income tax and withholding tax under the portfolio interest exemption if the Non-U.S. Holder properly certifies as to its foreign status (as described below) and the Non-U.S. Holder:

- does not conduct a trade or business within the United States to which the interest income is effectively connected (or in the case of an applicable tax treaty, attributable to a permanent establishment in the United States);
- does not own, actually or constructively, 10% or more of the combined voting power of all classes of our stock entitled to vote within the meaning of section 871(h)(3) of the Code and the Treasury regulations thereunder;
- is not a controlled foreign corporation that is related, directly or indirectly, to us through stock ownership; and
- is not a bank that receives such interest in a transaction described in Section 881(c)(3)(A) of the Code.

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The portfolio interest exemption generally applies only if a Non-U.S. Holder appropriately certifies as to its foreign status. A Non-U.S. Holder can generally meet this certification requirement by providing a properly executed IRS Form W-8BEN (or substitute Form W-8BEN or the appropriate successor form) to us or our paying agent certifying under penalty of perjury that you are not a U.S. person. If a Non-U.S. Holder holds the notes through a securities clearing organization, financial institution or other agent acting on the Non-U.S. Holder s behalf, certification requires that we or the person who otherwise would be required to withhold U.S. federal income tax must receive from the financial institution a certification, signed under penalties of perjury, that a properly completed Form W-8BEN (or substitute Form W-8BEN or the appropriate successor form) has been received by it, or by another such financial institution, from the Non-U.S. Holder, and a copy of such a form is furnished to the payor. Special rules apply to foreign partnerships, estates and trusts; and in certain circumstances, certifications as to foreign status of partners, trust owners or beneficiaries may be required to be provided to our paying agent or to us. In addition, special rules apply to payments made through a qualified intermediary.

If a Non-U.S. Holder cannot satisfy the requirements described above for the portfolio interest exemption, payments of interest made to the Non-U.S. Holder on the notes will be subject to the 30% U.S. federal withholding tax, unless the Non-U.S. Holder provides us or our paying agent either with (1) a properly executed IRS Form W-8BEN (or substitute Form W-8BEN or the appropriate successor form) establishing an exemption from (or a reduction of) withholding under the benefit of an applicable tax treaty or (2) a properly executed IRS Form W-8ECI (or the appropriate successor form) certifying that interest paid on the note is not subject to withholding tax because the interest is effectively connected with your conduct of a trade or business in the United States (and in the case of an applicable tax treaty, attributable to a permanent establishment in the United States).

Sale, Exchange or Other Taxable Disposition of a Note

Subject to the discussion of backup withholding rules below, any gain realized by a Non-U.S. Holder on the sale, exchange, retirement or other taxable disposition of a note generally will not be subject to U.S. federal income tax, unless:

- such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States (as described below in Income or Gain Effectively Connected with a U.S. Trade or Business) or, in the event that an income tax treaty is applicable, such gain is attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder; or

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are satisfied.

If a Non-U.S. Holder is described in the first bullet point, see Income or Gain Effectively Connected with a U.S. Trade or Business below. If a Non-U.S. Holder is described in the second bullet point, any gain realized from the sale, redemption, exchange, retirement or other taxable disposition of the notes will be subject to U.S. federal income tax at a 30% rate (or lower applicable treaty rate), which may be offset by certain U.S. source losses.

To the extent that the amount realized on a sale, redemption, exchange, retirement or other taxable disposition of a note is attributable to accrued but unpaid interest on the note, this amount generally will be treated in the same manner as described in Payments of Interest above.

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Income or Gain Effectively Connected with a U.S. Trade or Business

If a Non-U.S. Holder of a note is engaged in a trade or business in the United States, and if interest income and other payments received with respect to the note (including proceeds from any taxable disposition of the note) are effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from U.S. withholding tax, will generally be taxed in the same manner as a U.S. Holder (see Tax Consequences to U.S. Holders Interest on a Note above), but will not be subject to U.S. withholding tax if certain certification requirements are satisfied. A Non-U.S. Holder can generally meet these certification requirements by providing a properly executed IRS Form W-8ECI (or appropriate substitute form) to us or our paying agent. In the case of a Non-U.S. Holder that is a corporation, the portion of its earnings and profits that is effectively connected with its United States trade or business (and, in the case of an applicable tax treaty, attributable to its permanent establishment in the United States) may be subject to an additional branch profits tax at a 30% rate, although an applicable tax treaty may provide for a lower rate.

Information Reporting and Backup Withholding for Non-U.S. Holders

Any payments of interest on the notes to a Non-U.S. Holder, and the amount of tax, if any, withheld with respect to those payments, will generally be reported to the IRS and to the Non-U.S. Holder. Copies of these information returns also may be made available under the provisions of a specific treaty or other agreement to the tax authorities of the country in which the Non-U.S. Holder resides. Backup withholding may apply to certain payments of principal and interest on the notes to a Non-U.S. Holder, as well as to the proceeds of certain sales of notes made through brokers, unless the Non-U.S. Holder has made appropriate certifications as to its foreign status, or has otherwise established an exemption. The certification of foreign status described above under Payments of Interest is generally effective to establish an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will generally be allowed as a credit against a Non-U.S. Holder s U.S. federal income tax liability and may entitle a Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS. Non-U.S. Holders are urged to consult their own tax advisors regarding the application of backup withholding rules in their particular situations, the availability of an exemption from backup withholding and the procedure for obtaining such an exemption, if applicable.

HIRE ACT

On March 18, 2010, the Hiring Incentives to Restore Employment Act (the HIRE Act) was signed into law. Under certain circumstances, the HIRE Act will impose a withholding tax of 30% on payments of U.S. source income on, and the gross proceeds from a disposition of, the notes made to certain foreign entities unless various information reporting requirements are satisfied. These rules generally would apply to payments made after December 31, 2012. However, under the HIRE Act, the withholding and reporting requirements generally will not apply to payments made on, or gross proceeds from a disposition of, debt instruments outstanding as of March 18, 2012 (the Grandfather Date).

Despite the December 31, 2012 date set forth in the HIRE Act, the IRS has issued preliminary guidance indicating that the withholding tax on U.S. source income will not be imposed with respect to payments made prior to January 1, 2014 and that the withholding tax on gross proceeds from a disposition of debt instruments will not be imposed with respect to payments made prior to January 1, 2015. In addition, the IRS has released proposed regulations that would extend the Grandfather Date to January 1, 2013. These proposed regulations would be effective once finalized. Prospective investors should consult their tax advisors regarding the HIRE Act.

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THE PRECEDING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT LEGAL OR TAX ADVICE. ACCORDINGLY, PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN ADVISORS ON THE U.S. FEDERAL, STATE AND LOCAL, AND FOREIGN TAX CONSEQUENCES OF THEIR PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, AND ON THE CONSEQUENCES OF ANY CHANGES IN APPLICABLE LAW.

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UNDERWRITING (CONFLICTS OF INTEREST)

Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, are acting as joint book-running managers of this offering and as representatives of the underwriters named below.

Subject to the terms and conditions stated in the underwriting agreement dated March 29, 2012, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of notes set forth opposite the underwriter s name of the public offering price less the underwriting discount set forth on the cover page of this prospectus supplement.

Underwriter	Principal Amount of Notes
Deutsche Bank Securities Inc.	$ 169,230,771
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$ 147,692,309
Rabo Securities USA, Inc.	$ 15,384,615
BB&T Capital Markets, a division of Scott & Stringfellow, LLC	$ 15,384,615
Morgan Keegan & Company, Inc.	$ 15,384,615
The Williams Capital Group, L.P.	$ 15,384,615
Wells Fargo Securities, LLC	$ 5,384,615
RBC Capital Markets LLC	$ 5,384,615
PNC Capital Markets LLC	$ 5,384,615
SunTrust Robinson Humphrey, Inc.	$ 5,384,615
Total	$ 400,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the notes if they purchase any of the notes.

The underwriters propose to offer some of the notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the notes to dealers at the public offering price less a concession not to exceed 0.40% of the principal amount of the notes. The underwriters may allow, and dealers may reallow, a concession not to exceed 0.25% of the principal amount of the notes on sales to other dealers. After the initial offering of the notes to the public, the representatives may change the public offering price and concessions.

The following table shows the underwriting discount that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the notes).

	Paid by the company
Per note	0.650%

We estimate that our total expenses for this offering will be $1.0 million, excluding the underwriting discount.

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The notes are a new issue of securities with no established trading market. The notes will not be listed on any securities exchange or on any automated dealer quotation system. The underwriters may make a market in the notes after the distribution has been completed, but will not be obligated to do so and may discontinue any market-making activities at any time without notice to, or the consent of, noteholders. No assurance can be given that an active trading market for the notes will develop and be maintained. If an active trading market for the notes does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected.

In connection with this offering, the representatives, on behalf of the underwriters, may purchase and sell notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of notes in excess of the principal amount of notes to be purchased by the underwriters in this offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while this offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the representatives, in covering syndicate short positions or making stabilizing purchases, repurchase notes originally sold by that syndicate member.

Any of these activities, as well as other purchases by the underwriters for their own accounts**,** may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make in respect of any of those liabilities.

Conflicts of Interest

An affiliate of Deutsche Bank Securities Inc., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, and affiliates of certain other of the underwriters are lenders with respect to certain amounts currently outstanding under our revolving credit facility. Because more than 5% of the net proceeds of this offering may be received by affiliates of the underwriters, this offering is being conducted in compliance with FINRA Rule 5121. Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated will not confirm sales to any account over which it exercises discretionary authority without the prior written approval of the customer to which the account relates.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions. In particular, affiliates of Deutsche Bank Securities Inc.,

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Merrill Lynch, Pierce, Fenner & Smith Incorporated and certain other underwriters are parties to and lenders under our existing term and revolving credit facilities. Our term and revolving credit facilities were negotiated on an arms length basis and contain customary terms pursuant to which the lenders receive customary fees.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the EEA

In relation to each Member State of the European Economic Area (the EEA) which has implemented the Prospectus Directive (each, a Relevant Member State) an offer to the public of any securities which are the subject of the offering contemplated by this prospectus supplement (the Securities) may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Securities may be made under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospective Directive subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall result in a requirement for the publication by Flowers Foods or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of Securities within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of Securities through any financial intermediary, other than offers made by the underwriters which constitute the final offering of Securities contemplated in this prospectus supplement.

For the purposes of this provision and the buyer s representation below, the expression an offer to the public in relation to any Securities in any Relevant Member State means the

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communication in any form and by any means of sufficient information on the terms of the offer and any Securities to be offered so as to enable an investor to decide to purchase or subscribe any Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires, any Securities will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

(A) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(B) in the case of any Securities acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Securities acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives have been given to the offer or resale; or (ii) where Securities have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Securities to it is not treated under the Prospectus Directive as having been made to such persons.

Notice to Prospective Investors in the United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the FSMA)), in connection with the issue or sale of the Securities, has only been, and will only be, communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to Flowers Foods.

Anything done in relation to the Securities in, from or otherwise involving the United Kingdom, has been, and may only be done, in compliance with all applicable provisions of the FSMA.

This prospectus supplement is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) and (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) or (ii) high net worth companies or persons to whom it may otherwise be lawfully communicated falling within Article 49(2)(a) to (d) of the Order or (iii) other persons to whom it may be lawfully communicated in accordance with the Order (all such persons together being referred to as relevant persons). This prospectus supplement must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this prospectus supplement relates is only available to, and will be engaged in with, relevant persons.

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LEGAL MATTERS

Jones Day, Atlanta, Georgia, will pass upon certain legal matters for us in connection with the notes offered by this prospectus supplement. Sidley Austin LLP, New York, New York, will represent the underwriters in this offering.

EXPERTS

The financial statements and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement by reference to our Annual Report on Form 10-K for the year ended December 31, 2011 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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PROSPECTUS

Common Stock

Preferred Stock

Depositary Shares

Debt Securities

Purchase Contracts

Warrants

Units

We may offer and sell from time to time, in one or more offerings, together or separately:

- common stock;
- preferred stock;
- depositary shares;
- debt securities;
- purchase contracts;
- warrants; and
- units.

This prospectus describes some of the general terms that may apply to these securities. We will provide the specific terms of the securities and their offering prices in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you decide to invest in any of these securities.

Our common stock is traded on the New York Stock Exchange under the symbol FLO.

Our securities may be offered directly, through agents designated from time to time by us, or to or through underwriters or dealers. If any agents, underwriters or dealers are involved in the sale of any of our securities, their names, and any applicable purchase price, fee, commission or discount arrangement between or among them, will be set forth, or will be calculable from the information set forth, in the applicable prospectus supplement. None of our securities may be sold without delivery of the applicable prospectus supplement describing the method and terms of the offering of those securities.

Investing in these securities involves certain risks. See the section entitled Risk Factors in our annual report on Form 10-K for the fiscal year ended December 31, 2011, which is incorporated by reference herein.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 29, 2012

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (SEC) using a shelf registration process. This prospectus provides a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement and, if applicable, a pricing supplement, containing specific information about the terms of the securities being offered and the manner in which they may be offered. The prospectus supplement may include a discussion of any risk factors or other special considerations that apply to those securities. The prospectus supplement and any pricing supplement may also add to, update or change the information in this prospectus. If there is any inconsistency between the information in this prospectus and in a prospectus supplement, you should rely on the information in that prospectus supplement. You should read the entire prospectus, the prospectus supplement and any pricing supplement together with additional information described under the heading Where You Can Find More Information before making an investment decision.

You should rely only on the information provided in this prospectus, the related prospectus supplement, including any information incorporated by reference, and any pricing supplement. No one is authorized to provide you with information different from that which is contained, or deemed to be contained, in the prospectus, the related prospectus supplement and any pricing supplement. We are not making offers to sell securities in any jurisdiction in which an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make an offer or solicitation. You should not assume that the information in this prospectus, any prospectus supplement or any document incorporated by reference is accurate as of any date other than the date of the document in which the information is contained or other date referred to in that document, regardless of the time of sale or issuance of any security.

Unless otherwise specified or unless the context requires otherwise, all references in this prospectus to Flowers Foods, we, us, and our refer to Flowers Foods, Inc., a corporation organized in the state of Georgia, and its consolidated subsidiaries.

WHERE YOU CAN FIND MORE INFORMATION

Information incorporated by reference is deemed to be part of this prospectus, except for any information modified or superseded by information in any documents subsequently filed with the SEC or in the applicable prospectus supplement. The incorporated information is an important part of this prospectus, and information that we file with the SEC prior to the termination of the particular offering of securities pursuant to the applicable prospectus supplement will automatically update and modify or supersede, as applicable, this information. This prospectus incorporates by reference the information in the following documents (other than information deemed to have been furnished and not filed in accordance with SEC rules):

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2011;
- our Definitive Proxy Statement on Schedule 14A filed with the SEC on April 13, 2011;
- our Current Reports on Form 8-K filed with the SEC on February 29, 2012 other than information furnished under Items 2.02 or 7.01 of Form 8-K;
- the description of our common stock in our Form 10/A filed on February 9, 2001; and
- all documents subsequently filed with the SEC pursuant to Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended, prior to the termination of the particular offering of securities under the applicable prospectus supplement.

You may obtain without charge a copy of documents that are incorporated by reference in this prospectus by requesting them in writing at the following address: Flowers Foods, Inc., 1919 Flowers Circle, Thomasville,

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Georgia 31757, Attn: Investor Relations Department or by telephone at (229) 226-9110. These documents may also be accessed through our website at www.flowersfoods.com. Information contained on our website is not intended to be incorporated by reference in, and should not be considered a part of, this prospectus. We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. Any documents we file with the SEC also may be inspected and copied at the Public Reference Room of the SEC located at Room 1580, 100 F Street, N.E., Washington D.C. 20549. Copies of these documents may be obtained at prescribed rates from the Public Reference Room of the SEC located at Room 1580, 100 F Street, N.E., Washington D.C. 20549. For further information about the Public Reference Section, call 1-800-SEC-0330. Such materials may also be accessed electronically by means of the SEC s home page on the Internet (http://www.sec.gov).

FORWARD-LOOKING STATEMENTS

We have included certain information in, or incorporated by reference in, this prospectus that may be deemed forward-looking information as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to current expectations regarding our future financial condition, liquidity and results of operations and are often identified by the use of words and phrases such as anticipate, believe, continue, could, estimate, expect, intend, may, plan, predict, project, should, will, would, is likely to, is expected to negative of these terms, or other comparable terminology. These forward-looking statements are based upon assumptions we believe are reasonable.

Forward-looking statements are based on current information and are subject to risks and uncertainties that could cause our actual results to differ materially from those projected. Certain factors that may cause actual results to differ materially from those projected are discussed in this prospectus and the documents incorporated herein by reference and may include, but are not limited to:

- unexpected changes in any of the following: (1) general economic and business conditions; (2) the competitive setting in which we operate, including, advertising or promotional strategies by us or our competitors, as well as changes in consumer demand; (3) interest rates and other terms available to us on our borrowings; (4) energy and raw materials costs and availability and hedging counter-party risks; (5) relationships with or material costs related to our employees, independent distributors and third party service providers; and (6) laws and regulations (including environmental and health-related issues), accounting standards or tax rates in the markets in which we operate;

- the loss or financial instability of any significant customer(s);

- our ability to execute our business strategy, which may involve integration of acquisitions or the acquisition or disposition of assets at presently targeted values;

- our ability to operate existing, and any new, manufacturing lines according to schedule;

- the level of success we achieve in developing and introducing new products and entering new markets;

- changes in consumer behavior, trends and preferences, including health and whole grain trends, and the movement toward more inexpensive store-branded products;

- our ability to implement new technology and customer requirements as required;

- the credit and business risks associated with our independent distributors and customers which operate in the highly competitive retail food and foodservice industries, including the amount of consolidation in these industries;

changes in pricing, customer and consumer reaction to pricing actions, and the pricing environment among competitors within the industry;

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consolidation within the baking industry and related industries;

any business disruptions due to political instability, armed hostilities, incidents of terrorism, natural disasters, technological breakdowns, product contamination or the responses to, or repercussions from, any of these or similar events or conditions and our ability to insure against such events; and

regulation and legislation related to climate change that could affect our ability to procure our commodity needs or that necessitate additional unplanned capital expenditures.

The foregoing list of important factors does not include all such factors, nor necessarily present them in order of importance. In addition, you should consult other disclosures made by the company (such as in our other filings with the SEC) for other factors that may cause actual results to differ materially from those projected by the company. Please refer to the factors discussed under the caption Risk Factors in this prospectus and under the captions Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations in the Company s Form 10-K for the fiscal year ended December 31, 2011 for additional information regarding factors that could affect the company s results of operations, financial condition and liquidity. We caution you not to place undue reliance on forward-looking statements, as they speak only as of the date made and are inherently uncertain. The company undertakes no obligation to publicly revise or update such statements, except as required by law.

ABOUT FLOWERS FOODS

Flowers Foods currently operates two business segments: a direct-store-delivery segment (DSD segment) and a warehouse delivery segment (warehouse segment). The DSD segment operates 32 bakeries that market a wide variety of fresh bakery foods, including fresh breads, buns, rolls, tortillas, and snack cakes. These products are sold through a DSD route delivery system to retail and foodservice customers in the Southeast, Mid-Atlantic, and Southwest, as well as in select markets in the Northeast, California, and Nevada. The warehouse segment operates 9 bakeries and produces snack cakes and breads and rolls that are shipped both fresh and frozen to national retail, foodservice, vending, and co-pack customers through their warehouse channels. In addition, the warehouse segment operates a bakery mix plant.

Flowers Foods is a Georgia corporation and was founded in 1919. Our principal executive offices are located at 1919 Flowers Circle, Thomasville, Georgia 31757, and our telephone number at that address is (229) 226 9110. Our corporate website address is www.flowersfoods.com. The information on our website is not part of or incorporated by reference into this prospectus.

USE OF PROCEEDS

Unless otherwise indicated in the accompanying prospectus supplement, the net proceeds from the sale of the securities offered hereby will be used for general corporate purposes, which may include share repurchases, refinancing existing indebtedness, capital expenditures and possible acquisitions. We have not allocated a specific portion of the net proceeds for any particular use at this time. Specific information concerning the use of proceeds from the sale of any securities will be included in the prospectus supplement relating to such securities.

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RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratios of earnings to fixed charges for the indicated periods:

	Year Ended December 31,(a)				
	2011	2010	2009	2008	2007
Ratio of earnings to fixed charges(1)	6.7x	8.2x	7.7x	8.7x	8.2x

(a) Our fiscal year ends the Saturday nearest December 31st.

(1) For purposes of computing these ratios, earnings represents income from continuing operations before income taxes and the cumulative effect of changes in accounting principles plus interest expense and one-third of rent expense (which approximates the interest component of rental expense). Fixed charges consist of interest expense and the interest component of rental expense. We have not had any shares of preferred stock outstanding during any of these periods, and have not paid any preferred dividends. Therefore, our ratios of earnings to combined fixed charges and preferred dividends are the same as the ratios above.

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock is based upon our restated articles of incorporation (Articles of Incorporation), our amended and restated bylaws (Bylaws), each of which have been publicly filed with the SEC, and applicable provisions of law. We have summarized certain portions of the Articles of Incorporation and Bylaws below. The summary is not complete. You should read the Articles of Incorporation and Bylaws for the provisions that are important to you.

Our authorized capital stock consists of:

500,000,000 shares of common stock, $0.01 par value per share; and

1,000,000 shares of preferred stock (including 200,000 shares of Series A Junior Participating Preferred Stock (Series A Preferred Stock), $100 par value per share and 800,000 shares of preferred stock, $0.01 par value per share).

As of February 17, 2012, there were 136,004,016 shares of common stock issued and outstanding. No shares of our preferred stock are outstanding.

Common Stock

As of February 17, 2012, there were 136,004,016 shares of common stock issued and outstanding. The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Subject to preferential rights of any issued and outstanding preferred stock, including the Series A Preferred Stock, holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared by our Board of Directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding-up of Flowers Foods, holders of our common stock are entitled to share ratably in all assets, if any, remaining after payment of liabilities and the liquidation preferences of any issued and outstanding preferred stock, including the Series A Junior Preferred Stock. Holders of our common stock have no preemptive rights, no cumulative voting rights and no rights to convert their shares of our common stock into any other securities of Flowers Foods or any other person.

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Certain Provisions of the Articles of Incorporation, the Bylaws and Georgia Law

Advance Notice of Proposals and Nominations

The Bylaws establish an advance notice procedure for shareholder proposals to be brought before a meeting of shareholders and for nominations by shareholders of candidates for election as directors at an annual meeting or a special meeting at which directors are to be elected. As described more fully in the bylaws, only such business may be conducted at a meeting of shareholders as has been brought before the meeting by, or at the direction of, our Board of Directors, or by a shareholder who has given to the Corporate Secretary timely written notice, in proper form, of the shareholder s intention to bring that business before the meeting. The presiding officer at a shareholders meeting has the authority to make these determinations. Only persons who are nominated by, or at the direction of, our Board of Directors, or who are nominated by a shareholder who has given timely written notice, in proper form, to the Corporate Secretary prior to a meeting at which directors are to be elected will be eligible for election as our directors.

Supermajority Voting Provisions

Certain provisions of our Articles of Incorporation and Bylaws (e.g. removal of directors, classified board provision, special meetings) may not be amended or repealed by shareholders without the affirmative vote of the holders of at least 66 2/3% of the voting power of the then outstanding shares of common stock (and, in some instances, the outstanding shares of preferred stock voting together with the common stock, to the extent the outstanding shares of preferred stock are afforded voting rights and powers generally equal to the voting rights and powers of shares of common stock).

Certain Anti-Takeover Effects of Georgia Law

We have elected in our bylaws to be subject to the Fair Price and Business Combination provisions of the Georgia Business Corporation Code, or the GBCC. Under the Fair Price Provision, in addition to any vote required by law or by our Articles of Incorporation, business combinations with an interested shareholder must be:

- unanimously approved by continuing directors , if such continuing directors constitute at least three members of the board of directors at the time of the approval, or
- recommended by at least two-thirds of the continuing directors and approved by a majority of the votes entitled to be cast by holders of voting shares, other than voting shares beneficially owned by the interested shareholder, unless fair price criteria are met.

Under the Business Combinations provision, we are generally prohibited from entering into business combination transactions with any interested shareholder for a five-year period following the time that such shareholder became an interested shareholder unless:

- prior to such time, the board of directors approved either the business combination or the transaction in which the shareholder became an interested shareholder;
- in the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder became the beneficial owner of at least 90% of the outstanding voting stock of the corporation which was not held by directors, officers, their affiliates or associates, subsidiaries or specified employee stock plans of the corporation; or
- after becoming an interested shareholder, that shareholder acquired additional shares resulting in that shareholder owning at least 90% of the outstanding voting stock of the corporation, excluding shares held by directors, officers, their affiliates or associates, subsidiaries or specified employee stock plans of the corporation, and the business combination was approved by a majority of voting stock not held by the interested shareholder, directors, officers, their affiliates or associates, subsidiaries or specified employee stock plans of the corporation.

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Under the GBCC, repeal of the bylaws subjecting us to these provisions requires the affirmative vote of (i) at least 2/3 of the continuing directors, (ii) a majority of the shares of Flowers Foods other than shares beneficially owned by any interested shareholder and affiliates and associates of any interested shareholder, and (iii) 66 2/3% of the voting power of the then outstanding shares of Flowers Foods common stock and preferred stock voting together, to the extent shares of preferred stock have been afforded voting rights. A continuing director means (i) any director who is not an affiliate or associate of an interested shareholder or its affiliates other than Flowers Foods or our subsidiaries and who was a director prior to the date the shareholder became an interested shareholder, and (ii) any successor to that director who is not an affiliate or associate of an interested shareholder or its affiliates other than Flowers Foods or our subsidiaries and who is recommended or elected by a majority of all the continuing directors. An interested shareholder includes any person other than Flowers Foods or our subsidiaries that (i) with its affiliates, beneficially owns or has the right to own 10% or more of the outstanding voting power of Flowers Foods, or (ii) is an affiliate of Flowers Foods and has, at any time within the preceding two-year period, been the beneficial owner of 10% or more of the voting power of Flowers Foods.

Transfer Agent and Registrar

Computershare Trust Company N.A. is the transfer agent and registrar for our common stock.

DESCRIPTION OF PREFERRED STOCK

Our board of directors is authorized, to the fullest extent permitted by law, to establish out of our authorized 1,000,000 shares of preferred stock, one or more classes or series of preferred stock, having such relative rights, preferences, limitations and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series of the designation of such series, as our Board of Directors shall determine without further vote or action by the shareholders. Pursuant to such authority, the Board of Directors has designated 200,000 shares of preferred stock as Series A Junior Participating Preferred Stock.

The specific terms of any preferred stock to be sold under this prospectus will be described in the applicable prospectus supplement. If so indicated in such prospectus supplement, the terms of the preferred stock offered may differ from the general terms set forth below. The preferred stock offered will, when issued, be fully paid and nonassessable.

You should read the applicable prospectus supplement for the terms of the preferred stock offered. The terms of the preferred stock set forth in such prospectus supplement may include the following, as applicable to the preferred stock offered thereby:

- the designation of the series of preferred stock, which may be by distinguishing number, letter or title;
- the number of shares of such preferred stock offered, the liquidation preference per share and the offering price of such preferred stock;
- the dividend rate or rates of such shares, the date at which dividends, if declared, will be payable, and whether or not such dividends are to be cumulative and, if cumulative, the date or dates from which dividends shall be cumulative;
- the amounts payable on shares of such preferred stock in the event of voluntary or involuntary liquidation, dissolution or winding up;
- the redemption rights and price or prices, if any, for the shares of such preferred stock;
- the terms and amount of any sinking fund or analogous fund providing for the purchase or redemption of the shares of such preferred stock, if any;

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the voting rights, if any, granted to the holders of the shares of such preferred stock in addition to those required by Georgia law or our Articles of Incorporation;

whether the shares of preferred stock shall be convertible into shares of our common stock or any other class of our capital stock, and if convertible, the conversion price or prices, any adjustment thereof and any other terms and conditions upon which such conversion shall be made;

any other rights, preferences, restrictions, limitations or conditions relating to the shares of preferred stock as may be permitted by Georgia law or our Articles of Incorporation;

any listing of such preferred stock on any securities exchange; and

a discussion of federal income tax considerations applicable to such preferred stock.

Our authorized shares of common stock and preferred stock are available for issuance without further action by our shareholders, unless such action is required by applicable law or the rules of the stock exchange on which our securities may be listed or traded. If the approval of our shareholders is not required for the issuance of shares of our common stock or preferred stock, our Board of Directors may determine to issue shares without seeking shareholder approval.

The issuance of preferred stock may have the effect of delaying or preventing a change in control of us without further action by our shareholders. The issuance of shares of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of our common stock.

DESCRIPTION OF DEBT SECURITIES

This section summarizes the general terms of the debt securities that we may offer. The prospectus supplement relating to any particular debt securities offered will describe the specific terms of the debt securities, which may be in addition to or different from the general terms summarized in this section. The summary in this section and in any prospectus supplement does not describe every aspect of the indenture or the debt securities and is subject to and qualified in its entirety by reference to all the provisions of the indenture and the debt securities. The form of the indenture is filed as an exhibit to the registration statement of which this prospectus forms a part. See Where You Can Find More Information for information on how to obtain a copy.

The prospectus supplement relating to any series of debt securities will describe the terms of any series of debt securities being offered, including:

the title of the series (which will distinguish the debt securities of that particular series from the debt securities of any other series but which may be part of a series of debt securities previously issued);

the price or prices (expressed as a percentage of the principal amount thereof) at which the debt securities of the series will be issued;

the denominations in which the debt securities of the series will be issuable if other than denominations of $2,000 and any integral multiples of $1,000 in excess thereof;

any limit upon the aggregate principal amount of the debt securities of the series that may be authenticated and delivered under the indenture (except for debt securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other debt securities of the series pursuant to the indenture);

whether the debt securities of the series will be issuable as global securities, the terms and conditions, if any, upon which such global securities may be exchanged in whole or in part for debt securities of such series in certificated form registered in the names of the individual holders thereof, the depositary for such global securities, and the form of any legend or legends to be borne by any such global securities in addition to or in lieu of the legend set forth in the indenture;

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the date or dates on which the principal of the debt securities of the series is payable;

(i) the rate or rates, if any, at which the debt securities of the series will bear interest (which may be fixed or variable); (ii) the manner in which the amounts of payment of principal (including amounts payable in excess thereof) or interest, if any, on the debt securities of the series will be determined, if such amounts may be determined by reference to any commodity or commodity, currency, stock exchange or financial index; (iii) the date or dates from which interest, if any, will accrue; (iv) the date or dates on which interest, if any, of the debt securities of the series will commence and be payable; and (v) any regular or special record date for the payment of interest, if any, on the debt securities of the series;

(i) if other than in U.S. dollars, the currency in which debt securities of a series are denominated, which may include any foreign currency or any composite of two or more currencies; and (ii) the currency or currencies in which payments on such debt securities are payable, if other than the currency in which such debt securities are denominated;

the place or places where the principal of and interest, if any, on the debt securities of the series shall be payable, or the method of such payment, if by wire transfer, mail or other means;

any depositaries, interest rate calculation agents or other agents with respect to debt securities of such series if other than those appointed in the indenture;

if applicable, the period or periods within which, the price or prices at which and the terms and conditions upon which the debt securities of the series may be redeemed, purchased or repaid, in whole or in part, at the option of Flowers Foods;

our obligation, if any, to redeem, purchase or repay the debt securities of the series pursuant to any sinking fund or analogous provisions or at the option of a holder thereof upon the happening of any event and the period or periods within which, the price or prices at which and the terms and conditions upon which debt securities of the series will be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;

if other than the principal amount thereof, the portion of the principal amount of the debt securities of the series that will be payable upon acceleration of the maturity thereof pursuant to the indenture;

any addition to or change in the covenants (and related defined terms) set forth in the indenture that applies to debt securities of the series;

any addition to or change in the events of default that applies to any debt securities of the series and any change in the right of the trustee or the requisite holders of such debt securities to declare the principal amount thereof due and payable pursuant to the indenture;

the provisions relating to any security provided for the debt securities of the series;

the subordination, if any, of the debt securities of the series pursuant to the indenture;

the form and terms of any guarantee of the debt securities of the series and the subordination, if any, of such guarantees pursuant to the indenture;

if and as applicable, the terms and conditions of any right to exchange for or convert debt securities of the series into shares of our common stock or other securities or another person; and

any other terms of the debt securities of the series.

The terms of any series of debt securities may vary from the terms described here. Thus, this summary also is subject to and qualified by reference to the description of the particular terms of the debt securities to be described in the prospectus supplement.

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Payment and Paying Agents

We will pay interest to holders listed in the trustee s records at the close of business on a particular day in advance of each due date for interest, even if such holders no longer own the debt security on the interest due date. We may choose to pay interest, principal and any other money due on the debt securities at the corporate trust office of the trustee. Payments in any other manner will be specified in the prospectus supplement.

We may also arrange for additional payment offices, and may cancel or change these offices, including our use of the trustee s corporate trust office. These offices are called paying agents. We may also choose to act as our own paying agent. We will notify the trustee of changes in the paying agents for any particular series of debt securities.

Merger, Consolidation or Sale of Assets

Unless otherwise specified in the applicable prospectus supplement, Flowers Foods will not: (i) consolidate or merge with or into another person or (ii) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of its and its subsidiaries properties or assets taken as a whole, in one or more related transactions, to another person, unless:

- either: (a) Flowers Foods is the surviving entity; or (b) the person formed by or surviving any such consolidation or merger (if other than Flowers Foods) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is a corporation, partnership or limited liability company organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

- the person formed by or surviving any such consolidation or merger (if other than Flowers Foods) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of Flowers Foods under the debt securities and the indenture pursuant to agreements reasonably satisfactory to the trustee; and

- immediately after such transaction, no default or event of default exists (other than in the case of: (i) a merger of Flowers Foods with an affiliate solely for the purpose of reincorporating Flowers Foods in another jurisdiction; or (ii) any consolidation or merger, or any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among Flowers Foods and its subsidiaries).

Modification of the Indenture

Unless otherwise specified in the applicable prospectus supplement, Flowers Foods and the trustee may amend or supplement the indenture or the debt securities of a series without the consent of any holder of debt securities:

- to cure any ambiguity, defect or inconsistency, provided that no such action shall adversely affect the interests of the holders in any material respect;

- to comply with the indenture s provisions regarding merger, consolidation or sale of assets;

- to provide for uncertificated debt securities in addition to or in place of certificated debt securities;

- to evidence the assumption of our obligations under the indenture and the debt securities by a successor thereto in the case of a consolidation or merger or a sale, assignment, transfer, conveyance or other disposition of all or substantially all of our and our subsidiaries properties or assets, taken as a whole;

to comply with the provisions of any clearing agency, clearing corporation or clearing system, or the requirements of the trustee or the registrar, relating to transfers and exchanges of the debt securities pursuant to the indenture;

to make any change that would provide any additional rights or benefits to the holders of the debt securities of a series, that would surrender any right, power or option conferred by the indenture on

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Flowers Foods or, with respect to matters or questions arising under the indenture or the debt securities, that does not adversely affect in any material respect the legal rights of any holder of such debt securities;

to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

to conform the text of the indenture (only with respect to debt securities of such series) or any board resolution, supplemental indenture or officer s certificate with respect to the debt securities of such series to the description of notes contained in the offering document pursuant to which such debt securities were sold;

to provide for the issuance of and establish the form and terms and conditions of debt securities of any series as permitted by the indenture;

in the case of subordinated debt securities, to make any change in the provisions of the indenture or any supplemental indenture relating to subordination that would limit or terminate the benefits available to any holder of senior indebtedness under such provisions; *provided* that such change is made in accordance with the provisions of such senior indebtedness;

to add to, change or eliminate any of the provisions of the indenture with respect to any series of debt securities; although no such addition, change or elimination may apply to any series of debt security created prior to the execution of such amendment and entitled to the benefit of such provision, nor may any such amendment modify the legal rights of a holder of any such debt security with respect to such provision, unless the amendment becomes effective only when there is no outstanding debt security of any series created prior to such amendment and entitled to the benefit of such provision;

to secure Flowers Foods obligations under the debt securities and the indenture;

to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the debt securities of one or more series and to add to or change any of the provisions of the indenture as may be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee; or

to allow any guarantor to execute a supplemental indenture or a guarantee with respect to the debt securities.

Unless otherwise specified in the applicable prospectus supplement, Flowers Foods and the trustee may, with the consent of the holders of a majority in aggregate principal amount of the outstanding debt securities of a series, amend or supplement the indenture or the debt securities of such series or the rights of the holders of the debt securities of such series. Without the consent of the holder of each debt security affected, no amendment, supplemental indenture or waiver may be made that, as to any non-consenting holders:

reduces the percentage of principal amount of outstanding securities whose holders must consent to an amendment, supplemental indenture or waiver;

reduces the rate of interest on the securities or changes the index or reduces the spread applicable to any floating rate securities;

reduces the principal amount of or premium, if any, on the securities or changes the stated maturity of any of the securities;

changes the place, manner or currency of payment of principal of or premium, if any, or interest on the securities;

makes any change in the provisions of the indenture relating to seniority or subordination of any security that adversely affects the rights of any holder under such provisions;

reduces the principal amount of discount securities payable upon acceleration of the maturity thereof;

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waives a default or event of default in the payment of the principal of or premium, if any, or interest on the securities (except a rescission of the declaration of acceleration of the securities of any series by the holders of a majority in principal amount of the outstanding securities of such series and a waiver of the payment default resulting from such declaration that has been rescinded);

makes any change in the provisions of the indenture relating to waivers of past defaults or the rights of holders of securities to receive payments of principal of or premium, if any, or interest on the securities or the right to institute suit for the enforcement of any such payments;

waives a payment with respect to any securities payable on redemption at the option of Flowers Foods or repurchase at the option of the holder thereof or changes any of the provisions with respect to the redemption or repurchase of any securities; or

makes any change in the amendment and waiver provisions of the indenture requiring the consent of the holder of each security affected thereby.

Events of Default and Remedies

Unless otherwise specified in the applicable prospectus supplement, the indenture provides that events of default regarding the debt securities of any series will be:

default for 30 days in the payment when due of interest on debt securities of that series;

default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the debt securities of that series;

failure by Flowers Foods to comply with any non-payment covenant in the indenture (other than a covenant that has been included in the indenture solely for the benefit of a series of debt securities other than that series) after the trustee notifies Flowers Foods, or the holders of at least 25% in aggregate principal amount of the debt securities of that series then outstanding voting as a single class notify Flowers Foods and the trustee, of such default and Flowers Foods does not cure such default or such default is not waived within 60 days after the receipt of such notice;

default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by Flowers Foods, whether such indebtedness now exists, or is created after the date of the indenture, if that default:

is caused by a failure to pay principal of, or interest or premium, if any, on, such indebtedness prior to the expiration of the grace period provided in such indebtedness following the stated maturity of such obligation (a payment default); or

results in the acceleration of such indebtedness prior to its stated maturity,

and, in each case, the principal amount of any such indebtedness, together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates to such amount as may be set forth in the applicable prospectus supplement;

certain events of bankruptcy or insolvency described in the indenture with respect to Flowers Foods or any of its significant subsidiaries or any group of subsidiaries of Flowers Foods that, taken together, would constitute a significant subsidiary; and

any other event of default provided with respect to debt securities of that series, which is specified in the applicable prospectus supplement.

If an event of default (other than pursuant to the bankruptcy or insolvency provisions of the indenture with respect to Flowers Foods) with respect to debt securities of any series issued under the indenture should occur and be continuing, either the trustee or the holders of at least 25% in the principal amount (or, if such securities are discount securities, such portion of the principal amount as specified in the applicable prospectus supplement)

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of the then outstanding debt securities of such series may declare each debt security of that series due and payable immediately. If a bankruptcy or insolvency event occurs with respect to Flowers Foods, the debt securities of such series will immediately become due and payable without any declaration or other act on the part of the trustee or the holders of the debt securities of such series. The holders of a majority in principal amount of the then outstanding debt securities of such series may rescind any acceleration and its consequences (other than with respect to an event of default pursuant to the bankruptcy or insolvency provisions of the indenture with respect to Flowers Foods) if (1) the rescission would not conflict with any judgment or decree, (2) Flowers Foods has paid or deposited with the trustee a sum sufficient to pay in the currency in which the debt securities of that series are payable (A) all overdue interest, if any, on all outstanding debt securities of that series, (B) all unpaid principal of and premium, if any, any outstanding debt securities of that series which has become due otherwise than by such a declaration of acceleration, and interest on such unpaid principal or premium at the rate or rates prescribed therefor in such notes or, if no such rate or rates are so prescribed, at the rate borne by the debt securities during the period of such default, and (C) to the extent that payment of such interest is enforceable under applicable law, interest upon overdue interest to that date of such payment or deposit at the rate or rates prescribed therefor in such debt securities, or, if no such rate or rates are so prescribed, at the rate borne by the debt securities during the period of such default and (3) all existing events of default (other than for nonpayment of principal, premium, if any, or interest that has become due solely because of the acceleration) have been cured or waived.

The holders of a majority in aggregate principal amount of the then outstanding debt securities of any series may direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee under the indenture. The holders of a majority in aggregate principal amount of the then outstanding debt securities of any series also will be entitled to waive past defaults regarding such debt securities, except for a default in payment of principal of or premium, if any, or interest on such debt securities or in respect of a covenant or provision that cannot be modified or amended hereunder without the consent of the holder of each such debt security. The trustee generally may not be ordered or directed by any of the holders of debt securities to take any action unless one or more of the holders shall have offered to the trustee indemnity or security reasonably satisfactory to it.

If the trustee collects any money in connection with an event of default regarding the debt securities of any series, the trustee may use any sums that it holds under the applicable indenture for its own reasonable compensation and expenses incurred prior to paying the holders of debt securities of such series.

Before any holder of debt securities of any series may institute action for any remedy, except payment on the holder s debt security when due, the holders of not less than 25% in principal amount of the debt securities of that series outstanding must request the trustee to take action. Holders must also offer and give the trustee security or indemnity reasonably satisfactory to it against liabilities incurred by the trustee for taking such action.

Legal Defeasance and Covenant Defeasance

Unless otherwise specified in the applicable prospectus supplement, Flowers Foods may at any time elect to have all of its obligations and certain other provisions discharged with respect to the outstanding debt securities (*legal defeasance*) except for the rights of holders of outstanding debt securities to receive payments in respect of the principal of or premium, if any, or interest on, such debt securities when such payments are due from the trust referred to below, certain other obligations of Flowers Foods and certain other rights of the trustee under the indenture.

In addition, Flowers Foods may at any time elect to have the obligations of Flowers Foods released with respect to certain covenants and thereafter any omission to comply with those covenants will not constitute a default or event of default with respect to the debt securities (*covenant defeasance*). In the event covenant defeasance occurs, certain events described under Events of Default and Remedies (not including non-payment) will no longer constitute an event of default with respect to the debt securities.

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In order to exercise either legal defeasance or covenant defeasance in respect of any series of debt securities, in addition to the satisfaction of other conditions, Flowers Foods must irrevocably deposit with the trustee for the benefit of the holders of such debt securities to be defeased money in amounts as will be sufficient to pay the principal of and premium, if any, and interest on the outstanding debt securities of such series on the stated date for payment thereof or on the applicable redemption date, as the case may be. In addition, Flowers Foods must deliver to the trustee an opinion of counsel and officer s certificate in connection with such defeasance, and Flowers Foods may not exercise such defeasance if certain defaults or events of default with respect to debt securities of such series have occurred and are continuing on the date of such deposit or if such defeasance would result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture) to which Flowers Foods or any of its subsidiaries is a party or by which Flowers Foods or any of its subsidiaries is bound.

Satisfaction and Discharge

Unless otherwise specified in the applicable prospectus supplement, the indenture will be discharged and will cease to be of further effect with respect to the debt securities of a particular series, when:

either:

all debt securities of such series that have been authenticated and, except for lost, stolen or destroyed debt securities of such series that have been replaced or paid and debt securities of such series for whose payment money has been deposited in trust or segregated and held in trust by Flowers Foods and thereafter repaid to Flowers Foods, have been delivered to the trustee for cancellation; or

all debt securities of such series that have not been delivered to the trustee for cancellation:

have become due and payable;

will become due and payable at their stated maturity within one year; or

if redeemable in accordance with the terms of such debt securities, are to be called for redemption within one year under arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee in Flowers Foods name, and at Flowers Foods expense;

and Flowers Foods has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders of debt securities of such series, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness (including all principal, premium, if any, and interest) on such series of debt securities delivered to the trustee for cancellation (in the case of debt securities of such series that have become due and payable on or prior to the date of such deposit) or to the stated maturity or redemption date, as the case may be:

Flowers Foods has paid or caused to be paid all other sums payable by it under the indenture in respect of the debt securities of such series; and

Flowers Foods has delivered irrevocable instructions to the trustee under the indenture to apply the deposited money toward the payment of such debt securities at stated maturity or on the redemption date, as the case may be.

In addition, Flowers Foods must deliver an officer s certificate and an opinion of counsel to the trustee stating that all conditions precedent to satisfaction and discharge of the debt securities have been satisfied.

Subordination

If specified in the applicable prospectus supplement, the debt securities of a series may be subordinated, which we refer to as subordinated debt securities, to senior indebtedness (as defined in the applicable prospectus supplement) to the extent set forth in the prospectus supplement relating thereto. To the extent we conduct operations through subsidiaries, the holders of debt securities (whether or not subordinated debt securities) will be structurally subordinated to the creditors and any preferred equity holders of our subsidiaries.

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Conversion and Exchange Rights

If specified in the applicable prospectus supplement, the debt securities of a series may be convertible into or exchangeable for common stock or other securities of Flowers Foods or another entity. We will describe in the applicable prospectus supplement, among other things, the conversion or exchange rate or price and any adjustments thereto, the conversion or exchange period or periods, provisions as to whether conversion or exchange will be mandatory, at our option or at the option of the holders of that series of debt securities, and provisions affecting conversion or exchange in the event of the redemption of that series of debt securities.

Guarantees

Except to the extent otherwise provided in the applicable prospectus supplement, our obligations under the debt securities and the indenture will not be guaranteed by any of our subsidiaries.

Reporting

Unless otherwise specified in the applicable prospectus supplement, the indenture requires Flowers Foods to provide the trustee with a copy of the reports, information and documents that it files with the Commission pursuant to Section 13 or 15(d) of the Exchange Act within 15 days after it files the same with the Commission. Documents filed by Flowers Foods with the Commission via the EDGAR system will be deemed filed with the trustee as of the time such documents are filed via EDGAR. Delivery of such reports, information and documents to the trustee is for informational purposes only, and the trustee s receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including Flowers Foods compliance with any of the covenants under the indenture. Flowers Foods will also comply with Section 314(a) of the Trust Indenture Act. Notwithstanding anything in the indenture to the contrary, Flowers Foods will not be deemed to have failed to comply with any of its agreements under this covenant for purposes of the third bullet under Events of Default and Remedies until 90 days after the date any report, information or document is required to be filed with the Commission pursuant to this covenant.

Further Issues

Unless specified otherwise with respect to a series of debt securities in a prospectus supplement, Flowers Foods may from time to time, without notice to or the consent of the registered holders of a series of debt securities, create and issue further debt securities ranking equally with the debt securities of any series in all respects (or in all respects other than the payment of interest accruing prior to the issue date of such further debt securities or except for the first payment of interest following the issue date of such further debt securities). Such further debt securities may be consolidated and form a single series with, and have the same terms as to status or otherwise as, such previously issued debt securities.

Form, Exchange, Registration and Transfer

The debt securities will be issued only in registered form. Debt securities of a series will either be global securities registered in book-entry form or definitive certificates registered in the name of the holders thereof. Procedures relating to global securities are described below under Book-Entry Procedures and Settlement. Unless otherwise provided in the applicable prospectus supplement, debt securities denominated in United States dollars will be issued only in denominations of $2,000 and integral multiples of $1,000 in excess thereof. The prospectus supplement relating to offered securities denominated in a foreign or composite currency will specify the denomination of the offered securities.

Debt securities represented by a paper certificate may be presented for exchange or transfer at the office of the registrar. Holders will not have to pay any service charge for any registration of transfer or exchange of their certificates, but Flowers Foods may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with such registration of transfer.

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Book-Entry Procedures and Settlement

The debt securities initially will be issued in book-entry form only and represented by one or more global securities registered in the name of, and deposited with a custodian for, The Depository Trust Company, or DTC, or its nominee. DTC or its nominee will be the sole registered holder of the debt securities for all purposes under the indenture. Owners of beneficial interests in the debt securities represented by the global securities will hold their interests pursuant to the procedures and practices of DTC. As a result, beneficial interests in these securities will be shown on, and may only be transferred through, records maintained by DTC and its direct and indirect participants and any such interest may not be exchanged for certificated securities, except in limited circumstances. Owners of beneficial interests must exercise any rights in respect of their interests in accordance with the procedures and practices of DTC. Beneficial owners will not be holders and will not be entitled to any rights provided to the holders of debt securities under the global securities or the indenture. Flowers Foods and the trustee, and any of their respective agents, may treat DTC as the sole holder and registered owner of the global securities under the terms of the indenture.

Concerning the Trustee

Flowers Foods will enter into the indenture with a trustee that is qualified to act under the Trust Indenture Act of 1939, as amended, and with any other trustee chosen by it and appointed in a supplemental indenture of a particular series of debt securities. The trustee may engage in transactions with, or perform services for, Flowers Foods and its affiliates in the ordinary course of business.

Governing Law

The debt securities and the indenture will be governed by, and construed in accordance, with the laws of the State of New York without regard to conflicts of law principles thereof.

DESCRIPTION OF OTHER SECURITIES

We will set forth in an applicable prospectus supplement a description of the material terms of any depositary shares, warrants, purchase contracts or units that may be offered pursuant to this prospectus.

PLAN OF DISTRIBUTION

We may sell the securities being offered by this prospectus through agents, underwriters and dealers, or through a combination of those means. Additionally, securities may be sold to other purchasers directly or through agents, or in another manner as described in the applicable prospectus supplement. The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

Offers to purchase securities may be solicited by agents designated by us from time to time. Any such agent involved in the offer or sale of any of the securities covered by this prospectus will be named, and any commissions payable by us to such agent set forth, in the applicable prospectus supplement. Agents may be entitled under agreements that may be entered into with us to indemnification by us against certain liabilities, including liabilities under the Securities Act of 1933, and such agents or their affiliates may be customers of, extend credit to or engage in transactions with or perform services for us in the ordinary course of business.

If any underwriters are utilized in the sale, securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. We will enter into an underwriting agreement with those underwriters at the time of sale to them and the names of the underwriters and the terms of the transaction will be set forth in the applicable prospectus supplement. This prospectus supplement will be used by the underwriters to make resales of the securities covered by this prospectus to the public. The underwriters may be entitled, under the relevant

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underwriting agreement, to indemnification by us against certain liabilities, including liabilities under the Securities Act, and the underwriters or their affiliates may be customers of, extend credit to or engage in transactions with, or perform services for, us in the ordinary course of business.

If dealers are utilized in the sale of the securities in respect of which this prospectus is delivered, we will sell such securities to such dealers, as principal. The dealers may then resell the securities to the public at varying prices to be determined by the dealers at the time of resale. Dealers may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act, and those dealers or their affiliates may be customers of, extend credit to or engage in transactions with, or perform services for, us in the ordinary course of business.

We may directly solicit offers to purchase the securities and we may make sales of securities directly to institutional investors or others. These persons may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale of the securities. To the extent required, the applicable prospectus supplement will describe the terms of any such sales, including the terms of any bidding or auction process, if used.

In connection with the sale of any of these securities, underwriters, dealers or agents may receive compensation from us or from purchasers of securities for whom they may act as agents in the form of discounts, concessions or commissions. Underwriters may sell securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of securities may be deemed to be underwriters within the meaning of the Securities Act, and any discounts or commissions received by them from us and any profit on the resale of securities by them, may be deemed to be underwriting discounts and commissions under the Securities Act.

Any person participating in the distribution of common stock registered under the registration statement that includes this prospectus will be subject to applicable provisions of the Exchange Act, and the applicable SEC rules and regulations, including, among others, Regulation M, which may limit the timing of purchases and sales of any of our common stock by any such person. Furthermore, Regulation M may restrict the ability of any person engaged in the distribution of our common stock to engage in market-making activities with respect to our common stock. These restrictions may affect the marketability of our common stock and the ability of any person or entity to engage in market-making activities with respect to our common stock.

Certain persons participating in an offering may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act that stabilize, maintain or otherwise affect the price of the offered securities. If any such activities will occur, they will be described in the applicable prospectus supplement.

VALIDITY OF SECURITIES

Unless otherwise indicated in a supplement to this prospectus, the validity of the securities offered by this prospectus will be passed upon for us by Jones Day, Atlanta Georgia.

EXPERTS

The financial statements and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to our Annual Report on Form 10-K for the year ended December 31, 2011 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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$400,000,000

4.375% Senior Notes due 2022

PROSPECTUS SUPPLEMENT

Joint Book-Running Managers

Deutsche Bank Securities

BofA Merrill Lynch

Co-managers

BB&T Capital Markets **Morgan Keegan**

Rabo Securities **The Williams Capital Group, L.P.**

PNC Capital Markets LLC

RBC Capital Markets

SunTrust Robinson Humphrey

Wells Fargo Securities

March 29, 2012